

CIM Commercial Trust Corp  
Form 424B3  
August 14, 2017

**Filed Pursuant to Rule 424(b)(3)**

**Registration No. 333-210880**

**CIM COMMERCIAL TRUST CORPORATION**

**SUPPLEMENT NO. 9, DATED AUGUST 14, 2017,**

**TO THE PROSPECTUS, DATED JULY 1, 2016**

This prospectus supplement (this Supplement No. 9) is part of the prospectus of CIM Commercial Trust Corporation (the Company), dated July 1, 2016 (the Prospectus), as supplemented by Supplement No. 6, dated April 14, 2017 (Supplement No. 6), Supplement No. 7, dated May 12, 2017 (Supplement No. 7), and Supplement No. 8, dated July 14, 2017 (Supplement No. 8). This Supplement No. 9 supplements certain information contained in the Prospectus. This Supplement No. 9 should be read, and will be delivered, with the Prospectus, Supplement No. 6, Supplement No. 7 and Supplement No. 8. Unless otherwise defined in this Supplement No. 9, capitalized terms used in this Supplement No. 9 shall have the same meanings as set forth in the Prospectus.

The purpose of this Supplement No. 9 is to:

- update the Applicable NAV, as defined in the Prospectus; and
  - attach as Annex A the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (excluding the exhibits thereto) filed with the Securities and Exchange Commission on August 9, 2017.
-

**PROSPECTUS UPDATES****Estimated Net Asset Value**

*The following disclosure replaces in its entirety the Estimated Net Asset Value section of the Prospectus:*

As of the date hereof, we have established an estimated NAV per share of Common Stock of \$22.56. Neither FINRA nor the SEC provides rules on the methodology we must use to determine our estimated NAV per share. The determination of estimated NAV involves a number of subjective assumptions, estimates and judgments that may not be accurate or complete. We believe there is no established practice among public REITs for calculating estimated NAV. Different firms using different property-specific, general real estate, capital markets, economic and other assumptions, estimates and judgments could derive an estimated NAV that could be significantly different from our estimated NAV. Thus, other public REITs' methodologies used to calculate estimated NAV may differ materially from ours. Additionally, the estimated NAV does not give effect to changes in value, investment activities, capital activities, indebtedness levels, and other various activities occurring after June 30, 2017 that would have an impact on our estimated NAV.

**Overview**

The estimated NAV per share of \$22.56 was calculated by our Advisor, relying in part on appraisals of our real estate investments and the assets of our lending segment. The table below sets forth the material items included in the calculation of our estimated NAV.

		(\$ in thousands, except per <u>share amount</u> ) (unaudited)
Investments in real estate at fair value (1)	\$	2,019,159
Loans receivable at fair value (1)		72,080
Debt (1)		(872,461)
Cash and other assets net of other liabilities (1)		95,065
Redeemable preferred stock (1)		(7,050)
Noncontrolling interests (1)		(1,047)
<b>Estimated NAV available to common shareholders</b>	<b>\$</b>	<b>1,305,746</b>
<b>Shares of Common Stock outstanding (1)</b>		<b>57,875,848</b>
<b>Estimated NAV per share of Common Stock</b>	<b>\$</b>	<b>22.56</b>

(1) As of June 30, 2017.

We engaged various third party appraisal firms to perform appraisals of our real estate investments and the assets of our lending segment as of December 31, 2016. These appraisals were performed in accordance with standards set forth by the American Institute of Certified Public Accountants. Each of our appraisals were prepared by personnel who are subject to and in compliance with the code of professional ethics and the standards of professional conduct set forth by the certification programs of the professional appraisal organizations of which they are

members.

The estimated per share NAV does not represent the fair value of our assets less liabilities in accordance with U.S. generally accepted accounting principles, and such estimated per share NAV is not a representation, warranty or guarantee that (i) the exercise price for the Warrants, which is established based on Applicable NAV, will be indicative of the price at which the shares of Common Stock for which the Warrants may be exercised would trade, or that the shares of Common Stock would trade at the estimated per share NAV; (ii) a stockholder would be able to realize an amount equal to the estimated per share NAV if such stockholder attempts to sell his or her shares of Common Stock; (iii) a stockholder would ultimately realize distributions per share equal to the estimated per share NAV upon our liquidation or sale; or (iv) a third party would offer the estimated per share NAV in an arm's-length transaction to purchase all or substantially all of our shares of Common Stock.

Further, the estimated per share NAV was calculated as of a moment in time, and, although the values of shares of our Common Stock will fluctuate over time as a result of, among other things, developments related to individual assets, purchases and sale of additional assets, changes in the real estate and capital markets, distribution by us and changes in corporate policies and strategies, we do not undertake to update the estimated per share NAV on a regular basis.

---

***Fair Value of Real Estate***

As of June 30, 2017, our real estate portfolio consisted of (i) 20 office properties (including one parking garage and two development sites, one of which is being used as a parking lot), totaling approximately 4.1 million rentable square feet, (ii) two multifamily properties comprised of 418 units, and (iii) one hotel with 503 rooms. As of June 30, 2017, our investments in real estate had an aggregate estimated fair value of approximately \$2,019,159,000, which, except for two multifamily properties and two office properties held for sale at August 11, 2017, are based on appraisals obtained as of December 31, 2016 plus capital expenditures, at cost, incurred thereafter.

The fair values of all our real estate assets, with the exception of our parking garage, the two development sites and the two multifamily properties and two office properties held for sale at August 11, 2017, were determined using the income capitalization approach and more specifically utilizing discounted cash flow analyses as the primary methodology with the sales comparison approach being used as a secondary methodology. The fair value of our parking garage was determined using the income capitalization approach and more specifically utilizing the direct capitalization methodology with the sales comparison approach being used as a secondary methodology. The sales comparison approach was utilized exclusively to value the two development sites. The fair values of our two multifamily properties and two office properties held for sale at August 11, 2017 were based on negotiated sales prices with unrelated third parties.

The discounted cash flow approach to valuing real estate investments involves projecting annual cash flows over a defined holding period as well as calculating a residual value for an investment at the end of the holding period. The residual value is calculated by applying a capitalization rate to the projected net operating income in the year following the projected sale. The present value of the future cash flows, including the residual value, is then calculated using an appropriate discount rate and the summation of these present values is the basis for an investment's fair value.

The direct capitalization approach to valuing real estate investments involves applying a capitalization rate to current annual net operating income with the resulting value being the basis for an investment's fair value.

The sales comparison approach to valuing real estate investments uses actual sales prices for comparable assets to determine the investment's fair value. The sales prices of the comparable assets are adjusted to reflect their condition relative to the subject property, the time and resources necessary to ready the comparable properties for sale, and the terms of the comparable properties sales.

The ranges of certain key assumptions used in the fair value measurement of the investments in real estate as of June 30, 2017 were as follows:

<b><u>Asset Type / Key Assumption</u></b>	<b><u>Range</u></b>	<b><u>Weighted Average</u></b>
Office and hotel assets		
Discount rate	6.5% - 9.5%	7.6%
Capitalization rate	5.8% - 8.3%	6.6%

***Fair Value of Loans Receivable***

## Edgar Filing: CIM Commercial Trust Corp - Form 424B3

As of June 30, 2017, we held 176 loans whose aggregate fair value was approximately \$72,080,000, which is based on an appraisal obtained as of December 31, 2016 plus loan activity, at cost, incurred thereafter. The fair values were determined using a present value technique for the anticipated future cash flows of the loans using certain key assumptions. Credit risk, or lack of credit risk in the case of our government guaranteed loans, was considered in the determination of the key assumptions used to fair value our loans receivable.

### *Debt*

As of June 30, 2017, our outstanding debt consisted of fixed rate property-level mortgage notes payable, floating rate junior subordinated notes, and a floating rate term loan facility whose interest rate has been effectively converted to a fixed rate through interest rate swaps.

As of June 30, 2017, the carrying amount of our fixed rate mortgages payable was approximately \$464,902,000, net of deferred loan costs, and the carrying amount of our floating rate debt which includes our junior subordinated notes, unsecured credit facility and term loan facility was approximately \$407,559,000, net of deferred loan costs.

---

The fair value of our debt is calculated for disclosure purposes only and we do not include the mark to market adjustments related to our debt in our estimated NAV calculation. As of June 30, 2017, the estimated fair value of our debt was approximately \$3,637,000 higher than the carrying amount of our debt net of deferred loan costs.

***Fair Value of Cash, Other Assets and Other Liabilities***

As of June 30, 2017, the carrying amounts of our cash, other assets and other liabilities approximates their fair values due to the liquid nature of such assets and the short-term nature of such liabilities.

***Redeemable Preferred Stock***

As of June 30, 2017, our redeemable preferred stock consisted of gross proceeds allocated to the Series A Preferred Stock of \$7,668,000 offset by specifically identifiable issuance costs and non-issuance specific costs allocated to the Series A Preferred Stock of \$594,000 and \$24,000, respectively.

***Sensitivity Analysis***

While we believe that the assumptions used in determining the appraised values of our investments in real estate are reasonable, certain changes in these assumptions could impact the calculation of such values.

The table below illustrates the impact on the estimated NAV per share if the capitalization rates or discount rates were adjusted by 25 basis points, assuming all other factors remain unchanged.

	<b>Change in the NAV</b>	
	<b><u>Per Share Due To</u></b>	
	<b><u>Decrease</u></b>	<b><u>Increase</u></b>
	<b><u>of 25 bps</u></b>	<b><u>of 25 bps</u></b>
Capitalization rates	\$ 0.77	\$ (0.69)
Discount rates	\$ 0.60	\$ (0.53)

---

Annex A

---

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2017**

**OR**

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

**For the transition period from** \_\_\_\_\_ **to** \_\_\_\_\_



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, TX 75252**

(Address of principal executive offices)

**(972) 349-3200**

(Registrant's telephone number)

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 (Section 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 whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

(Do not check if a  
smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of August 4, 2017, the Registrant had outstanding 57,875,848 shares of common stock, par value \$0.001 per share.



**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**INDEX**

	<b>PAGE NO.</b>
<b>PART I. Financial Information</b>	
Item 1.	Financial Statements
	Consolidated Balance Sheets June 30, 2017 and December 31, 2016 (Unaudited)
	A-2
	Consolidated Statements of Operations Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)
	A-3
	Consolidated Statements of Comprehensive Income Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)
	A-4
	Consolidated Statements of Equity Six Months Ended June 30, 2017 and 2016 (Unaudited)
	A-5
	Consolidated Statements of Cash Flows Six Months Ended June 30, 2017 and 2016 (Unaudited)
	A-6
	Notes to Consolidated Financial Statements (Unaudited)
	A-8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	A-41
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
	A-59
Item 4.	Controls and Procedures
	A-59
<b>PART II. Other Information</b>	
Item 1.	Legal Proceedings
	A-61
Item 1A.	Risk Factors
	A-61
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	A-61
Item 3.	Defaults Upon Senior Securities
	A-61
Item 4.	Mine Safety Disclosures
	A-61
Item 5.	Other Information
	A-61
Item 6.	Exhibits
	A-62

**PART I**

**Financial Information**

**Item 1.**

**Financial Statements**

A-1

---

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

## Consolidated Balance Sheets

(In thousands, except share and per share data)

	June 30, 2017	December 31, 2016
	(Unaudited)	
<b>ASSETS</b>		
Investments in real estate, net	\$ 1,141,460	\$ 1,606,942
Cash and cash equivalents	129,006	144,449
Restricted cash	26,706	32,160
Accounts receivable, net	15,511	13,086
Deferred rent receivable and charges, net	95,369	116,354
Other intangible assets, net	15,610	17,623
Other assets	89,155	92,270
Assets held for sale, net	125,138	
TOTAL ASSETS	\$ 1,637,955	\$ 2,022,884
<b>LIABILITIES, REDEEMABLE PREFERRED STOCK AND EQUITY</b>		
<b>LIABILITIES:</b>		
Debt, net	\$ 846,833	\$ 967,886
Accounts payable and accrued expenses	42,287	39,155
Intangible liabilities, net	1,138	3,576
Due to related parties	10,005	10,196
Other liabilities	31,275	34,056
Liabilities associated with assets held for sale, net	52,886	
Total liabilities	984,424	1,054,869
<b>COMMITMENTS AND CONTINGENCIES (Note 16)</b>		
<b>REDEEMABLE PREFERRED STOCK:</b> Series A, \$0.001 par value; 36,000,000 shares authorized; 308,775 and 61,435 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively; liquidation preference of \$25.00 per share		
	7,050	1,426
<b>EQUITY:</b>		
Common stock, \$0.001 par value; 900,000,000 shares authorized; 57,875,848 and 84,048,081 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	58	84
Additional paid-in capital	1,077,151	1,566,073
Accumulated other comprehensive income (loss)	603	(509)
Distributions in excess of earnings	(432,220)	(599,971)
Total stockholders' equity	645,592	965,677
Noncontrolling interests	889	912
Total equity	646,481	966,589
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND EQUITY	\$ 1,637,955	\$ 2,022,884

The accompanying notes are an integral part of these consolidated financial statements.

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Operations

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)			
REVENUES:				
Rental and other property income	\$ 55,956	\$ 61,624	\$ 116,765	\$ 124,472
Expense reimbursements	2,526	3,316	5,556	6,244
Interest and other income	2,817	3,420	5,927	6,261
	61,299	68,360	128,248	136,977
EXPENSES:				
Rental and other property operating	27,249	32,299	50,209	63,577
Asset management and other fees to related parties	7,863	8,376	16,563	17,007
Interest	9,513	7,295	19,286	14,110
General and administrative	1,647	2,131	3,326	4,073
Transaction costs (Note 16)	11,615	118	11,628	267
Depreciation and amortization	14,761	18,480	31,992	36,538
Impairment of real estate (Note 3)	13,100		13,100	
	85,748	68,699	146,104	135,572
Gain on sale of real estate (Note 3)	116,283		304,017	24,739
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES				
	91,834	(339)	286,161	26,144
Provision for income taxes	462	471	854	661
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	91,372	(810)	285,307	25,483
DISCONTINUED OPERATIONS:				
Income from operations of assets held for sale (Note 7)		1,668		2,358
NET INCOME FROM DISCONTINUED OPERATIONS		1,668		2,358
NET INCOME	91,372	858	285,307	27,841
Net income attributable to noncontrolling interests	(9)	(9)	(14)	(12)
NET INCOME ATTRIBUTABLE TO THE COMPANY	91,363	849	285,293	27,829
Redeemable preferred stock dividends (Note 11)	(72)		(103)	
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 91,291	\$ 849	\$ 285,190	\$ 27,829
BASIC AND DILUTED NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS PER SHARE:				
Continuing operations	\$ 1.16	\$ (0.01)	\$ 3.50	\$ 0.26
Discontinued operations	\$	\$ 0.02	\$	\$ 0.02
Net income	\$ 1.16	\$ 0.01	\$ 3.50	\$ 0.29
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic	78,871	96,683	81,445	97,173
Diluted	78,871	96,683	81,445	97,173

The accompanying notes are an integral part of these consolidated financial statements.

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

(In thousands)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>			
NET INCOME	\$ 91,372	\$ 858	\$ 285,307	\$ 27,841
Other comprehensive income (loss): cash flow hedges	(440)	(2,445)	1,112	(10,370)
COMPREHENSIVE INCOME (LOSS)	90,932	(1,587)	286,419	17,471
Comprehensive income attributable to noncontrolling interests	(9)	(9)	(14)	(12)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	\$ 90,923	\$ (1,596)	\$ 286,405	\$ 17,459

The accompanying notes are an integral part of these consolidated financial statements.

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Equity

(In thousands, except share and per share data)

	Six Months Ended June 30, 2017						
	Common Stock Outstanding	Common Stock Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss) (Unaudited)	Distributions in Excess of Earnings	Noncontrolling Interests	Total Equity
<b>Balances, December 31, 2016</b>	84,048,081	\$ 84	\$ 1,566,073	\$ (509)	\$ (599,971)	\$ 912	\$ 966,589
Distributions to noncontrolling interests						(37)	(37)
Stock-based compensation expense	9,585		78				78
Share repurchase	(26,181,818)	(26)	(489,027)		(86,947)		(576,000)
Special cash dividends paid to certain common stockholders (\$2.26 per share) (Note 12)					(4,872)		(4,872)
Common dividends (\$0.34375 per share)					(25,620)		(25,620)
Issuance of Warrants			27				27
Dividends to holders of Series A Preferred Stock (\$0.6875 per share)					(103)		(103)
Other comprehensive income (loss)				1,112			1,112
Net income					285,293	14	285,307
<b>Balances, June 30, 2017</b>	57,875,848	\$ 58	\$ 1,077,151	\$ 603	\$ (432,220)	\$ 889	\$ 646,481

	Six Months Ended June 30, 2016						
	Common Stock Outstanding	Common Stock Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss) (Unaudited)	Distributions in Excess of Earnings	Noncontrolling Interests	Total Equity
<b>Balances, December 31, 2015</b>	97,589,598	\$ 98	\$ 1,820,451	\$ (2,519)	\$ (521,620)	\$ 937	\$ 1,297,347
Distributions to noncontrolling interests						(36)	(36)
Stock-based compensation expense	10,176		65				65
Issuance of shares pursuant to employment agreements	76,423						
Share repurchase	(10,000,000)	(10)	(186,781)		(23,541)		(210,332)
Common dividends (\$0.4375 per share)					(40,544)		(40,544)



# Edgar Filing: CIM Commercial Trust Corp - Form 424B3

Other comprehensive income (loss)					(10,370)					(10,370)
Net income							27,829		12	27,841
<b>Balances, June 30, 2016</b>	87,676,197	\$	88	\$	1,633,735	\$	(12,889)	\$	(557,876)	\$ 913 \$ 1,063,971

The accompanying notes are an integral part of these consolidated financial statements.

A-5

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(In thousands)

	Six Months Ended June 30, (Unaudited)	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 285,307	\$ 27,841
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred rent and amortization of intangible assets, liabilities and lease inducements	(2,662)	(2,637)
Depreciation and amortization	31,992	36,538
Transfer of right to collect supplemental real estate tax reimbursements	(5,097)	
Gain on sale of real estate	(304,017)	(24,739)
Impairment of real estate	13,100	
Straight line rent, below-market ground lease and amortization of intangible assets	881	885
Amortization of deferred loan costs	808	1,967
Amortization of premiums and discounts on debt	(458)	(543)
Unrealized premium adjustment	722	835
Amortization and accretion on loans receivable, net	140	(419)
Bad debt expense (recovery)	187	(60)
Deferred income taxes	459	76
Stock-based compensation	78	65
Loans funded, held for sale to secondary market	(17,906)	(22,105)
Proceeds from sale of guaranteed loans	16,737	21,579
Principal collected on loans subject to secured borrowings	4,935	1,883
Other operating activity	(441)	1,020
Changes in operating assets and liabilities:		
Accounts receivable and interest receivable	(2,682)	(1,574)
Other assets	(1,653)	(1,107)
Accounts payable and accrued expenses	5,631	(1,779)
Deferred leasing costs	(2,557)	(6,532)
Other liabilities	(1,748)	2,063
Due to related parties	4	301
Net cash provided by operating activities	21,760	33,558
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to investments in real estate	(9,915)	(18,121)
Proceeds from sale of real estate property, net	642,886	42,782
Loans funded	(5,969)	(27,871)
Principal collected on loans	5,496	26,164
Restricted cash	5,403	(76,956)
Other investing activity	67	1,042
Net cash provided by (used in) investing activities	637,968	(52,960)

(Continued)

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows (Continued)

(In thousands)

	Six Months Ended June 30,	
	2017	2016
	(Unaudited)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payment of) proceeds from mortgages payable	(65,569)	309,170
Payment of unsecured revolving lines of credit, revolving credit facilities and term notes		(107,000)
Payment of principal on secured borrowings	(4,935)	(11,965)
Proceeds from secured borrowings		9,956
Payment of deferred preferred stock offering costs	(862)	(362)
Payment of deferred loan costs	(4)	(1,076)
Payment of common dividends	(25,620)	(40,544)
Payment of special cash dividends	(4,872)	
Repurchase of Common Stock	(576,000)	(210,060)
Net proceeds from issuance of Warrants	27	
Net proceeds from issuance of Series A Preferred Stock	5,645	
Payment of preferred stock dividends	(40)	
Noncontrolling interests distributions	(37)	(36)
Net cash used in financing activities	(672,267)	(51,917)
Change in cash balances included in assets held for sale	(2,904)	(14,265)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,443)</b>	<b>(85,584)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period	144,449	139,101
End of period	\$ 129,006	\$ 53,517
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest	\$ 19,303	\$ 13,717
Federal income taxes paid	\$ 259	\$ 50
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Additions to investments in real estate included in accounts payable and accrued expenses	\$ 6,883	\$ 9,392
Net increase (decrease) in fair value of derivatives applied to other comprehensive income (loss)	\$ 1,112	\$ (10,370)
Reduction of loans receivable and secured borrowings due to the SBA's repurchase of the guaranteed portion of a loan	\$ 534	\$ 2,663
Additions to deferred loan costs included in accounts payable and accrued expenses	\$	\$ 626
Expenses related to repurchase of common stock included in accounts payable and accrued expenses	\$	\$ 272
Proceeds receivable from closed mortgage loans included in other assets	\$	\$ 80,687
Additions to preferred stock offering costs included in accounts payable and accrued expenses	\$ 1,387	\$ 984
Accrual of dividends payable to preferred stockholders	\$ 72	\$
Preferred stock offering costs offset against redeemable preferred stock	\$ 21	\$

The accompanying notes are an integral part of these consolidated financial statements.



**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and**

**for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

**1. ORGANIZATION AND OPERATIONS**

CIM Commercial Trust Corporation ( **CIM Commercial** or the **Company** ), a Maryland corporation and real estate investment trust ( **REIT** ), or together with its wholly-owned subsidiaries ( **we**, **us** or **our** ) primarily invests in, owns, and operates Class A and creative office investments 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 were originally organized in 1993 as PMC Commercial Trust ( **PMC Commercial** ), a Texas real estate investment trust.

On July 8, 2013, PMC Commercial entered into a merger agreement (the **Merger Agreement** ) with CIM Urban REIT, LLC ( **CIM REIT** ), an affiliate of CIM Group, L.P. ( **CIM Group** or **CIM** ), and subsidiaries of the respective parties. CIM REIT was a private commercial REIT and was the owner of CIM Urban Partners, L.P. ( **CIM Urban** ). The transaction (the **Merger** ) was completed on March 11, 2014 (the **Acquisition Date** ). As a result of the Merger and related transactions, CIM Urban became our wholly-owned subsidiary.

Our common stock, \$0.001 par value per share ( **Common Stock** ), is currently traded on the NASDAQ Global Market under the ticker symbol CMCT. We have authorized for issuance 900,000,000 shares of Common Stock and 100,000,000 shares of preferred stock.

CIM Commercial has qualified and intends to continue to qualify as a REIT, as defined in the Internal Revenue Code of 1986, as amended.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

For more information regarding our significant accounting policies and estimates, please refer to **Basis of Presentation and Summary of Significant Accounting Policies** contained in Note 3 to our consolidated financial statements for the year ended December 31, 2016, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ( **SEC** ) on March 16, 2017.

**Interim Financial Information** The accompanying interim consolidated financial statements of CIM Commercial have been prepared by our management in accordance with accounting principles generally accepted in the United States of America ( **GAAP** ). Certain information and note disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the interim consolidated financial

statements do not include all of the information and notes required by GAAP for complete financial statements. The accompanying financial information reflects all adjustments which are, in the opinion of our management, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. Our accompanying interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K filed with the SEC on March 16, 2017.

**Principles of Consolidation** The consolidated financial statements include the accounts of CIM Commercial and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and**

**for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

**Investments in Real Estate** Real estate acquisitions are recorded at cost as of the acquisition date. Costs related to the acquisition of properties are expensed as incurred. Investments in real estate are stated at depreciated cost. Depreciation and amortization are recorded on a straight line basis over the estimated useful lives as follows:

Buildings and improvements	15 - 40 years
Furniture, fixtures, and equipment	3 - 5 years
Tenant improvements	Shorter of the useful lives or the terms of the related leases

Improvements and replacements are capitalized when they extend the useful life, increase capacity, or improve the efficiency of the asset. Ordinary repairs and maintenance are expensed as incurred.

Investments in real estate are evaluated for impairment on a quarterly basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The estimated fair value of the asset group identified for step two of the impairment testing under GAAP is based on either the income approach with market discount rate, terminal capitalization rate and rental rate assumptions being most critical, or on the sales comparison approach to similar properties. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. We recognized impairment of long-lived assets of \$13,100,000 and \$0 during the three months ended June 30, 2017 and 2016, respectively, and \$13,100,000 and \$0 during the six months ended June 30, 2017 and 2016, respectively (Note 3).

**Derivative Financial Instruments** As part of our risk management and operational strategies, from time to time, we may enter into derivative contracts with various counterparties. All derivatives are recognized on the balance sheet at their estimated fair value. On the date that we enter into a derivative contract, we designate the derivative as a fair value hedge, a cash flow hedge, a foreign currency fair value or cash flow hedge, a hedge of a net investment in a foreign operation, or a trading or non-hedging instrument.

Changes in the estimated fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge, to the extent that the hedge is effective, are initially recorded in other comprehensive income ( OCI ), and are subsequently reclassified into earnings as a component of interest expense when the variability of cash flows of the hedged transaction affects earnings (e.g., when periodic settlements of a variable-rate asset or liability are recorded in earnings). Any hedge ineffectiveness (which represents the amount by which the changes in the estimated fair value of the derivative differ from the variability in the cash flows of the forecasted transaction) is recognized in current-period earnings as a component of interest expense. When an interest rate swap designated as a cash flow hedge no longer qualifies for hedge accounting, we recognize changes in estimated fair value of the hedge previously deferred to accumulated other comprehensive income ( AOCI ),

along with any changes in estimated fair value occurring thereafter, through earnings. We classify cash flows from interest rate swap agreements as net cash provided from operating activities on the consolidated statements of cash flows as our accounting policy is to present the cash flows from the hedging instruments in the same category in the consolidated statements of cash flows as the category for the cash flows from the hedged items. See Note 13 for disclosures about our derivative financial instruments and hedging activities.

**Loans Receivable** Our loans receivable included in other assets are carried at their unamortized principal balance less unamortized acquisition discounts and premiums, retained loan discounts and loan loss reserves. For loans originated under the Small Business Administration's (SBA) 7(a) Guaranteed Loan Program (SBA 7(a) Program), we sell the portion of the loan that is guaranteed by the SBA. Upon sale of the SBA guaranteed portion of the loans, which are accounted for as sales, the unguaranteed portion of the loan retained by us is valued on a fair value basis and a discount (the Retained Loan Discount) is recorded as a reduction in basis of the retained portion of the loan.

At the Acquisition Date, the carrying value of our loans was adjusted to estimated fair market value and acquisition discounts of \$33,907,000 were recorded, which are being accreted to interest and other income using the effective interest method. We sold substantially all of our commercial mortgage loans with unamortized acquisition discounts of \$15,951,000 to an unrelated third party in December 2015 (Note 7). Acquisition discounts of \$1,563,000 remained as of June 30, 2017 which have not yet been accreted to income.



**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and**

**for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

A loan receivable is generally classified as non-accrual (a Non-Accrual Loan ) if (i) it is past due as to payment of principal or interest for a period of 60 days or more, (ii) any portion of the loan is classified as doubtful or is charged-off or (iii) the repayment in full of the principal and/or interest is in doubt. Generally, loans are charged-off when management determines that we will be unable to collect any remaining amounts due under the loan agreement, either through liquidation of collateral or other means. Interest income, included in interest and other income or discontinued operations, on a Non-Accrual Loan is recognized on either the cash basis or the cost recovery basis.

On a quarterly basis, and more frequently if indicators exist, we evaluate the collectability of our loans receivable. Our evaluation of collectability involves judgment, estimates, and a review of the ability of the borrower to make principal and interest payments, the underlying collateral and the borrowers' business models and future operations in accordance with Accounting Standards Codification ( ASC ) 450-20, *Contingencies - Loss Contingencies*, and ASC 310-10, *Receivables*. For the three and six months ended June 30, 2017, we recorded a net impairment of \$0 and \$12,000 on our loans receivable, respectively. For the three and six months ended June 30, 2016, we recorded a net impairment (recovery) of \$7,000 and \$(236,000) on our loans receivable, respectively. We establish a general loan loss reserve when available information indicates that it is probable a loss has occurred based on the carrying value of the portfolio and the amount of the loss can be reasonably estimated. Significant judgment is required in determining the general loan loss reserve, including estimates of the likelihood of default and the estimated fair value of the collateral. The general loan loss reserve includes those loans, which may have negative characteristics which have not yet become known to us. In addition to the reserves established on loans not considered impaired that have been evaluated under a specific evaluation, we establish the general loan loss reserve using a consistent methodology to determine a loss percentage to be applied to loan balances. These loss percentages are based on many factors, primarily cumulative and recent loss history and general economic conditions.

**Deferred Rent Receivable and Charges** Deferred rent receivable and charges consist of deferred rent, deferred leasing costs, deferred offering costs (Note 11) and other deferred costs. Deferred rent receivable is \$56,406,000 and \$64,010,000 at June 30, 2017 and December 31, 2016, respectively. Deferred leasing costs, which represent lease commissions and other direct costs associated with the acquisition of tenants, are capitalized and amortized on a straight-line basis over the terms of the related leases. Deferred leasing costs of \$60,116,000 and \$76,063,000 are presented net of accumulated amortization of \$25,338,000 and \$25,914,000 at June 30, 2017 and December 31, 2016, respectively. Deferred offering costs represent direct costs incurred in connection with our offering of Units (as defined in Note 11), excluding costs specifically identifiable to a closing, such as commissions, dealer-manager fees, and other registration fees. For a specific issuance of Units, associated offering costs are reclassified as a reduction of proceeds raised on the issuance date. Offering costs incurred but not directly related to a specifically identifiable closing are deferred. Deferred offering costs are first allocated to each issuance on a pro-rata basis equal to the ratio of Units issued in an issuance to the maximum number of Units that are expected to be issued. Then, the deferred offering costs allocated to such issuance are further allocated to the Series A Preferred Stock (as defined in Note 11) and Warrants (as defined in Note 11) issued in such issuance based on the relative fair value of the instruments on the date of issuance. The deferred offering costs allocated to the Series A Preferred Stock and Warrants are reductions to temporary equity and permanent equity, respectively. Deferred offering costs of \$2,771,000 and \$2,060,000 related to our offering of Units are included in deferred rent receivable and charges at June 30, 2017 and December 31, 2016, respectively. Other deferred costs are \$1,414,000 and \$135,000 at June 30, 2017 and December 31, 2016, respectively.

**Redeemable Preferred Stock** Beginning on the date of original issuance of any given shares of Series A Preferred Stock (Note 11), the holder of such shares will have the right to require the Company to redeem such shares at a redemption price of 100% of the Stated Value (as defined in Note 11), plus accrued and unpaid dividends, subject to the payment of a redemption fee until the fifth anniversary of such issuance. From and after the fifth anniversary of the date of the original issuance, the holder will have the right to require the Company to redeem such shares at a redemption price of 100% of the Stated Value, plus accrued and unpaid dividends, without a redemption fee, and the Company will have the right (but not the obligation) to redeem such shares at 100% of the Stated Value, plus accrued and unpaid dividends. The applicable redemption

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and**

**for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

price payable upon redemption of any Series A Preferred Stock will be in cash or, on or after the first anniversary of the issuance of such shares of Series A Preferred Stock to be redeemed, in the Company's sole discretion, in cash or in equal value through the issuance of shares of Common Stock, based on the volume weighted average price of our Common Stock for the 20 trading days prior to the redemption. Since a holder of Series A Preferred Stock has the right to request redemption of such shares and redemptions prior to the first anniversary are to be paid in cash, we have recorded the activity related to our Series A Preferred Stock in temporary equity. We recorded the activity related to our Warrants (Note 11) in permanent equity. On the first anniversary of the date of original issuance of a particular share of Series A Preferred Stock, we intend to reclassify such share of Series A Preferred Stock from temporary equity to permanent equity because the feature giving rise to temporary equity classification, the requirement to satisfy redemption requests in cash, lapses on the first anniversary date. Proceeds and expenses from the sale of the Units are allocated to the Series A Preferred Stock and Warrants using their relative fair values on the date of issuance.

**Noncontrolling Interests** Noncontrolling interests represent the interests in various properties owned by third parties.

**Restricted Cash** Our mortgage loan and hotel management agreements provide for depositing cash into restricted accounts reserved for property taxes, insurance, capital expenditures, free rent, tenant improvement and leasing commission obligations. Restricted cash also includes cash required to be segregated in connection with certain of our loans receivable.

**Assets Held for Sale and Discontinued Operations** In the ordinary course of business, we may periodically enter into agreements relating to dispositions of investments. Some of these agreements are non-binding because either they do not obligate either party to pursue any transactions until the execution of a definitive agreement or they provide the potential buyer with the ability to terminate without penalty or forfeiture of any material deposit, subject to certain specified contingencies, such as completion of due diligence at the discretion of such buyer. We do not classify assets that are subject to such non-binding agreements as held for sale.

We classify assets as held for sale, if material, when they meet the necessary criteria, which include: a) management commits to and actively embarks upon a plan to sell the assets, b) the assets to be sold are available for immediate sale in their present condition, c) the sale is expected to be completed within one year under terms usual and customary for such sales and d) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. We generally believe that we meet these criteria when the plan for sale has been approved by our board of directors (the Board of Directors), there are no known significant contingencies related to the sale and management believes it is probable that the sale will be completed within one year.

## Edgar Filing: CIM Commercial Trust Corp - Form 424B3

Assets held for sale are recorded at the lower of cost or estimated fair value less cost to sell. In addition, if we were to determine that the asset disposal associated with assets held for sale or disposed of represents a strategic shift, the revenues, expenses and net gain (loss) on dispositions would be recorded in discontinued operations for all periods presented through the date of the applicable disposition.

We have assessed the sale of three of our multifamily properties and our agreements to sell two multifamily properties (Note 3) in accordance with ASC 205-20, *Discontinued Operations*. In our assessment, we considered, among other factors, the materiality of the revenue, net operating income, and total assets of our multifamily segment during the three and six months ended June 30, 2017 and for the years ended December 31, 2016 and 2015. Based on our qualitative and quantitative assessment, we concluded the disposals do not represent a strategic shift that will have a major effect on our operations and financial results and they should not be classified as discontinued operations in our consolidated financial statements.

**Consolidation Considerations for Our Investments in Real Estate** ASC 810-10, *Consolidation*, addresses how a business enterprise should evaluate whether it has a controlling interest in an entity through means other than voting rights that would require the entity to be consolidated. We analyze our investments in real estate in accordance with this accounting standard to determine whether they are variable interest entities, and if so, whether we are the primary beneficiary. Our judgment with respect to our level of influence or control over an entity and whether we are the primary beneficiary of a variable interest entity involves consideration of various factors, including the form of our ownership interest, our voting interest, the size of our investment (including loans), and our ability to participate in major policy-making decisions. Our ability to correctly assess our influence or control over an entity affects the presentation of these investments in our consolidated financial statements.

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and**

**for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

**Use of Estimates** The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** Certain prior period amounts have been reclassified to conform with the current period presentation. These reclassifications had no effect on previously reported net income or cash flows.

**Recently Issued Accounting Pronouncements** In January 2016, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which is designed to improve the recognition and measurement of financial instruments through targeted changes to existing GAAP. The ASU requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price; and (v) assess a valuation allowance on deferred tax assets related to unrealized losses of available-for-sale debt securities in combination with other deferred tax assets. In addition, the ASU provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The ASU also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. For public business entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption by public entities to financial statements that have not yet been issued is permitted only for the provision related to instrument-specific credit risk. We are currently in the process of evaluating the impact of adoption of this new accounting guidance on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires a lessee to recognize only capital leases on the balance sheet, the new ASU will require a lessee to recognize both types of leases on the balance sheet. The lessor accounting will remain largely unchanged from current GAAP. However, the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in 2014. For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2018. We are currently in the process of evaluating the impact of adoption of this new accounting guidance on our consolidated

financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment transactions, including accounting for income taxes, classification of excess tax benefits on the statement of cash flows, forfeitures, minimum statutory tax withholding requirements, and classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. In addition, the ASU eliminates certain guidance in ASC 718, which was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004), *Share-Based Payment*. For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Early adoption is permitted and an entity that elects early adoption must adopt all of the amendments in the same period. The adoption of this guidance did not have a material impact on our consolidated financial statements.

A-12

---

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. The amendments in the ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2019. Early adoption is permitted for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2018. We are currently in the process of evaluating the impact of adoption of this new accounting guidance on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on how certain cash receipts and cash payments are to be presented and classified in the statement of cash flows. For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is permitted. We are currently in the process of evaluating the impact of adoption of this new accounting guidance on our consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update do not provide a definition of restricted cash or restricted cash equivalents. For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is permitted. We are currently in the process of evaluating the impact of adoption of this new accounting guidance on our consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which make certain technical corrections and improvements to ASU 2014-09. For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is permitted for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations: Clarifying the Definition of a Business*, which narrows the definition of a business and provides a framework that gives entities a basis for making reasonable judgments about whether a transaction involves an asset or a business. For public entities, the ASU is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2017. Early adoption is permitted under certain circumstances as outlined in the ASU. We are currently in the process of evaluating the impact of adoption of this new accounting guidance on our consolidated financial statements.

### 3. ACQUISITIONS AND DISPOSITIONS

The fair value of real estate acquired is recorded to the acquired tangible assets, consisting primarily of land, land improvements, building and improvements, tenant improvements, and furniture, fixtures, and equipment, and identified intangible assets and liabilities, consisting of the value of acquired above-market and below-market leases, in-place leases and ground leases, if any, based in each case on their respective fair values. Loan premiums, in the case of above-market rate loans, or loan discounts, in the case of below-market rate loans, are recorded based on the fair value of any loans assumed in connection with acquiring the real estate.

A-13

---



**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

There were no acquisitions during the six months ended June 30, 2017.

On March 28, 2017, we sold a 100% fee-simple interest in 211 Main Street located in San Francisco, California to an unrelated third party. Transaction costs expensed in connection with this sale totaled \$2,943,000 and included a prepayment penalty of \$1,508,000 incurred in connection with the prepayment of the property's mortgage (Note 8).

On May 30, 2017, we sold a 100% fee-simple interest in 3636 McKinney Avenue and 3839 McKinney Avenue, both located in Dallas, Texas, to an unrelated third party. Transaction costs expensed in connection with these sales totaled \$2,258,000 and included prepayment penalties of \$1,901,000 incurred in connection with the prepayment of the properties' mortgages (Note 8).

On June 8, 2017, we sold a 100% fee-simple interest in 200 S College Street located in Charlotte, North Carolina to an unrelated third party. Transaction costs expensed in connection with this sale totaled \$833,000.

On June 20, 2017, we sold a 100% fee-simple interest in 980 9th Street and 1010 8th Street, both located in Sacramento, California, to an unrelated third party. Transaction costs expensed in connection with these sales totaled \$952,000.

On June 23, 2017, we sold a 100% fee-simple interest in 4649 Cole Avenue located in Dallas, Texas to an unrelated third party. Transaction costs expensed in connection with this sale totaled \$3,311,000 and included a prepayment penalty of \$2,812,000 incurred in connection with the prepayment of the property's mortgage (Note 8).

The results of operations of the aforementioned properties have been included in the consolidated statements of operations through their respective disposition dates.

Property	Asset Type	Date of Sale	Square Feet / Units	Sales Price	Gain on Sale
(in thousands)					
211 Main Street, San Francisco, CA	Office	March 28, 2017	417,266	\$ 292,882	\$ 187,734
3636 McKinney Avenue, Dallas, TX	Multifamily	May 30, 2017	103	\$ 20,000	\$ 5,488
3839 McKinney Avenue, Dallas, TX	Multifamily	May 30, 2017	75	\$ 14,100	\$ 4,224
200 S College Street, Charlotte, NC	Office	June 8, 2017	567,865	\$ 148,500	\$ 45,906
		June 20, 2017	485,926	\$ 120,500	\$ 34,829

# Edgar Filing: CIM Commercial Trust Corp - Form 424B3

980 9th Street and 1010 8th Street, Sacramento, CA	Office & Parking Garage						
4649 Cole Avenue, Dallas, TX	Multifamily	June 23, 2017	334	\$	64,000	\$	25,836

A-14

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

The following is the detail of the carrying amount of assets and liabilities at the time of the sales of the properties in 2017:

	(in thousands)
<i>Assets</i>	
Investments in real estate, net	\$ 319,078
Deferred rent receivable and charges, net	22,089
Other intangible assets, net	129
Other assets	38
Total assets	\$ 341,334
<i>Liabilities</i>	
Debt, net (1)	\$ 64,777
Intangible liabilities, net	1,800
Total liabilities	\$ 66,577

(1) Net of \$665,000 of premium on assumed mortgage.

There were no acquisitions during the six months ended June 30, 2016.

On February 2, 2016, we sold a 100% fee-simple interest in the Courtyard Oakland located in Oakland, California to an unrelated third party. The results of operations of this hotel have been included in the consolidated statement of operations through the date of disposition.

Property	Asset Type	Date of Sale	Rooms	Sales Price	Gain on Sale
				(in thousands)	
Courtyard Oakland, Oakland, CA	Hotel	February 2, 2016	162	\$ 43,800	\$ 24,739

We have entered into three purchase and sale agreements, each as a separate transaction with unrelated third parties, for the sale of an office property located at 7083 Hollywood Boulevard in Los Angeles, California; a multifamily property located at 4200 Scotland Street in Houston, Texas; and a multifamily property located at 47 E 34th Street in New York, New York. The aggregate contract sales price for these properties is \$186,325,000. In connection with these dispositions, \$50,568,000 of the outstanding mortgages payable at June 30, 2017 will be repaid or assumed by the buyer. We expect the closing of these sales transactions to occur during the second half of 2017. These purchase and sale agreements were entered into and became subject to non-refundable deposits on or prior to June 30, 2017. Therefore, these properties have been classified as held for sale as of June 30, 2017.



## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

The following is the detail of the carrying amounts of assets and liabilities of the properties that are classified as held for sale on our consolidated balance sheet as of June 30, 2017:

	(in thousands)
<i>Assets</i>	
Investments in real estate, net (1)	\$ 118,221
Cash and cash equivalents	2,904
Restricted cash	51
Accounts receivable, net	251
Deferred rent receivable and charges, net	1,865
Other intangible assets, net (2)	1,124
Other assets	722
Total assets held for sale, net	\$ 125,138
<i>Liabilities</i>	
Debt, net (3)	\$ 50,230
Accounts payable and accrued expenses	1,402
Due to related parties	195
Other liabilities	1,059
Total liabilities associated with assets held for sale, net	\$ 52,886

---

(1) Investments in real estate of \$136,153,000 are presented net of accumulated depreciation of \$17,932,000.

(2) Other intangible assets, net, represents a tax abatement asset of \$4,273,000 associated with 47 E 34th Street, which is presented net of accumulated amortization of \$3,149,000.

(3) Debt includes the outstanding principal balances of 7083 Hollywood Boulevard and 4200 Scotland Street, which are \$21,700,000 and \$28,868,000, respectively. Debt is presented net of deferred loan costs of \$524,000 and the accumulated amortization of \$186,000.

In August 2017, we negotiated an agreement with an unrelated third party for the sale of an office property. We expect the sale to close during the second half of 2017. The purchase and sale agreement has not yet been finalized and is not subject to a non-refundable deposit. Therefore, the property has not been classified as held for sale as of June 30, 2017 as not all the held for sale criteria had been met at such time. We determined the book value of this property exceeded its estimated fair value less costs to sell, and as such, an impairment charge of \$13,100,000 was recognized as of June 30, 2017. Our determination of fair value was based on negotiations with the third party buyer.

A-16

---

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)

## 4. INVESTMENTS IN REAL ESTATE

Investments in real estate consist of the following:

	June 30, 2017	December 31, 2016
	(in thousands)	
Land	\$ 244,072	\$ 343,564
Land improvements	17,746	26,177
Buildings and improvements	1,064,191	1,475,415
Furniture, fixtures, and equipment	3,525	4,955
Tenant improvements	130,481	159,677
Work in progress	9,528	11,706
Investments in real estate	1,469,543	2,021,494
Accumulated depreciation	(328,083)	(414,552)
Net investments in real estate	\$ 1,141,460	\$ 1,606,942

We recorded depreciation expense of \$12,670,000 and \$16,030,000 for the three months ended June 30, 2017 and 2016, respectively, and \$27,354,000 and \$31,703,000 for the six months ended June 30, 2017 and 2016, respectively.

## 5. OTHER INTANGIBLE ASSETS

A schedule of our intangible assets and liabilities and related accumulated amortization and accretion as of June 30, 2017 and December 31, 2016 is as follows:

	Acquired In-Place Leases	Assets Acquired Below- Market Ground Lease	Trade Name and License	Liabilities Acquired Below- Market Leases
June 30, 2017				
		(in thousands)		
Gross balance	\$ 10,181	\$ 11,685	\$ 2,957	\$ (5,722)
Accumulated amortization	(7,581)	(1,632)		4,584
	\$ 2,600	\$ 10,053	\$ 2,957	\$ (1,138)

Edgar Filing: CIM Commercial Trust Corp - Form 424B3

Average useful life (in years)	10	84	Indefinite	7
--------------------------------	----	----	------------	---

A-17

---



## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)

December 31, 2016	Assets					Liabilities	
	Acquired Above-	Acquired In-Place Leases	Tax Abatement	Acquired Below-	Trade	Acquired Below-	
	Market Leases		(1)	Market Ground Lease	Name and License	Market Leases	
			(in thousands)				
Gross balance	\$ 215	\$ 11,551	\$ 4,273	\$ 11,685	\$ 2,957	\$ (18,893)	
Accumulated amortization	(180)	(8,443)	(2,873)	(1,562)		15,317	
	\$ 35	\$ 3,108	\$ 1,400	\$ 10,123	\$ 2,957	\$ (3,576)	
Average useful life (in years)	8	10	8	84	Indefinite	8	

(1) Tax abatement is associated with 47 E 34th Street, which is classified as held for sale on our consolidated balance sheet at June 30, 2017 (Note 3).

The amortization of the acquired above-market leases which decreased rental and other property income was \$0 and \$26,000 for the three months ended June 30, 2017 and 2016, respectively, and \$3,000 and \$64,000 for the six months ended June 30, 2017 and 2016, respectively. The amortization of the acquired in-place leases included in depreciation and amortization expense was \$195,000 and \$368,000 for the three months ended June 30, 2017 and 2016, respectively, and \$411,000 and \$748,000 for the six months ended June 30, 2017 and 2016, respectively. Included in depreciation and amortization expense was franchise affiliation fee amortization of \$0 and \$0 for the three months ended June 30, 2017 and 2016, respectively, and \$0 and \$33,000 for the six months ended June 30, 2017 and 2016, respectively. Tax abatement amortization of \$138,000 for each of the three months ended June 30, 2017 and 2016, and \$276,000 for each of the six months ended June 30, 2017 and 2016 was included in rental and other property operating expenses. The amortization of the acquired below-market ground lease of \$35,000 for each of the three months ended June 30, 2017 and 2016, and \$70,000 for each of the six months ended June 30, 2017 and 2016 was included in rental and other property operating expenses. The amortization of the acquired below-market leases included in rental and other property income was \$219,000 and \$631,000 for the three months ended June 30, 2017 and 2016, respectively, and \$638,000 and \$1,262,000 for the six months ended June 30, 2017 and 2016, respectively.

A schedule of future amortization and accretion of acquisition related intangible assets and liabilities as of June 30, 2017, is as follows:

Years Ending December 31,	Assets		Liabilities	
	Acquired In-Place Leases	Acquired Below-Market Ground Lease (in thousands)	Acquired Below-Market Leases	
2017 (Six months ending December 31, 2017)	\$ 373	\$ 70	\$ (428)	
2018	723	140	(510)	
2019	464	140	(200)	

Edgar Filing: CIM Commercial Trust Corp - Form 424B3

2020	207	140		
2021	207	140		
Thereafter	626	9,423		
	\$ 2,600	\$ 10,053	\$	(1,138)

A-18

---

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)

**6. OTHER ASSETS**

Other assets consist of the following:

	June 30, 2017	December 31, 2016
	(in thousands)	
SBA 7(a) loans, subject to credit risk	\$ 46,276	\$ 43,623
SBA 7(a) loans, subject to secured borrowings	24,162	29,524
Other assets	18,717	19,123
	\$ 89,155	\$ 92,270

**SBA 7(a) Loans, Subject to Credit Risk** Represents the non-government guaranteed retained portion of loans originated under the SBA 7(a) Program and the government guaranteed portion of loans that have not yet been fully funded or sold.

**SBA 7(a) Loans, Subject to Secured Borrowings** Represents the government guaranteed portion of loans which were sold with the proceeds received from the sale reflected as secured borrowings government guaranteed loans. There is no credit risk associated with these loans since the SBA has guaranteed payment of the principal.

At June 30, 2017 and December 31, 2016, 99.5% and 99.7%, respectively, of our loans subject to credit risk were current with the remainder (\$236,000 and \$249,000, respectively) greater than 29 days delinquent. We classify loans with negative characteristics in substandard categories ranging from special mention to doubtful. At June 30, 2017 and December 31, 2016, \$593,000 and \$804,000, respectively, of loans subject to credit risk were classified in substandard categories.

At June 30, 2017 and December 31, 2016, our loans subject to credit risk were 95.9% and 94.6%, respectively, concentrated in the hospitality industry.

**7. DISCONTINUED OPERATIONS**

## Edgar Filing: CIM Commercial Trust Corp - Form 424B3

We had reflected the lending segment, which was acquired on the Acquisition Date as disclosed in Note 1, as held for sale commencing in 2014, based on a plan approved by the Board of Directors to sell the lending segment that, when completed, would have resulted in the deconsolidation of the lending segment, which at that time was focused on small business lending in the hospitality industry. In July 2015, to maximize value, we modified our strategy from a strategy of selling the lending segment as a whole to a strategy of soliciting buyers for components of the business, including our commercial mortgage loans and the SBA 7(a) lending platform. This change in the sale methodology resulted in the need to extend the period to complete the sale of the lending segment beyond one year. In connection with our plan, we expensed transaction costs of \$11,000 and \$20,000 as incurred during the three and six months ended June 30, 2016, respectively.

On December 17, 2015, pursuant to the modified plan, we sold substantially all of our commercial mortgage loans with a carrying value of \$77,121,000 to an unrelated third party and recognized a gain of \$5,151,000. In September 2016, we discontinued our efforts to sell the SBA 7(a) lending platform, and the activities related to the SBA 7(a) lending platform have been reclassified to continuing operations for all periods presented.

On December 29, 2016, we sold our commercial real estate lending subsidiary, which was classified as held for sale and had a carrying value of \$27,587,000, which was equal to management's estimate of fair value, to a fund managed by an affiliate of CIM Group. We did not recognize any gain or loss in connection with the transaction. Management's estimate of fair value was determined with assistance from an independent third party valuation firm.

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

The following is the detail of income from operations of assets held for sale classified as discontinued operations on the consolidated statements of operations for the three and six months ended June 30, 2016:

		Three Months Ended	Six Months Ended
		June 30, 2016	June 30, 2016
		(in thousands)	
Revenue	Interest and other income	\$ 2,416	\$ 3,531
Expenses:			
	Interest expense	588	876
	Fees to related party	148	280
	General and administrative	12	17
	Total expenses	748	1,173
	Income from operations of assets held for sale	\$ 1,668	\$ 2,358

During the three months ended June 30, 2017, we sold three of our five multifamily properties to unrelated third parties and we entered into purchase and sale agreements subject to non-refundable deposits, each as a separate transaction with unrelated third parties, for the remaining two multifamily properties, which have been classified as held for sale on our consolidated balance sheet as of June 30, 2017. We expect the closing of these sales to occur during the second half of 2017.

We have assessed the sale of three of our multifamily properties and our agreements to sell two multifamily properties (Note 3) in accordance with ASC 205-20, *Discontinued Operations*. In our assessment, we considered, among other factors, the materiality of the revenue, net operating income, and total assets of our multifamily segment during the three and six months ended June 30, 2017 and for the years ended December 31, 2016 and 2015. Based on our qualitative and quantitative assessment, we concluded the disposals do not represent a strategic shift that will have a major effect on our operations and financial results and they should not be classified as discontinued operations in our consolidated financial statements.

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)

## 8. DEBT

Information on our debt is as follows:

	June 30, 2017	December 31, 2016
	(in thousands)	
Mortgage loans with a fixed interest rate of 4.14% per annum, with monthly payments of interest only, and balances totaling \$370,300,000 due on July 1, 2026. The loans are nonrecourse. One loan with an outstanding principal balance of \$21,700,000 was reclassified to liabilities associated with assets held for sale at June 30, 2017 (Note 3).	\$ 370,300	\$ 392,000
Mortgage loan with a fixed interest rate of 4.50% per annum, with monthly payments of interest only for 10 years, and payments of interest and principal starting in February 2022. The loan has a \$42,008,000 balance due on January 5, 2027. The loan is nonrecourse.	46,000	46,000
Mortgage loans with a fixed interest rate of 5.39% per annum, with monthly payments of principal and interest, and balances totaling \$35,695,000 due on March 1, 2021. The loans were nonrecourse. The loans were repaid in May and June 2017 in connection with the sale of the properties that were collateral for the loans.		39,134
Mortgage loan with a fixed interest rate of 5.18% per annum, with monthly payments of principal and interest, and a balance of \$26,232,000 due on June 5, 2021. The loan is nonrecourse. The loan was reclassified to liabilities associated with assets held for sale at June 30, 2017 (Note 3).		29,167
Mortgage loan with a fixed interest rate of 6.65% per annum, with monthly payments of principal and interest. The loan had a 25-year amortization schedule with a \$21,136,000 balance due on July 15, 2018. The loan was nonrecourse. The loan was repaid in March 2017 in connection with the sale of the property that was collateral for the loan.		26,136
	416,300	532,437
Deferred loan costs related to mortgage loans	(1,628)	(2,366)
Premiums and discounts on assumed mortgages, net		722
<b>Total Mortgages Payable</b>	<b>414,672</b>	<b>530,793</b>
Secured borrowing principal on SBA 7(a) loans sold for a premium and excess spread variable rate, reset quarterly, based on prime rate with weighted average coupon rate of 4.55% and 4.13% at June 30, 2017 and December 31, 2016, respectively.	18,504	23,122
Secured borrowing principal on SBA 7(a) loans sold for excess spread variable rate, reset quarterly, based on prime rate with weighted average coupon rate of 2.33% and 1.83% at June 30, 2017 and December 31, 2016, respectively.	4,460	4,777
	22,964	27,899
Unamortized premiums	1,638	2,077
<b>Total Secured Borrowings Government Guaranteed Loans</b>	<b>24,602</b>	<b>29,976</b>

Edgar Filing: CIM Commercial Trust Corp - Form 424B3

Unsecured term loan facility	385,000	385,000
Junior subordinated notes with a variable interest rate which resets quarterly based on the 90-day LIBOR plus 3.25%, with quarterly interest only payments. Balance due at maturity on March 30, 2035.	27,070	27,070
Unsecured credit facility	412,070	412,070
Deferred loan costs related to unsecured term loan and credit facilities	(2,534)	(2,938)
Discount on junior subordinated notes	(1,977)	(2,015)
<b>Total Other</b>	<b>407,559</b>	<b>407,117</b>
<b>Total Debt</b>	<b>\$ 846,833</b>	<b>\$ 967,886</b>

A-21

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

The mortgages payable are secured by deeds of trust on certain of the properties and assignments of rents.

The junior subordinated notes may be redeemed at par at our option.

Secured borrowings government guaranteed loans represent sold loans which are treated as secured borrowings because the loan sales did not meet the derecognition criteria provided for in ASC 860-30, *Secured Borrowing and Collateral*. These loans included cash premiums that are amortized as a reduction to interest expense over the life of the loan using the effective interest method and are fully amortized when the underlying loan is repaid in full.

Deferred loan costs, which represent legal and third-party fees incurred in connection with our borrowing activities, are capitalized and amortized to interest expense on a straight-line basis over the life of the related loan, approximating the effective interest method. Deferred loan costs of \$5,835,000 and \$7,122,000 are presented net of accumulated amortization of \$1,673,000 and \$1,818,000 at June 30, 2017 and December 31, 2016, respectively, and are a reduction to total debt.

In September 2014, CIM Commercial entered into an \$850,000,000 unsecured credit facility with a bank syndicate consisting of a \$450,000,000 revolver, a \$325,000,000 term loan and a \$75,000,000 delayed-draw term loan. CIM Commercial is subject to certain financial maintenance covenants and a minimum property ownership condition. Outstanding advances under the revolver bear interest at (i) the base rate plus 0.20% to 1.00% or (ii) LIBOR plus 1.20% to 2.00%, depending on the maximum consolidated leverage ratio. Outstanding advances under the term loans bore interest at (i) the base rate plus 0.15% to 0.95% or (ii) LIBOR plus 1.15% to 1.95%, depending on the maximum consolidated leverage ratio. The revolver is also subject to an unused commitment fee of 0.15% or 0.25% depending on the amount of aggregate unused commitments. The delayed-draw term loan was also subject to an unused line fee of 0.25%. Proceeds from the unsecured credit facility were used to repay mortgage loans and outstanding balances under our prior unsecured credit facilities, for acquisitions, short-term funding of a Common Stock tender offer in June 2016, short-term funding of a private repurchase of Common Stock in June 2017, and general corporate purposes. In June 2016, we entered into six mortgage loan agreements with an aggregate principal amount of \$392,000,000. A portion of the net proceeds from the loans was used to repay outstanding balances under our unsecured credit facility and the remaining portion was used to repurchase shares of our Common Stock in a private repurchase in September 2016. The June 2017 borrowing used to fund the private share repurchase was repaid using proceeds from subsequent asset sales. The credit facility was set to mature in September 2016 and prior to maturity, we exercised the first of two one year extension options through September 2017 and we permanently reduced the revolving credit commitment under the credit facility to \$200,000,000. In August 2017, we exercised the second of two one year extension options through September 2018 and, in connection with such exercise, we will pay an extension fee of \$300,000. At June 30, 2017 and December 31, 2016, \$0 was outstanding under the credit facility. The unused capacity on the unsecured credit facility, based on covenant restrictions at June 30, 2017 and December 31, 2016, was approximately \$89,000,000 and \$200,000,000, respectively.

In May 2015, CIM Commercial entered into an unsecured term loan facility with a bank syndicate pursuant to which CIM Commercial can borrow up to a maximum of \$385,000,000. The term loan facility ranks *pari passu* with CIM Commercial's unsecured credit facility described



above; covenants under the term loan facility are substantially the same as those in the unsecured credit facility. Outstanding advances under the term loan facility bear interest at (i) the base rate plus 0.60% to 1.25% or (ii) LIBOR plus 1.60% to 2.25%, depending on the maximum consolidated leverage ratio. The unused portion of the term loan facility was also subject to an unused fee of 0.20%. With some exceptions, any prepayment of the term loan facility prior to May 9, 2017 was subject to a prepayment fee up to 2.00% of the outstanding principal amount. The term loan facility matures in May 2022. On November 2, 2015, \$385,000,000 was drawn under the term loan facility. At June 30, 2017 and December 31, 2016, \$385,000,000 was outstanding under the term loan facility. Proceeds from the term loan facility were used to repay balances outstanding under our unsecured credit facility. At June 30, 2017 and December 31, 2016, the variable interest rate on this unsecured term loan facility was 2.65% and 2.22%, respectively. The interest rate of the loan has been effectively converted to a fixed rate of 3.16% until May 8, 2020 through interest rate swaps (Note 13). On August 3, 2017, we repaid \$65,000,000 of outstanding borrowings on our unsecured term loan facility. In connection with such pay down, we terminated three interest rate swaps with an aggregate notional value of \$65,000,000 (Note 13). Costs incurred to terminate such swaps totaled \$38,000, which will be reflected in earnings.

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

At June 30, 2017 and December 31, 2016, we were in compliance with all of our respective financial covenants under the unsecured credit and term loan facilities.

On March 28, 2017, in connection with the sale of an office property in San Francisco, California, we paid off a mortgage with an outstanding balance of \$25,331,000 using proceeds from the sale. Additionally, we paid a prepayment penalty of \$1,508,000 in connection with the prepayment of this mortgage (Note 3).

On May 30, 2017, in connection with the sale of two multifamily properties, both located in Dallas, Texas, we paid off two mortgages with an aggregate outstanding balance of \$15,448,000 using proceeds from the sales. Additionally, we paid aggregate prepayment penalties of \$1,901,000 in connection with the prepayment of these mortgages (Note 3).

On June 23, 2017, in connection with the sale of a multifamily property in Dallas, Texas, we paid off a mortgage with an outstanding balance of \$23,333,000 using proceeds from the sale. Additionally, we paid a prepayment penalty of \$2,812,000 in connection with the prepayment of this mortgage (Note 3).

As of June 30, 2017, two mortgage loans are included in liabilities associated with assets held for sale on our consolidated balance sheet. The first mortgage loan is nonrecourse, is secured by an office property located at 7083 Hollywood Boulevard in Los Angeles, California, and has a balance of \$21,700,000 at June 30, 2017 with a fixed interest rate of 4.14% per annum, requiring monthly payments of interest only, with a maturity date of July 1, 2026. The second mortgage loan is nonrecourse, is secured by a multifamily property located at 4200 Scotland Street in Houston, Texas, and has a balance of \$28,868,000 at June 30, 2017 with a fixed interest rate of 5.18% per annum, requiring monthly payments of principal and interest, with a maturity date of June 5, 2021 (Note 3).

At June 30, 2017 and December 31, 2016, accrued interest and unused commitment fees payable of \$2,765,000 and \$3,133,000, respectively, are included in accounts payable and accrued expenses.

Future principal payments on our debt (face value) at June 30, 2017 are as follows:

Years Ending December 31,	Secured Borrowings Principal (1)	Mortgages Payable (2)	Other (3)	Total
		(in thousands)		

# Edgar Filing: CIM Commercial Trust Corp - Form 424B3

2017 (Six months ending December 31, 2017)	\$	605	\$		\$	605
2018		835				835
2019		867				867
2020		902				902
2021		940				940
Thereafter		18,815		416,300	412,070	847,185
	\$	22,964	\$	416,300	\$	851,334

---

(1) Principal payments are generally dependent upon cash flows received from the underlying loans. Our estimate of their repayment is based on scheduled principal payments on the underlying loans. Our estimate will differ from actual amounts to the extent we experience prepayments and/or loan liquidations or charge-offs. No payment is due unless payments are received from the borrowers on the underlying loans.

(2) Excludes the future principal payments for 7083 Hollywood Boulevard and 4200 Scotland Street, which are classified as liabilities associated with assets held for sale on our consolidated balance sheet at June 30, 2017 (Note 3).

(3) Represents the junior subordinated notes and unsecured term loan facility.

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

**9. STOCK-BASED COMPENSATION PLANS**

In April 2015, we granted awards of 2,000 restricted shares of Common Stock to each of the independent members of the Board of Directors (6,000 in aggregate) under the 2015 Equity Incentive Plan, which fully vested in April 2016 based on one year of continuous service. In May 2016, we granted awards of 3,392 restricted shares of Common Stock to each of the independent members of the Board of Directors (10,176 in aggregate) under the 2015 Equity Incentive Plan, which fully vested in May 2017 based on one year of continuous service. In addition, in June 2017, we granted awards of 3,195 restricted shares of Common Stock to each of the independent members of the Board of Directors (9,585 in aggregate) under the 2015 Equity Incentive Plan, which will vest over one year of continuous service. Compensation expense related to these restricted shares of Common Stock is recognized over the vesting period. We recorded compensation expense of \$29,000 and \$32,000 for the three months ended June 30, 2017 and 2016, respectively, and \$77,000 and \$59,000 for the six months ended June 30, 2017 and 2016, respectively, related to these restricted shares of Common Stock.

We issued to two of our executive officers an aggregate of 2,000 restricted shares of Common Stock on May 6, 2014, which were fully vested in May 2016, and an aggregate of 2,000 restricted shares of Common Stock on March 6, 2015, which were fully vested in March 2017. The restricted shares of Common Stock vested based on two years of continuous service with one-third of the shares of Common Stock vesting immediately upon issuance and one-third vesting at the end of each of the next two years from the date of issuance. Compensation expense related to these restricted shares of Common Stock was recognized over the vesting period. We recognized compensation expense of \$0 and \$1,000 for the three months ended June 30, 2017 and 2016, respectively, and \$1,000 and \$6,000 for the six months ended June 30, 2017 and 2016, respectively, related to these restricted shares of Common Stock.

As of June 30, 2017, there was \$137,000 of total unrecognized compensation expense related to shares of Common Stock which will be recognized over the next year.

**10. EARNINGS PER SHARE ( EPS )**

The computations of basic EPS are based on our weighted average shares outstanding. The basic weighted average shares of Common Stock outstanding were 78,871,000 and 96,683,000 for the three months ended June 30, 2017 and 2016, respectively, and 81,445,000 and 97,173,000 for the six months ended June 30, 2017 and 2016, respectively. We had no dilutive securities outstanding for each of the three and six months ended June 30, 2017 and 2016. Outstanding shares of Series A Preferred Stock and Warrants were not included in the computation of diluted EPS for the three and six months ended June 30, 2017 because their impact was deemed to be anti-dilutive. No shares of Series A Preferred Stock or Warrants were outstanding during the three and six months ended June 30, 2016.

## Edgar Filing: CIM Commercial Trust Corp - Form 424B3

EPS for the year-to-date period may differ from the sum of quarterly EPS amounts due to the required method for computing EPS in the respective periods. In addition, EPS is calculated independently for each component and may not be additive due to rounding.

A-24

---

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)

The following table reconciles the numerator and denominator used in computing our basic and diluted per-share computations for net income available to common stockholders for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
<b>Numerator:</b>				
Net income (loss) from continuing operations	\$ 91,372	\$ (810)	\$ 285,307	\$ 25,483
Net income attributable to noncontrolling interests	(9)	(9)	(14)	(12)
Redeemable preferred stock dividends	(72)		(103)	
Numerator for basic and diluted net income (loss) from continuing operations available to common stockholders	91,291	(819)	285,190	25,471
Net income from discontinued operations		1,668		2,358
Numerator for basic and diluted net income available to common stockholders	\$ 91,291	\$ 849	\$ 285,190	\$ 27,829
<b>Denominator:</b>				
Basic weighted average shares outstanding	78,871	96,683	81,445	97,173
Effect of dilutive securities contingently issuable shares and stock options				
Diluted weighted average shares and common stock equivalents outstanding	78,871	96,683	81,445	97,173
<b>Basic and diluted net income (loss) available to common stockholders per share:</b>				
Continuing operations	\$ 1.16	\$ (0.01)	\$ 3.50	\$ 0.26
Discontinued operations	\$	\$ 0.02	\$	\$ 0.02
Net income	\$ 1.16	\$ 0.01	\$ 3.50	\$ 0.29

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and**

**for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**

**11. REDEEMABLE PREFERRED STOCK**

We have an effective registration statement with the Securities and Exchange Commission ( SEC ) with respect to the offer and sale of up to \$900,000,000 of units (collectively, the Units ), with each unit consisting of (i) one share of Series A Preferred Stock, par value \$0.001 per share, of the Company (collectively, the Series A Preferred Stock ) with an initial stated value of \$25.00 per share ( Stated Value ) and (ii) one warrant (collectively, the Warrants ) to purchase 0.25 of a share of Common Stock (Note 12). The registration statement allows us to sell up to a maximum of 36,000,000 Units. Our Series A Preferred Stock ranks senior to our Common Stock with respect to payment of dividends and distributions of amounts upon liquidation, dissolution or winding up. Proceeds and expenses from the sale of the Units are allocated to the Series A Preferred Stock and Warrants using their relative fair values on the date of issuance.

Our Series A Preferred Stock is redeemable at the option of the holder (the Holder ) or CIM Commercial. The redemption schedule of the Series A Preferred Stock allows redemptions at the option of the Holder from the date of original issuance of any given shares of Series A Preferred Stock through the second year at Stated Value, plus accrued and unpaid dividends, subject to the payment of a 13.0% redemption fee. After year two, the redemption fee decreases to 10.0% and after year five there is no redemption fee. Also, CIM Commercial has the right to redeem the Series A Preferred Stock after year five at Stated Value, plus accrued and unpaid dividends. At the Company's discretion, redemptions will be paid in cash or, on or after the first anniversary of the issuance of such shares of Series A Preferred Stock, an equal value of Common Stock based on the volume weighted average price of our Common Stock for the 20 trading days prior to the redemption. As of June 30, 2017, no shares of Series A Preferred Stock have been redeemed.

As of June 30, 2017, we had issued 308,775 Units and received gross proceeds of \$7,720,000 (\$7,668,000 of which were allocated to the Series A Preferred Stock in temporary equity and the remaining \$52,000 were allocated to the Warrants in permanent equity). In connection with such issuance, costs specifically identifiable to the offering of Units, such as commissions, dealer manager fees and other registration fees, totaled \$614,000 (\$594,000 of which were allocated to the Series A Preferred Stock in temporary equity and the remaining \$20,000 were allocated to the Warrants in permanent equity). In addition, as of June 30, 2017, non issuance specific costs related to this offering totaled \$2,795,000. As of June 30, 2017, we have reclassified \$24,000 and a de minimis amount from deferred rent receivable and charges to temporary equity and stockholders' equity, respectively, as a reduction to the gross proceeds received. Such reclassification was based on the number of Units issued during the period relative to the maximum number of Units expected to be issued under the offering.

Holders of Series A Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Preferred Stock at an annual rate of 5.5% of the Stated Value (i.e., the equivalent of \$0.34375 per share per quarter). Dividends on each share of Series A Preferred Stock will begin accruing on, and will be cumulative from, the date of issuance. Cash dividends declared on our Series A Preferred Stock for the three and six months ended June 30, 2017 consist of the following:

**Aggregate**

# Edgar Filing: CIM Commercial Trust Corp - Form 424B3

Declaration Date	Payment Date	Number of Shares		Dividends Declared (in thousands)
June 12, 2017	July 17, 2017	308,775	\$	72
March 8, 2017	April 17, 2017	144,698	\$	31

A-26

---



**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements as of June 30, 2017 and December 31, 2016, and  
for the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)**