CIM Commercial Trust Corp
Form 424B3
March 19, 2019

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CIM COMMERCIAL TRUST CORPORATION

SUPPLEMENT NO. 9, DATED MARCH 19, 2019,

TO THE PROSPECTUS, DATED APRIL 11, 2018

This prospectus supplement (this Supplement No. 9) is part of the prospectus of CIM Commercial Trust Corporation (the Company), dated April 11, 2018 (the Prospectus), as supplemented by Supplement No. 1, dated May 14, 2018 (Supplement No. 1), Supplement No. 2, dated August 9, 2018 (Supplement No. 2), Supplement No. 3, dated October 9, 2018 (Supplement No. 3), Supplement No. 4, dated November 15, 2018 (Supplement No. 4), Supplement No. 5, dated December 14, 2018 (Supplement No. 5), Supplement No. 6, dated January 15, 2019 (Supplement No. 6), Supplement No. 7, dated February 5, 2019 (Supplement No. 7), and Supplement No. 8, dated March 11, 2019 (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 and Supplement No. 1, Supplement No. 2, Supplement No. 3, Supplement No. 4, Supplement No. 5, 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 attach as Annex A and Annex B the following filings that the Company made with the SEC on March 18, 2019: (i) the Annual Report on Form 10-K for the year ended December 31, 2018 (excluding all the exhibits thereto) and (ii) a Current Report on Form 8-K (excluding the exhibits thereto).

Annex A

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

OR

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

Commission file number 1-13610

CIM COMMERCIAL TRUST CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**75-6446078**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

17950 Preston Road, Suite 600, Dallas, Texas	**75252**
(Address of Principal Executive Offices)	(Zip Code)

(972) 349-3200

(Registrant s telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, $0.001 par value per share	The Nasdaq Stock Market LLC (Nasdaq Global Market)
Series L preferred stock, $0.001 par value per share	The Nasdaq Stock Market LLC (Nasdaq Global Market)

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

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

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

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 x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Annual Report on Form 10-K or any amendment to this Annual Report on Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 o Accelerated filer o Non-accelerated filer x

Smaller reporting company x Emerging growth company o

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. o

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

As of June 30, 2018, the aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by reference to the average high and low sales prices on the Nasdaq Global Market as of the close of business on June 30, 2018, was approximately $24.1 million. The registrant does not have any nonvoting common equities.

As of March 15, 2019, the registrant had outstanding 43,795,073 shares of common stock, par value $0.001 per share.

CIM COMMERCIAL TRUST CORPORATION

2018 ANNUAL REPORT ON FORM 10-K

Forward-Looking Statements

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

PART I

Item 1. Business

Business Overview

The principal business of CIM Commercial Trust Corporation and its subsidiaries (which may be referred to in this Annual Report on Form 10-K as we, us, our, our company , CIM Commercial or the Company) is to acquire, own, and operate Class A and creative office a vibrant and improving metropolitan 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, positive population trends and a propensity for growth.

We are operated by affiliates of CIM Group, L.P. (CIM Group or CIM). CIM Group is a vertically-integrated owner and operator of real assets with multi-disciplinary expertise and in-house research, acquisition, credit analysis, development, financing, leasing, and onsite property management capabilities. CIM Group is headquartered in Los Angeles, California and has offices in Oakland, California; Bethesda, Maryland; Dallas, Texas; New York, New York; Chicago, Illinois; and Phoenix, Arizona. See the captions Overview and History of CIM Group , CIM Urban Partnership Agreement and Investment Management Agreement in Item 1 Business of this Annual Report on Form 10-K.

We seek to utilize the CIM Group platform to acquire, improve and develop real estate assets within CIM Group s qualified communities (Qualified Communities). We believe that these assets will provide greater returns than similar assets in other markets, as a result of the population growth, public commitment, and significant private investment that characterize these areas. Over time, we seek to expand our real estate assets in communities targeted by CIM Group, supported by CIM Group s broad real estate capabilities, as part of our plan to prudently grow market value and earnings.

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

Our reportable segments consist of two types of commercial real estate properties, namely office and hotel, as well as a segment for our lending business, which primarily originates loans to small businesses. As of December 31, 2018, our real estate portfolio consisted of 21 assets, all of which are fee-simple properties. As of December 31, 2018, our 19 office properties (including one parking garage and two development sites, one of which is being used as a parking lot), totaling approximately 3.4 million rentable square feet, were 93.2% occupied and one hotel with an ancillary parking garage, which has a total of 503 rooms, had revenue per available room (RevPAR) of $129.73 for the year ended December 31, 2018. For the year ended December 31, 2018, our office portfolio contributed approximately 74.9% of revenue from continuing operations, while our hotel contributed approximately 19.6%, and our lending segment contributed approximately 5.5%.

Our office and hotel assets are located in six U.S. markets. The breakdown by segment, market and submarket, as of December 31, 2018, is as follows:

Overview of our Real Estate Portfolio as of December 31, 2018 (1)

Property	Market	Sub-Market	Office and Retail Rentable Square Feet	Hotel Rooms
Office				
1 Kaiser Plaza	Oakland, CA	Lake Merritt	535,324	
2101 Webster Street (2)	Oakland, CA	Lake Merritt	474,798	
999 N Capitol Street	District of Columbia	Capitol Hill	315,983	
899 N Capitol Street	District of Columbia	Capitol Hill	314,667	
1901 Harrison Street (2)	Oakland, CA	Lake Merritt	282,350	
1333 Broadway	Oakland, CA	City Center	252,609	
830 1st Street (2)	District of Columbia	Capitol Hill	247,337	
2100 Franklin Street (2)	Oakland, CA	Lake Merritt	216,828	
11620 Wilshire Boulevard	Los Angeles, CA	West Los Angeles	194,643	
3601 S Congress Avenue (3)	Austin, TX	South	183,885	
4750 Wilshire Boulevard	Los Angeles, CA	Mid-Wilshire	143,361	
9460 Wilshire Boulevard	Los Angeles, CA	Beverly Hills	93,622	
260 Townsend Street (2)	San Francisco, CA	South of Market	66,682	
11600 Wilshire Boulevard	Los Angeles, CA	West Los Angeles	56,144	
Lindblade Media Center (4)	Los Angeles, CA	West Los Angeles	32,428	
1130 Howard Street	San Francisco, CA	South of Market	21,194	
Total Office (16 Properties)			**3,431,855**	
Other Ancillary Properties within Office Portfolio				
901 N Capitol Street (5)	District of Columbia	Capitol Hill		
2353 Webster Street Parking Garage (2)	Oakland, CA	Lake Merritt		
2 Kaiser Plaza Parking Lot (6)	Oakland, CA	Lake Merritt		
Total Ancillary Office (3 Properties)				
Total Office including Other Ancillary (19 Properties)			**3,431,855**	
Hotel Portfolio (1 Property)				
Sheraton Grand Hotel	Sacramento, CA	Downtown/Midtown		503
Other Ancillary Properties within Hotel Portfolio (1 Property)				
Sheraton Grand Hotel Parking Garage & Retail (7)	Sacramento, CA	Downtown/Midtown	9,453	
TOTAL PORTFOLIO (21 Properties)			**3,441,308**	**503**

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(1) As part of the Asset Sale, as defined in Item 1 Business Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock, the Company has sold certain properties and is actively marketing additional properties for sale. The information presented in this table represents historical information without giving effect to the Asset Sale.

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(2) 2101 Webster Street, 1901 Harrison Street, 2100 Franklin Street, 2353 Webster Street Parking Garage, 830 1st Street, and 260 Townsend Street were sold in March 2019 as part of the Asset Sale (as defined in Item 1 Business Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock).

(3) 3601 S Congress Avenue consists of ten buildings. The Company intends to develop an existing surface parking lot into approximately 42,000 square feet of additional rentable office space.

(4) Lindblade Media Center consists of three buildings.

(5) 901 N Capitol Street is a 39,696 square foot parcel of land located between 899 and 999 N Capitol Street. We have designed and are entitled to develop a building having approximately 270,000 rentable square feet.

(6) 2 Kaiser Plaza Parking Lot is a 44,642 square foot parcel of land currently being used as a surface parking lot. We are entitled to develop a building, which we are in the process of designing, having approximately 425,000 to 800,000 rentable square feet.

(7) The site of the Sheraton Grand Hotel Parking Garage & Retail is being evaluated for potential development.

Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock

Asset Sale. In December 2018, the Company obtained the approval of our principal stockholder, which as of the relevant record date owned 95.1% of the issued and outstanding shares of common stock, par value $0.001 per share (Common Stock), for the sale of properties specified in the Information Statement on Schedule 14C, filed by the Company with the SEC on January 9, 2019, so long as the aggregate net proceeds from the sale(s) (excluding any property-level cash or restricted cash but after giving effect to any adjustments to the sale price of each property as any authorized officer of the Company determines customary or appropriate in these circumstances, including the settlement of any related property-level assets and liabilities, repayment, assumption, or defeasance of any related mortgage and the costs associated with such repayment, assumption or defeasance, and the costs and expenses incurred in connection with the sale(s)) are not less than 90% of the aggregate net asset value of the properties (determined as of September 30, 2018 on a fair value basis) that are sold (such sales, collectively, the Asset Sale).

The aggregate net proceeds from the sales of six properties sold to date as part of the Asset Sale exceeds 90% of the aggregate net asset value of such properties (determined as of September 30, 2018 on a fair value basis). The Company has been marketing additional properties for sale as part of the Asset Sale, though the Company has not entered into a definitive agreement with respect to such properties and there can be no assurance that such properties will be sold or that the Company will continue to market such properties for sale as part of the Asset Sale.

The Asset Sale represents the first part of a broader plan of the Company with the purpose of, among other things, unlocking embedded value in its portfolio, enhancing growth prospects and improving the trading liquidity of its Common Stock (the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock). Other than the Asset Sale, the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock is expected to involve the Debt Repayment (as defined below), the Return of Capital Event (as defined below) and the CIM REIT Liquidation (as defined below). Other than the Asset Sale, there can be no guarantee that any of the transactions involved in the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock will occur or, if any or all of them occur, that they will occur in the form currently contemplated.

Repayment of Certain Indebtedness. We have used and may use a portion of our unrestricted cash and net proceeds from the Asset Sale to repay balances on certain of the Company s indebtedness (the Debt Repayment).

Return of Capital to Holders of Common Stock. The Company intends to use the net proceeds from the Asset Sale (other than to the extent used for the Debt Repayment) and a portion of our unrestricted cash balances and or funds from our revolving credit facility, to return capital to holders of our Common Stock for consideration approximating our net asset value (NAV) per share of Common Stock, after certain adjustments, in one or more transactions, which may take the form of a special dividend, private repurchase or tender offer (collectively, the Return of Capital Event).

CIM REIT Liquidation. As of March 15, 2019, CIM Urban REIT, LLC, a fund operated by affiliates of CIM Group (CIM REIT), beneficially owned 89.7% of our outstanding Common Stock. We have been informed that, if the Return of Capital Event occurs, CIM Group intends to liquidate CIM REIT by distributing to its members, consisting of 26 institutional investors, all shares of our Common Stock then held by CIM REIT (the CIM REIT Liquidation). We expect that such distribution, if it occurs, will increase our public float significantly (from approximately 9% as of March 15, 2019), which is expected to improve trading volume over time and make our Common Stock eligible for inclusion in several indices.

Preferred Stock. The Company believes that there will be more clarity to the makeup of the Company s portfolio, the aggregate sale price in any asset sales and the trading price of the Company s common stock relative to its NAV following the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock, if it is consummated. The Company has met and consulted with certain holders of the Preferred Stock (as defined in Item 1A. Risk Factors) as it considers such engagement to be important and expects to continue to provide updates at significant milestones during the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock. Following the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock, the Company intends to finalize any alternatives for its preferred stockholders with terms that the Company believes such holders will then find satisfactory.

Business Objectives and Growth Strategies

Our strategy is principally focused on the acquisition of Class A and creative office assets in vibrant and improving metropolitan communities throughout the United States (including improving and developing such assets) in a manner that will consistently grow our NAV and cash flow per share of Common Stock. We primarily acquire Class A and creative office assets located in areas that CIM Group has targeted. These areas include traditional downtown areas and suburban main streets, which have high barriers to entry, high population density, positive population trends and a propensity for growth. CIM Group believes that the critical mass of redevelopment in such areas creates positive externalities, which enhance the value of real estate assets in the area. CIM Group targets acquisitions of diverse types of real estate assets, including office, retail, for-rent and for-sale multifamily residential, hotel, parking, and signage through CIM Group s extensive network and its current opportunistic activities.

We seek to utilize the CIM Group platform to acquire, improve and develop real estate assets within CIM Group s qualified communities (Qualified Communities). We believe assets in these markets provide greater returns as a result of population growth, support for investment, and significant private investment within these areas. Over time, we seek to expand our real estate assets in communities targeted by CIM Group, supported by CIM Group s broad real estate capabilities, as part of our plan to prudently grow market value and earnings.

CIM Group seeks to maximize the value of its holdings through active onsite property management and leasing. CIM Group has extensive in-house research, acquisition, credit analysis, development, financing, leasing and onsite property management capabilities, which leverage its deep understanding of metropolitan communities to position properties for multiple uses and to maximize operating income. As a vertically-integrated owner and operator, CIM Group has in-house onsite property management and leasing capabilities. Property managers prepare annual capital and operating budgets and monthly operating reports, monitor results and oversee vendor services, maintenance and capital improvement schedules. In addition, they ensure that revenue objectives are met, lease terms are followed, receivables are collected, preventative maintenance programs are implemented, vendors are evaluated and expenses are controlled. CIM Group s real assets management committee (the Real Assets Management Committee) reviews and approves strategic plans for each asset, including financial, leasing, marketing, property positioning and disposition plans. In addition, the Real Assets Management Committee reviews and approves the annual business plan for each property, including its capital and operating budget. CIM Group s organizational structure provides for continuity through multi-disciplinary teams responsible for an asset from the time of the original investment recommendation, through the implementation of the asset s business plan, and any disposition activities.

CIM Group s investments and development teams are separate groups that work very closely together on transactions requiring development expertise. While the investments team is responsible for acquisition analysis, both the investments and development teams perform the due diligence, evaluate and determine underwriting assumptions and participate in the development management and ongoing asset management of CIM Group s opportunistic assets. The development team is also responsible for the oversight and or execution of securing entitlements and the development/repositioning process. In instances where CIM Group is not the lead developer, CIM Group s in-house development team continues to provide development and construction oversight to co-sponsors through a shadow team that oversees the progress of the development from beginning to end to ensure adherence to the budgets, schedules, quality and scope of the project to maintain CIM Group s vision for the final product. The investments and development teams interact as a cohesive team when sourcing, underwriting, acquiring, executing and managing the business plan of an opportunistic acquisition.

Competitive Advantages

We believe that CIM Group s experienced team and vertically-integrated and multi-disciplinary organization, coupled with its community-focused and disciplined real estate philosophy, results in a competitive advantage that benefits us. Additionally, CIM Group s strategy is complemented by a number of other competitive advantages including its prudent use of leverage, underwriting approach, disciplined capital deployment, and strong network of relationships. CIM Group s competitive advantages include:

- Vertically-Integrated Organization and Team

CIM Group is managed by its senior management team, which is composed of its three founders, Shaul Kuba, Richard Ressler and Avi Shemesh, and includes 11 other principals. CIM Group is vertically-integrated and organized into 13 functional groups including Compliance; Operations; Human Resources; Legal; Finance & Capital Markets; Onsite Property Management; Real Estate Services; Hospitality Services; Development; Investments; Portfolio Oversight; Partner & Co-Investor Relations; and Marketing & Communications.

To support CIM Group s organic growth and related platforms, CIM Group has invested substantial time and resources in building a strong and integrated team of approximately 540 experienced professionals. Each of CIM Group s teams is managed by seasoned professionals and CIM Group continues to develop its management team, which represents the next generation of CIM Group s leaders. In addition to developing a core team of principals and senior level management, CIM Group has proactively managed its growth through career development and mentoring at both the mid and junior staffing levels, and has hired ahead of its needs, thus ensuring appropriate management and staffing.

CIM Group leverages the deep operating and industry experience of its principals and professionals, as well as their extensive relationships, to source and execute opportunistic, stabilized, and infrastructure acquisitions. Each opportunity is overseen by a dedicated team including an oversight principal (one of Richard Ressler, Avi Shemesh, Shaul Kuba, Charles E. Garner II, our Chief Executive Officer, Jennifer Gandin, John Bruno and Jason Schreiber), a team lead (vice president level and above), associate vice presidents and associates, as necessary, who are responsible for managing the asset from sourcing through underwriting, acquisition, development (if required), onsite property management, and disposition. As part of this process, the team draws upon CIM Group s extensive in-house expertise in legal matters, finance, development, leasing, and onsite property management. Each dedicated investment team is purposefully staffed with professionals from multiple CIM Group offices, regardless of the location of the asset being evaluated. As a result, all investment professionals work across a variety of Qualified Communities and CIM Group s knowledge base is shared across all of its offices.

- Community Qualification

Since inception, CIM Group s proven community qualification process has served as the foundation for its strategy. CIM Group targets high barrier to entry markets and submarkets with high population density and applies rigorous research to qualify for potential acquisitions. Since 1994, CIM Group has qualified 122 communities in high barrier to entry markets and has deployed capital in 72 of these Qualified Communities. CIM Group examines the characteristics of a market to determine whether the district justifies the extensive efforts its investment professionals undertake in reviewing and making potential acquisitions in its Qualified Communities. Qualified Communities generally fall into one of two categories: (i) transitional densely-populated districts that have dedicated resources to become vibrant metropolitan communities and (ii) well-established, thriving metropolitan areas (typically major central business districts).

Once a community is qualified, CIM Group believes it continues to differentiate itself through the following business principles: (i) product non-specific CIM Group has extensive experience owning and operating a diverse range of property types, including retail, residential, office, parking, hotel, signage, and mixed-use, which gives CIM Group the ability to execute and capitalize on its strategy effectively; (ii) community-based tenanting CIM Group s strategy focuses on the entire community and the best use of assets in that community; owning a significant number of key properties in an area better enables CIM Group to meet the needs of national retailers and office tenants and thus optimize the value of these real estate properties; (iii) local market leadership with North American footprint CIM Group maintains local market knowledge and relationships, along with a diversified North American presence, through its 122 Qualified Communities (thus, CIM Group has the flexibility to deploy capital in its Qualified Communities only when the market environment meets CIM Group s underwriting standards); and (iv) deploying capital across the capital stack CIM Group has extensive experience structuring transactions across the capital stack including equity, preferred equity, debt and mezzanine positions, giving it the flexibility to structure transactions in efficient and creative ways.

- Discipline

CIM Group s strategy relies on its sound business plan and value creation execution to produce returns, rather than financial engineering. CIM Group s underwriting of its potential acquisitions is performed generally both on a leveraged and unleveraged basis. Additionally, with certain exceptions, CIM Group has generally not utilized recourse or cross-collateralized debt due to its conservative underwriting standards.

CIM Group employs multiple underwriting scenarios when evaluating potential acquisition opportunities. CIM Group generally underwrites potential acquisitions utilizing long-term average exit capitalization rates for similar product types and long-term average interest rates. Where possible, these long-term averages cross multiple market cycles, thereby mitigating the risk of cyclical volatility. CIM Group s long-term average underwriting is based on its belief, reinforced by its experience through multiple market cycles, that over the life of any given fund that it manages, such fund should be able to exit its holdings at long-term historical averages. CIM Group also underwrites a current market case scenario, which generally utilizes current submarket specific exit assumptions and interest rates, in order to reflect anticipated results under current market conditions. CIM Group believes that utilizing multiple underwriting scenarios enables CIM Group to assess potential returns relative to risk within a range of potential outcomes.

Strategy

Our strategy is principally focused on the acquisition of Class A and creative office assets in vibrant and improving, metropolitan communities throughout the United States (including improving and developing such assets) in a manner that will consistently grow our NAV and cash flow per share of Common Stock.

Our strategy is centered around CIM Group s community qualification process. We believe this strategy provides us with a significant competitive advantage when making real estate acquisitions. The qualification process generally takes between six months and five years and is a critical component of CIM Group s evaluation. CIM Group examines the characteristics of a market to determine whether the district justifies the extensive efforts CIM Group undertakes in reviewing and making potential acquisitions in its Qualified Communities. Qualified Communities generally fall into one of two categories: (i) transitional densely-populated districts that have dedicated resources to become vibrant metropolitan communities and (ii) well-established, thriving metropolitan areas (typically major central business districts). Qualified Communities are distinct districts which have dedicated resources to become or are currently vibrant communities where people can live, work, shop and be entertained, all within walking distance or close proximity to public transportation. These areas also generally have high barriers to entry, high population density, positive population trends and support for investment. CIM Group believes that a vast majority of the risks associated with acquiring real estate are mitigated by accumulating local market knowledge of the community where the asset is located. CIM Group typically spends significant time and resources qualifying targeted communities prior to making any acquisitions. Since 1994, CIM Group has qualified 122 communities and has deployed capital in 72 of these Qualified Communities. Although we may not deploy capital exclusively in Qualified Communities, it is expected that most of our assets will be identified through this systematic process.

We seek to utilize the CIM Group platform to acquire, improve and develop real estate assets within CIM Group s Qualified Communities. We believe that these assets will provide greater returns than similar assets in other markets, as a result of the population growth, public commitment, and significant private investment that characterize these areas. Over time, we seek to expand our real estate assets in communities targeted by CIM Group, supported by CIM Group s broad real estate capabilities, as part of our plan to prudently grow market value and earnings. As a matter of prudent management, we also regularly evaluate each asset within our portfolio as well as our strategies. Such review may result in dispositions when an asset no longer fits our overall objectives or strategies or when our view of the market value of such asset is equal to or exceeds its intrinsic value. As a result of such review, we sold two hotels in 2016; six office properties, one parking garage, and five multifamily properties in 2017; and, in connection with the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock, three office properties and one parking garage in Oakland, California, one office property in Washington, D.C., and one office property in San Francisco, California in March 2019. Such review may result in additional dispositions from time to time. In 2016 and 2017, we used a substantial portion of the net proceeds of such dispositions to provide liquidity to our common stockholders at prices reflecting our NAV and cash flow prospects, and we expect to use a substantial portion of the net proceeds from the Asset Sale to do so in 2019.

While we are principally focused on Class A and creative office assets in vibrant and improving metropolitan communities throughout the United States (including improving and developing such assets), we may also participate more actively in other CIM Group real estate strategies and product types in order to broaden our participation in CIM Group s platform and capabilities for the benefit of all classes of stockholders. This may include, without limitation, engaging in real estate development activities as well as investing in other product types directly, side-by-side with one or more funds of CIM Group, through direct deployment of capital in a CIM Group real estate or debt fund, or deploying capital in or originating loans that are secured directly or indirectly by properties primarily located in Qualified Communities that meet our strategy. Such loans may include limited and or non-recourse junior (mezzanine, B-note or 2nd lien) and senior acquisition, bridge or repositioning loans.

2018 Acquisitions

On January 18, 2018, we acquired a 100% fee-simple interest in an office property known as 9460 Wilshire Boulevard from an unrelated third-party. The property has approximately 68,866 square feet of office space and 22,884 square feet of retail space and is located in Beverly Hills, California. The acquisition was funded with proceeds from our offering of series L preferred stock, par value $0.001 per share (Series L Preferred Stock), and the acquired property is reported as part of the office segment.

Property	Asset Type	Date of Acquisition	Square Feet	Purchase Price (1) (in thousands)
9460 Wilshire Boulevard, Beverly Hills, CA	Office	January 18, 2018	91,750	$ 132,000

(1) Transaction costs that were capitalized in connection with the acquisition of this property totaled $48,000, which are not included in the purchase price above.

2018 Dispositions

There were no dispositions during the year ended December 31, 2018.

2019 Dispositions

In March 2019, we sold 100% fee-simple interests in three office properties and one parking garage in Oakland, California, one office property in Washington, D.C., and one office property in San Francisco, California in each case to unrelated third-parties. The aggregate gain on the sale of these properties is expected to be approximately $353,000,000.

Financing Strategy

We currently have substantial unrestricted cash and borrowing capacity, and may finance our future activities through one or more of the following methods: (i) offerings of shares of Common Stock, preferred stock, senior unsecured securities, and or other equity and debt securities; (ii) credit facilities and term loans; (iii) the addition of senior recourse or non-recourse debt using target acquisitions as well as existing assets as collateral; (iv) the sale of existing assets; and or (v) cash flows from operations. During the prior three years, we have not offered our Common Stock or other securities in exchange for property, but may engage in such activities in the future. We expect to employ indebtedness levels that are comparable to those of other commercial real estate investment trusts (REITs) engaged in business strategies similar to our own.

We have used and may use a portion of our unrestricted cash, which at December 31, 2018 was $54,931,000, and net proceeds from the Asset Sale to repay balances on certain of the Company s indebtedness. Upon completion of the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock, we expect to continue to have substantial unrestricted cash and or borrowing capacity.

Risk Management

As part of its risk management strategy, CIM Group continually evaluates our assets and actively manages the risks involved in our business strategies. CIM Group s Investments and Portfolio Oversight teams share asset management responsibilities, setting the strategy for and monitoring the performance of our assets relative to market and industry benchmarks and internal underwriting assumptions using direct knowledge of local markets provided by CIM Group s in-house onsite property management, and leasing professionals. In-house onsite property management capabilities include monthly and annual budgeting and reporting as well as vendor services management, property maintenance and capital expenditures management. Property management seeks to ensure that revenue objectives are met, lease terms are followed, receivables are collected, preventative maintenance programs are implemented, vendors are evaluated and expenses are controlled. The Real Assets Management Committee oversees onsite property management and consists of certain of the Oversight Principals, each of whom has extensive experience in acquisitions, development, onsite property management and leasing, who are ultimately responsible for the performance of the asset, and the chief compliance officer. The Oversight Principals work with each CIM Group team to ensure that every asset benefits from the full range of CIM Group s real estate expertise. CIM Group believes that empowering its most seasoned investment professionals to bring their breadth of experience to bear directly on assets will optimize returns.

The Oversight Principals meet informally on a frequent basis, generally weekly, to review and discuss the performance of assets, and meet formally at least annually to review and approve strategic plans for our assets based on their review of: financial and operational analyses, operating strategies and agreements, tenant composition and marketing, asset positioning, market conditions affecting our assets, hold/sell analyses and timing considerations, and the annual business plan for each asset, including its capital and operating budget.

The size, composition, and policies of the Real Assets Management Committee may change from time to time.

Regulatory Matters

Environmental Matters

Environmental laws regulate, and impose liability for, the release of hazardous or toxic substances into the environment. Under some of these laws, an owner or operator of real estate may be liable for costs related to soil or groundwater contamination on or migrating to or from its property. In addition, persons who arrange for the disposal or treatment of hazardous or toxic substances may be liable for the costs of cleaning up contamination at the disposal site.

These laws often impose liability regardless of whether the person knew of, or was responsible for, the presence of the hazardous or toxic substances that caused the contamination. The presence of, or contamination resulting from, any of these substances, or the failure to properly remediate them, may adversely affect our ability to sell or rent our property, to borrow using the property as collateral or create lender s liability for us. In addition, third parties exposed to hazardous or toxic substances may sue for personal injury damages and or property damages. For example, some laws impose liability for release of or exposure to asbestos-containing materials. As a result, in connection with our former, current or future ownership, operation, and development of real properties, or our role as a lender for loans secured directly or indirectly by real estate properties, we may be potentially liable for investigation and cleanup costs, penalties and damages under environmental laws.

Although many of our properties have been subjected to preliminary environmental assessments, known as Phase I assessments, by independent environmental consultants that identify certain liabilities, Phase I assessments are limited in scope, and may not include or identify all potential environmental liabilities or risks associated with a property. Unless required by applicable law, we may decide not to further investigate, remedy or ameliorate the liabilities disclosed in the Phase I assessments.

Further, these or other environmental studies may not identify all potential environmental liabilities or accurately assess whether we will incur material environmental liabilities in the future. If we do incur material environmental liabilities in the future, our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock (as defined in Item 1A. Risk Factors) could be materially adversely affected.

Americans with Disabilities Act of 1990

Under the Americans with Disabilities Act of 1990 (the ADA), all public accommodations must meet federal requirements related to access and use by disabled persons. Although we believe that our properties substantially comply with present requirements of the ADA, we have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of our properties or future properties are not in compliance with the ADA, we might be required to take remedial action which would require us to incur additional costs to bring the property into compliance. We cannot predict the ultimate amount, if any, of the cost of compliance with the ADA.

Competition

We compete with others engaged in the acquisition, origination, development, and operation of real estate and real estate-related assets. Our competitors include REITs, insurance companies, pension funds, private equity funds, sovereign wealth funds, hedge funds, mortgage banks, investment banks, commercial banks, savings and loan associations, specialty finance companies, and private and institutional investors and financial companies that pursue strategies similar to ours. Some of our competitors may be larger than us with greater access to capital and other resources and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or lower profitability targets than us, which could allow them to pursue new business more aggressively than us. We believe that our relationship with CIM Group gives us a competitive advantage that allows us to operate more effectively in the markets in which we conduct our business.

Overview and History of CIM Group

CIM Group was founded in 1994 by Shaul Kuba, Richard Ressler and Avi Shemesh and has owned and operated approximately $30.6 billion of assets across its vehicles as of December 31, 2018.(1) CIM Group s successful track record is anchored by CIM Group s community-oriented approach to acquisitions as well as a number of other competitive advantages including its prudent use of leverage, underwriting approach, disciplined capital deployment, vertically-integrated capabilities and strong network of relationships.

CIM Group is headquartered in Los Angeles, California and has offices in Oakland, California; Bethesda, Maryland; Dallas, Texas; New York, New York; Chicago, Illinois; and Phoenix, Arizona. CIM Group has generated strong risk-adjusted returns across multiple market cycles by focusing on improved asset and community performance, and capitalizing on market inefficiencies and distressed situations.

Principles

As described in Item 1 Business Competitive Advantages of this Annual Report on Form 10-K, the community qualification process is one of CIM Group s core competencies, which demonstrates a disciplined investing program and strategic outlook on metropolitan communities. Once a community is qualified, CIM Group believes it continues to differentiate itself through the following business principles:

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(1) Assets Owned and Operated (AOO) represents the aggregate assets owned and operated by CIM Group on behalf of partners (including where CIM Group contributes alongside for its own account) and co-investors, whether or not CIM Group has discretion, in each case without duplication. AOO includes total gross assets at fair value, with real assets presented on the basis described in Book Value below and operating companies presented at gross assets less debt, as of the Report Date (as defined below) (including the shares of such assets owned by joint venture partners and co-investments), plus binding unfunded commitments. AOO also includes the $0.3 billion of AOO attributable to CIM Compass Latin America (CCLA), which is 50% owned and jointly operated by CIM Group. AOO for CMMT Partners, L.P. (CMMT) (which represents assets under management), a perpetual-life real estate debt fund, is $0.7 billion as of the Report Date. Report Date is defined to mean as of December 31, 2018. Book Value, for each investment generally represents the investment s book value as reflected in the applicable fund s unaudited financial statements as of the Report Date prepared in accordance with U.S. generally accepted accounting principles on a fair value basis. These book values generally represent the asset s third-party appraised value as of the Report Date, but in the case of CIM Group s Cole Net-Lease Asset strategy, book values generally represent undepreciated cost (as reflected in SEC-filed financial statements). Equity Owned and Operated (EOO), representing the NAV (as defined below) before incentive fee allocation, plus binding unfunded commitments, is $17.8 billion as of the Report Date, inclusive of $0.3 billion of EOO attributable to CCLA (as described above) and $0.7 billion of EOO for CMMT (which represents equity under management). For calculating the Book Value for CIM REIT, the underlying assets of CMCT are assumed to be liquidated based upon the third-party appraised value. CIM does not view the price of CMCT s publicly-traded shares to be a meaningful indication of the fair value of CIM REIT s interest in CMCT due to the fact that the publicly-traded shares of CMCT represent less than 10% of the outstanding shares of CMCT and are thinly-traded. Net Asset Value (NAV) represents the distributable amount based on a hypothetical liquidation assuming that on the date of determination that: (i) investments are sold at their Book Values; (ii) debts are paid and other assets are collected; and (iii) appropriate

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adjustments and/or allocations between equity partners are made in accordance with applicable documents, as determined in accordance with applicable accounting guidance.

- *Product Non-Specific:* CIM Group has extensive experience owning and operating a diverse range of property types, including retail, residential, office, parking, hotel, signage, and mixed-use, which gives CIM Group the ability to execute and capitalize on its strategy effectively. Successful acquisitions require selecting the right markets coupled with providing the right product. CIM Group s experience with multiple asset types does not predispose CIM Group to select certain asset types, but instead ensures that they deliver a product mix that is consistent with the market s requirements and needs. Additionally, there is a growing trend towards developing mixed-use real estate properties in metropolitan markets which requires a diversified platform to successfully execute.

- *Community-Based Tenanting:* CIM Group s strategy focuses on the entire community and the best use of assets in that community. Owning a significant number of key properties in an area better enables CIM Group to meet the needs of national retailers and office tenants and thus optimize the value of these real estate properties. CIM Group believes that its community perspective gives it a significant competitive advantage in attracting tenants to its retail, office and mixed-use properties and creating synergies between the different tenant types.

- *Local Market Leadership with North American Footprint:* CIM Group maintains local market knowledge and relationships, along with a diversified North American presence, through its 122 Qualified Communities. Thus, CIM Group has the flexibility to deploy capital in its Qualified Communities only when the market environment meets CIM Group s underwriting standards. CIM Group does not need to acquire assets in a given community or product type at a specific time due to its broad proprietary pipeline of communities.

- *Deploying Capital Across the Capital Stack:* CIM Group has extensive experience structuring transactions across the capital stack including equity, preferred equity, debt and mezzanine positions, giving it the flexibility to structure transactions in efficient and creative ways.

CIM Urban Partnership Agreement

Our subsidiary, CIM Urban Partners, L.P. (CIM Urban), is governed by CIM Urban s partnership agreement (the CIM Urban Partnership Agreement). The general partner of CIM Urban, Urban Partners GP, LLC (CIM Urban GP), is an affiliate of CIM Group and has the full, exclusive and complete right, power, authority, discretion and responsibility vested in or assumed by a general partner of a limited partnership under the Delaware Revised Uniform Limited Partnership Act and as otherwise provided by law and is vested with the full, exclusive and complete right, power and discretion to operate, manage and control the affairs of CIM Urban, subject to the terms of the CIM Urban Partnership Agreement.

Removal of General Partner

The class A members of CIM REIT, upon a two-thirds vote of the interests of such members, may remove and replace CIM Urban GP as the general partner of CIM Urban if (a) certain affiliates and related parties of CIM Urban GP cease to own at least 85% of the class A membership units of CIM REIT that they have acquired or (b) any two of Shaul Kuba, Richard Ressler or Avi Shemesh cease to be actively engaged in the management of the general partner. In the event the CIM REIT Liquidation occurs, the class A members of CIM REIT will not have any such removal right.

Amendments

Subject to certain limited exceptions, amendments of the CIM Urban Partnership Agreement may be adopted only with the consent of the majority in interest of the class A members of CIM REIT who are not affiliates of CIM Urban GP. In the event the CIM REIT Liquidation occurs, the class A members of CIM REIT will not have any such consent right.

Liability for Acts and Omissions

None of CIM Urban GP or any of its affiliates, members, stockholders, partners, managers, officers, directors, employees, agents and representatives will have any liability in damages or otherwise to any limited partner, any investors in CIM REIT or CIM Urban, and CIM Urban will indemnify such persons from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, lawsuits, proceedings, costs, expenses and disbursements of any kind which may be imposed on, incurred by or asserted against such persons in any way relating to or arising out of any action or inaction on the part of such persons when acting on behalf of CIM Urban or any of its investments, except for those liabilities that result from such persons fraud, gross negligence, willful misconduct or breach of the terms of the CIM Urban Partnership Agreement or any other agreement between such person and CIM Urban or its affiliates.

Investment Management Agreement

In December 2015, CIM Urban and CIM Investment Advisors, LLC, an affiliate of CIM REIT and CIM Group, entered into an investment management agreement, pursuant to which CIM Urban engaged CIM Investment Advisors, LLC to provide certain services to CIM Urban (the Investment Management Agreement). CIM Investment Advisors, LLC changed its name to CIM Capital, LLC in December, 2018, and on January 1, 2019, assigned its duties under the Investment Management Agreement to its four wholly-owned subsidiaries: CIM Capital Securities Management, LLC, a securities manager, CIM Capital RE Debt Management, LLC, a debt manager, CIM Capital Controlled Company Management, LLC, a controlled company manager, and CIM Capital Real Property Management, LLC, a real property manager. The Operator refers to CIM Investment Advisors, LLC from December 10, 2015 to December 31, 2018 and to CIM Capital, LLC and its four wholly-owned subsidiaries on and after January 1, 2019.

CIM Urban pays asset management fees to the Operator on a quarterly basis in arrears. The fee is calculated as a percentage of the daily average adjusted fair value of CIM Urban s assets:

Daily Average Adjusted Fair Value of CIM Urban s Assets (in thousands) From Greater of		To and Including	Quarterly Fee Percentage
$		$ 500,000	0.2500%
	500,000	1,000,000	0.2375%
	1,000,000	1,500,000	0.2250%
	1,500,000	4,000,000	0.2125%
	4,000,000	20,000,000	0.1000%

For the years ended December 31, 2018, 2017 and 2016, the Operator earned asset management fees of $17,880,000, $22,229,000 and $25,753,000, respectively.

The Operator is responsible for the payment of all costs and expenses relating to the general operation of its business, including administrative expenses, employment expenses and office expenses. All costs and expenses incurred by the Operator on behalf of CIM Urban are borne by CIM Urban. In addition, CIM Urban agreed to indemnify the Operator against losses, claims, damages or liabilities, and reimburse the Operator for its legal and other expenses, in each case incurred in connection with any action, proceeding or investigation arising out of or in connection with CIM Urban s business or affairs, except to the extent such losses or expenses result from fraud, gross negligence or willful misconduct of, or a breach of the terms of the Investment Management Agreement by the Operator.

Nothing in the Investment Management Agreement limits or restricts the right of any partner, officer or employee of the Operator to engage in any other business or to devote his time and attention in part to any other business. Nothing in the Investment Management Agreement limits or restricts the right of the Operator to engage in any other business or to render services of any kind to any other person.

The Investment Management Agreement will remain in effect until CIM Urban is dissolved or CIM Urban and the Operator otherwise mutually agree.

Master Services Agreement

On March 11, 2014, we entered into a master services agreement (the Master Services Agreement) with CIM Service Provider, LLC (the Administrator), an affiliate of CIM Group, pursuant to which the Administrator has agreed to provide, or arrange for other service providers to provide, management and administration services (the Base Services) to CIM Commercial and its subsidiaries. Pursuant to the Master Services Agreement, we appointed an affiliate of CIM Group as the administrator of CIM Urban GP (Urban GP Administrator). Under the Master Services Agreement, CIM Commercial pays a base service fee (the Base Service Fee) to the Administrator initially set at $1,000,000 per year (subject to an annual escalation by a specified inflation factor beginning on January 1, 2015), payable quarterly in arrears. For the years ended December 31, 2018, 2017 and 2016, the Administrator earned a Base Service Fee of $1,079,000, $1,060,000 and $1,043,000, respectively. In addition, pursuant to the terms of the Master Services Agreement, the Administrator may receive compensation and or reimbursement for performing certain services for CIM Commercial and its subsidiaries that are not covered under the Base Service Fee. During the years ended December 31, 2018, 2017 and 2016, such services performed by the Administrator and its affiliates included accounting, tax, reporting, internal audit, legal, compliance, risk management, IT, human resources, corporate communications, and in 2018, operational and on-going support in connection with our offering of series A preferred stock, par value $0.001 per share (the Series A Preferred Stock). The Administrator s compensation is based on the salaries and benefits of the employees of the Administrator and or its affiliates who performed these services (allocated based on the percentage of time spent on the affairs of CIM Commercial and its subsidiaries). For the years ended December 31, 2018, 2017 and 2016, we expensed $2,783,000, $3,065,000 and $3,120,000, respectively, for such