CIM Commercial Trust Corp
Form DEF 14C
January 09, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c)
of the Securities Exchange Act of 1934 (Amendment No.)

Check the appropriate box:

o	Preliminary Information Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
x	Definitive Information Statement

CIM Commercial Trust Corporation
(Name of Registrant As Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

o	No fee required.
o	Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.
1)	Title of each class of securities to which transaction applies:
2)	Aggregate number of securities to which transaction applies:
3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4)	Proposed maximum aggregate value of transaction:
5)	Total fee paid:
x	Fee paid previously with preliminary materials.
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
1)	Amount Previously Paid: $
2)	Form, Schedule or Registration Statement No.:
3)	Filing Party:
4)	Date Filed:

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CIM COMMERCIAL TRUST CORPORATION
17950 PRESTON ROAD, SUITE 600
DALLAS, TEXAS 75252

NOTICE OF STOCKHOLDER ACTION BY WRITTEN CONSENT

January 9, 2019

To our stockholders:

The Information Statement enclosed herewith has been filed with the Securities and Exchange Commission and is being furnished, pursuant to Section 14C of the Securities Exchange Act of 1934, as amended (the Exchange Act), to holders of shares of common stock, par value $0.001 per share (Common Stock), of CIM Commercial Trust Corporation (the Company, we or us).

The purpose of the Information Statement is to inform you that the Company has obtained the approval, by way of written consent in lieu of a meeting, of our principal stockholder, which owned 95.05% of the issued and outstanding shares of Common Stock as of the December 13, 2018 record date, of the sale of any or all of the properties of the Company listed in the immediately following sentence 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 properties included in the Asset Sale are 260 Townsend Street, 1333 Broadway, 1901 Harrison Street, 1 Kaiser Plaza, 2100 Franklin Street, 2101 Webster Street, 2353 Webster Street, 830 1st Street and 999 N Capitol Street. If all the properties that may be included in the Asset Sale are sold, based on information available to the Company as of the date hereof, the Company expects to receive aggregate net proceeds of approximately $690 million.

All necessary corporate approvals in connection with the Asset Sale have been duly obtained in accordance with the Maryland General Corporation Law and our charter and bylaws. As a result, no stockholder meeting will be held and no additional written consents will be sought by us. No dissenters rights will be afforded to our stockholders in connection with the Asset Sale.

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY

No action is required of you. Pursuant to rules under the Exchange Act, the Asset Sale may not be effected until at least 20 days after the date the Information Statement has been mailed to our stockholders, which date of mailing is on or about January 11, 2019. There can be no assurance that the Asset Sale will be consummated in whole or in part.

Sincerely,

/s/ Charles E. Garner II
Charles E. Garner II
Chief Executive Officer

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CIM COMMERCIAL TRUST CORPORATION
17950 PRESTON ROAD, SUITE 600
DALLAS, TEXAS 75252

INFORMATION STATEMENT

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY

This Information Statement is being mailed or otherwise furnished to you by the board of directors (the Board of Directors) of CIM Commercial Trust Corporation (the Company, we, or us) to inform you that the Company has obtained the approval, by way of written consent in lieu of a meeting, of our principal stockholder (the Approving Stockholder) with respect to 41,627,739 shares of our common stock, par value $0.001 per share (Common Stock), as of December 13, 2018 (the Record Date), representing 95.05% of our then total issued and outstanding shares of Common Stock, of the sale of any or all of the properties of the Company listed in the immediately following sentence 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 properties included in the Asset Sale are 260 Townsend Street, 1333 Broadway, 1901 Harrison Street, 1 Kaiser Plaza, 2100 Franklin Street, 2101 Webster Street, 2353 Webster Street, 830 1st Street and 999 N Capitol Street. If all the properties that may be included in the Asset Sale are sold, based on information available to the Company as of the date hereof, the Company expects to receive aggregate net proceeds of approximately $690 million.

On December 4, 2018, our Board of Directors approved and declared advisable the Asset Sale and recommended that the Asset Sale be submitted for approval by the Approving Stockholder in accordance with the Maryland General Corporation Law (the MGCL) and our charter and bylaws. The Approving Stockholder, holding greater than a majority of the issued and outstanding shares of our Common Stock, has approved the Asset Sale by written consent in lieu of a meeting in accordance with the MGCL and Section 15 of Article II of our Bylaws.

Accordingly, all necessary corporate approvals in connection with the Asset Sale have been duly obtained. As a result, no stockholder meeting will be held and no additional written consents will be sought by us. No dissenters rights will be afforded to our stockholders in connection with the Asset Sale.

We are not asking you for a proxy and you are requested not to send us a proxy.

This Information Statement is being furnished solely for the purpose of informing the stockholders of the Company, in the manner prescribed under the Securities Exchange Act of 1934, as amended (the Exchange Act), of this corporate action before it takes effect. Pursuant to rules under the Exchange Act, the Asset Sale may not be effected until at least 20 days after the date the Information Statement has been mailed to our stockholders. This Information Statement is first being mailed on or about January 11, 2019 to the holders of record of shares of Common Stock at the close of business on the Record Date. There can be no assurance that the Asset Sale will be consummated in whole or in part.

This Information Statement is dated January 9, 2019.

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SUMMARY TERM SHEET

The following is a brief summary of certain information contained elsewhere in this Information Statement, including the Annexes to this Information Statement. Reference is made to, and this summary is qualified in its entirety by, the more detailed information contained in this Information Statement and in the Annexes to this Information. You are urged to read this Information Statement and the Annexes to this Information Statement in their entirety.

The Asset Sale

- *Properties to be Sold*. The properties that may be included in the Asset Sale are 260 Townsend Street, 1333 Broadway, 1901 Harrison Street, 1 Kaiser Plaza, 2100 Franklin Street, 2101 Webster Street, 2353 Webster Street, 830 1st Street and 999 N Capitol Street. For further information, refer to The Asset Sale Properties to be Sold in this Information Statement.

- *Sale Price*. The Company is authorized to sell any or all of the properties in the Asset Sale 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. If all the properties that may be included in the Asset Sale are sold, based on information available to the Company as of the date hereof, the Company expects to receive aggregate net proceeds of approximately $690 million.

- *Purchase and Sale Agreements*. We have actively marketed all properties expected to be sold in the Asset Sale. Other than with respect to 260 Townsend Street for which the Company has entered into a purchase and sale agreement with a sale price of $66 million, the Company has not entered into any definitive agreement with respect to the Asset Sale. There can be no assurance that the Asset Sale will be consummated, whether in whole or in part. Each of the Board of Directors and the Approving Stockholder has approved the sale of the properties described in this Information Statement at the aggregate purchase price described above, with all other terms to be negotiated by management of the Company.

- *Federal Income Tax Consequences of the Asset Sale*. The expected federal income tax consequences of the Asset Sale to the Company are described in The Asset Sale Certain Federal Income Tax Consequences in this Information Statement.

- For further information regarding the Asset Sale, refer to The Asset Sale in this Information Statement.

No Appraisal Rights

Under the MGCL and the Company s charter and bylaws, the stockholders have no dissenters rights with respect to the Asset Sale. See No Appraisal Rights in this Information Statement.

Where You Can Find More Information

We are subject to the reporting requirements of the Exchange Act. In accordance with the Exchange Act, we are required to file periodic reports, proxy statements and other information with the Securities and Exchange Commission (the SEC) relating to our business, financial condition and other matters. See Where You Can Find More Information in this Information Statement for additional information regarding our reporting obligations.

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Information Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, including a description of certain potential events. You can identify these statements by the fact that they do not relate strictly to historical or current facts or discuss the business and affairs of the Company on a prospective basis. Further, statements that include words such as may, will, project, might, expect, target, believe, anticipate, intend, could, would, estimate, potential, forecast, seek, plan, or should or the negative or other words or expressions of similar meaning, may identify forward-looking statements.

The Company bases these forward-looking statements on particular assumptions that it has made in light of its experience, as well as its perception of expected future developments and other factors that it believes are appropriate under the circumstances. These forward-looking statements are necessarily estimates reflecting the judgment of the Company and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements.

As you read and consider the information herein, you are cautioned to not place undue reliance on these forward-looking statements. These statements are not guarantees of performance or results and speak only as of the date hereof. These forward-looking statements involve risks, uncertainties and assumptions. In light of these risks and uncertainties, there can be no assurance that the results and events contemplated by the forward-looking statements contained herein will in fact transpire. New factors emerge from time to time, and it is not possible for us to predict all of them. Nor can we assess the impact of each such factor or the extent to which any factor, or combination of factors may cause results to differ materially from those contained in any forward-looking statement. We undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

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ABOUT THE COMPANY

Company Overview

CIM Commercial Trust Corporation is a Maryland corporation and real estate investment trust (REIT). Our principal business is to acquire, own, and operate Class A and creative office assets in vibrant and improving urban communities throughout the United States. These communities are located in areas that include traditional downtown areas and suburban main streets, which have high barriers to entry, high population density, improving demographic trends and a propensity for growth. We believe that the critical mass of redevelopment in such areas creates positive externalities, which enhance the value of substantially stabilized assets in the area. We believe that these assets will provide greater returns than similar assets in other markets as a result of the improving demographics, public commitment, and significant private investment that characterize these areas.

We are operated by affiliates of CIM Group, L.P. (CIM Group). CIM Group is a vertically-integrated owner and operator of real assets with multi-disciplinary expertise and in-house research, acquisition, credit analysis, development, finance, leasing, and 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.

If the potential recapitalization of the Company, as described below in Potential Recapitalization, is completed, while we would remain principally focused on Class A and creative office assets (including improving and developing such assets), we may also participate more actively in other CIM Group urban 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 investing in other urban 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.

As of September 30, 2018, our real estate portfolio consisted of 21 assets, all of which are fee-simple properties. As of September 30, 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 93.6% occupied and one hotel with an ancillary parking garage, which has a total of 503 rooms, had revenue per available room (RevPAR) of $134.14 for the nine months ended September 30, 2018.

Our Common Stock is currently traded on the Nasdaq Global Market (Nasdaq) and on the Tel Aviv Stock Exchange (the TASE), in each case under the ticker symbol CMCT. Our Series L preferred stock, par value $0.001 per share (Series L Preferred Stock), is currently traded on Nasdaq and on the TASE, in each case under the ticker symbol CMCTP. We have authorized for issuance 900,000,000 shares of common stock and 100,000,000 shares of preferred stock (Preferred Stock).

Our principal executive offices are located at 17950 Preston Road, Suite 600, Dallas, Texas 75252 and our telephone number is (972) 349-3200.

Potential Recapitalization

The Asset Sale represents a part of a broader plan of recapitalization that the Company is exploring with the purpose of, among other things, unlocking embedded value, enhancing growth prospects and improving the trading liquidity of its Common Stock. The potential recapitalization is expected to involve the Asset Sale, the Potential Repayment (as defined below), the Potential Return of Capital Event (as defined below) and the Potential CIM REIT Liquidation (as defined below) (collectively, the Potential Recapitalization). There can be no guarantee that any of the transactions described herein will occur or, if any or all of them occur, that they will occur in the form currently contemplated. If any or all of the transactions described herein occur, the financial information reported in this Information Statement may not necessarily be indicative of future operating results or operating conditions.

Repayment of Certain Indebtedness. If the Asset Sale occurs, we may use a portion of the net proceeds from the Asset Sale to repay balances on certain of the Company s indebtedness (the Potential Repayment).

Return of Capital to Holders of Common Stock. The net proceeds from the Asset Sale remaining following the Potential Repayment, as well as a portion of our unrestricted cash balances, may be used 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 (as described in Unaudited Pro Forma Consolidated Financial Information in this Information Statement), in one or more transactions, which may take the form of a special dividend, private repurchase or tender offer (collectively the Potential Return of Capital Event).

CIM REIT Liquidation. As of January 8, 2019, CIM Urban REIT, LLC, a fund operated by affiliates of CIM Group (CIM REIT), beneficially owns 95.05% of our outstanding Common Stock. We have been informed that, if the Asset Sale and Potential Return of Capital Event occur, CIM Group intends to liquidate CIM REIT by distributing to its members, consisting of 27 institutional investors, all shares of our Common Stock then held by CIM REIT (the Potential CIM REIT Liquidation). We expect that such distribution, if it occurs, will increase our public float to approximately 98% (from approximately 4% today), 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 Potential Recapitalization. The Company has met and consulted with certain holders of the Preferred Stock as it considers such engagement to be important and expects to continue to provide updates at significant milestones during the Potential Recapitalization process. Following the Potential Recapitalization, the Company intends to finalize any alternatives for its preferred stockholders with terms that the Company believes holders will then find satisfactory.

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AUTHORITY TO CONSUMMATE THE ASSET SALE

Under the MGCL and the Company s charter and bylaws, at a meeting of the stockholders at which a quorum is present, the affirmative vote of the holders of a majority of the outstanding shares of Common Stock is necessary to authorize the Asset Sale. Under the MGCL and the Company s charter and bylaws, any action that can be taken at an annual or special meeting of stockholders may be taken without a meeting if the action is advised, and submitted to the stockholders for approval, by the Board of Directors and a consent in writing or by electronic transmission of stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting of stockholders (at which all shares entitled to vote thereon were present and voted) is delivered to the Company in accordance with the MGCL. The Company must give notice of any action taken by less than unanimous consent to each stockholder not later than 10 days after the effective time of such action. A written consent in favor of the Asset Sale has been received from the Approving Stockholder, which held the requisite voting power as of the Record Date to approve the Asset Sale. As a result, the Asset Sale has been approved and its consummation requires no additional stockholder vote.

Authorization by the Board of Directors

On December 4, 2018, our Board of Directors approved and declared advisable the Asset Sale and recommended that the Asset Sale be submitted for stockholder approval by written consent.

Approving Stockholder

The Approving Stockholder owned 41,627,739 shares of Common Stock as of the Record Date. Therefore, the shares owned by the Approving Stockholder represented 95.05% of the 43,795,073 shares of Common Stock that were issued and outstanding as of the Record Date. Each share of Common Stock entitles the holder to one vote per share. On December 17, 2018, the Approving Stockholder voted all of its shares of Common Stock by written consent in favor of the Asset Sale.

Accordingly, the Company has obtained all necessary corporate approvals in connection with the Asset Sale. The Company is not seeking written consent from any other stockholders, and the other stockholders will not be given an opportunity to vote with respect to the actions described in this Information Statement.

NO APPRAISAL RIGHTS

Stockholders are not entitled to exercise any rights of an objecting stockholder under Title 3, Subtitle 2 of the MGCL or any successor statute in connection with the Asset Sale. No further dissenters rights applicable to the Asset Sale are provided by the MGCL or the Company s governing documents. As a result, no stockholder is entitled to appraisal of its shares in connection with the Asset Sale.

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THE ASSET SALE

Properties to be Sold

The Asset Sale will involve the sale of any or all of the below properties.

Property	Market	Sub-Market	Office and Retail Rentable Square Feet	% Occupied	Annualized Rent Per Occupied Square Foot (1)
Office					
1 Kaiser Plaza	Oakland, CA	Lake Merritt	535,324	93.7%	$ 41.51
2101 Webster Street	Oakland, CA	Lake Merritt	471,337	99.0%	$ 41.45
999 N Capitol Street	Washington, D.C.	Capitol Hill	315,983	90.1%	$ 46.80
1901 Harrison Street	Oakland, CA	Lake Merritt	280,610	81.9%	$ 45.25
1333 Broadway	Oakland, CA	City Center	251,155	94.3%	$ 42.16
830 1st Street	Washington, D.C.	Capitol Hill	247,337	100.0%	$ 43.88
2100 Franklin Street	Oakland, CA	Lake Merritt	216,828	98.9%	$ 41.82
260 Townsend Street	San Francisco, CA	South of Market	66,682	100.0%	$ 73.54
Parking Garage					
2353 Webster Street Parking Garage	Oakland, CA	Lake Merritt	N/A	N/A	N/A

(1) Represents gross monthly base rent, as of September 30, 2018, multiplied by twelve. The amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursement to base rent.

Sale Price

The Company is authorized to sell any or all of the properties in the Asset Sale 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.

If all the properties that may be included in the Asset Sale are sold, based on information available to the Company as of the date hereof, the Company expects to receive aggregate net proceeds of approximately $690 million.

Purchase and Sale Agreements

We have actively marketed all properties expected to be sold in the Asset Sale. Other than with respect to 260 Townsend Street for which the Company has entered into a purchase and sale agreement with a sale price of $66 million, the Company has not entered into any definitive agreement with respect to the Asset Sale. There can be no assurance that the Asset Sale will be consummated, whether in whole or in part. Each of the Board of Directors and the Approving Stockholder has approved the sale of the properties described in this Information Statement at the aggregate purchase price described above, with all other terms to be negotiated by management of the Company.

Each purchase and sale agreement (PSA) is expected to specify a purchase price for the underlying property (or properties), subject to specified adjustments for costs and prorations customary for the locality in which such property is situated. Each buyer is expected to deposit for the benefit of the Company either a refundable cash deposit or a non-refundable cash deposit at the time of execution of the PSA for a customary portion of the sale price. Many of the PSAs are expected to stipulate a due diligence period following the execution of the agreement, during which the buyer thereunder is expected to have the right to examine and investigate all aspects of the subject property. For many of the PSAs, during the due diligence period, the buyer thereunder is expected to have the right to terminate the PSA without penalty for any reason or no reason. For many of the PSAs, if the buyer does not terminate the PSA within the due diligence period, the buyer s initial deposit is expected to become non-refundable.

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Each PSA is expected to contain customary representations and warranties, covenants and closing conditions. Each PSA is expected to include a condition that the sale not be consummated unless and until 20 days has elapsed since the mailing to our stockholders of a definitive Information Statement with respect to the sale of the property (which may be part of a sale of a larger group of properties) that we reasonably believe complies with the requirements of Regulation 14C of the Exchange Act.

Each PSA is expected to provide that if the Company breaches or defaults on its obligations thereunder after the due diligence period but prior to closing of the transaction and such breach or default remains uncured for the period specified in the PSA, the buyer may terminate the PSA and receive its initial deposit (unless such buyer s damages as a result of any representations or warranties being untrue, inaccurate or incorrect are or would be, in the aggregate, less than a specified threshold, in which case the buyer shall nevertheless be deemed to, and shall, waive such misrepresentations or breaches of warranty and shall consummate the transactions contemplated by the PSA, in most cases without any reduction of or credit against the purchase price).

We will be responsible for the fees of our brokers in connection with the sales of properties sold in the Asset Sale.

We do not expect that any purchaser or transferee of any property sold in the Asset Sale, or any of their respective affiliates, will have any material relationship to the Company or its affiliates. Nor do we expect that any purchaser or transferee, or any of their executive officers, directors, controlling persons or subsidiaries, will have or be expected to enter into any material agreement, arrangement or understanding with the Company or any of its executive officers, directors, controlling persons or subsidiaries. Additionally, we do not expect that any director or officer of the Company, or any of their respective affiliates, will have any substantial interest in the Asset Sale, other than by means of their interests in the Company as described in Security Ownership of Certain Beneficial Owners and Management in this Information Statement.

Approval of the Asset Sale

As described in Authority to Consummate the Asset Sale in this Information Statement, each of the Board of Directors and the Approving Stockholder has approved the sale of all or a portion of the properties set forth in Properties to be Sold in accordance with the terms regarding price set forth in Sale Price in this Information Statement, with all other terms to be negotiated by management of the Company.

The Company has broadly marketed each of the properties that may be sold in the Asset Sale. All negotiations have occurred and will continue to occur on an arm s length basis.

The Board of Directors believes the Asset Sale, as part of a broader plan of recapitalization of the Company, is in the best interests of the Company. The Board of Directors is exploring the recapitalization plan with the purpose of, among other things, unlocking embedded value, enhancing growth prospects and improving trading liquidity of the Common Stock. For further information regarding the potential recapitalization, see About the Company Potential Recapitalization in this prospectus.

Use of Proceeds

Proceeds received from the Asset Sale may be used to consummate the Potential Repayment and, together with a portion of the then available cash balances of the Company, to consummate the Potential Return of Capital Event.

Accounting Treatment

The Asset Sale will be accounted for by derecognizing the assets acquired and liabilities assumed by the buyer of each property being sold, which will result in a decrease to the Investments in real estate, net line item on our consolidated balance sheet, and may also result in decreases to one or more of the following line items on our consolidated balance sheet: Restricted cash, Accounts receivable, net, Deferred rent receivable and charges, net, Other intangible assets, net, Other assets, Debt, net, Accounts payable and accrued expenses, Due to related parties, and liabilities. Additionally, the proceeds from the Asset Sale will be recognized as an increase in Cash and cash equivalents on our consolidated balance sheet. The Asset Sale will also result in the recognition of a gain or loss related to each property that is sold, which will be reflected in the Gain (loss) on sale of real estate line item on our consolidated statement of operations.

Certain Federal Income Tax Consequences

The following discussion is a general summary of the anticipated material U.S. federal income tax consequences to the Company of the Asset Sale. The following discussion is based upon the Internal Revenue Code (the Code), its legislative history, currently applicable and proposed Treasury Regulations under the Code and published rulings and decisions, all as currently in effect as of the date of this Information Statement, and all of which are subject to change, possibly with retroactive effect. Tax consequences under state, local and non-U.S. laws, or federal laws other than those pertaining to income tax, are not addressed in this Information Statement. No rulings have been requested or received from the Internal Revenue Service (the IRS) as to the tax consequences of the Asset Sale and there is no intent to seek any such ruling. Accordingly, no assurance can be given that the IRS will not challenge the tax treatment of the Asset Sale discussed below or, if the IRS does challenge the tax treatment, that the IRS will not be successful.

The Asset Sale will be treated for U.S. federal income tax purposes as a transaction upon which we will recognize gain or loss. The amount of gain or loss we recognize with respect to the sale of a particular asset will be measured by the difference between the amount realized by us on the sale of that asset and our tax basis in that asset.

So long as we remain qualified as a REIT, we expect to be able to deduct our distributions to our stockholders treated as dividends for U.S. federal income tax purposes (to the extent of our earnings and profits, calculated without reduction for capital losses) in computing our taxable income for the taxable years in which we make distributions. We expect to distribute a dividend to our stockholders (or to engage in stock repurchase transactions treated as dividends for U.S. federal income tax purposes) in an amount at least equal to the amount of gain recognized on the Asset Sale. Accordingly, we do not expect to be subject to U.S. federal corporate income tax on any gain recognized on the Asset Sale. Should we lose our REIT status, we would be subject to U.S. federal corporate income tax on our taxable income and gain from operations and sales for the taxable year in which our qualification as a REIT terminates and any subsequent years, without deduction for distributions made to our stockholders.

So long as we remain qualified as a REIT, any net gain that we realize from prohibited transactions will be subject to a 100% tax. Prohibited transactions are sales of property held primarily for sale to customers in the ordinary course of a trade or business. Whether a real estate asset is property held primarily for sale to customers in the ordinary course of a trade or business is a highly factual determination. We believe that our properties are held for investment and the production of rental income, and that the Asset Sale will not give rise to any prohibited transactions. However, we cannot assure you that the IRS will not successfully challenge our position for purposes of applying the 100% tax.

Golden Parachute Compensation

To the best of our knowledge, there is no agreement or understanding, whether written or unwritten, between any named executive officer and any potential buyer of properties included in the Asset Sale concerning any type of compensation, whether present, deferred or contingent, that is based on or otherwise relates to the Asset Sale.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Outstanding Voting Securities

As of the Record Date, there were 43,795,073 shares of Common Stock issued and outstanding. The Common Stock constitutes the only issued and outstanding class of voting securities of the Company. Each share of Common Stock entitles the holder thereof to one vote on all matters submitted to stockholders. The written consent of a majority of the issued and outstanding shares of Common Stock was necessary to authorize the Asset Sale.

Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Our Directors and Executive Officers

The following table sets forth information regarding the beneficial ownership of our Common Stock, Series A preferred stock, par value $0.001 per share (Series A Preferred Stock) and Series L Preferred Stock as of January 8, 2019 by (1) each named executive officer, (2) each current director and (3) all executive officers and directors as a group.

	Common Stock		Series A Preferred Stock		Series L Preferred Stock	
Name of Beneficial Owner (1)	**No. of Shares**	**Percent of Class**	**No. of Shares**	**Percent of Class**	**No. of Shares**	**Percent of Class**
Charles E. Garner II	9,779	*	20,000	0.70%		
Jan F. Salit	52,601(2)	*				
David Thompson						
Richard Ressler	42,012,342(3)	95.93%				
Avi Shemesh	41,997,296(3)	95.90%				
Shaul Kuba	41,997,296(3)	95.90%				
Kelly Eppich	5,163	*				
Douglas Bech	18,965	*				
Robert Cresci	14,206	*				
Frank Golay, Jr.	13,965	*				
Directors and Executive Officers as a group (10 persons)	**42,127,021**	**96.19%**	**20,000**	**0.70%**		

* Less than 1%.

(1) The business address of Messrs. Garner, Salit, Bech, Cresci and Golay, for the purposes hereof, is c/o CIM Commercial Trust Corporation, 17950 Preston Road, Suite 600, Dallas, Texas 75252. The business address of

Messrs. Thompson, Ressler, Shemesh, Kuba and Eppich, for the purposes hereof, is c/o CIM Group, 4700 Wilshire Boulevard, Los Angeles, California 90010.

(2) Mr. Salit has sole voting and investment power over these shares, which include 122 shares held in an investment retirement account.

(3) CIM Group is the sole manager of CIM Urban Partners GP, LLC, which is the sole managing member of Urban Partners II, LLC, which has the power to vote and dispose of these shares. Shaul Kuba, Richard Ressler and Avi Shemesh may be deemed to beneficially own these shares by virtue of their positions with CIM Group, LLC. Messrs. Ressler, Shemesh and Kuba may also be deemed to beneficially own 353,944 shares owned by CIM Service Provider, LLC of which CIM Group, LLC is the sole managing member. Messrs. Ressler, Shemesh and Kuba have shared voting and investment power over all of these shares. Each of Messrs. Ressler, Shemesh and Kuba disclaims beneficial ownership of all of these shares except to the extent of his pecuniary interest therein.

Beneficial Owners of More than 5% of our Common Stock

The following table sets forth certain information regarding the beneficial ownership of our Common Stock, Series A Preferred Stock and Series L Preferred Stock based on filings with the SEC as of January 8, 2019 by each person known by us to beneficially own more than 5% of our Common Stock.

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	Common Stock		Series A Preferred Stock		Series L Preferred Stock	
Name and Address of Beneficial Owner(1)	**No. of Shares**	**Percent of Class**	**No. of Shares**	**Percent of Class**	**No. of Shares**	**Percent of Class**
Urban Partners II, LLC c/o CIM Group 4700 Wilshire Boulevard Los Angeles, California 90010	41,627,739	95.05%				
Richard Ressler(1)	42,012,342(2)	95.93%				
Avi Shemesh(1)	41,997,296(2)	95.90%				
Shaul Kuba(1)	41,997,296(2)	95.90%				

(1) The business address of Messrs. Ressler, Shemesh and Kuba, for the purposes hereof, is c/o CIM Group, 4700 Wilshire Boulevard, Los Angeles, California 90010.

(2) CIM Group, LLC is the sole manager of CIM Urban Partners GP, LLC, which is the sole managing member of Urban Partners II, LLC, which has the power to vote and dispose of these shares. Shaul Kuba, Richard Ressler and Avi Shemesh may be deemed to beneficially own these shares by virtue of their positions with CIM Group, LLC. Messrs. Ressler, Shemesh and Kuba may also be deemed to beneficially own 353,944 shares owned by CIM Service Provider, LLC of which CIM Group, LLC is the sole managing member. Messrs. Ressler, Shemesh and Kuba have shared voting and investment power over all of these shares. Each of Messrs. Ressler, Shemesh and Kuba disclaims beneficial ownership of all of these shares except to the extent of his pecuniary interest therein.

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SELECTED FINANCIAL DATA

The following is a summary of our selected financial data as of and for the nine-month period ended September 30, 2018 and 2017 and each of the five years in the period ended December 31, 2017. You should read the following financial data in conjunction with the information set forth under Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto included in this Information Statement for the nine months ended September 30, 2018 and the years ended December 31, 2017, 2016 and 2015.

	Nine Months Ended September 30,		Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
	(in thousands, except per share data)						
Total revenues	$ 147,597	$ 183,632	$ 236,376	$ 265,931	$ 276,948	$ 262,827	$ 235,813
Total expenses	144,760	203,473	256,979	273,239	273,122	253,998	221,134
Bargain purchase gain						4,918	
Gain on sale of real estate		378,732	401,737	39,666	3,092		
Income from continuing operations before provision for income taxes	2,837	358,891	381,134	32,358	6,918	13,747	14,679
Provision for income taxes	795	1,193	1,376	1,646	806	604	
Net income from continuing operations	2,042	357,698	379,758	30,712	6,112	13,143	14,679
Net income from discontinued operations (1)				3,853	18,291	11,455	
Net income	2,042	357,698	379,758	34,565	24,403	24,598	14,679
Net income attributable to noncontrolling interests	(15)	(10)	(21)	(18)	(11)	(220)	(213)
Net income attributable to the Company	2,027	357,688	379,737	34,547	24,392	24,378	14,466
Redeemable preferred stock dividends accumulated	(9,456)		(1,436)				
Redeemable preferred stock dividends declared	(1,924)	(241)	(490)	(9)			
Redeemable preferred stock redemptions	3		2				
Net (loss) income attributable to common stockholders	$ (9,350)	$ 357,447	$ 377,813	$ 34,538	$ 24,392	$ 24,378	$ 14,466
Funds from operations attributable to common stockholders	$ 30,433	$ 37,279	$ 47,540	$ 66,840	$ 93,661	$ 93,425	$ 83,110
Common dividends (2)	$ 16,421	$ 32,854	$ 38,327	$ 77,316	$ 85,389	$ 85,048	$ 104,035
Common dividends per share (3)	$ 0.375	$ 0.469	$ 0.594	$ 0.875	$ 0.875	$ 0.875	$ 1.090
Weighted average shares of common stock outstanding (3)							
Basic	43,791	73,503	69,062	91,328	97,588	97,173	95,440
Diluted	43,791	73,503	69,070	91,328	97,588	97,176	95,440

(1) Net income from discontinued operations represents revenues and expenses from the parts of our lending segment acquired in March 2014 in connection with the Merger, which were discontinued during 2016 and 2015. On December 17, 2015, 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. 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.

(2) Dividends in 2017 do not include the special cash dividends that allowed the common stockholders that did not participate in the September 14, 2016, June 12, 2017 and December 18, 2017 private share repurchases to receive the economic benefit of such repurchases. Urban Partners II, LLC (Urban II), an affiliate of CIM REIT and CIM Urban Partners, L.P. (CIM Urban), waived its right to receive these special dividends as to its shares of our Common Stock owned as of the applicable record dates. Dividends in 2014 do not include PMC Commercial s pre-Merger dividends or the special dividend paid to PMC Commercial s stockholders; however, these amounts do include the dividends paid on the shares of preferred stock issued to Urban II in connection with the Merger on an as converted basis. Dividends in 2013 through

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March 11, 2014 represent distributions by CIM Urban in respect of its limited partnership interests. Dividends in the year ended December 31, 2013 include five distributions.

(3) Unaudited pro forma, as if the issuance of shares in connection with the Merger occurred on January 1, 2013.

	At September 30, 2018	At September 30, 2017	At December 31, 2017	At December 31, 2016	At December 31, 2015	At December 31, 2014	At December 31, 2013
				(in thousands)			
Total assets	$ 1,391,715	$ 1,591,304	$ 1,336,388	$ 2,022,884	$ 2,092,060	$ 2,088,902	$ 1,832,349
Debt	664,400	780,016	630,852	967,886	693,956	644,835	392,977
Redeemable preferred stock	43,145	12,976	27,924	1,426			
Equity	623,438	711,899	626,705	966,589	1,297,347	1,359,816	1,376,483

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma consolidated financial information has been derived from our historical audited consolidated statement of operations for the year ended December 31, 2017, and our historical unaudited consolidated balance sheet and consolidated statement of operations in each case as of and for the nine months ended September 30, 2018. The unaudited pro forma consolidated financial information has been prepared to reflect the following contemplated transactions:

- the Asset Sale;
- the Potential Repayment; and
- the Potential Return of Capital Event.

The unaudited pro forma consolidated balance sheet as of September 30, 2018 gives effect to the above transactions as if they had been consummated on September 30, 2018. The unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2018 and for the year ended December 31, 2017 give effect to the above transactions as if they had occurred on January 1, 2017, the beginning of the earliest period presented.

The Company has not entered into a definitive agreement with respect to any of the above transactions. There can be no assurance that any or all of the above transactions will occur, that the terms on which we engage in any or all of such transactions will be as currently anticipated or that the effects of any or all of such transactions set forth in the unaudited pro forma consolidated financial information will be realized. See Special Note Regarding Forward-Looking Statements in this Information Statement. The unaudited pro forma consolidated financial statements are based on assumptions and adjustments set forth in the accompanying notes. The pro forma adjustments are directly attributable to the transactions described above and are factually supportable based on the preliminary information available and assumptions that the Company considers reasonable at the time of preparation of this Information Statement.

The unaudited pro forma consolidated financial information is presented for illustrative purposes only in compliance with the disclosure requirements of the SEC and should not be considered indicative of the operating results or financial position of the Company had the transactions above been consummated on the dates indicated, nor should such information be considered indicative of the future operating results or financial position of the Company if the transactions described above are consummated. Actual results may be materially different than the pro forma information presented.

The unaudited pro forma consolidated financial statements and the accompanying notes should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in this Information Statement and the Company s historical audited consolidated financial statements for the year ended December 31, 2017 and the Company s historical unaudited consolidated financial statements for the period ended September 30, 2018, included in this Information Statement.

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CIM COMMERCIAL TRUST CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

As of September 30, 2018

(dollars in thousands, except per share data)

				Pro Forma Adjustments		
	Historical (A)	Adjustments for the Asset Sale (B)	Adjustments for the Potential Repayment (D)	Adjustments for the Potential Return of Capital Event (E)	Pro Forma
ASSETS					
Investments in real estate, net	$ 1,066,971	$ (526,880)	$	$	$ 540,091
Cash and cash equivalents	97,040	690,491	(86,712)	(690,300)	10,519
Restricted cash	21,524	(12,862)			8,662
Loans receivable, net	81,898				81,898
Accounts receivable, net	8,085	(4,135)			3,950
Deferred rent receivable and charges, net	86,337	(64,569)			21,768
Other intangible assets, net	10,684	(1,275)			9,409
Other assets	19,176	(4,553)	(3,288)		11,335
TOTAL ASSETS	$ 1,391,715	$ 76,217	$ (90,000)	$ (690,300)	$ 687,632
LIABILITIES, REDEEMABLE PREFERRED STOCK, AND EQUITY					
LIABILITIES:					
Debt, net	$ 664,400	$ (414,896)	$ (89,572)	$	$ 159,932
Accounts payable and accrued expenses	30,886	(17,426)			13,460
Intangible liabilities, net	3,351				3,351
Due to related parties	10,838	(2,389)			8,449
Other liabilities	15,657	(7,271)			8,386
Total liabilities	725,132	(441,982)	(89,572)		193,578
COMMITMENTS AND CONTINGENCIES					
REDEEMABLE PREFERRED STOCK:					
Series A, $0.001 par value; 36,000,000 shares authorized; 1,893,183 and 1,890,943 shares issued and outstanding, respectively, at September 30, 2018; liquidation preference of $25.00 per share, subject to adjustment	43,145				43,145
EQUITY:					
Series A cumulative redeemable preferred stock, $0.001 par value; 36,000,000 shares authorized; 568,921 and 566,176 shares issued and outstanding, respectively, at September 30, 2018; liquidation preference of $25.00 per share, subject to adjustment	44				44
Series L cumulative redeemable preferred stock, $0.001 par value; 9,000,000 shares authorized; 8,080,740 shares issued and	14,062				14,062

outstanding at September 30, 2018; liquidation preference of $28.37 per share, subject to adjustment					
Common stock, $0.001 par value; 900,000,000 shares authorized; 43,795,073 shares issued and outstanding at September 30, 2018; 13,755,891 shares issued and outstanding on a pro forma basis at September 30, 2018	229,251			(30)	229,221
Additional paid-in capital	791,773			(561,075)	230,698
Accumulated other comprehensive income	3,038		(3,038)		
Distributions in excess of earnings	(415,568)	518,388**(C)**	2,610	(129,195)	(23,765)
Total stockholders equity	622,600	518,388	(428)	(690,300)	450,260
Noncontrolling interests	838	(189)			649
Total equity	623,438	518,199	(428)	(690,300)	450,909
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK, AND EQUITY	$ 1,391,715	$ 76,217	$ (90,000)	$ (690,300)	$ 687,632

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CIM COMMERCIAL TRUST CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

Nine Months Ended September 30, 2018

(dollars in thousands, except per share data)

			Pro Forma Adjustments		
	Historical (F)	Adjustments for the Asset Sale (G)	Adjustments for the Potential Repayment (H)	Adjustments for the Potential Return of Capital Event (I)	Pro Forma
REVENUES:					
Rental and other property income	$ 103,479	$ (68,211)	$	$	$ 35,268
Hotel income	27,564				27,564
Expense reimbursements	7,089	(3,169)			3,920
Interest and other income	9,465	(425)			9,040
	147,597	(71,805)			75,792
EXPENSES:					
Rental and other property operating	59,238	(27,399)			31,839
Asset management and other fees to related parties	18,475	(7,537)			10,938
Interest	20,409	(13,315)	(1,997)		5,097
General and administrative	6,496	(782)			5,714
Transaction costs	359				359
Depreciation and amortization	39,783	(23,541)			16,242
Impairment of real estate					
	144,760	(72,574)	(1,997)		70,189
Gain on sale of real estate					
INCOME BEFORE PROVISION FOR INCOME TAXES	2,837	769	1,997		5,603
Provision for income taxes	795				795
NET INCOME	2,042	769	1,997		4,808
Net income attributable to noncontrolling interests	(15)	(12)			(27)
NET INCOME ATTRIBUTABLE TO THE COMPANY	2,027	757	1,997		4,781
Redeemable preferred stock dividends accumulated	(9,456)				(9,456)
Redeemable preferred stock dividends declared	(1,924)				(1,924)
Redeemable preferred stock redemptions	3				3
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (9,350)	$ 757	$ 1,997	$	$ (6,596)
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS PER SHARE:					
Basic	$ (0.21)				$ (0.48)
Diluted	$ (0.21)				$ (0.48)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:					

Basic	43,791	13,749
Diluted	43,791	13,749

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CIM COMMERCIAL TRUST CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended December 31, 2017

(dollars in thousands, except for share price and per share data)

	Historical (J)	Adjustments for the Asset Sale (K)	Pro Forma Adjustments: Adjustments for the Potential Repayment (L)	Pro Forma Adjustments: Adjustments for the Potential Return of Capital Event (M)	Pro Forma
REVENUES:					
Rental and other property income	$ 166,587	$ (85,368)	$	$	$ 81,219
Hotel income	35,576				35,576
Expense reimbursements	16,646	(8,261)			8,385
Interest and other income	17,567	(6,034)			11,533
	236,376	(99,663)			136,713
EXPENSES:					
Rental and other property operating	101,585	(41,311)			60,274
Asset management and other fees to related parties	30,251	(9,008)			21,243
Interest	36,338	(17,794)	(3,004)		15,540
General and administrative	5,479	(372)			5,107
Transaction costs	11,862				11,862
Depreciation and amortization	58,364	(33,104)			25,260
Impairment of real estate	13,100				13,100
	256,979	(101,589)	(3,004)		152,386
Gain on sale of real estate	401,737				401,737
INCOME BEFORE PROVISION FOR INCOME TAXES	381,134	1,926	3,004		386,064
Provision for income taxes	1,376				1,376
NET INCOME	379,758	1,926	3,004		384,688
Net income attributable to noncontrolling interests	(21)	(17)			(38)
NET INCOME ATTRIBUTABLE TO THE COMPANY	379,737	1,909	3,004		384,650
Redeemable preferred stock dividends accumulated	(1,436)				(1,436)
Redeemable preferred stock dividends declared	(490)				(490)
Redeemable preferred stock redemptions	2				2
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 377,813	$ 1,909	$ 3,004	$	$ 382,726
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS PER SHARE:					
Basic	$ 5.47				$ 9.79
Diluted	$ 5.47				$ 9.79
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:					

Basic	69,062	39,105
Diluted	69,070	39,113

Notes to Pro Forma Consolidated Financial Information   Pro Forma Adjustments

(A)   Represents the Company s unaudited consolidated balance sheet as of September 30, 2018, included in this Information Statement.

(B)   Represents the elimination of the assets and liabilities associated with the Asset Sale, with the exception of property-level cash, which is assumed to be retained by the Company, and, as applicable, property-level restricted cash, which is assumed to be converted to unrestricted cash upon sale and retained by the Company. These adjustments also include the net cash proceeds assumed to be received upon the closing of the Asset Sale, which have been estimated based on bids received by the Company from potential buyer(s), and a broker s opinion of value with respect to one asset, taking into account deductions for (1) any related mortgage debt on the properties (five mortgage loans are assumed to be defeased, one mortgage loan is assumed to be prepaid by the Company at closing, and one mortgage loan is assumed to be assumed by the buyer of the related property), (2) costs expected to be incurred in connection with the aforementioned defeasance of five mortgage loans (based on an estimate prepared by a third-party service provider), the prepayment of one mortgage loan (based on the applicable loan agreement), and no costs relating to the assumption by a potential buyer of the mortgage on one property, as such potential buyer is expected to pay for such costs, (3) estimated credits to the respective buyers, as applicable, for unpaid tenant improvement allowances, lease commissions, and free rent, based on such actual unpaid amounts as of September 30, 2018, as well as for lease agreements in negotiation and expected to be executed prior to the Asset Sale, (4) estimated selling expenses, which have been estimated based on expected broker fees, transfer taxes applicable to the location of the properties, and expenses expected to be incurred in connection with the Asset Sale, (5) with respect to one property, the share of the distributable proceeds payable to the noncontrolling interest in accordance with the limited partnership agreement of the owner of such property, and (6) changes to cash for settlement of property level other assets and liabilities. There can be no assurance that the Asset Sale will be consummated, whether in whole or in part. Actual proceeds could differ materially from those reflected herein.

(C)   Represents the excess of the net cash proceeds, as described in (B) above, assumed to be received upon the closing of the Asset Sale over the carrying values, as of September 30, 2018, of the assets net of liabilities of the respective properties included in the Asset Sale. This amount has not been reflected in the pro forma consolidated statements of operations as it is considered to be nonrecurring in nature.

(D)   Represents the Potential Repayment of $90,000,000 of certain of the Company s indebtedness, the elimination of deferred financing costs of $832,000 and related accumulated amortization of $404,000, a proportionate amount to the borrowings potentially being repaid, and the termination of the three interest rate swaps that effectively converted the floating rate on certain of the Company s indebtedness to a fixed rate. At September 30, 2018, our interest rate swaps had an aggregate fair value of $3,288,000 and such amount is included in other assets on our consolidated balance sheet. At September 30, 2018, $3,038,000 is included in accumulated other comprehensive income on our consolidated balance sheet related to our interest rate swaps. The potential termination of our interest rate swaps is assumed to result in an increase of $3,288,000 in cash. The pro forma adjustments do not reflect a breakage fee, as such fees have not been material historically.

(E) Represents the results of the Potential Return of Capital Event, assumed solely for the purpose of the pro forma adjustments to be in the form of a Common Stock buyback whose size is primarily dependent on the estimated net proceeds from the Asset Sale described in (B) above, net of the potential debt repayment described in (D) above. The estimated number of shares to be repurchased, canceled and retired of 30,039,182 was determined by assuming a buyback of shares in the amount of $690,000,000 divided by an estimated NAV per share of Common Stock of $22.97, which was calculated by reducing the estimated NAV per share of Common Stock as of June 30, 2018, or $24.29, primarily by transaction costs expected to be incurred in connection with the Asset Sale as described in (B) above, the Potential Return of Capital Event, and the difference between the face value and the carrying value of our debt and between the redemption value and carrying value of our redeemable preferred stock. We estimate fees and expenses associated with the Potential Return of Capital Event of $300,000 based on the actual fees and expenses incurred in similar transactions previously consummated. To the extent the actual sales proceeds from the Asset Sale differ from the estimated sales proceeds used herein, or the size of the Potential Return of Capital Event differs from that used herein, the magnitude of any Common Stock buyback and the number of shares bought back may differ materially from our assumptions used herein. The Potential Return of Capital Event may take the form of a special dividend, private repurchase or tender offer; however, the Company has not made a determination as to which form the Return of Capital Event will take. If the actual form of the Potential Return of Capital Event differs from the form assumed for purposes of calculating the pro forma adjustments here, the effects of the actual Potential Return of Capital Event may differ from what are described herein. The excess of the buyback price over par was allocated to additional paid-in-capital and distributions in excess of earnings, in accordance with ASC 505-30-30-8. The portion allocated to additional paid-in-capital was determined by applying a percentage, determined by dividing the number of shares to be canceled and retired by the number of shares issued and outstanding as of the assumed retirement date, to the balance of additional paid-in-capital as of the assumed retirement date.

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(F) Represents the Company s unaudited consolidated statement of operations for the nine months ended September 30, 2018, included in this Information Statement.

(G) Represents the elimination of actual revenues and expenses associated with the Asset Sale. Reflects the impact to asset management fees assuming the Asset Sale occurred on January 1, 2017. Asset management fees are calculated as a percentage of the daily average gross fair value of investments.

(H) Represents the elimination of actual interest expense, including the impact of interest rate swaps, and the amortization of deferred loan costs assuming the Potential Repayment described in (D) above occurred on January 1, 2017.

(I) Represents the results of the Potential Return of Capital Event, assumed solely for the purpose of the pro forma adjustments to be in the form of a Common Stock buyback whose size is primarily dependent on the estimated net proceeds from the Asset Sale described in (B) above, net of the potential debt repayment described in (D) above. For purposes of the pro forma adjustment, the Potential Return of Capital Event is assumed to occur on January 1, 2017. The estimated number of shares to be repurchased, canceled and retired of 30,039,182 was determined by assuming a buyback of shares in the amount of $690,000,000 divided by an estimated NAV per share of Common Stock of $22.97, calculated as described in (E) above. To the extent the actual sales proceeds from the Asset Sale differ from the estimated sales proceeds used herein, or the size of the Potential Return of Capital Event differs from that used herein, the magnitude of any Common Stock buyback and the number of shares bought back may differ materially from our assumptions used herein. The Potential Return of Capital Event may take the form of a special dividend, private repurchase or tender offer; however, the Company has not made a determination as to which form the Return of Capital Event will take. If the actual form of the Potential Return of Capital Event differs from the form assumed for purposes of calculating the pro forma adjustments here, the effects of the actual Potential Return of Capital Event may differ from what are described herein.

(J) Represents the Company s audited consolidated statement of operations for the year ended December 31, 2017, included in this Information Statement. To conform to the presentation for the nine months ended September 30, 2018, hotel revenues, which were reported in rental and other property income in our audited consolidated statement of operations for the year ended December 31, 2017, have been presented as a separate financial statement line item. Additionally, redeemable preferred stock dividends accumulated, which were presented in Note 10 to our audited consolidated financial statements for the year ended December 31, 2017, are presented on the face of the income statement.

(K) Represents the elimination of actual revenues and expenses associated with the Asset Sale. Reflects the impact to asset management fees assuming the Asset Sale occurred on January 1, 2017. Asset management fees are calculated as a percentage of the daily average gross fair value of investments.

(L) Represents the elimination of actual interest expense, including the impact of interest rate swaps, and the amortization of deferred loan costs assuming the Potential Repayment described in (D) above occurred on January 1, 2017.

(M) Represents the results of the Potential Return of Capital Event, assumed solely for the purpose of the pro forma adjustments to be in the form of a Common Stock buyback whose size is primarily dependent on the estimated net proceeds from the Asset Sale described in (B) above, net of the potential debt repayment described in (D) above. For purposes of the pro forma adjustment, the Potential Return of Capital Event is assumed to occur on January 1, 2017. The estimated number of shares to be repurchased, canceled and retired of 30,039,182 was determined by assuming a buyback of shares in the amount of $690,000,000 divided by an estimated NAV per share of Common Stock of $22.97, calculated as described in (E) above. To the extent the actual sales proceeds from the Asset Sale differ from the estimated sales proceeds used herein, or the size of the Potential Return of Capital Event differs from that used herein, the magnitude of any Common Stock buyback and the number of shares bought back may differ materially from our assumptions used herein. The Potential Return of Capital Event may take the form of a special dividend, private repurchase or tender offer; however, the Company has not made a determination as to which form the Return of Capital Event will take. If the actual form of the Potential Return of Capital Event differs from the form assumed for purposes of calculating the pro forma adjustments here, the effects of the actual Potential Return of Capital Event may differ from what are described herein.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and file with the SEC proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, accessible to the public at www.sec.gov. We also make available through our website at http://shareholders.cimcommercial.com/sec-filings our annual reports, quarterly reports, current reports and other materials we file or furnish to the SEC as soon as reasonably practicable after we file such materials with the SEC.

STOCKHOLDERS SHARING AN ADDRESS

Only one Information Statement is being delivered to multiple security holders sharing an address. However, we undertake to deliver promptly, upon written or oral request, a separate copy of the Information Statement to a stockholder at a shared address to which a single copy of the Information Statement is delivered. A stockholder can notify us that the stockholder wishes to receive a separate copy of this Information Statement, or a future information statement, by written request directed to CIM Commercial Trust Corporation, Attn: Stockholder Relations, 17950 Preston Road, Suite 600, Dallas, Texas 75252. Our telephone number is (972) 349-3200. Likewise, stockholders sharing an address who are receiving multiple copies of this Information Statement and wish to receive a single copy of future information statements may notify us at the address and telephone number listed above.

ANNEX A: INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors

CIM Commercial Trust Corporation

Dallas, TX

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CIM Commercial Trust Corporation (the Company) and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 12, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the Company s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company s auditor since 2014.

Los Angeles, CA

March 12, 2018

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share and per share data)

	December 31, 2017	December 31, 2016
ASSETS		
Investments in real estate, net	$ 957,725	$ 1,606,942
Cash and cash equivalents	129,310	144,449
Restricted cash	27,008	32,160
Loans receivable, net	81,056	75,740
Accounts receivable, net	13,627	13,086
Deferred rent receivable and charges, net	84,748	116,354
Other intangible assets, net	6,381	17,623
Other assets	36,533	16,530
TOTAL ASSETS	$ 1,336,388	$ 2,022,884
LIABILITIES, REDEEMABLE PREFERRED STOCK, AND EQUITY		
LIABILITIES:		
Debt, net	$ 630,852	$ 967,886
Accounts payable and accrued expenses	26,394	39,155
Intangible liabilities, net	1,070	3,576
Due to related parties	8,814	10,196
Other liabilities	14,629	34,056
Total liabilities	681,759	1,054,869
COMMITMENTS AND CONTINGENCIES (Note 16)		
REDEEMABLE PREFERRED STOCK: Series A, $0.001 par value; 36,000,000 shares authorized; 1,225,734 and 1,224,712 shares issued and outstanding, respectively, at December 31, 2017 and 61,435 shares issued and outstanding at December 31, 2016; liquidation preference of $25.00 per share, subject to adjustment	27,924	1,426
EQUITY:		
Series A cumulative redeemable preferred stock, $0.001 par value; 36,000,000 shares authorized; 61,435 and 60,592 shares issued and outstanding, respectively, at December 31, 2017 and 0 shares issued and outstanding at December 31, 2016; liquidation preference of $25.00 per share, subject to adjustment	1,508	
Series L cumulative redeemable preferred stock, $0.001 par value; 9,000,000 and 0 shares authorized at December 31, 2017 and 2016, respectively; 8,080,740 and 0 shares issued and outstanding at December 31, 2017 and 2016, respectively; liquidation preference of $28.37 per share, subject to adjustment	229,251	
Common stock, $0.001 par value; 900,000,000 shares authorized; 43,784,939 and 84,048,081 shares issued and outstanding at December 31, 2017 and 2016, respectively	44	84
Additional paid-in capital	792,631	1,566,073
Accumulated other comprehensive income (loss)	1,631	(509)
Distributions in excess of earnings	(399,250)	(599,971)
Total stockholders equity	625,815	965,677
Noncontrolling interests	890	912
Total equity	626,705	966,589
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK, AND EQUITY	$ 1,336,388	$ 2,022,884

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

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands, except per share data)

	Year Ended December 31, 2017	2016	2015
REVENUES:			
Rental and other property income	$ 202,163	$ 241,413	$ 252,994
Expense reimbursements	16,646	12,502	13,394
Interest and other income	17,567	12,016	10,560
	236,376	265,931	276,948
EXPENSES:			
Rental and other property operating	101,585	124,703	133,178
Asset management and other fees to related parties	30,251	33,882	33,169
Interest	36,338	34,385	23,630
General and administrative	5,479	7,961	9,402
Transaction costs (Note 16)	11,862	340	1,382
Depreciation and amortization	58,364	71,968	72,361
Impairment of real estate (Note 2)	13,100		
	256,979	273,239	273,122
Gain on sale of real estate (Note 3)	401,737	39,666	3,092
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	381,134	32,358	6,918
Provision for income taxes	1,376	1,646	806
NET INCOME FROM CONTINUING OPERATIONS	379,758	30,712	6,112
DISCONTINUED OPERATIONS:			
Income from operations of assets held for sale (Note 7)		3,853	13,140
Gain on disposition of assets held for sale (Note 7)			5,151
NET INCOME FROM DISCONTINUED OPERATIONS		3,853	18,291
NET INCOME	379,758	34,565	24,403
Net income attributable to noncontrolling interests	(21)	(18)	(11)
NET INCOME ATTRIBUTABLE TO THE COMPANY	379,737	34,547	24,392
Redeemable preferred stock dividends (Note 11)	(490)	(9)	
Redeemable preferred stock redemptions (Note 11)	2		
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$ 379,249	$ 34,538	$ 24,392
BASIC AND DILUTED NET INCOME AVAILABLE TO COMMON STOCKHOLDERS PER SHARE:			
Continuing operations	$ 5.47	$ 0.34	$ 0.06
Discontinued operations	$	$ 0.04	$ 0.19
Net income	$ 5.47	$ 0.38	$ 0.25
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:			
Basic	69,062	91,328	97,588
Diluted	69,070	91,328	97,588

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)

	Year Ended December 31, 2017	2016	2015
NET INCOME	$ 379,758	$ 34,565	$ 24,403
Other comprehensive income (loss): cash flow hedges	2,140	2,010	(2,519)
COMPREHENSIVE INCOME	381,898	36,575	21,884
Comprehensive income attributable to noncontrolling interests	(21)	(18)	(11)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	$ 381,877	$ 36,557	$ 21,873

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

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Equity

(In thousands, except share and per share data)

	Years Ended December 31, 2017, 2016 and 2015							
	Common Stock			Accumulated				
	Outstanding	Par Value	Additional Paid - in Capital	Other Comprehensive Income (Loss)	Distributions in Excess of Earnings	Treasury Stock	Noncontrolling Interests	Total Equity
Balances, December 31, 2014	97,581,598	$ 98	$ 1,824,381	$	$ (460,623)	$ (4,901)	$ 861	$ 1,359,816
Contributions from noncontrolling interests							110	110
Distributions to noncontrolling interests							(45)	(45)
Stock-based compensation expense	8,000		971					971
Common dividends ($0.875 per share)					(85,389)			(85,389)
Treasury stock retirement (107,265 shares)			(4,901)			4,901		
Other comprehensive income (loss)				(2,519)				(2,519)
Net income					24,392		11	24,403
Balances, December 31, 2015	97,589,598	98	1,820,451	(2,519)	(521,620)		937	1,297,347
Distributions to noncontrolling interests							(43)	(43)
Stock-based compensation expense	10,176		164					164
Issuance of shares pursuant to employment agreements	76,423							
Share repurchases	(13,628,116)	(14)	(254,547)		(35,573)			(290,134)
Common dividends ($0.875 per share)					(77,316)			(77,316)
Issuance of Series A Preferred Warrants			5					5
Dividends to holders of Series A Preferred Stock ($1.375 per share)					(9)			(9)
Other comprehensive income (loss)				2,010				2,010
Net income					34,547		18	34,565
Balances, December 31, 2016	84,048,081	$ 84	$ 1,566,073	$ (509)	$ (599,971)	$	$ 912	$ 966,589

(Continued)

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Equity (Continued)

(In thousands, except share and per share data)

	Years Ended December 31, 2017, 2016 and 2015										
	Common Stock		Preferred Stock					Accumulated			
			Series A		Series L		Additional Paid - in	Other Comprehensive	Distributions in Excess	Non-controlling	Total
	Shares	Par Value	Shares	Amount	Shares	Amount	Capital	Income (Loss)	of Earnings	Interests	Equity
Balances, December 31, 2016	84,048,081	$ 84		$		$	$ 1,566,073	$ (509)	$ (599,971)	$ 912	$ 966,589
Distributions to noncontrolling interests										(43)	(43)
Stock-based compensation expense	9,585						154				154
Share repurchases	(40,272,727)	(40)					(752,218)		(133,752)		(886,010)
Special cash dividends declared to certain common stockholders ($2.990 per share)									(6,447)		(6,447)
Common dividends ($0.594 per share)									(38,327)		(38,327)
Issuance of Series A Preferred Warrants							126				126
Issuance of Series L Preferred Stock					8,080,740	229,251	(21,406)				207,845
Dividends to holders of Series A Preferred Stock ($1.375 per share)									(490)		(490)
Reclassification of Series A to permanent equity			61,013	1,518			(101)				1,417
Redemption of Series A Preferred Stock			(421)	(10)			3				(7)
Other comprehensive income (loss)								2,140			2,140
Net income									379,737	21	379,758
Balances, December 31, 2017	43,784,939	$ 44	60,592	$ 1,508	8,080,740	$ 229,251	$ 792,631	$ 1,631	$ (399,250)	$ 890	$ 626,705

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

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31, 2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 379,758	$ 34,565	$ 24,403
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Deferred rent and amortization of intangible assets, liabilities and lease inducements	(2,172)	(6,584)	(6,835)
Depreciation and amortization	58,364	71,968	72,361
Transfer of right to collect supplemental real estate tax reimbursements	(5,097)		
Gain on sale of real estate	(401,737)	(39,666)	(3,092)
Impairment of real estate	13,100		
Gain on disposition of assets held for sale			(5,151)
Straight line rent, below-market ground lease and amortization of intangible assets	1,069	1,766	1,899
Straight line lease termination income	(362)		
Amortization of deferred loan costs	2,870	2,803	3,229
Amortization of premiums and discounts on debt	(590)	(870)	(1,179)
Unrealized premium adjustment	2,447	1,599	1,168
Amortization and accretion on loans receivable, net	96	(1,039)	(6,451)
Bad debt expense	677	161	1,428
Deferred income taxes	271	164	132
Stock-based compensation	154	164	971
Loans funded, held for sale to secondary market	(57,237)	(38,234)	(29,619)
Proceeds from sale of guaranteed loans	51,312	38,536	27,974
Principal collected on loans subject to secured borrowings	6,674	3,866	4,311
Other operating activity	(1,718)	136	(496)
Changes in operating assets and liabilities:			
Accounts receivable and interest receivable	(977)	(2,569)	(350)
Other assets	(19,762)	419	(4,036)
Accounts payable and accrued expenses	(14,139)	630	3,678
Deferred leasing costs	(6,973)	(19,885)	(8,580)
Other liabilities	(5,589)	3,219	984
Due to related parties	(1,584)	724	286
Net cash (used in) provided by operating activities	(1,145)	51,873	77,035
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to investments in real estate	(21,101)	(35,414)	(26,614)
Acquisition of real estate properties	(19,631)		(11,143)
Proceeds from sale of real estate property, net	1,012,115	94,568	7,786
Proceeds from sale of assets held for sale, net		26,766	82,272
Loans funded	(19,079)	(66,001)	(29,848)
Principal collected on loans	10,883	33,470	39,950
Restricted cash	5,152	(25,150)	1,691
Other investing activity	317	1,287	178
Net cash provided by investing activities	968,656	29,526	64,272

(Continued)

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

(In thousands)

	Year Ended December 31, 2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from mortgages payable		392,000	
Payment of mortgages payable	(65,877)	(4,354)	(77,056)
Proceeds from unsecured revolving lines of credit, revolving credit facilities and term notes	120,000	175,000	619,000
Payment of unsecured revolving lines of credit, revolving credit facilities and term notes	(335,000)	(282,000)	(487,000)
Payment of principal on secured borrowings	(6,674)	(13,946)	(4,311)
Proceeds from secured borrowings		25,791	10,000
Payment of deferred preferred stock offering costs	(3,832)	(1,960)	
Payment of deferred loan costs	(304)	(1,994)	(3,596)
Payment of common dividends	(38,327)	(77,316)	(85,389)
Payment of special cash dividends	(4,872)		
Repurchase of Common Stock	(886,010)	(290,134)	
Contributions from noncontrolling interests			110
Payment of borrowing costs	(8)		
Net proceeds from issuance of Series A Preferred Warrants	127	5	
Net proceeds from issuance of Series A Preferred Stock	28,070	1,429	
Net proceeds from issuance of Series L Preferred Stock	210,377		
Payment of preferred stock dividends	(250)		
Redemption of Series A Preferred Stock	(27)		
Noncontrolling interests distributions	(43)	(43)	(45)
Net cash used in financing activities	(982,650)	(77,522)	(28,287)
Change in cash balances included in assets held for sale		1,471	569
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,139)	5,348	113,589
CASH AND CASH EQUIVALENTS:			
Beginning of period	144,449	139,101	25,512
End of period	$ 129,310	$ 144,449	$ 139,101
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$ 35,092	$ 33,060	$ 20,920
Federal income taxes paid	$ 1,595	$ 1,353	$ 805
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Additions to investments in real estate included in accounts payable and accrued expenses	$ 9,024	$ 4,527	$ 8,097
Retirement of treasury stock	$	$	$ 4,901
Additions to investments in real estate included in other assets	$	$	$ 4,244
Net increase (decrease) in fair value of derivatives applied to other comprehensive income (loss)	$ 2,140	$ 2,010	$ (2,519)
Foreclosure on a loan receivable included in other assets	$	$	$ 708
Reduction of loans receivable and secured borrowings due to the SBA s repurchase of the guaranteed portion of loans	$ 534	$ 2,663	$
Additions to preferred stock offering costs included in accounts payable and accrued expenses	$ 388	$ 238	$
Accrual of dividends payable to preferred stockholders	$ 249	$ 9	$

Preferred stock offering costs offset against redeemable preferred stock in temporary equity	$	122	$	3	$	
Preferred stock offering costs offset against redeemable preferred stock in permanent equity	$	2,532	$		$	
Reclassification of Series A Preferred Stock from temporary equity to permanent equity	$	1,417	$		$	
Reclassification of Series A Preferred Stock from temporary equity to accounts payable and accrued expenses	$	13	$		$	
Accrual of special cash dividends	$	1,575	$		$	
Accrual reversed to lease termination income	$	480	$		$	
Payable to related parties included in net proceeds from disposition of real estate	$	202	$		$	

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 December 31, 2017 and 2016

and for the Years Ended December 31, 2017, 2016 and 2015

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 acquires, owns, and operates Class A and creative office assets 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 (Nasdaq) and on the Tel Aviv Stock Exchange (TASE), in each case under the ticker symbol CMCT. Our Series L Preferred Stock (as defined in Note 11), $0.001 par value per share, is currently traded on Nasdaq and on the TASE, in each case under the ticker symbol CMCTP. We have authorized for issuance 900,000,000 shares of common stock and 100,000,000 shares of preferred stock (Preferred Stock).

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

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.

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 for acquisitions that occurred prior to October 1, 2017. For acquisitions occurring on or after October 1, 2017, we will conduct an analysis to determine if the acquisition constitutes a business combination or an asset purchase. If the acquisition constitutes a business combination, then transaction costs will be expensed as incurred, and if the acquisition constitutes an asset purchase, then transaction costs will be capitalized. 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

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

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

and for the Years Ended December 31, 2017, 2016 and 2015 (Continued)

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, $0 and $0 during the years ended December 31, 2017, 2016 and 2015, respectively (Note 3).

Cash and Cash Equivalents Cash and cash equivalents include short-term liquid investments with initial maturities of three months or less.

Restricted Cash Our mortgage loan and hotel management agreements provide for depositing cash into restricted accounts reserved for 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.

Loans Receivable Our loans receivable 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 $1,301,000 remained as of December 31, 2017, which have not yet been accreted to income.

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 years ended December 31, 2017, 2016 and 2015, we recorded $97,000, $(206,000) and $328,000 impairment (recovery) on our loans receivable, respectively. We establish a general loan loss reserve when available information indicates that it is

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

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

and for the Years Ended December 31, 2017, 2016 and 2015 (Continued)

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.

Accounts Receivable Accounts receivable are carried net of the allowances for uncollectible amounts. Management s determination of the adequacy of these allowances is based primarily upon evaluation of historical loss experience, individual receivables, current economic conditions, and other relevant factors. The allowances are increased or decreased through the provision for bad debts. The allowance for uncollectible accounts receivable was $181,000 and $876,000 as of December 31, 2017 and 2016, respectively.

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 $52,619,000 and $64,010,000 at December 31, 2017 and 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 $52,414,000 and $76,063,000 are presented net of accumulated amortization of $23,807,000 and $25,914,000 at December 31, 2017 and 2016, respectively. Deferred offering costs represent direct costs incurred in connection with our offering of Series A Preferred 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 Series A Preferred 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 Series A Preferred Units issued in an issuance to the maximum number of Series A Preferred 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 Series A Preferred 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 Series A Preferred Warrants are reductions to temporary equity and permanent equity, respectively. Deferred offering costs of $3,401,000 and $2,060,000 related to our offering of Series A Preferred Units are included in deferred rent receivable and charges at December 31, 2017 and 2016, respectively. Other deferred costs are $121,000 and $135,000 at December 31, 2017 and 2016, respectively.

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

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 has the right to require the Company to redeem such shares at a redemption price of 100% of the Series A Preferred Stock 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 Series A Preferred Stock 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 Series A Preferred Stock Stated Value, plus accrued and unpaid dividends. The applicable redemption 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

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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 Series A Preferred 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 Series A Preferred Units are allocated to the Series A Preferred Stock and Series A Preferred Warrants using their relative fair values on the date of issuance.

Our Series L Preferred Stock (as defined in Note 11) is redeemable at the option of the holder or CIM Commercial. From and after the fifth anniversary of the date of original issuance of the Series L Preferred Stock, each holder will have the right to require the Company to redeem, and the Company will also have the option to redeem (subject to certain conditions), such shares of Series L Preferred Stock at a redemption price equal to the Series L Preferred Stock Stated Value (as defined in Note 11), plus, provided certain conditions are met, all accrued and unpaid distributions. Notwithstanding the foregoing, a holder of shares of our Series L Preferred Stock may require us to redeem such shares at any time prior to the fifth anniversary of the date of original issuance of the Series L Preferred Stock if (1) we do not declare and pay in full the distributions on the Series L Preferred Stock for any annual period prior to such fifth anniversary (provided that the first distribution on the Series L Preferred Stock is expected to be payable in January 2019) or (2) we do not declare and pay all accrued and unpaid distributions on the Series L Preferred Stock for all past dividend periods prior to the applicable holder redemption date. The applicable redemption price payable upon redemption of any Series L Preferred Stock will be made, in the Company s sole discretion, in the form of (A) cash in Israeli new shekels (ILS) at the then-current currency exchange rate determined in accordance with the Articles Supplementary defining the terms of the Series L Preferred Stock, (B) in equal value through the issuance of shares of Common Stock, with the value of such Common Stock to be deemed the lower of (i) our NAV per share of our Common Stock as most recently published by the Company as of the effective date of redemption and (ii) the volume-weighted average price of our Common Stock, determined in accordance with the Articles Supplementary defining the terms of the Series L Preferred Stock, or (C) in a combination of cash in ILS and our Common Stock, based on the conversion mechanisms set forth in (A) and (B), respectively. We recorded the activity related to our Series L Preferred Stock in permanent equity.

Purchase Accounting for Acquisition of Investments in Real Estate We apply the acquisition method to all acquired real estate assets. The purchase consideration of the real estate, which for real estate acquired on or after October 1, 2017 includes the transaction costs incurred in connection with such acquisitions, is recorded at fair value 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.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, and the as-if-vacant value is then allocated to land (or acquired ground lease if the land is subject to a ground lease), land improvements, building and improvements, and tenant improvements based on management s determination of the relative fair values of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases, including leasing commissions, legal, and other related costs.

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In allocating the purchase consideration of the identified intangible assets and liabilities of an acquired property, above-market, below-market, and in-place lease values are recorded based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management s estimate of fair market lease rates for the corresponding in-place leases measured over a period equal to the remaining non-cancelable term of the lease, and for below-market leases, over a period equal to the initial term plus any below-market fixed-rate renewal periods. Acquired above-market and below-market leases are amortized and recorded to rental and other property income over the initial terms of the respective leases.

The aggregate value of other acquired intangible assets, consisting of in-place leases and tenant relationships, is measured by the estimated cost of operations during a theoretical lease-up period to replace in-place leases, including lost revenues and any unreimbursed operating expenses, plus an estimate of deferred leasing commissions for in-place leases. The value of in-place leases is amortized to expense over the remaining non-cancelable periods of the respective leases. If a lease is terminated prior to its stated expiration, all unamortized amounts relating to that lease are written-off.

A tax abatement intangible asset was recorded for a property acquired in 2011 and sold in 2017, based on an approval for a property tax abatement, due to the location of the property. The tax abatement intangible asset was amortized over eight years and was written off in connection with the disposition. Tax abatement was $0 and $1,400,000 at December 31, 2017 and 2016, respectively.

Revenue Recognition All leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the terms of the leases when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is recorded as deferred rent. If the lease provides for tenant improvements, we determine whether the tenant improvements, for accounting purposes, are owned by the tenant or us. When we are the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is considered the owner of the improvements, any tenant improvement allowance that is funded is treated as incentive. Lease incentives paid to tenants are included in other assets and amortized as a reduction to rental revenue on a straight-line basis over the term of the related lease. Lease incentives of $12,648,000 and $13,084,000 are presented net of accumulated amortization of $5,029,000 and $4,303,000 at December 31, 2017 and 2016, respectively.

Reimbursements from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes, insurance, and other recoverable costs, are recognized as revenue in the period the expenses are incurred. Tenant reimbursements are recognized and presented on a gross basis when we are the primary obligor with respect to incurring expenses and with respect to having the credit risk.

In addition to minimum rents, certain leases provide for additional rents based upon varying percentages of tenants sales in excess of annual minimums. Percentage rent is recognized once lessees specified sales targets have been met. Included in rental and other property income for the years ended December 31, 2017, 2016 and 2015, is $304,000, $338,000 and $329,000, respectively, of percentage rent.

We derive parking revenues from leases with third-party operators. Our parking leases provide for additional rents based upon varying percentages of tenants sales in excess of annual minimums. Parking percentage rent is recognized once lessees specific sales targets have been met. Included in rental and other property income for the years ended December 31, 2017, 2016 and 2015, is $2,614,000, $3,156,000 and $2,290,000, respectively, of parking percentage rent.

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Hotel room sales are recognized upon daily occupancy. Other hotel revenues are recognized as earned upon facility use or food and beverage consumption.

Interest income included in interest and other income or discontinued operations is comprised of interest earned on loans and our short-term investments and the accretion of net loan origination fees and discounts. Interest income on loans is accrued as earned with the accrual of interest suspended when the related loan becomes a Non-Accrual Loan.

Premiums and Discounts on Debt Premiums and discounts on debt are accreted or amortized on the effective interest method or on a straight-line basis over the respective term of the loan to interest expense, which approximates the effective interest method.

Stock-Based Compensation Plans We had options outstanding and have issued and continue to issue restricted shares under stock-based compensation plans described more fully in Note 9. We use fair value recognition provisions to account for all awards granted, modified or settled.

Earnings per Share (EPS) Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of shares of Common Stock outstanding for the period. Net income available to common stockholders includes a deduction for dividends due to preferred stockholders. Diluted EPS is computed by dividing net income available to common stockholders by the weighted average number of shares of Common Stock outstanding adjusted for the dilutive effect, if any, of securities such as stock-based compensation awards, warrants, including the Series A Preferred Warrants (Note 12) and preferred stock, including the Series A Preferred Stock (Note 11) and Series L Preferred Stock (Note 11), whose redemption is payable in shares of Common Stock or cash, at the discretion of the Company. The dilutive effect of stock-based compensation awards and warrants, including the Series A Preferred Warrants, is reflected in the weighted average diluted shares calculation by application of the treasury stock method. The dilutive effect of preferred stock, including the Series A Preferred Stock and Series L Preferred Stock, whose redemption is payable in shares of Common Stock or cash, at the discretion of the Company, is reflected in the weighted average diluted shares calculation by application of the if-converted method.

Distributions Distributions are recorded on the ex-dividend date.

Assets Held for Sale and Discontinued Operations In the ordinary course of business, we may periodically enter into agreements relating to dispositions of assets. 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, 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.

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,

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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 our 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 for the years ended December 31, 2017, 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 on our consolidated financial statements.

Derivative Financial Instruments As part of 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.

Income Taxes We have elected to be taxed as a REIT under the provisions of the Code. To the extent we qualify for taxation as a REIT, we generally will not be subject to a federal corporate income tax on our taxable income that is distributed to our stockholders. We may, however, be subject to certain federal excise taxes and state and local taxes on our income and property. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and will not be able to qualify as a REIT for four subsequent taxable years. In order to remain qualified as a REIT under the Code, we must satisfy various requirements in each taxable year, including, among others, limitations on share ownership, asset diversification, sources of income, and the distribution of at least 90% of our taxable income within the specified time in accordance with the Code.

We have wholly-owned taxable REIT subsidiaries (TRS s) which are subject to federal income taxes. The income generated from the taxable REIT subsidiaries is taxed at normal corporate rates. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

We have established a policy on classification of penalties and interest related to audits of our federal and state income tax returns. If incurred, our policy for recording interest and penalties associated with audits will be to record such items as a component of general and administrative expense. Penalties, if incurred, will be recorded in general and administrative expense

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and interest paid or received will be recorded in interest expense or interest income, respectively, in our consolidated statements of operations.

ASC 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current period. We have reviewed all open tax years and concluded that the application of ASC 740 resulted in no material effect to our consolidated financial position or results of operations.

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 real estate on our consolidated financial statements.

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.

Concentration of Credit Risk Financial instruments that subject us to credit risk consist primarily of cash and cash equivalents and interest rate swap agreements. We have our cash and cash equivalents on deposit with what we believe to be high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. We believe that the counterparties in our interest rate swap agreements are high-quality financial institutions. The credit quality of the counterparties is monitored on an ongoing basis. Management routinely assesses the financial strength of its tenants and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

Our properties are located throughout the United States. The majority of our revenues are earned from properties located in the Washington, D.C. area and California. We are subject to risks incidental to the ownership and operation of commercial real estate. These include, among others, the risks normally associated with changes in the general economic climate in the communities in which we operate, trends in the real estate industry, change in tax laws, interest rate levels, availability of financing, and the potential liability under environmental and other laws.

Fair Value Measurements The fair value of our financial assets and liabilities are disclosed in Note 14.

We determine the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. The hierarchy for inputs used in measuring fair value is as follows:

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Level 1 Inputs Quoted prices in active markets for identical assets or liabilities

Level 2 Inputs Observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 Inputs Unobservable inputs

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

We disclose the fair value of our debt. We determine the fair value of mortgage notes payable and junior subordinated notes by performing discounted cash flow analyses using an appropriate market discount rate. We calculate the market discount rate for our mortgage notes payable by obtaining period-end treasury rates for maturities that correspond to the maturities of our debt and then adding an appropriate credit spread. These credit spreads take into account factors such as our credit standing, the maturity of the debt, whether the debt is secured or unsecured, and the loan-to-value ratios of the debt.

We disclose the fair value of our loans receivable. We determine the fair value of loans receivable by performing a present value analysis for the anticipated future cash flows using an appropriate market discount rate taking into consideration the credit risk and using an anticipated prepayment rate.

We estimate the fair value of our interest rate swaps by calculating the credit-adjusted present value of the expected future cash flows of each swap. The calculation incorporates the contractual terms of the derivatives, observable market interest rates, and credit risk adjustments, if any, to reflect the counterparty s as well as our own nonperformance risk.

The carrying amounts of our cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued expenses approximate their fair values due to their short-term maturities at December 31, 2017 and 2016. The carrying amounts of our secured borrowings and unsecured credit and term loan facilities approximate their fair values, as the interest rates on these securities are variable and approximate current market interest rates.

Segment Information Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. Our reportable segments consist of three types of commercial real estate properties, namely, office, hotel and multifamily, as well as a segment for our lending business that is included in our continuing operations. The lending business that was held for sale at December 31, 2015 is not included in our reportable segments. The products for our office segment primarily include rental of office space and other tenant services, including tenant reimbursements, parking, and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services. The products for our hotel segment include revenues generated from the operations of hotel properties and rental income generated from a garage located directly across the street from one of the hotels. The income from our lending segment includes income from the yield and other related fee income earned on our loans receivable.

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

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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. We currently do not anticipate the adoption of this ASU will have a material impact 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 conducting an evaluation of the impact of the guidance on our consolidated financial statements. We currently believe that the adoption of the standard will not significantly change the accounting for operating leases on our consolidated balance sheet where we are the lessor, and that such leases will be accounted for in a similar method to existing standards with the underlying leased asset being recognized and reported as a real estate asset. We currently expect that certain non-lease components may need to be accounted for separately from the lease components, with the lease components continuing to be recognized on a straight-line basis over the term of the lease and certain non-lease components (such as certain expense reimbursements) being accounted for under the new revenue recognition guidance in ASU 2014-09. We expect to adopt the guidance on a modified retrospective basis.

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 eliminated 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 became effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. The adoption of this guidance did not have a material impact on our consolidated financial statements.

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.

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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 currently do not anticipate the adoption of this ASU will have a material impact 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. Upon adoption of this ASU, restricted cash balances will be included in beginning and ending balances of cash and cash equivalents for all periods presented in our consolidated statements of cash flows.

In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which makes certain technical corrections and improvements to ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. In February 2017, the FASB issued ASU No. 2017-05, *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*, which provided further clarification on the recognition of gains and losses from the transfer of nonfinancial assets in contracts with noncustomers provided for under ASU 2014-09. This revenue recognition standard became effective for the Company on January 1, 2018. The standard allows the use of a full retrospective or modified retrospective approach to adopt this ASU. The full retrospective approach requires entities to recast their revenues for all periods presented to conform with the new revenue recognition guidance. Revenues that are restated for periods before January 1, 2016 will be reflected as an adjustment to retained earnings as of January 1, 2016. Under the modified retrospective approach, an entity can apply the standard to all contracts existing as of January 1, 2018, or only to uncompleted contracts existing as of January 1, 2018. Any differences in current and new revenue recognition guidance would be reflected as an adjustment to retained earnings as of January 1, 2018 under this approach. Under both approaches, additional disclosures may be required depending on the significance of the revenues impacted. The Company has elected to use the modified retrospective approach for all uncompleted contracts as of January 1, 2018.

The core principle of this revenue recognition standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, with an emphasis on the timing of the transfer of control of these goods or services to the customer. The guidance requires the use of a new five-step model, which includes (i) identifying the contract with a customer, (ii) identifying the performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations, and (v) recognizing revenue when (or as) the entities satisfies a performance obligation.

Our revenues and gains that were scoped into the revenue recognition standard were (i) hotel revenues, (ii) gains on sales of real estate, and (iii) certain tenant recoveries outside of the terms of the lease agreement.

For all contracts within the scope of this new revenue recognition standard, which include hotel revenues, sales of real estate, and tenant recoveries outside the lease agreements, the Company determined that there were no differences in the recognition of timing and amount under the current and new guidance. Therefore, the adoption of this standard effective January 1, 2018 will not result in an adjustment to our retained earnings on January 1, 2018. Additionally, a majority of the Company s revenues are primarily concentrated in rental income from leases which are outside of the scope of the new revenue

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recognition standard. We do not believe that hotel revenues or tenant recoveries outside of the lease agreements are material in relation to the core business, nor will they be material going forward.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations: Clarifying the Definition of a Business* (ASU No. 2017-01), 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. The Company early adopted ASU No. 2017-01 during the fourth quarter of 2017. As a result of such adoption, we capitalized the transaction costs incurred in connection with the acquisition of an office property in San Francisco, California in December 2017 (Note 3). In addition, we expect that transaction costs incurred in connection with future real estate property acquisitions that constitute an asset purchase will be capitalized as part of the purchase price instead of being expensed as incurred to transaction costs.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies the scope of modification accounting. Under the guidance, an entity will not apply modification accounting to a share-based payment award if the award s fair value, vesting conditions, and classification as an equity or liability instrument remain the same immediately before and after the change. 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. We currently do not anticipate the adoption of this new accounting guidance will have a material impact on our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which simplifies and expands the eligible hedging strategies for financial and nonfinancial risks by more closely aligning hedge accounting with a company s risk management activities, and also simplifies the application of Topic 815, *Derivatives and Hedging*, through targeted improvements in key practice areas. In addition, the ASU prescribes how hedging results should be presented and requires incremental disclosures. Further, the ASU provides partial relief on the timing of certain aspects of hedge documentation and eliminates the requirement to recognize hedge ineffectiveness separately in earnings in the current period. For public entities, the ASU is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2018. Early adoption is permitted in any interim period after issuance of the ASU for existing hedging relationships on the date of adoption. 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.

2017 Transactions On December 29, 2017, we acquired a 100% fee-simple interest in an office property known as 1130 Howard Street from an unrelated third-party. The office property has approximately 21,194 square feet and is located in San Francisco, California. The acquisition was funded with proceeds from our Series L Preferred Stock offering, and the acquired property is reported as part of the office segment (Note 20). During the fourth quarter of 2017, we early adopted ASU No. 2017-01 (Note 2) and, based on our analysis, the acquisition was an asset purchase and not a business combination. As such, transaction costs were capitalized as incurred in connection with this acquisition.

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

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

and for the Years Ended December 31, 2017, 2016 and 2015 (Continued)

Property	**Asset Type**	**Date of Acquisition**	**Square Feet**		**Purchase Price (1) (in thousands)**
1130 Howard Street, San Francisco, CA	Office	December 29, 2017	21,194	$	17,717

(1) Transaction costs that were capitalized and assumption of liabilities totaled $1,915,000, which are excluded from the purchase price above.

We sold 100% fee-simple interests in the following properties, other than 800 N Capitol, in which we sold a 100% leasehold interest, to unrelated third-parties. Transaction costs related to these sales were expensed as incurred.

Property	**Asset Type**	**Date of Sale**	**Square Feet or Units (1)**		**Sales Price**		**Transaction Costs**		**Gain on Sale**
							(in thousands)		
211 Main Street, San Francisco, CA	Office	March 28, 2017	417,266	$	292,882	$	2,943(2)	$	187,734
3636 McKinney Avenue, Dallas, TX	Multifamily	May 30, 2017	103	$	20,000	$	1,320(2)	$	5,488
3839 McKinney Avenue, Dallas, TX	Multifamily	May 30, 2017	75	$	14,100	$	938(2)	$	4,224
200 S College Street, Charlotte, NC	Office	June 8, 2017							