CIM Commercial Trust Corp
Form 424B3
August 14, 2017

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Registration No. 333-210880

CIM COMMERCIAL TRUST CORPORATION

SUPPLEMENT NO. 9, DATED AUGUST 14, 2017,

TO THE PROSPECTUS, DATED JULY 1, 2016

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

The purpose of this Supplement No. 9 is to:

- update the Applicable NAV, as defined in the Prospectus; and

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

PROSPECTUS UPDATES

Estimated Net Asset Value

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

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

Overview

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

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

(1) As of June 30, 2017.

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

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

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

Fair Value of Real Estate

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

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

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

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

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

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

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

Fair Value of Loans Receivable

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

Debt

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

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

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

Fair Value of Cash, Other Assets and Other Liabilities

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

Redeemable Preferred Stock

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

Sensitivity Analysis

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

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

	Change in the NAV Per Share Due To	
	Decrease of 25 bps	Increase of 25 bps
Capitalization rates	$ 0.77	$ (0.69)
Discount rates	$ 0.60	$ (0.53)

Annex A

Annex A

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One):

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from to

Commission File Number 1-13610

CIM COMMERCIAL TRUST CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**75-6446078**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
17950 Preston Road, Suite 600, Dallas, TX 75252	**(972) 349-3200**
(Address of principal executive offices)	(Registrant s telephone number)

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o
Smaller reporting company x	Emerging growth company o	(Do not check if a smaller reporting company)

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

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

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

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PART I

Financial Information

Item 1.

Financial Statements

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share and per share data)

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

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands, except per share data)

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

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousands)

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

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Equity

(In thousands, except share and per share data)

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

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

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

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

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CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

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

(Continued)

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

(In thousands)

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

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

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

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

1. ORGANIZATION AND OPERATIONS

CIM Commercial Trust Corporation (CIM Commercial or the Company), a Maryland corporation and real estate investment trust (REIT), or together with its wholly-owned subsidiaries (we, us or our) primarily invests in, owns, and operates Class A and creative office investments in vibrant and improving urban communities throughout the United States. These communities are located in areas that include traditional downtown areas and suburban main streets, which have high barriers to entry, high population density, improving demographic trends and a propensity for growth. We were originally organized in 1993 as PMC Commercial Trust (PMC Commercial), a Texas real estate investment trust.

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

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Interim Financial Information The accompanying interim consolidated financial statements of CIM Commercial have been prepared by our management in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain information and note disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the interim consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements. The accompanying financial information reflects all adjustments which are, in the opinion of our management, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. Our accompanying interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K filed with the SEC on March 16, 2017.

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

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

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

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

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

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

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

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

Changes in the estimated fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge, to the extent that the hedge is effective, are initially recorded in other comprehensive income (OCI), and are subsequently reclassified into earnings as a component of interest expense when the variability of cash flows of the hedged transaction affects earnings (e.g., when periodic settlements of a variable-rate asset or liability are recorded in earnings). Any hedge ineffectiveness (which represents the amount by which the changes in the estimated fair value of the derivative differ from the variability in the cash flows of the forecasted transaction) is recognized in current-period earnings as a component of interest expense. When an interest rate swap designated as a cash flow hedge no longer qualifies for hedge accounting, we recognize changes in estimated fair value of the hedge previously deferred to accumulated other comprehensive income (AOCI), along with any changes in estimated fair value occurring thereafter, through earnings. We classify cash flows from interest rate swap agreements as net cash provided from operating activities on the consolidated statements of cash flows as our accounting policy is to present the cash flows from the hedging instruments in the same category in the consolidated statements of cash flows as the category for the cash flows from the hedged items. See Note 13 for disclosures about our derivative financial instruments and hedging activities.

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

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

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

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

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

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

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

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

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price payable upon redemption of any Series A Preferred Stock will be in cash or, on or after the first anniversary of the issuance of such shares of Series A Preferred Stock to be redeemed, in the Company s sole discretion, in cash or in equal value through the issuance of shares of Common Stock, based on the volume weighted average price of our Common Stock for the 20 trading days prior to the redemption. Since a holder of Series A Preferred Stock has the right to request redemption of such shares and redemptions prior to the first anniversary are to be