# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One):**

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

**For the quarterly period ended June 30, 2014**

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

Indicate by check mark whether the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. YES o NO ☒

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer ☒ | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

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

As of August 5, 2014, the Registrant had outstanding 97,581,598 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**

**AS OF JUNE 30, 2014 AND DECEMBER 31, 2013**

**(In thousands, except share data)**

| | June 30, 2014 (Unaudited) | December 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| Investments in real estate—net | $ 1,711,510 | $ 1,682,165 |
| Cash and cash equivalents | 20,030 | 16,796 |
| Restricted cash | 7,208 | 6,672 |
| Loans receivable—net | 193,319 | — |
| Accounts receivable and interest receivable—net | 9,990 | 9,303 |
| Deferred rent receivable and charges—net | 89,959 | 87,606 |
| Other intangible assets—net | 24,014 | 22,282 |
| Other assets | 16,668 | 9,653 |
| TOTAL ASSETS | $ 2,072,698 | $ 1,834,477 |
| **LIABILITIES AND EQUITY** | | |
| LIABILITIES: | | |
| Debt | $ 601,303 | $ 395,105 |
| Accounts payable and accrued expenses | 27,013 | 26,109 |
| Intangible liabilities—net | 9,225 | 8,800 |
| Due to related parties | 8,890 | 6,807 |
| Other liabilities | 27,366 | 21,173 |
| Total liabilities | 673,797 | 457,994 |
| COMMITMENTS AND CONTINGENCIES (Note 14) | | |
| EQUITY: | | |
| Common stock, $0.001 and $0.05 par value; 200,000,000 and 20,000,000 shares authorized; 97,688,863 and 4,400,000 shares issued; and 97,581,598 and 4,400,000 shares outstanding at June 30, 2014 and December 31, 2013, respectively | 98 | 220 |
| Preferred stock, $0.01 par value, none and 65,028,571 shares outstanding at June 30, 2014 and December 31, 2013, respectively | — | 650 |
| Additional paid-in capital | 1,823,675 | 1,772,821 |
| Distributions in excess of earnings | (422,691) | (399,953) |
| Stockholders' equity before treasury stock | 1,401,082 | 1,373,738 |
| Less: Treasury stock, at cost, 107,265 shares outstanding at June 30, 2014 | (4,901) | — |
| Total stockholders' equity | 1,396,181 | 1,373,738 |
| Noncontrolling interests | 2,720 | 2,745 |
| Total equity | 1,398,901 | 1,376,483 |
| TOTAL LIABILITIES AND EQUITY | $ 2,072,698 | $ 1,834,477 |

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

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

## FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

**(In thousands, except per share data)**

| | Three Months Ended June 30, 2014 | Three Months Ended June 30, 2013 | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|---|---|---|---|
| | (Unaudited) | | | |
| REVENUES: | | | | |
| Rental and other property income | $ 60,804 | $ 55,968 | $ 120,626 | $ 111,135 |
| Expense reimbursements | 2,646 | 2,597 | 4,997 | 5,047 |
| Interest and other income | 8,008 | 1,273 | 9,958 | 1,964 |
| | 71,458 | 59,838 | 135,581 | 118,146 |
| EXPENSES: | | | | |
| Rental and other property operating | 30,439 | 25,232 | 60,025 | 49,953 |
| Asset management fees and other fees to related parties | 6,338 | 5,431 | 12,075 | 10,840 |
| Interest | 4,939 | 4,725 | 9,156 | 9,402 |
| General and administrative | 3,610 | 715 | 4,789 | 1,257 |
| Transaction costs | 32 | 1,394 | 500 | 1,394 |
| Depreciation and amortization | 17,286 | 17,533 | 33,915 | 34,670 |
| | 62,644 | 55,030 | 120,460 | 107,516 |
| Bargain purchase gain (Note 2) | — | — | 4,918 | — |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 8,814 | 4,808 | 20,039 | 10,630 |
| Provision for income taxes | (300) | — | (308) | — |
| NET INCOME | 8,514 | 4,808 | 19,731 | 10,630 |
| Net income attributable to noncontrolling interests | (115) | (113) | (113) | (109) |
| NET INCOME ATTRIBUTABLE TO STOCKHOLDERS | $ 8,399 | $ 4,695 | $ 19,618 | $ 10,521 |
| COMPREHENSIVE INCOME | $ 8,399 | $ 4,695 | $ 19,618 | $ 10,521 |
| NET INCOME PER SHARE: | | | | |
| Basic | $ 0.09 | $ 0.05 | $ 0.20 | $ 0.11 |
| Diluted | $ 0.09 | $ 0.05 | $ 0.20 | $ 0.11 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | | |
| Basic | 97,571 | 95,440 | 96,758 | 95,440 |
| Diluted | 97,576 | 95,440 | 96,764 | 95,440 |

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

## CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY

## FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

## (In thousands, except per share data)

| | Six Months Ended June 30, 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock Outstanding | Common Stock Par Value | Preferred Stock Outstanding | Preferred Stock Par Value | Additional Paid-in Capital | Distributions In Excess Of Earnings | Treasury Stock | Noncontrolling Interests | Total Equity |
| | | | | (Unaudited) | | | | | |
| **Balances, January 1, 2013** | 4,400,000 | $ 220 | 65,028,571 | $ 650 | $ 1,772,789 | $ (310,384) | $ — | $ 2,798 | $ 1,466,073 |
| Contributions | — | — | — | — | 32 | — | — | — | 32 |
| Distributions | — | — | — | — | — | (41,035) | — | (150) | (41,185) |
| Net income | — | — | — | — | — | 10,521 | — | 109 | 10,630 |
| **Balances, June 30, 2013** | 4,400,000 | $ 220 | 65,028,571 | $ 650 | $ 1,772,821 | $ (340,898) | $ — | $ 2,757 | $ 1,435,550 |

| | Six Months Ended June 30, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock Outstanding | Common Stock Par Value | Preferred Stock Outstanding | Preferred Stock Par Value | Additional Paid-in Capital | Distributions In Excess Of Earnings | Treasury Stock | Noncontrolling Interests | Total Equity |
| | | | | (Unaudited) | | | | | |
| **Balances, January 1, 2014** | 4,400,000 | $ 220 | 65,028,571 | $ 650 | $ 1,772,821 | $ (399,953) | $ — | $ 2,745 | $ 1,376,483 |
| Distibutions pre-merger | — | — | — | — | — | (16,100) | — | — | (16,100) |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | 10 | 10 |
| Distibutions to noncontrolling interests | — | — | — | — | — | — | — | (148) | (148) |
| Reverse acquisition capital transaction | 2,119,244 | 111 | — | — | 49,400 | — | (4,901) | — | 44,610 |
| Conversion of preferred stock to common stock | 91,039,999 | 910 | (65,028,571) | (650) | (260) | — | — | — | — |
| Change in par value | — | (1,143) | — | — | 1,143 | — | — | — | — |
| Exercise of stock options | 14,500 | — | — | — | 201 | — | — | — | 201 |
| Stock based compensation expense | 8,000 | — | — | — | 373 | — | — | — | 373 |
| Retirement of fractional shares | (145) | — | — | — | (3) | — | — | — | (3) |
| Common dividends ($0.26875 per share) | — | — | — | — | — | (21,671) | — | — | (21,671) |
| Preferred dividends ($0.0705 per share) | — | — | — | — | — | (4,585) | — | — | (4,585) |
| Net income | — | — | — | — | — | 19,618 | — | 113 | 19,731 |
| **Balances, June 30, 2014** | 97,581,598 | $ 98 | — | $ — | $ 1,823,675 | $ (422,691) | $ (4,901) | $ 2,720 | $ 1,398,901 |

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

# CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

## (In thousands)

| | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|---|---|
| | (Unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 19,731 | $ 10,630 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Deferred rent, and amortization of intangible assets, liabilities and lease inducements | (1,874) | (4,465) |
| Depreciation and amortization | 33,915 | 34,670 |
| Bargain purchase gain | (4,918) | — |
| Straight line rent, below-market ground lease and amortization of intangible assets | 933 | 933 |
| Amortization of deferred loan costs | 652 | 299 |
| Amortization of premiums and discounts on debt | (562) | (403) |
| Unrealized premium adjustment | 782 | — |
| Amortization and accretion on loans receivable, net | (1,837) | — |
| Bad debt expense | 126 | 467 |
| Deferred income taxes | 55 | — |
| Stock-based compensation | 373 | — |
| Loans funded, held for sale | (16,753) | — |
| Proceeds from sale of guaranteed loans | 12,999 | — |
| Principal collected on loans | 2,071 | — |
| Other operating activity | (300) | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and interest receivable | (58) | (2,798) |
| Other assets | (2,151) | (1,739) |
| Accounts payable and accrued expenses | (6,287) | (2,422) |
| Deferred leasing costs | (4,542) | (1,839) |
| Other liabilities | 2,232 | (1,264) |
| Due to related parties | 2,083 | 180 |
| Net cash provided by operating activities | 36,670 | 32,249 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to investments in real estate | (12,903) | (11,384) |
| Acquisition of real estate properties | (44,936) | — |
| Loans funded | (8,438) | — |
| Cash and cash equivalents acquired in connection with the merger | 3,185 | — |
| Principal collected on loans | 25,348 | — |
| Restricted cash | (536) | 397 |
| Other investing activity | 160 | — |
| Net cash used in investing activities | (38,120) | (10,987) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payment of mortgages payable | (3,194) | (4,264) |
| Proceeds from unsecured revolving lines of credit, revolving credit facility and term note | 142,900 | 26,000 |
| Payment of unsecured revolving lines of credit, revolving credit facility and term note | (32,900) | — |
| Payment of principal on secured borrowings—government guaranteed loans | (2,071) | — |
| Proceeds from secured borrowings—government guaranteed loans | 1,978 | — |
| Payment of deferred loan costs | (447) | (8) |
| Payment of dividends | (26,256) | — |
| Payment of special dividend and dividend assumed in acquisition | (59,286) | — |
| Distributions pre-merger | (16,100) | (41,035) |
| Contributions | — | 32 |
| Contributions from noncontrolling interests | 10 | — |
| Proceeds from issuance of stock | 201 | — |
| Retirement of fractional shares of common stock | (3) | |
| Noncontrolling interests' distributions | (148) | (150) |
| Net cash provided by (used in) financing activities | 4,684 | (19,425) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,234 | 1,837 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of period | 16,796 | 31,514 |
| End of period | $ 20,030 | $ 33,351 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the period for interest | $ 9,055 | $ 9,502 |
| Federal income taxes paid | $ 334 | $ — |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Additions to investments in real estate included in accounts payable and accrued expenses | $ 3,168 | $ 2,106 |
| Additions to deferred loan costs included in accounts payable and accrued expenses | $ 120 | $ — |

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, 2014, AND DECEMBER 31, 2013, AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)**

## 1. ORGANIZATION AND OPERATIONS

CIM Commercial Trust Corporation ("CIM Commercial") or together with its wholly-owned subsidiaries, "we," "us" or "our," invests in substantially stabilized real estate assets located in high-population density, high- barrier-to-entry urban markets, which include traditional downtown areas and urban main streets that lie within the metropolitan areas of the United States of America. We also obtain income from the yield and other related fee income earned on our investments from our lending activities, which have principally been to borrowers in the hospitality industry. We were originally organized in 1993 as PMC Commercial Trust ("PMC Commercial"), a Texas real estate investment trust.

On April 28, 2014, PMC Commercial's charter was amended to increase the authorized shares of common stock of PMC Commercial from 100,000,000 to 1,000,000,000 shares (20,000,000 and 200,000,000 after giving effect to the reverse stock split described below) and PMC Commercial changed its state of incorporation (the "Reincorporation") from Texas to Maryland by means of a merger of PMC Commercial with and into a newly formed, wholly-owned subsidiary Maryland corporation. In addition, we changed our name to CIM Commercial Trust Corporation on April 29, 2014. Our common stock ("Common Stock") is currently traded on the NASDAQ Global Market (symbol "CMCT").

On April 28, 2014, we filed Articles of Amendment (the "Reverse Split Amendment") to effectuate a one-for-five reverse stock split of the Common Stock, effective April 29, 2014. Pursuant to the reverse stock split, each five shares of Common Stock issued and outstanding immediately prior to the effective time of the reverse stock split were converted into one (1) share of Common Stock. Fractional shares of Common Stock were not issued as a result of the reverse stock split; instead, holders of pre-split shares of Common Stock who otherwise would have been entitled to receive a fractional share of Common Stock received an amount in cash equal to the product of the fraction of a share multiplied by the closing price of the Common Stock (as adjusted for the one-for-five reverse stock split) on April 28, 2014. In connection with and immediately following the filing of the Reverse Split Amendment, the Company filed Articles of Amendment (the "Par Value Amendment") to decrease the par value of the Common Stock issued and outstanding to $0.001 per share, effective April 29, 2014, subsequent to the effective time of the Reverse Split Amendment. All per share and outstanding share information has been presented to reflect the reverse stock split.

## 2. MERGER

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

The Merger Agreement provided for a business combination between PMC Commercial and CIM Urban. Pursuant to the Merger Agreement, PMC Commercial issued 4,400,000 shares of Common Stock and 65,028,571 shares of preferred stock. Each share of preferred stock converted into 1.4 shares of Common Stock (as adjusted for the one-for-five reverse stock split) in April 2014, resulting in the

**2. MERGER (Continued)**

issuance of approximately 91,039,999 shares of Common Stock. This represented approximately 97.8% of PMC Commercial's outstanding stock on the Acquisition Date.

All Common Stock that was outstanding immediately prior to the closing of the Merger remained outstanding following the Acquisition Date. In addition, stockholders of record at the close of the business day prior to the Acquisition Date received a special cash dividend of $27.50 per share of Common Stock, which was paid on March 25, 2014.

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

Accordingly, the accompanying financial statements (1) include the historical financial information for CIM Urban for all periods presented, (2) include the assets and liabilities of PMC Commercial acquired on March 11, 2014 in the consolidated balance sheet as of June 30, 2014 and (3) include the results of PMC Commercial's operations and cash flows in the consolidated statements of operations and comprehensive income and cash flows for the period from the Acquisition Date through June 30, 2014. The equity of CIM Commercial is the historical equity of CIM Urban retroactively restated to reflect the number of shares of stock issued by PMC Commercial pursuant to the Merger Agreement. In connection with the reverse acquisition, for purposes of presenting equity for CIM Commercial, the historical stockholders of PMC Commercial were deemed to have been issued 2,119,244 shares of Common Stock (2,226,509 shares of Common Stock, less 107,265 shares of treasury stock) on the Acquisition Date.

**Consideration Transferred**—The fair value of the consideration transferred in the reverse acquisition is determined based on the number of shares of stock the accounting acquirer would have to issue to the stockholders of the accounting acquiree in order to provide the same ratio of ownership in the combined entity following the completion of the Merger, and was determined to be the outstanding stock of PMC Commercial as of the Acquisition Date. The fair value of the consideration transferred was based on the most reliable measure, which was determined to be the market price of PMC Commercial stock as of the Acquisition Date. The computation of the fair value of the consideration transferred, based on the market price of PMC Commercial stock on the Acquisition Date, is as follows:

| | (in thousands, except per share data) |
|---|---|
| PMC Commercial common stock outstanding | 2,119 |
| Equity consideration price per share of common stock | $ 21.05 |
| Fair value of the equity consideration | 44,610 |
| Payment in cash—special dividend | 58,279 |
| Total purchase price | $ 102,889 |

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF JUNE 30, 2014, AND DECEMBER 31, 2013, AND
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)

**2. MERGER (Continued)**

**Purchase Price Allocation**—As CIM Urban was the accounting acquirer in the business combination, it has allocated the purchase price to PMC Commercial's individually identifiable assets acquired and liabilities assumed based on their estimated fair values on the Acquisition Date. A bargain purchase gain was recorded as of the Acquisition Date in the amount equal to the excess of the fair value of the identifiable net assets acquired over the total purchase price.

The following table summarizes the allocation of the purchase price:

| | (in thousands) |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 3,185 |
| Loans receivable | 207,140 |
| Accounts receivable and interest receivable | 755 |
| Other assets | 5,396 |
| Intangible assets | 2,957 |
| Total assets acquired | 219,433 |
| **Liabilities** | |
| Debt | 99,849 |
| Accounts payable and accrued expenses | 7,396 |
| Special dividend liability and dividend payable | 59,286 |
| Other liabilities | 3,374 |
| Total liabilities assumed | 169,905 |
| Net identifiable assets acquired | 49,528 |
| Bargain purchase gain | (4,918) |
| Net purchase price | $ 44,610 |

**Pro Forma Financial Information**—The following pro forma consolidated results of net income for the six months ended June 30, 2014 and 2013 assume the business combination was completed as of January 1, 2013:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in thousands, except per share amounts) | |
| Pro forma revenues | $ 138,916 | $ 128,640 |
| Pro forma net income | $ 15,489 | $ 14,575 |
| Pro forma basic earnings per share | $ 0.16 | $ 0.15 |
| Pro forma diluted earnings per share | $ 0.16 | $ 0.15 |

The pro forma amounts include the historical operating results of CIM Urban and PMC Commercial prior to the business combination, with adjustments directly attributable to the business

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF JUNE 30, 2014, AND DECEMBER 31, 2013, AND
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)

**2. MERGER (Continued)**

combination. The pro forma results for the six months ended June 30, 2014 exclude transaction costs of $3,046,000 and the $4,918,000 bargain purchase gain recorded on the Acquisition Date.

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

For more information regarding our significant accounting policies and estimates, please refer to "Summary of Significant Accounting Policies" contained in Note 3 to CIM Urban's consolidated financial statements for the year ended December 31, 2013, included in our Current Report on Form 8-K/A dated May 9, 2014.

**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 ("U.S. GAAP"). Certain information and note disclosures required for annual financial statements have been condensed or excluded pursuant to Securities and Exchange Commission ("SEC") rules and regulations. Accordingly, the interim consolidated financial statements do not include all of the information and notes required by U.S. 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, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. Our accompanying interim consolidated financial statements should be read in conjunction with CIM Urban's audited consolidated financial statements and the notes thereto, included in our Current Report on Form 8-K/A dated May 9, 2014.

**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. 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 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

**3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 testing 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. No impairment of long-lived assets was recognized during the three and six months ended June 30, 2014 and 2013.

**Loans Receivable**—We primarily originate loans to small businesses collateralized by first liens on the real estate of the related business. Loans receivable are carried at their unamortized principal balance less unamortized acquisition discounts and loan loss reserves, if applicable, and adjusted for capitalized loan origination costs. For loans originated under the Small Business Administration's (the "SBA") 7(a) Guaranteed Loan Program (the "SBA 7(a) Program") 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 is recorded as a reduction in basis of the retained portion of the loan.

We have a quarterly review process to identify and evaluate potential exposure to loan losses. Loans that require specific identification review are identified based on one or more negative characteristics including, but not limited to, non-payment or lack of timely payment of principal and/or interest or property taxes or deterioration of the physical property. The specific identification process begins with management's evaluation of the estimated fair value of the loan utilizing the present value of the expected future cash flows discounted at the loan's effective interest rate and/or an estimation of underlying collateral values. The probability of loss is then determined based on various factors including our historical experience with similar borrowers and/or individual borrower or collateral characteristics, and in certain circumstances, the strength of the guarantors. The liquidation probability is then applied to the identified loss exposure to determine the general or specific reserve for that 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 is being accreted to interest income using the effective interest method. We will 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, the general loan loss reserve uses 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.

We recognized interest income and fees for the three and six months ended June 30, 2013, related to a first mortgage note on a hotel located near the Los Angeles Airport ("LAX") of $0 and $316,000,

**3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

respectively. On October 8, 2013, we submitted the highest bid at a foreclosure auction and took possession of the hotel. The mortgage note investment basis was transferred to the property components at their relative fair values on title transfer.

**Deferred Rent Receivable and Charges**—Deferred rent receivable and charges consist of deferred rent, deferred loan costs and deferred leasing costs. Deferred rent receivable is $50,971,000 and $49,543,000 at June 30, 2014, and December 31, 2013, respectively. Deferred loan costs, which represent legal and third-party fees incurred in connection with our borrowing activities, are capitalized and amortized to interest expense on a straight line basis over the life of the related loan, approximating the effective interest method. Deferred loan costs of $6,315,000 and $5,748,000 are presented net of accumulated amortization of $4,272,000 and $3,620,000 at June 30, 2014, and December 31, 2013, 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 $60,368,000 and $55,826,000 are presented net of accumulated amortization of $23,423,000 and $19,891,000 at June 30, 2014, and December 31, 2013, respectively.

**Noncontrolling Interests**—Noncontrolling interests represent interests in the various properties not owned by us.

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

**Use of Estimates**—The preparation of consolidated financial statements in conformity with U.S. 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. For the three and six months ended June 30, 2013, hotel revenues of $10,555,000 and $20,132,000, respectively, have been reclassified to rental and other property income, other income of $1,266,000 and $1,640,000, respectively, has been reclassified to interest and other

**3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

income, and hotel operating expenses of $7,042,000 and $13,481,000, respectively, have been reclassified to rental and other property operating expenses.

**Recently Issued Accounting Pronouncements**—In April 2014, the Financial Accounting Standards Board ("the FASB") issued Accounting Standards Update ("ASU") No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360). Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* which amends the definition of a discontinued operation and requires entities to provide additional disclosures about disposal transactions that do not meet the discontinued-operations criteria. The revised guidance is effective prospectively to all disposals (or classifications as held for sale) that occur in annual periods (and interim periods therein) beginning on or after December 15, 2014, with early adoption permitted. Entities are prohibited from applying the new ASU to any component, equity method investment, or acquired business that is classified as held for sale before the adoption date. We early adopted this guidance during the second quarter of 2014, and the adoption did not have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including the guidance on real estate de-recognition for most transactions. For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Early application is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in the ASU. The modified approach provides entities relief from having to restate and present comparable prior-year financial statement information; however, entities will still need to evaluate existing contracts as of the date of initial adoption under the ASU to determine whether a cumulative adjustment is necessary. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

**4. ACQUISITIONS**

The fair value of real estate acquired is recorded to (1) the acquired tangible assets, consisting of land; land improvements; building and improvements; furniture, fixtures, and equipment; tenant improvements; and (2) identified intangible assets and liabilities, consisting of the value of above- and below-market leases and the value of in-place leases and tenant relationships, 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. Above-market ground leases are recorded based on the respective fair value of the ground leases.

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF JUNE 30, 2014, AND DECEMBER 31, 2013, AND
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)

**4. ACQUISITIONS (Continued)**

During the six months ended June 30, 2014, we acquired a 100% fee-simple interest in an office building located in Los Angeles from an unrelated third party. Built in 1984, the building has approximately 143,000 square feet of rentable space and is located in the Mid-Wilshire submarket of Los Angeles. The acquisition was funded with proceeds from a drawdown on one of CIM Urban's unsecured credit facilities.

| Property | Asset Type | Date of Acquisition | Number of Buildings | Rentable Square Feet | Purchase Price (in thousands) |
|---|---|---|---|---|---|
| 4750 Wilshire Blvd., Los Angeles, CA | Office | April 18, 2014 | 1 | 143,000 | $ 44,936 |

The results of the operations of the property acquired have been included in the consolidated statements of operations from the date of acquisition. The fair value of the assets acquired and liabilities assumed for the above-noted acquisition during the six months ended June 30, 2014 are as follows:

| | 2014 Acquisition (in thousands) |
|---|---|
| Land | $ 16,633 |
| Land improvements | 348 |
| Building and improvements | 27,947 |
| Tenant improvements | 691 |
| Acquired in-place leases(1) | 1,087 |
| Acquired below-market leases(2) | (1,770) |
| Net assets acquired | $ 44,936 |

(1) In-place leases have a weighted average amortization period of 5.0 years.

(2) Below-market leases have a weighted average amortization period of 5.0 years.

Acquisition related expenses of $32,000 associated with the acquisition of real estate in 2014 were expensed as incurred during the six months ended June 30, 2014, respectively. No acquisitions of real estate were made during the six months ended June 30, 2013.

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF JUNE 30, 2014, AND DECEMBER 31, 2013, AND
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## 5. INVESTMENTS IN REAL ESTATE

Investments in real estate consist of the following:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| | (in thousands) | |
| Land | $ 347,693 | $ 331,060 |
| Land improvements | 27,884 | 27,536 |
| Buildings and improvements | 1,486,103 | 1,454,854 |
| Furniture, fixtures, and equipment | 23,332 | 23,051 |
| Tenant improvements | 191,451 | 183,915 |
| Work in progress | 12,137 | 9,987 |
| | 2,088,600 | 2,030,403 |
| Accumulated depreciation | (377,090) | (348,238) |
| Net investments in real estate | $ 1,711,510 | $ 1,682,165 |

## 6. LOANS RECEIVABLE

Loans receivable consist of the following:

| | June 30, 2014 |
|---|---|
| | (in thousands) |
| Commercial mortgage loans | $ 120,153 |
| SBA 7(a) loans, subject to secured borrowings | 40,039 |
| SBA 7(a) loans | 32,998 |
| Loans receivable | 193,190 |
| Deferred capitalized costs | 129 |
| Net loans receivable | $ 193,319 |

**Commercial mortgage loans**—Represents loans to small businesses primarily collateralized by first liens on the real estate of the related business.

**SBA 7(a) loans, subject to secured borrowings**—Represents the government guaranteed portion of loans which were sold with the proceeds received from the sale reflected as secured borrowings—government guaranteed loans (included in debt on our consolidated balance sheet). There is no credit risk associated with these loans since the SBA has guaranteed payment of the principal.

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

**6. LOANS RECEIVABLE (Continued)**

**Aging**—The following tables represent an aging of our "Loans Receivable Subject to Credit Risk" (loans receivable less SBA 7(a) loans, subject to secured borrowings as the SBA has guaranteed payment of the principal).

| June 30, 2014 | Commercial Mortgage Loans | | SBA 7(a) Loans | | Totals | |
|---|---|---|---|---|---|---|
| | (dollars in thousands) | | | | | |
| Current | $ 119,326 | 99.3% | $ 32,836 | 99.5% | $ 152,162 | 99.4% |
| Between 29 and 59 days delinquent | — | — | 162 | 0.5 | 162 | 0.1 |
| Between 60 and 89 days delinquent | — | — | — | — | — | — |
| Over 89 days delinquent | 827 | 0.7 | — | — | 827 | 0.5 |
| | $ 120,153 | 100.0% | $ 32,998 | 100.0% | $ 153,151 | 100.0% |

**Loan Portfolio Classification**—Management closely monitors our loans which require evaluation for loan loss reserves based on specific identification metrics which are classified into three categories: Doubtful, Substandard and Other Assets Especially Mentioned ("OAEM"). Loans classified as Doubtful are generally loans which are not complying with their contractual terms, the collection of the balance of the principal is considered impaired and on which the fair value of the collateral is less than the remaining unamortized principal balance. These loans are typically placed on non-accrual status and are generally in the foreclosure process. Loans classified as Substandard are generally those loans that are either not complying or had previously not complied with their contractual terms and have other credit weaknesses which may make payment default or principal exposure likely but not yet certain. Loans classified as OAEM are generally loans for which the credit quality of the borrowers has temporarily deteriorated. Typically, the borrowers are current on their payments; however, they may be delinquent on their property taxes, insurance, or franchise fees or may be under agreements which provide for interest only payments during a short period of time.

Management has classified our Loans Receivable Subject to Credit Risk as follows:

| June 30, 2014 | Commercial Mortgage Loans | | SBA 7(a) Loans | | Totals | |
|---|---|---|---|---|---|---|
| | (dollars in thousands) | | | | | |
| Satisfactory | $ 116,527 | 97.0% | $ 32,368 | 98.1% | $ 148,895 | 97.2% |
| OAEM | 1,947 | 1.6 | — | — | 1,947 | 1.3 |
| Substandard | 849 | 0.7 | 539 | 1.6 | 1,388 | 0.9 |
| Doubtful | 830 | 0.7 | 91 | 0.3 | 921 | 0.6 |
| | $ 120,153 | 100.0% | $ 32,998 | 100.0% | $ 153,151 | 100.0% |

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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## 7. OTHER INTANGIBLE ASSETS

A schedule of the intangible assets and liabilities and related accumulated amortization and accretion as of June 30, 2014, and December 31, 2013, is as follows:

| | Assets | | | | | | | Liabilities |
|---|---|---|---|---|---|---|---|---|
| **June 30, 2014** | **Acquired Above-Market Leases** | **Acquired In-Place Leases** | **Tax Abatement** | **Advance Bookings** | **Franchise Affiliation Fee** | **Acquired Below-Market Ground Lease** | **Trade-Name and License** | **Acquired Below-Market Leases** |
| | (in thousands) | | | | | | | |
| Gross balance | $ 8,017 | $ 80,732 | $ 4,273 | $ 8,329 | $ 3,936 | $ 11,685 | $ 2,957 | $ (63,093) |
| Accumulated amortization | (7,487) | (74,662) | (1,496) | (8,273) | (2,785) | (1,212) | — | 53,868 |
| | $ 530 | $ 6,070 | $ 2,777 | $ 56 | $ 1,151 | $ 10,473 | $ 2,957 | $ (9,225) |
| Average useful life (in years) | 4 | 6 | 8 | 3 | 10 | 84 | Indefinite | 6 |

| | Assets | | | | | | Liabilities |
|---|---|---|---|---|---|---|---|
| **December 31, 2013** | **Acquired Above-Market Leases** | **Acquired In-Place Leases** | **Tax Abatement** | **Advance Bookings** | **Franchise Affiliation Fee** | **Acquired Below-Market Ground Lease** | **Acquired Below-Market Leases** |
| | (in thousands) | | | | | | |
| Gross balance | $ 8,017 | $ 79,645 | $ 4,273 | $ 8,329 | $ 3,936 | $ 11,685 | $ (61,323) |
| Accumulated amortization | (7,052) | (73,463) | (1,220) | (8,139) | (2,587) | (1,142) | 52,523 |
| | $ 965 | $ 6,182 | $ 3,053 | $ 190 | $ 1,349 | $ 10,543 | $ (8,800) |
| Average useful life (in years) | 4 | 5 | 8 | 3 | 10 | 84 | 6 |

The amortization of the above-market leases which decreased rental and other property income were $98,000 and $196,000 for the three months ended June 30, 2014 and 2013, respectively and $435,000 and $396,000 for the six months ended June 30, 2014 and 2013, respectively. The amortization of the below-market leases included in rental and other property income were $697,000 and $796,000 for the three months ended June 30, 2014 and 2013, respectively and $1,345,000 and $1,592,000 for the six months ended June 30, 2014 and 2013, respectively. The amortization of in-place leases included in depreciation and amortization expense was $587,000 and $927,000 for the three months ended June 30, 2014 and 2013, respectively and $1,199,000 and $1,874,000 for the six months ended June 30, 2014 and 2013, respectively. Included in depreciation and amortization expense are franchise affiliation fee amortization of $99,000 for each of the three months ended June 30, 2014 and 2013, and $198,000 for each of the six months ended June 30, 2014 and 2013, respectively. The amortization of advance bookings included in depreciation and amortization expense was $67,000 and $0 for the three months ended June 30, 2014 and 2013, respectively and $134,000 and $0 for the six months ended June 30, 2014 and 2013, respectively. Tax abatement amortization of $138,000 for each of the three months ended June 30, 2014 and 2013 and $276,000 for each of the six months ended June 30, 2014 and 2013 are included in rental and other property operating expenses. Amortization of below-market ground lease obligation of $35,000 for each of the three months ended June 30, 2014 and 2013 and $70,000 for each of the six months ended June 30, 2014 and 2013 are included in rental and other property operating expenses.

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**AS OF JUNE 30, 2014, AND DECEMBER 31, 2013, AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)**

## 7. OTHER INTANGIBLE ASSETS (Continued)

A schedule of future amortization and accretion of acquisition related intangible assets and liabilities as of June 30, 2014, is as follows:

| | Assets | | | | | | Liabilities |
|---|---|---|---|---|---|---|---|
| Years Ending December 31, | Acquired Above-Market Leases | Acquired In-Place Leases | Tax Abatement | Advance Bookings | Franchise Affiliation Fee | Acquired Below-Market Ground Lease | Acquired Below-Market Leases |
| | (in thousands) | | | | | | |
| 2014 (Six months ending December 31, 2014) | $ 167 | $ 1,084 | $ 275 | $ 56 | $ 196 | $ 70 | $ (1,246) |
| 2015 | 241 | 1,606 | 551 | — | 394 | 140 | (2,435) |
| 2016 | 88 | 1,111 | 551 | — | 394 | 140 | (2,368) |
| 2017 | 26 | 665 | 551 | — | 167 | 140 | (2,261) |
| 2018 | 8 | 415 | 551 | — | — | 140 | (824) |
| Thereafter | — | 1,189 | 298 | — | — | 9,843 | (91) |
| | $ 530 | $ 6,070 | $ 2,777 | $ 56 | $ 1,151 | $ 10,473 | $ (9,225) |

## 8. DEBT

Information on our debt is as follows:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| | (in thousands) | |
| Mortgage loan with a fixed interest rate of 7.66% per annum, with monthly payments of principal and interest. The loan has a 20-year amortization schedule with a $25,324,000 balance due on December 1, 2015. The loan is nonrecourse. | $ 27,537 | $ 28,262 |
| Mortgage loan with a fixed interest rate of 4.50% per annum, with monthly payments of interest only for 10 years, and payments of interest and principal starting in February 2022. The loan has a $42,008,000 balance due on January 5, 2027. The loan is nonrecourse. | 46,000 | 46,000 |
| Mortgage loan with a fixed interest rate of 5.56% per annum, with monthly payments of principal and interest. The loan has a 10-year amortization schedule with a $12,288,000 balance due on July 1, 2015. The loan is nonrecourse. | 12,590 | 12,737 |
| Mortgage loan with a fixed interest rate of 6.65% per annum, with monthly payments of principal and interest. The loan has a 25-year amortization schedule with a $21,136,000 balance due on July 15, 2018. The loan is nonrecourse. | 33,432 | 34,755 |
| Mortgage loan with a fixed interest rate of 5.06% per annum, with monthly payments of principal and interest, and a balance of $33,068,000 due on September 1, 2015. The loan is nonrecourse. | 34,161 | 34,583 |

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF JUNE 30, 2014, AND DECEMBER 31, 2013, AND
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**8. DEBT (Continued)**

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| | (in thousands) | |
| Mortgage loans with a fixed interest rate of 5.39% per annum, with monthly payments of principal and interest, and a balance of $35,695,000 due on March 1, 2021. The loans are nonrecourse. | 40,850 | 41,170 |
| Mortgage loan with a fixed interest rate of 5.18% per annum, with monthly payments of principal and interest, and a balance of $26,232,000 due on June 5, 2021. The loan is nonrecourse. | 30,555 | 30,812 |
| | 225,125 | 228,319 |
| Premiums and discounts on assumed mortgages | 2,373 | 2,786 |
| **Total Mortgages Payable** | 227,498 | 231,105 |
| Secured borrowing principal on loans sold for a premium and excess spread—variable rate, reset quarterly, based on prime rate with weighted average coupon rate of 3.99% | 32,057 | — |
| Secured borrowing principal on loans sold for excess spread, variable rate, reset quarterly, based on prime rate with weighted average coupon rate of 1.58% | 5,153 | — |
| | 37,210 | — |
| Premiums on loans sold for a premium and excess spread | 3,024 | — |
| **Total Secured borrowings—government guaranteed loans** | 40,234 | — |
| Junior subordinated notes with a variable interest rate which resets quarterly based on the 90-day LIBOR plus 3.25%, with quarterly interest payments due. Balance due at maturity on March 30, 2035. | 27,070 | — |
| Term note with a fixed interest rate of 2.74%, principal and interest due at maturity on September 10, 2014. | 20,000 | — |
| Unsecured revolving line of credit with variable interest rate of prime less 50 basis points, with monthly interest payments due. Matures June 30, 2015. | 700 | — |
| Unsecured revolving lines of credit | 288,000 | 164,000 |
| | 335,770 | 164,000 |
| Discount on junior subordinated notes | (2,199) | — |
| **Total Other** | 333,571 | 164,000 |
| **Total Debt** | $ 601,303 | $ 395,105 |

**CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**AS OF JUNE 30, 2014, AND DECEMBER 31, 2013, AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)**

**8. DEBT (Continued)**

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

Secured borrowings represent sold SBA 7(a) Program loans which are treated as secured borrowings since the loan sales did not meet the derecognition criteria provided for in ASC 860-30, *Transfers and Servicing*. Principal payments are dependent upon cash flows received from the underlying loans. No payment is due unless payments are received from the borrowers on the underlying loans.

CIM Commercial's $20,000,000 term note and $25,000,000 unsecured revolving line of credit have covenants including a covenant requiring an asset coverage test (eligible loans receivable) for balances outstanding under its revolving credit facility of 3.00 times. To the extent the term note is repaid, credit availability under the revolving credit facility will increase to $40,000,000. As of June 30, 2014, $24,300,000 was available for future borrowing.

In February 2012, CIM Urban entered into an unsecured revolving line of credit with a bank syndicate, which allows for maximum borrowings of $100,000,000. Borrowings under the line of credit are limited by certain borrowing base calculations. Outstanding advances under the line of credit bore interest at the base rate, as defined, plus 0.75% to 1.50% or LIBOR plus 1.75% to 2.50%, depending on the maximum consolidated leverage ratio, as defined, until August 2013. In August 2013, the unsecured revolving line was amended, and outstanding advances under the line bear interest at the base rate, as defined, plus 0.25% to 0.85% or LIBOR plus 1.25% to 1.85%, depending on the maximum consolidated leverage ratio, as defined. The line of credit is also subject to an unused commitment fee of 0.25% or 0.35% depending on the amount of aggregate unused commitments. The line of credit matures in February 2016, with a one-year extension option under certain conditions. As of both June 30, 2014, and December 31, 2013, $100,000,000 was outstanding under the line of credit, and $0, was available for future borrowings.

In August 2013, CIM Urban entered into another unsecured revolving credit facility with a syndicate of banks. The credit facility provides an additional $125,000,000 of borrowing capacity that was increased to $150,000,000. CIM Urban amended the facility in April 2014 to further increase the maximum aggregate borrowing capacity under the revolving credit facility to $200,000,000. Borrowings under the revolving credit facility are limited by certain borrowing base calculations. Outstanding advances under the revolving credit facility bear interest at the base rate, as defined, plus 0.25% to 0.85% or LIBOR plus 1.25% to 1.85%, depending on the maximum consolidated leverage ratio, as defined. The revolving credit facility is also subject to an unused commitment fee of 0.25% or 0.35% depending on the amount of aggregate unused commitments. The revolving credit facility originally matured in February 2014, and was recently extended to October 10, 2014. As of June 30, 2014, and December 31, 2013, $188,000,000 and $64,000,000, respectively, was outstanding under the revolving credit facility, and $12,000,000 and $61,000,000, respectively, was available for future borrowings.

At June 30, 2014 and December 31, 2013, CIM Commercial and CIM Urban were either in compliance with all of their respective financial covenants or had obtained waivers from the relevant lenders with respect to such compliance.

We are currently in negotiations with two banks, as joint lead arrangers, to finalize an unsecured term loan and a revolving credit facility of $550,000,000, with an accordion feature which would

**8. DEBT (Continued)**

increase the maximum aggregate facilities to $850,000,000. We intend to use the proceeds of these new facilities to repay all of our outstanding term and revolving credit facilities. We expect to close the new term loan and revolving credit facilities by the end of the third quarter of 2014. However, there can be no assurance that our negotiation of the new term and revolving credit facilities will be successful or that the closing of these new facilities will occur in the time frame described above. In addition, if the new term and revolving credit facilities fail to close for any reason or closing is delayed substantially beyond the time frame described above, there can be no assurances we will be able to successfully negotiate an extension of our existing credit facilities or any increased maximum availability. However, we believe other financing sources would be available to us.

At June 30, 2014, and December 31, 2013, accrued interest and unused commitment fee payable of $1,155,000 and $1,017,000, respectively, is included in accounts payable and accrued expenses.

Future principal payments on our debt (face value) at June 30, 2014 are as follows:

| Years Ending December 31, | Secured Borrowings Principal(1) | Mortgages Payable | All Other Principal(2) | Total |
|---|---|---|---|---|
| | (in thousands) | | | |
| 2014 (Six months ending December 31, 2014) | $ 575 | $ 3,278 | $ 208,000 | $ 211,853 |
| 2015 | 1,180 | 77,055 | 700 | 78,935 |
| 2016 | 1,220 | 4,354 | 100,000 | 105,574 |
| 2017 | 1,263 | 4,642 | — | 5,905 |
| 2018 | 1,309 | 24,300 | — | 25,609 |
| Thereafter | 31,663 | 111,496 | 27,070 | 170,229 |
| | $ 37,210 | $ 225,125 | $ 335,770 | $ 598,105 |

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

(2) Represents the revolving credit facility, term note, junior subordinated notes, and unsecured revolving lines of credit.

**9. STOCK-BASED COMPENSATION PLANS**

As of the Acquisition Date, we had 19,700 options outstanding under stock-based compensation plans. The options are fully vested, and were repriced as of the Acquisition Date. Of these options, 14,500 were exercised during the six months ended June 30, 2014 for proceeds of approximately $201,000.

**9. STOCK-BASED COMPENSATION PLANS (Continued)**

We granted 11,850 options on June 12, 2014 at an exercise price of $23.16 (the closing price of our Common Stock on such date). The fair value of these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| Assumptions | |
|---|---|
| Expected term (years) | 3.0 |
| Risk-free interest rate | 0.94% |
| Expected dividend yield | 3.78% |
| Expected volatility | 9.37% |
| Expected forfeiture rate | 1.0% |

The expected term of the options granted represents the period of time that the options are expected to be outstanding and was based on historical data. The risk-free rate was based on the three-year U.S. Treasury rate corresponding to the expected term of the options. We used historical information to determine our expected volatility and forfeiture rate. We recorded compensation expense of $8,000 during the three and six months ended June 30, 2014 related to this option grant.

On April 28, 2014, our stockholders approved the First Amendment to the PMC Commercial Trust 2005 Equity Incentive Plan (the "Plan Amendment") to increase the aggregate number of shares of Common Stock thereunder from 100,000 to 300,000 shares and increase the annual limitation on restricted Common Stock grants to all independent directors in the aggregate to 100,000 restricted shares of Common Stock and to each executive officer to no more than 4,000 restricted shares of Common Stock during any fiscal year. On March 11, 2014, we granted Common Stock awards of 2,000 restricted shares of Common Stock to each of the independent members of the board of directors (the "Board of Directors") (6,000 in aggregate) which awards were effective upon the receipt of stockholder approval of the Plan Amendment. The shares of Common Stock vest based on a year of continuous service. Compensation expense related to these restricted shares of Common Stock is being recognized over the vesting period. We recorded compensation expense of $31,000 during the three and six months ended June 30, 2014 related to these restricted shares of Common Stock.

We issued an aggregate of 2,000 restricted shares of Common Stock to two of our executive officers on May 6, 2014. The restricted shares of Common Stock vest based on two years of continuous service with one-third of the shares of Common Stock vesting immediately upon issuance and one-third vesting at the end of each of the next two years. Compensation expense related to these restricted shares of Common Stock is being recognized over the vesting period. We recognized compensation expense of $19,000 during the three and six months ended June 30, 2014 related to these restricted shares of Common Stock.

In accordance with the employment agreements of two of our executive officers, to the extent the executive is employed by us on January 1, 2016 and such executive is not entitled to any disability, death or severance payments, the executive would be awarded restricted shares of Common Stock as a retention bonus which would vest immediately upon grant. In aggregate, the executive officers would receive 105,000 Common Stock awards. We recorded compensation expense of $315,000 during the three and six months ended June 30, 2014 related to these Common Stock awards.

## 9. STOCK-BASED COMPENSATION PLANS (Continued)

As of June 30, 2014, there was $2,017,000 of total unrecognized compensation expense related to shares of Common Stock which will be recognized over the next two years.

## 10. EARNINGS PER SHARE ("EPS")

The computations of basic EPS are based on our weighted average shares outstanding. During the three and six months ended June 30, 2014, the weighted average shares outstanding were increased by 5,000 and 6,000 shares, respectively, to reflect the dilutive effect of stock options. Not included in the computation of diluted EPS were outstanding options to purchase 11,850 shares of Common Stock during the three and six months ended June 30, 2014, because the options' exercise prices were greater than the average market price of the shares.

For purposes of calculating basic EPS for the three and six months ended June 30, 2013, the 65,028,571 shares of preferred stock issued in connection with the Merger have been assumed to have been converted into 91,039,999 shares of Common Stock. As of the Acquisition Date, a subsidiary of CIM Urban REIT had agreed to vote its 97.8% post-Merger ownership of CIM Commercial in favor of an increase in the number of authorized CIM Commercial shares of Common Stock to one billion, thereby satisfying the condition for the automatic conversion of these shares. The actual conversion of the shares of preferred stock to shares of Common Stock occurred on April 29, 2014.

## 11. DIVIDENDS DECLARED

CIM Urban declared distributions to its partners of $16,100,000 prior to the Acquisition Date ($0.1685 per share of Common Stock, as converted). In addition, dividends of $59,286,000 ($27.975 per share of Common Stock) were paid to the PMC Commercial stockholders, which includes the $27.50 per share of Common Stock special dividend plus the $0.475 pro rata portion of PMC Commercial's regular quarterly cash dividend.

On March 24, 2014, we declared a common share dividend of $0.05 per share of Common Stock and a preferred dividend of $0.0403 per share of preferred stock ($0.0285 per share of Common Stock as converted) which were paid on March 28, 2014.

On April 28, 2014, we declared a dividend in the aggregate amount of $1,964,000 to the preferred stockholders ($0.0302 per share of preferred stock and $0.0215 per share of Common Stock, as converted) in connection with the conversion of shares of preferred stock to shares of Common Stock, which was paid on June 27, 2014.

On June 12, 2014, we declared a common share dividend of $0.21875 per share of Common Stock which was paid on June 27, 2014.

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability. The hierarchy for inputs used in measuring fair value is as follows:

*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.

The estimated fair values of those financial instruments which are not recorded at fair value on a recurring basis on our consolidated balance sheets were as follows:

| | June 30, 2014 | | December 31, 2013 | | |
|---|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value | Level |
| | (in thousands) | | | | |
| Assets: | | | | | |
| Loans Receivable Subject to Credit Risk | $ 153,254 | $ 153,362 | $ — | $ — | 3 |
| SBA 7(a) loans receivable, subject to secured borrowings | 40,065 | 40,302 | — | — | 3 |
| Liabilities: | | | | | |
| Secured borrowings—government guaranteed loans | 40,234 | 40,234 | — | — | 3 |
| Unsecured revolving lines of credit and revolving facility | 288,700 | 288,700 | 164,000 | 164,000 | 3 |
| Term note | 20,000 | 20,000 | — | — | 3 |
| Junior subordinated notes | 24,871 | 24,871 | — | — | 3 |
| Mortgages payable | 227,498 | 234,292 | 231,105 | 231,250 | 3 |

Management's estimation of the fair value of our financial instruments is based on a Level 3 valuation in the fair value hierarchy established for disclosure of how a company values its financial instruments. In general, quoted market prices from active markets for the identical financial instrument (Level 1 inputs), if available, should be used to value a financial instrument. If quoted prices are not available for the identical financial instrument, then a determination should be made if Level 2 inputs are available. Level 2 inputs include quoted prices for similar financial instruments in active markets for identical or similar financial instruments in markets that are not active (i.e., markets in which there are few transactions for the financial instruments, the prices are not current, price quotations vary substantially, or in which little information is released publicly). There is limited reliable market information for our financial instruments and we utilize other methodologies for valuation purposes

**12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

since there are no Level 1 or Level 2 determinations available. Accordingly, Level 3 inputs are used to measure fair value.

In general, estimates of fair value may differ from the carrying amounts of the financial assets and liabilities primarily as a result of the effects of discounting future cash flows. Considerable judgment is required to interpret market data and develop estimates of fair value. Accordingly, the estimates presented may not be indicative of the amounts we could realize in a current market exchange.

**Loans Receivable Subject to Credit Risk**—Loans receivable were initially recorded at estimated fair value at the Acquisition Date. Loans receivable originated subsequent to the Acquisition Date are recorded at cost upon origination and adjusted by net loan origination fees and discounts. In order to determine the estimated fair value of our loans receivable, we use a present value technique for the anticipated future cash flows using certain assumptions including discount rates ranging from 8.50% to 15.00%, prepayment speeds of 15.00% and potential credit deterioration ranging from 0% to 1.50%. Significant increases (decreases) in any of these inputs in isolation would result in significantly lower (higher) fair value measurements. In the absence of a readily ascertainable market value, the estimated value of our loans receivable will differ from the values that would be placed on the portfolio if a ready market for the loans receivable existed.

**SBA 7(a) loans receivable, subject to secured borrowings**—Represents the government guaranteed portion of loans which were sold with the proceeds received from the sale reflected as a liability on our consolidated balance sheet. There is no credit risk associated with these loans since the SBA has guaranteed payment of the principal. In order to determine the estimated fair value of these loans receivable, we use a present value technique for the anticipated future cash flows taking into consideration the lack of credit risk using a prepayment rate of 15.00%.

**Junior subordinated notes**—The fair value of the junior subordinated notes is estimated based on a current interest rates available for debt instruments with similar terms. Discounted cash flow analysis is generally used to estimate the fair value of our junior subordinated notes. The rate used was 3.83% at June 30, 2014.

**Secured borrowings—government guaranteed loans**—The fair value of secured borrowings—government guaranteed loans approximates current market interest rates. Includes the unamortized deferred cash premiums collected on the sale of the government guaranteed portions of the related loans.

**Revolving credit facility, unsecured revolving lines of credit and term note**—The carrying amount is a reasonable estimation of fair value as the interest rate on the revolving credit facility and revolving lines of credit are variable and are at a current market interest rate. In addition, the term note and revolving credit facility are short-term.

**Mortgage notes payable**—The fair values of mortgage notes are estimated based on current interest rates available for debt instruments with similar terms. The fair value of our mortgages payable is sensitive to fluctuations in interest rates. Discounted cash flow analysis is generally used to estimate

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

the fair value of our mortgages payable, using rates ranging from 4.10% to 4.35% at June 30, 2014 and 4.85% to 5.00% at December 31, 2013.

## 13. RELATED-PARTY TRANSACTIONS

CIM Urban REIT Management, LP (the "Management Company"), an affiliate of CIM Urban REIT, provides asset management services to CIM Urban. For these services, CIM Urban pays asset management fees to the Management Company, on a quarterly basis, in arrears. The fee is calculated as a percentage of the daily average gross fair value of our investments, as defined, as follows:

| Daily Average Gross Fair Value of CIM Urban' Investments | | Quarterly |
| --- | --- | --- |
| From Greater of | To and Including | Fee Percentage |
| (in thousands) | | |
| $ — | $ 500,000 | 0.2500% |
| 500,000 | 1,000,000 | 0.2375% |
| 1,000,000 | 1,500,000 | 0.2250% |
| 1,500,000 | 4,000,000 | 0.2125% |
| 4,000,000 | 20,000,000 | 0.1000% |

The Management Company earned asset management fees of $5,798,000 and $5,431,000 for the three months ended June 30, 2014 and 2013, respectively and $11,479,000 and $10,840,000 for the six months ended June 30, 2014 and 2013, respectively. At June 30, 2014, and December 31, 2013, asset management fees of $5,898,000 and $5,426,000, respectively, were due to the Management Company.

CIM Management, Inc. and certain of its affiliates (collectively, the "CIM Management Entities"), all affiliates of CIM Urban REIT, provide property management, leasing, and development services to CIM Urban. The CIM Management Entities earned property management fees, which are included in rental and other property operating expenses, totaling $1,272,000 and $1,215,000 for the three months ended June 30, 2014 and 2013, respectively and $2,531,000 and $2,362,000 for the six months ended June 30, 2014 and 2013, respectively. CIM Urban also reimbursed the CIM Management Entities $1,749,000 and $955,000 during the three months ended June 30, 2014 and 2013, respectively and $3,793,000 and $2,344,000 during the six months ended June 30, 2014 and 2013, respectively, for the cost of on-site personnel incurred on behalf of CIM Urban, which is included in rental and other property operating expenses. The CIM Management Entities earned leasing commissions of $839,000 and $11,000 for the three months ended June 30, 2014 and 2013, respectively and $1,351,000 and $297,000 for the six months ended June 30, 2014 and 2013, respectively, which were capitalized to deferred charges. In addition, the CIM Management Entities earned development management fees of $157,000 and $158,000 for the three months ended June 30, 2014 and 2013, respectively and $244,000 and $294,000 for the six months ended June 30, 2014 and 2013, respectively, which were capitalized to investments in real estate.

At June 30, 2014 and December 31, 2013, fees payable and expense reimbursements due to the CIM Management Entities of $2,408,000 and $1,445,000, respectively, are included in due to related parties. Also included in due to related parties as of June 30, 2014, and December 31, 2013, is

## 13. RELATED-PARTY TRANSACTIONS (Continued)

$(12,000) and $(64,000), respectively, due to (from) the CIM Management Entities and related parties. We have also entered into contracts with third-party property management companies.

Certain of these management companies also provide leasing and development management services, for which they are compensated in accordance with the agreements. Management fees incurred to third-party management companies related to the rental properties totaled $419,000 and $344,000 for the three months ended June 30, 2014 and 2013, respectively and $811,000 and $672,000 for the six months ended June 30, 2014 and 2013, respectively, which were included in rental and other property operating expenses.

On the Acquisition Date, pursuant to the terms of the Merger Agreement, CIM Commercial and its lending subsidiaries entered into the Master Services Agreement (the "Master Services Agreement") with CIM Service Provider, LLC (the "Manager") pursuant to which the Manager agrees to provide or arrange for other service providers to provide management and administration services to CIM Commercial and its subsidiaries following the Merger. Pursuant to the Master Services Agreement, CIM Commercial pays a base service fee (the "Base Service Fee") to the Manager equal to $1,000,000 per year (subject to an annual escalation by a specified inflation factor beginning on January 1, 2015), payable quarterly in arrears. The Base Service Fee began to accrue on the Acquisition Date and was pro-rated based on the number of days during the first quarter in which the Master Services Agreement was in effect. For the three and six months ended June 30, 2014, the Manager earned a Base Service Fee of $250,000 and $306,000, respectively. In addition, pursuant to the terms of the Master Services Agreement, the Manager may receive compensation for performing certain services for CIM Commercial and its subsidiaries that are not covered under the Base Service Fee. During the six months ended June 30, 2014, such services performed by the Manager included accounting, tax, reporting, internal audit, legal, compliance, risk management, IT, human resources and corporate communications. The Manager's compensation is based on the salaries and benefits of the employees of the Manager and/or its affiliates who performed these services (allocated based on the percentage of time spent on the affairs of CIM Commercial and its subsidiaries). For the three and six months ended June 30, 2014, we expensed $290,000 for such services. At June 30, 2014, $596,000 was due to the Manager.

## 14. COMMITMENTS AND CONTINGENCIES

**Loan Commitments**—Commitments to extend credit are agreements to lend to a customer provided the terms established in the contract are met. Our outstanding loan commitments and approvals to fund loans were $26,200,000 at June 30, 2014, the majority of which were for prime-based loans to be originated by our SBA 7(a) subsidiary, the government guaranteed portion of which is intended to be sold. Commitments generally have fixed expiration dates. Since some commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements.

**General**—In connection with the ownership and operation of real estate properties, we have certain obligations for the payment of tenant improvement allowances and lease commissions in connection with new leases and renewals.

**14. COMMITMENTS AND CONTINGENCIES (Continued)**

**Employment Agreements**—We have employment agreements with two of our executive officers. Under certain circumstances, as defined within the agreements, the agreements provide for (1) severance compensation or change in control payments to the executive officer in an amount equal to 2.99 times the average of the last three years annual compensation paid to the executive officer and (2) death and disability payments in an amount equal to two times and one time, respectively, the annual salary paid to the executive officer. In addition, to the extent the executive is employed by us on January 1, 2016 and such executive is not entitled to any disability, death or severance payments, the executive would receive restricted share awards as a retention bonus which would vest immediately upon grant. In aggregate, the executive officers would receive 105,000 share awards.

**Litigation**—REIT Redux, L.P. et al v. CIM Commercial, et al. On October 9, 2013, a putative class action and derivative lawsuit was filed in the Dallas County Court at Law No. 5 in Dallas County, Texas against and purportedly on behalf of CIM Commercial. The plaintiffs alleged, among other things, that the CIM Commercial board breached its fiduciary duties by approving and recommending the merger to the shareholders, failing to maximize value for the shareholders, engaging in bad faith and self-dealing by preferring transactions that further enriched the trust managers at the expense of the shareholders and conspiring to deprive the shareholders of their voting power and prerogatives. The complaint alleged that CIM Urban REIT aided, abetted and induced those breaches of fiduciary duty.

CIM Commercial and CIM Urban REIT entered into various agreements with the plaintiffs to settle their claims, which agreements were effective as of January 28, 2014 and were approved by the court on April 4, 2014 (the "Settlement Agreement"). Under the terms of the Settlement Agreement, the Manager entered into a trading plan (the "Trading Plan") designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934 to provide for the purchase of up to 550,000 shares of CIM Commercial Common Stock at prices up to $25.00 per share. The Trading Plan commenced on March 12, 2014 and will, in general, expire on the date that 550,000 shares of CIM Commercial Common Stock have been purchased or August 10, 2014, whichever is earlier. Pursuant to the Trading Plan, which expires on August 10, 2014, the Manager acquired approximately 248,000 shares of Common Stock through July 31, 2014. Additionally, CIM Commercial agreed to be responsible for providing and administering notice of the class action settlement to the members of the settlement class and pay for all reasonable costs incurred in providing such notice. As a result of the settlement, CIM Commercial agreed to payment of attorney's fees and expenses of plaintiffs' counsel of $772,000. In addition, pursuant to the terms of the Settlement Agreement, the Manager agreed to purchase up to 100,000 shares of CIM Commercial Common Stock owned by REIT Redux and its other "reporting persons", at a price of $25.00 per share, if requested by REIT Redux to do so at any time from July 10, 2014 until August 10, 2014. Pursuant to the request of REIT Redux, the Manager expects to complete the acquisition of the 100,000 shares in August 2014.

We are not currently involved in any other material litigation nor, to our knowledge, is any material litigation currently threatened against us, other than routine litigation arising in the ordinary course of business, most of which is expected to be covered by liability insurance. In the normal course of business we are periodically party to certain legal actions and proceedings involving matters that are generally incidental to our business. In management's opinion, the resolution of these legal actions and

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

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## 14. COMMITMENTS AND CONTINGENCIES (Continued)

proceedings will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

**SBA Related**—If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced under the SBA 7(a) Program, the SBA may seek recovery of the principal loss related to the deficiency from us. With respect to the guaranteed portion of SBA loans that have been sold, the SBA will first honor its guarantee and then seek compensation from us in the event that a loss is deemed to be attributable to technical deficiencies. Based on historical experience, we do not expect that this contingency is probable to be asserted. However, if asserted, it could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

**Environmental Matters**—In connection with the ownership and operation of real estate properties, we may be potentially liable for costs and damages related to environmental matters, including asbestos-containing materials. We have not been notified by any governmental authority of any noncompliance, liability, or other claim in connection with any of the properties, and we are not aware of any other environmental condition with respect to any of the properties that management believes will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

**Rent Expense**—The ground lease for a project provides for current annual rent of $437,000, payable quarterly, with increases on June 1, 2015, and every five years thereafter based on the greater of 15% or 50% of the increase in the Consumer Price Index during a five-year adjustment period. In addition, commencing on June 1, 2040 and June 1, 2065, the rent payable during the balance of the lease term shall be increased by an amount equal to 10% of the rent payable during the immediately preceding lease year. The lease term is through May 31, 2089. If the landlord decides to sell the leased property, we have the right of first refusal.

Rent expense under this lease, which includes straight line rent and amortization of acquired below-market ground lease, was $438,000 for the three months ended June 30, 2014 and 2013, respectively and $876,000 for the six months ended June 30, 2014 and 2013, respectively. We record rent expense on a straight line basis. Straight line rent liability of $10,450,000 and $9,863,000 is included in other liabilities in the accompanying consolidated balance sheets as of June 30, 2014 and December 31, 2013, respectively.

We lease office space in Dallas, Texas under a lease which expires in May 2018. For the three and six months ended June 30, 2014, rent expense under the lease was $49,000 and $65,000, respectively. Straight line rent liability of $33,000 is included in other liabilities in the accompanying consolidated balance sheet as of June 30, 2014.

## 14. COMMITMENTS AND CONTINGENCIES (Continued)

Scheduled future noncancelable minimum lease payments at June 30, 2014 are as follows:

| Years Ending December 31 | (in thousands) |
|---|---|
| 2014 (Six months ending December 31, 2014) | $ 345 |
| 2015 | 616 |
| 2016 | 743 |
| 2017 | 749 |
| 2018 | 607 |
| Thereafter | 129,031 |
| | $ 132,091 |

## 15. FUTURE MINIMUM LEASE RENTALS

Future minimum rental revenues under long-term operating leases at June 30, 2014, excluding tenant reimbursements of certain costs, are summarized as follows:

| Years Ending December 31 | Governmental Tenants | Other Tenants | Total |
|---|---|---|---|
| | | (in thousands) | |
| 2014 (Six months ending December 31, 2014) | $ 29,019 | $ 42,666 | $ 71,685 |
| 2015 | 46,321 | 85,064 | 131,385 |
| 2016 | 43,517 | 80,066 | 123,583 |
| 2017 | 40,356 | 75,065 | 115,421 |
| 2018 | 39,057 | 52,595 | 91,652 |
| Thereafter | 172,747 | 218,261 | 391,008 |
| | $ 371,017 | $ 553,717 | $ 924,734 |

## 16. CONCENTRATIONS

**Tenant Revenue Concentrations**—Rental revenues from the U.S. General Services Administration and other government agencies (collectively, "Governmental Tenants"), which primarily occupy properties located in Washington, D.C., accounted for approximately 24.5%, and 27.4% of our rental and other property income for the three months ended June 30, 2014 and 2013, respectively and 25.1%, and 27.5% for the six months ended June 30, 2014 and 2013, respectively. At June 30, 2014, and December 31, 2013, $6,145,000 and $5,596,000, respectively, is due from Governmental Tenants (see Note 15).

**Geographical Concentrations of Investments in Real Estate**—As of June 30, 2014, and December 31, 2013, we owned 20 and 19 office properties, respectively, five multifamily properties, and three hotel properties, located in four states and Washington, D.C.

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## 16. CONCENTRATIONS (Continued)

Our revenues concentration from properties for the periods ended June 30, 2014 and 2013, are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| California | 60.2% | 57.3% | 60.3% | 57.3% |
| North Carolina | 6.1 | 6.6 | 5.6 | 6.5 |
| Texas | 7.7 | 8.2 | 7.7 | 8.1 |
| New York | 2.1 | 2.1 | 2.1 | 2.2 |
| Washington, D.C. | 23.9 | 25.8 | 24.3 | 25.9 |
| | 100.0% | 100.0% | 100.0% | 100.0% |

Our real estate investments concentration from properties as of June 30, 2014, and December 31, 2013, are as follows:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| California | 51.7% | 50.5% |
| North Carolina | 5.5 | 5.6 |
| Texas | 7.5 | 7.7 |
| New York | 3.6 | 3.7 |
| Washington, D.C. | 31.7 | 32.5 |
| | 100.0% | 100.0% |

**Concentration of loans receivable**—Substantially all of our interest income is generated from loans collateralized by hospitality properties. At June 30, 2014, our loans receivable were 94.4% concentrated in the hospitality industry. In addition, at June 30, 2014, 12.7% of our loans were collateralized by properties in Texas and 10.5% of our loans were collateralized by properties in Virginia. No other state had a concentration of 10.0% or greater of our loans receivable at June 30, 2014.

## 17. SEGMENT DISCLOSURE

In accordance with ASC Topic 280, *Segment Reporting*, our reportable segments consist of three types of commercial real estate properties, namely, office properties, hotel properties (which included an investment in a note receivable secured by a hotel property during the three and six months ended June 30, 2013) and multifamily properties, as well as a segment for our lending operations. Management internally evaluates the operating performance and financial results of the segments based on net operating income. We also have certain general and administrative level activities, including public company expenses, legal, accounting, tax preparation, that are not considered separate operating segments. The reportable segments are accounted for on the same basis of accounting as described in the notes to the audited consolidated financial statements of CIM Urban for the year ended December 31, 2013 included in our current report on Form 8-K/A filed on May 9, 2014.

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**17. SEGMENT DISCLOSURE (Continued)**

We evaluate the performance of our segments based on net operating income for our real estate segment, defined as: rental and other property income and tenant reimbursements less property and related expenses, and excludes other nonproperty income and expenses, interest expense, depreciation and amortization, corporate related general and administrative expenses, and transaction costs. For the lending segment, we define net operating income as interest income net of interest expense and expense for back-office operations and general overhead expenses such as administration and

**17. SEGMENT DISCLOSURE (Continued)**

accounting. The net operating income of our reportable segments for the three and six months ended June 30, 2014 and 2013, is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014(1) | 2013 |
| | (in thousands) | | | |
| Office properties: | | | | |
| Revenues | $ 45,181 | $ 44,137 | $ 88,455 | $ 87,597 |
| Property expenses: | | | | |
| Operating | 17,933 | 16,192 | 35,586 | 32,494 |
| General and administrative | 76 | 254 | 392 | 354 |
| Total property expenses | 18,009 | 16,446 | 35,978 | 32,848 |
| Segment net operating income—office | 27,172 | 27,691 | 52,477 | 54,749 |
| Hotel properties: | | | | |
| Revenues | 14,798 | 10,624 | 29,137 | 20,571 |
| Property expenses: | | | | |
| Operating | 9,923 | 7,125 | 19,769 | 13,653 |
| General and administrative | 36 | 83 | 73 | 162 |
| Total property expenses | 9,959 | 7,208 | 19,842 | 13,815 |
| Segment net operating income—hotel | 4,839 | 3,416 | 9,295 | 6,756 |
| Multifamily properties: | | | | |
| Revenues | 5,208 | 5,077 | 10,192 | 9,978 |
| Property expenses: | | | | |
| Operating | 2,583 | 1,915 | 4,670 | 3,806 |
| General and administrative | 54 | 35 | 79 | 42 |
| Total property expenses | 2,637 | 1,950 | 4,749 | 3,848 |
| Segment net operating income—multifamily | 2,571 | 3,127 | 5,443 | 6,130 |
| Lending: | | | | |
| Revenues | 6,271 | — | 7,797 | — |
| Lending expenses: | | | | |
| Interest expense | 635 | — | 897 | — |
| General and administrative | 1,253 | — | 1,658 | — |
| Total lending expenses | 1,888 | — | 2,555 | — |
| Segment net operating income—lending | 4,383 | — | 5,242 | — |
| Total segment net operating income | $ 38,965 | $ 34,234 | $ 72,457 | $ 67,635 |

(1) The lending segment operations are included for the period from the Acquisition Date to June 30, 2014.

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## 17. SEGMENT DISCLOSURE (Continued)

A reconciliation of segment net operating income to net income for the three and six months ended June 30, 2014 and 2013, is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands) | | | |
| Total segment net operating income | $ 38,965 | $ 34,234 | $ 72,457 | $ 67,635 |
| Interest | (4,304) | (4,725) | (8,259) | (9,402) |
| General and administrative | (2,191) | (343) | (2,587) | (699) |
| Asset management fees and other fees to related parties | (6,338) | (5,431) | (12,075) | (10,840) |
| Transaction costs | (32) | (1,394) | (500) | (1,394) |
| Depreciation and amortization | (17,286) | (17,533) | (33,915) | (34,670) |
| | 8,814 | 4,808 | 15,121 | 10,630 |
| Bargain purchase gain | — | — | 4,918 | — |
| Income before provision for income taxes | 8,814 | 4,808 | 20,039 | 10,630 |
| Provision for income taxes | (300) | — | (308) | — |
| Net income | 8,514 | 4,808 | 19,731 | 10,630 |
| Net income attributable to noncontrolling interests | (115) | (113) | (113) | (109) |
| Net income attributable to stockholders | $ 8,399 | $ 4,695 | $ 19,618 | $ 10,521 |

The condensed assets for each of the segments as of June 30, 2014 and December 31, 2013, along with capital expenditures and originations for the six months ended June 30, 2014 and 2013, are as follows:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| | (in thousands) | |
| Condensed assets: | | |
| Office properties | $ 1,518,743 | $ 1,481,757 |
| Hotel properties | 174,898 | 174,263 |
| Multifamily properties | 171,283 | 173,985 |
| Lending | 204,933 | — |
| Non-segment assets | 2,841 | 4,472 |
| Total assets | $ 2,072,698 | $ 1,834,477 |

**17. SEGMENT DISCLOSURE (Continued)**

| | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|---|---|
| | (in thousands) | |
| Capital expenditures(1): | | |
| Office properties | $ 11,428 | $ 6,830 |
| Hotel properties | 721 | 1,504 |
| Multifamily properties | 429 | 827 |
| Total capital expenditures | 12,578 | 9,161 |
| Originations | 25,191 | — |
| Total capital expenditures and originations | $ 37,769 | $ 9,161 |

(1) Represents additions and improvements to real estate investments, excluding acquisitions.

## ITEM 2.
## Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created thereby. Such forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "believe," "anticipate," "seek," "plan," "estimate," or "continue," or the negative thereof or other variations or similar words or phrases. These statements include the plans and objectives of management for future operations, including, but not limited to, plans and objectives relating to future growth and availability of funds. The forward-looking statements included herein are based on current expectations and there can be no assurance that these expectations will be attained. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made. We do not undertake to update them to reflect changes that occur after the date they are made.*

**The following discussion of our financial condition at June 30, 2014 and results of operations for the three and six months ended June 30, 2014 and 2013 should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2013 and the audited consolidated financial statements of CIM Urban for the year ended December 31, 2013, included in our current report on Form 8-K/A filed on May 9, 2014. For a more detailed description of the risks affecting our financial condition and results of operations, see "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2013.**

**All references to Common Stock and related per share data have been adjusted in this Form 10-Q to reflect the reverse stock split.**

### EXECUTIVE SUMMARY

### The Merger

On July 8, 2013, our predecessor, PMC Commercial, entered into the Merger Agreement with CIM Urban REIT and subsidiaries of the respective parties. The Merger Agreement provided for the business combination of CIM Urban REIT's wholly owned subsidiary, CIM Urban and PMC Commercial. Pursuant to the Merger Agreement, an affiliate of CIM Urban REIT received approximately 4.4 million shares of newly-issued PMC Commercial Common Stock and approximately 65.0 million shares of newly-issued PMC Commercial preferred stock. Following the Merger and subsequent increase in our authorized number of shares, each share of preferred stock was converted into 1.4 shares of PMC Commercial Common Stock, resulting in the issuance of approximately 95.4 million shares of Common Stock in the aggregate in connection with the Merger, representing approximately 97.8% of PMC Commercial's outstanding shares of Common Stock. All shares of PMC Commercial Common Stock that were outstanding immediately prior to the Merger continue to remain outstanding following the Merger. In addition, stockholders of record of PMC Commercial at the close of the business day prior to the Acquisition Date received a special cash dividend of $27.50 per share of Common Stock plus that pro-rata portion of PMC Commercial's regular quarterly cash dividend accrued through the Acquisition Date, each of which was paid March 25, 2014. The Merger was completed on March 11, 2014. Upon completion of the Merger, PMC Commercial became the parent of CIM Urban, previously the operating subsidiary of CIM Urban REIT. PMC Commercial reincorporated from Texas to Maryland on April 28, 2014 and, on the same day, changed its name from "PMC Commercial Trust" to "CIM Commercial Trust Corporation".

The Merger was accounted for as a reverse acquisition under the acquisition method of accounting with CIM Urban considered to be the accounting acquirer based upon the terms of the Merger Agreement. Accordingly, the acquired assets and liabilities of PMC Commercial acquired on March 11, 2014 are included in the consolidated balance sheet as of June 30, 2014 and the results of its operations and cash flows are included in the consolidated statements of operations and comprehensive income and cash flows for the period from the Acquisition Date through June 30, 2014.

**Business Overview**

Our principal business is to acquire and manage substantially stabilized real estate holdings located in areas that our manager has targeted for investments. These areas include traditional downtown areas and suburban main streets, which have high barriers to entry, high population density, improving demographic trends and a propensity for growth. 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.

Our real estate business is managed by an affiliate of CIM Group, Inc. ("CIM"). CIM is an integrated, full-service real estate and infrastructure fund manager with multi-disciplinary expertise and in-house research, acquisition, investment, development, finance, leasing, and management capabilities. CIM is headquartered in Los Angeles and has offices in Oakland, California; Bethesda, Maryland; and New York, New York.

We seek attractive risk-adjusted returns by exploiting the power of the CIM platform. Over time, we seek to expand our real estate holdings in communities targeted by CIM for investment, supported by CIM's broad real estate investment capabilities, as part of our plan to prudently grow market value and earnings.

**Properties**

As of June 30, 2014, CIM Urban's investments consisted of (i) 20 office properties comprising approximately 5.5 million rentable square feet, (ii) five multifamily properties comprising 930 units, (iii) three hotels comprising 1,070 rooms, (iv) three parking garages, two of which have street level retail space, and (v) one development site.

**Strategy**

CIM's community qualification process serves as the foundation for our investment strategy. CIM targets high barrier-to-entry markets and submarkets with high population density and applies rigorous research to qualify for potential investments. Since 1994, CIM has qualified 95 communities in high barrier-to-entry markets and has deployed capital in 47 of these communities. The qualification process generally takes between six months and five years and is a critical component of CIM's investment evaluation. CIM examines the characteristics of a community to determine whether the community justifies the extensive efforts CIM undertakes in reviewing and making potential investments in these qualified communities. Qualified communities generally fall into one of two categories: (1) transitional urban districts and (2) well-established, thriving urban areas (typically major central business districts ("CBDs")).

As a result of the in-depth research and analysis that CIM has performed to qualify transitional urban communities over the years, CIM has also gained extensive knowledge of adjoining major CBDs, in both primary and secondary cities such as New York, San Francisco, Dallas and Houston. While these areas are generally not underserved and in transition (but rather are well-established, thriving areas), due to the recent financial crisis and related distressed situations, CIM has been able to capitalize on pricing in these districts that has fallen below the values that CIM believes it will be able to obtain in the long term. CIM expects that, by applying its relative value investment discipline and local market knowledge, it will be able to provide us with opportunities to invest in high quality assets located in these major markets at what CIM believes to be discounts to intrinsic (i.e., expected long-term) value.

**SBA 7(a) Lending**

We will continue to deploy a portion of our capital to our real estate lending platform through our wholly owned subsidiary (d/b/a PMC Commercial Trust) that originates and services loans under the U.S. Small Business Administration 7(a) Guaranteed Loan Program as well as through other lending programs which allow us to achieve attractive risk adjusted returns on its loans.

**Funds from Operations ("FFO")**

We believe that FFO is a widely recognized and appropriate measure of the performance of a REIT and that it is frequently used by security analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO represents net income (loss), computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of real estate, real estate depreciation and amortization (other than amortization of deferred financing costs), and after adjustments for noncontrolling interests. We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT").

Like any metric, FFO should not be used as the only measure of our performance, because it excludes depreciation and amortization and captures neither the changes in the value of our real estate properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our operating results. Other REITs may not calculate FFO in accordance with NAREIT, accordingly, our FFO may not be comparable to those other REITs' FFO. Therefore, FFO should be considered only as a supplement to net income as a measure of our performance and should not be used as a supplement to or substitute measure for cash flow from operating activities computed in accordance with U.S. GAAP. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends.

The following table sets forth a reconciliation of net income to FFO computed in accordance with U.S. GAAP:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands) | | | |
| Net income attributable to stockholders | $ 8,399 | $ 4,695 | $ 19,618 | $ 10,521 |
| Depreciation and amortization | 17,286 | 17,533 | 33,915 | 34,670 |
| Net income attributable to noncontrolling interests | 115 | 113 | 113 | 109 |
| **FFO** | $ 25,800 | $ 22,341 | $ 53,646 | $ 45,300 |

Total FFO increased to $25,800,000, or by 15.5%, for the three months ended June 30, 2014, compared to $22,341,000 for the three months ended June 30, 2013. The increase was primarily attributable to $4,383,000 from the operations of the lending business for the period from April 1, 2014 to June 30, 2014, a decrease in transaction costs of $1,362,000, which mainly represented costs related to the Merger, offset by an increase of $1,848,000 in corporate general and administrative expenses due to operating in a public environment, and an increase of $300,000 in provision for income taxes.

Total FFO increased to $53,646,000, or by 18.4%, for the six months ended June 30, 2014, compared to $45,300,000 for the six months ended June 30, 2013. The increase was primarily attributable to a non-cash bargain purchase gain of $4,918,000, an increase of $5,242,000 from the operations of the lending business for the period from the Acquisition Date to June 30, 2014, offset by an increase of $1,888,000 in corporate general and administrative expenses due to operating in a public environment.

**Rental Rate Trends**

**Office Rental Rates:** The following table sets forth the annualized rent per leased square foot across our office portfolio as of the specified periods:

| | As of June 30, | |
|---|---|---|
| | 2014 | 2013 |
| Annualized rent per leased square foot(1) | $ 35.41 | $ 35.47 |

(1) Represents gross monthly base rent under leases commenced as of the specified periods, multiplied by twelve. This amount reflects total cash rent before abatements. Total abatements for the twelve months ended June 30, 2014 and 2013 were approximately $12,000,000 and $11,800,000, respectively. Where applicable, annualized rent has been converted from triple net to gross by adding expense reimbursements to base rent, based on reimbursements for the applicable period, multiplied by twelve. Annualized rent for certain office properties includes rent attributable to retail and parking.

Over the next four quarters, we expect to see expiring cash rents as set forth in the table below:

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2014 | March 31, 2015 | June 30, 2015 |
| **Expiring Cash Rents:** | | | | |
| Expiring square feet(1) | 241,680 | 213,694 | 120,748 | 123,972 |
| Expiring rent per square foot(2) | $ 40.76 | $ 47.78 | $ 39.19 | $ 35.32 |

(1) All month-to-month tenants are included in the expiring leases in the first quarter listed.

(2) Represents gross monthly base rent, as of June 30, 2014, under leases expiring during the periods above, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been converted from triple net to gross by adding expense reimbursements to base rent.

**Multifamily Rates:** The following table sets forth the monthly rent per leased unit across our multifamily portfolio for the specified periods:

| | As of June 30, 2014 | As of June 30, 2013 |
|---|---|---|
| Monthly rent per leased unit(1) | $ 1,853 | $ 1,781 |

(1) Represents gross monthly base rent under leases as of the specified period, divided by leased units. This amount reflects total cash rent before concessions.

**Occupancy Rates:** The following table sets forth the occupancy rates across our office and multifamily real estate portfolios as of the specified periods:

| | As of June 30, 2014 | As of June 30, 2013 |
|---|---|---|
| Office portfolio | 82.1% | 86.3% |
| Multifamily portfolio | 96.6% | 96.3% |

**Hotel Statistics:** The following table sets forth the occupancy, average daily rate ("ADR") and revenue per available room ("RevPAR") for the hotel portfolio for the specified periods:

| | For the Six Months Ended June 30, 2014 | For the Six Months Ended June 30, 2013 |
|---|---|---|
| **Rental Rate Trends—Hotel Statistics(1)** | | |
| Occupancy | 82.3% | 77.4% |
| ADR | $ 122.51 | $ 134.36 |
| RevPAR | $ 100.83 | $ 104.03 |

(1) The six months ended June 30, 2013 statistics exclude LAX Holiday Inn which CIM Urban took possession of through foreclosure in October 2013. Excluding LAX Holiday Inn from the hotel statistics for the six months ended June 30, 2014, the occupancy, ADR, and RevPAR would have been 77.7%, $144.68, and $112.37, respectively.

**Secondary Market Loan Sales**

Our lending division sells loans pursuant to the SBA 7(a) Program. The SBA guaranteed portion of these loans are sold in legal sale transactions to either dealers in government guaranteed loans or institutional investors as the loans are fully funded. These government guaranteed portions of loans may be sold for (1) a cash premium and the minimum 1% SBA required servicing spread, (2) significant future servicing spread and no cash premium or (3) future servicing spread and a cash premium of 10% ("hybrid loan sales"). We are required to permanently treat certain of the proceeds received from these legally sold portions of loans (those loans sold solely for future servicing spread and those loans sold for a cash premium of 10% and future servicing spread) as secured borrowings (debt) for the life of the loan and 100% of the loan is included in our loans receivable.

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## RESULTS OF OPERATIONS

### Three Months Ended June 30, 2014 Compared to the Three Months Ended June 30, 2013

***Overview***

| | Three Months Ended June 30, | | Change | |
|---|---|---|---|---|
| | 2014 | 2013 | $ | % |
| | (dollars in thousands) | | | |
| Total revenues | $ 71,458 | $ 59,838 | $ 11,620 | 19.4% |
| Total expenses | $ 62,644 | $ 55,030 | $ 7,614 | 13.8% |
| Net income | $ 8,514 | $ 4,808 | $ 3,706 | 77.1% |

Net income increased during the three months ended June 30, 2014 primarily due to the operations of the lending segment of $4,383,000, a decrease in transaction costs of $1,362,000, which mainly represented costs related to the Merger, offset by an increase of $1,848,000 in corporate general and administrative expenses due to operating in a public environment, and an increase of $300,000 in provision for income taxes.

CIM Commercial operates in four segments: office properties, hotel, multifamily and lending. Set forth and described below are summary segment results for our four segments for the specified periods.

**Summary Segment Results**

| | Three Months Ended June 30, | | Change | |
|---|---|---|---|---|
| | 2014 | 2013 | $ | % |
| | (dollars in thousands) | | | |
| **Revenues:** | | | | |
| Office properties | $ 45,181 | $ 44,137 | $ 1,044 | 2.4% |
| Hotel | 14,798 | 10,624 | 4,174 | 39.3% |
| Multifamily | 5,208 | 5,077 | 131 | 2.6% |
| Lending | 6,271 | — | 6,271 | — |
| **Expenses:** | | | | |
| Office properties | 18,009 | 16,446 | 1,563 | 9.5% |
| Hotel | 9,959 | 7,208 | 2,751 | 38.2% |
| Multifamily | 2,637 | 1,950 | 687 | 35.2% |
| Lending | 1,888 | — | 1,888 | — |

***Revenues***

***Office Properties Revenue:*** Revenues include rental revenues from office properties, expense reimbursements and lease termination income. Total office property revenues increased to $45,181,000, or 2.4%, for the second quarter of 2014 compared to $44,137,000 for the second quarter of 2013, primarily due to revenues related to the office property acquired in April 2014.

***Hotel Revenue:*** Total hotel revenue increased to $14,798,000, or 39.3%, for the second quarter of 2014 compared to $10,624,000 for the second quarter of 2013. The increase is primarily due to the operations of the LAX Holiday Inn, which CIM Urban acquired through foreclosure in October 2013, being reflected as an operating hotel in the 2014 second quarter, versus a mortgage note receivable in the 2013 second quarter. Additionally, our hotel property in Sacramento, California, experienced RevPar growth in the 2014 second quarter compared to the 2013 second quarter due to increased rates.

***Multifamily Revenue:*** Total multifamily revenue increased to $5,208,000, or 2.6%, for the second quarter of 2014 compared to $5,077,000 for the second quarter of 2013. The increase is primarily due to increased rates.

***Lending Revenue:*** Represents revenues from the lending operations of CIM Commercial and our lending subsidiaries including interest income on loans and other loan related fee income. Included in the three months ended June 30, 2014 is interest income of $4,748,000, including accretion of $1,789,000 related to acquisition discounts, and $1,151,000 of premium income related to the sale of the government guaranteed portions of our fully funded SBA 7(a) loans.

***Expenses***

***Office Properties Expenses:*** Total expenses increased to $18,009,000, or 9.5%, for the second quarter of 2014 compared to $16,446,000 for the second quarter of 2013. The increase is primarily due to expenses related to the office property acquired in April 2014, an increase in electricity expense at the District of Columbia properties, and an increase in real estate taxes at the California properties. We expect there will be increases in real estate taxes compared to 2013 at the California properties for the remainder of the year.

***Hotel Expenses:*** Total hotel expenses increased to $9,959,000, or 38.2%, for the second quarter of 2014 compared to $7,208,000 for the second quarter of 2013. The increase is primarily due to the LAX Holiday Inn, which CIM Urban acquired through foreclosure in October 2013, being reflected as an operating hotel in the 2014 second quarter, versus a mortgage note receivable in the 2013 second quarter.

***Multifamily Expenses:*** Total multifamily expenses increased to $2,637,000, or 35.2%, for the second quarter of 2014 compared to $1,950,000 for the second quarter of 2013. The increase is primarily due to an increase in real estate taxes in the 2014 second quarter compared to the 2013 second quarter.

***Lending Expenses:*** Represents expenses from the lending operation of CIM Commercial and our lending subsidiaries including general and administrative expenses related to the operation of the lending business. Lending expenses primarily represent salaries and related benefits expense of $1,018,000 and interest expense of $635,000.

***Interest Expense:*** Interest expense that has not been allocated to segments of $4,304,000 for the second quarter of 2014 represents a $421,000 decrease from $4,725,000 for the second quarter of 2013. Increased interest expense from incremental lines of credit borrowings in the 2014 second quarter was offset by lower interest expense from amortizing fixed-rate mortgages as a result of the repayment of approximately $75,909,000 in fixed rate mortgages in September 2013. The reduction in interest expense was primarily due to the lower interest rate on our borrowings under our lines of credit outstanding during the second quarter of 2014 versus the interest rates on the fixed rate mortgages that were outstanding during the second quarter of 2013 that were repaid in September 2013.

***General and Administrative:*** General and administrative expenses that have not been allocated to segments increased to $2,191,000 for the second quarter of 2014 compared to $343,000 for the comparable 2013 period. The increase is primarily due to public company expenses.

***Transaction Costs:*** Transaction costs totaling $32,000 for the second quarter of 2014 represent a $1,362,000 decrease from $1,394,000 for the second quarter of 2013. The costs incurred in the second quarter of 2014 are related to the acquisition of the office property in April 2014, while the costs incurred in the second quarter of 2013 are associated with the Merger and are primarily comprised of due diligence costs, reimbursement of PMC Commercial's acquisition-related costs, legal and accounting expenses.

***Asset Management Fees and Other Fees to Related Parties:*** Asset management fees totaled $5,798,000 for the second quarter of 2014 compared to $5,431,000 for the second quarter of 2013. Management fees are calculated based on a percentage of the gross fair value of CIM Urban's investments, which are appraised in the fourth quarter of each year. The higher fees reflect a net increase in the fair value of the real estate investments based on the December 31, 2013 appraised values, as well as incremental capital expenditures and acquisitions in the first six months of 2014. In addition, pursuant to the Master Services Agreement entered into on the Acquisition Date, CIM Commercial will pay a Base Service Fee equal to $1,000,000 per year (subject to annual escalation by a specified inflation factor beginning on January 1, 2015) to the Manager, a related party. Fees to the related party totaled $250,000 for the second quarter of 2014 compared to $0 for the second quarter of 2013. In addition, pursuant to the terms of the Master Services Agreement, the Manager may receive compensation for performing certain services for CIM Commercial and its subsidiaries that are not covered under the Base Service Fee. For the second quarter of 2014, we expensed $290,000 for such services.

***Depreciation and Amortization:*** Depreciation and amortization expense decreased to $17,286,000, or 1.4%, for the second quarter of 2014, compared to $17,533,000 for the second quarter of 2013. The decrease in depreciation and amortization expense compared to the second quarter of 2013 is primarily due to certain assets that became fully depreciated, partially offset by an increase in depreciation expense associated with additional capital expenditures and the acquisition of the office property in April 2014.

**Six Months Ended June 30, 2014 Compared to the Six Months Ended June 30, 2013**

***Overview***

| | Six Months Ended June 30, | | Change | |
|---|---|---|---|---|
| | 2014 | 2013 | $ | % |
| | (dollars in thousands) | | | |
| Total revenues | $ 135,581 | $ 118,146 | $ 17,435 | 14.8% |
| Total expenses | $ 120,460 | $ 107,516 | $ 12,944 | 12.0% |
| Bargain purchase gain | $ 4,918 | $ — | $ 4,918 | — |
| Net income | $ 19,731 | $ 10,630 | $ 9,101 | 85.6% |

Net income increased during the six months ended June 30, 2014 primarily due to the recognition of the bargain purchase gain of $4,918,000, an increase of $5,242,000 from the operations of the lending business for the period from Acquisition Date to June 30, 2014, offset by an increase of $1,888,000 in corporate general and administrative expenses due to operating in a public environment. The bargain purchase gain was recorded as of the Acquisition Date in the amount equal to the excess of the fair value of the identifiable net assets acquired over the purchase price (consideration).

Set forth and described below are summary segment results for our four segments for the specified periods.

**Summary Segment Results**

| | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 | Change $ | Change % |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| **Revenues:** | | | | |
| Office properties | $ 88,455 | $ 87,597 | $ 858 | 1.0% |
| Hotel | 29,137 | 20,571 | 8,566 | 41.6% |
| Multifamily | 10,192 | 9,978 | 214 | 2.1% |
| Lending(1) | 7,797 | — | 7,797 | — |
| **Expenses:** | | | | |
| Office properties | 35,978 | 32,848 | 3,130 | 9.5% |
| Hotel | 19,842 | 13,815 | 6,027 | 43.6% |
| Multifamily | 4,749 | 3,848 | 901 | 23.4% |
| Lending(1) | 2,555 | — | 2,555 | — |

(1) Our lending operations are reflected beginning on Acquisition Date to June 30, 2014.

***Revenues***

***Office Properties Revenue:*** Revenues include rental revenues from office properties, expense reimbursements and lease termination income. Total office property revenues increased to $88,455,000, or 1.0%, for the first six months of 2014 compared to $87,597,000 for the first six months of 2013, primarily due to revenues related to the office property acquired in April 2014.

***Hotel Revenue:*** Total hotel revenue increased to $29,137,000, or 41.6%, for the first six months of 2014 compared to $20,571,000 for the first six months of 2013. The increase is primarily due to the operations of the LAX Holiday Inn, which CIM Urban acquired through foreclosure in October 2013, being reflected as an operating hotel in the six months ended June 30, 2014, versus a mortgage note receivable in the six months ended June 30, 2013. Additionally, our hotel property in Sacramento, California, experienced RevPar growth in the six months ended June 30, 2014 compared to the six months ended June 30, 2013.

***Multifamily Revenue:*** Total multifamily revenue increased to $10,192,000, or 2.1%, for the first six months of 2014 compared to $9,978,000 for the first six months of 2013. The increase is primarily due to increased rates.

***Lending Revenue:*** Represents revenues from the lending operations of CIM Commercial and our lending subsidiaries including interest income on loans and other loan related fee income. The lending operations revenue is only reflected beginning on the Acquisition Date through June 30, 2014. Included in the six months ended June 30, 2014 is interest income of $6,270,000, including accretion of $2,135,000 related to acquisition discounts, and $1,151,000 of premium income related to the sale of the government guaranteed portions of our fully funded SBA 7(a) loans.

***Expenses***

***Office Properties Expenses:*** Total expenses increased to $35,978,000, or 9.5%, for the first six months of 2014 compared to $32,848,000 for the first six months of 2013. The increase is primarily due to an increase in electricity expense at the District of Columbia properties, and an increase in real estate taxes at the California properties. We expect there will be increases in real estate taxes compared to 2013 at the California properties for the remainder of the year.

***Hotel Expenses:*** Total hotel expenses increased to $19,842,000, or 43.6%, for the first six months of 2014 compared to $13,815,000 for the first six months of 2013. The increase is primarily due to the LAX Holiday Inn, which CIM Urban acquired through foreclosure in October 2013, being reflected as an operating hotel in the six months ended June 30, 2014, versus a mortgage note receivable in the six months ended June 30, 2013. Additionally, our hotel property in Sacramento, California had increased variable costs associated with higher occupancy for the first six months of 2014 compared to the first six months of 2013.

***Multifamily Expenses:*** Total multifamily expenses increased to $4,749,000, or 23.4%, for the first six months of 2014 compared to $3,848,000 for the first six months of 2013. The increase is primarily due to an increase in real estate taxes in the first six months of 2014 compared to the first six months of 2013.

***Lending Expenses:*** Represents expenses from the lending operation of CIM Commercial and our lending subsidiaries including general and administrative expenses related to the operation of the lending business. The lending operations expenses are only reflected beginning on the Acquisition Date through June 30, 2014. Lending expenses primarily represent salaries and related benefits expense of $1,325,000 and interest expense of $897,000.

***Interest Expense:*** Interest expense that has not been allocated to segments of $8,259,000 for the first six months of 2014 represents a $1,143,000 decrease from $9,402,000 for the first six months of 2013. Increased interest expense from incremental lines of credit borrowings in six months of 2014 was offset by lower interest expense from amortizing fixed-rate mortgages as a result of the repayment of approximately $75,909,000 in fixed rate mortgages in September 2013. The reduction in interest expense was primarily due to the lower interest rate on our borrowings under our lines of credit outstanding during the first six months of 2014 versus the interest rates on the fixed rate mortgages that were outstanding during the first six months of 2013 that were repaid in September 2013.

***General and Administrative:*** General and administrative expenses that have not been allocated to segments increased to $2,587,000 for the first six months of 2014 compared to $699,000 for the comparable 2013 period. The increase is primarily due to public company expenses incurred beginning on the Acquisition Date.

***Transaction Costs:*** Transaction costs totaling $500,000 for the first six months of 2014 represent a $894,000 decrease from $1,394,000 for the first six months of 2013. These costs are mainly associated with the Merger and are primarily comprised of due diligence costs, reimbursement of PMC Commercial's acquisition-related costs, legal and accounting expenses. We also incurred $32,000 in the first six months of 2014 related to the acquisition of the office property in April 2014.

***Asset Management Fees and Other Fees to Related Parties:*** Asset management fees totaled $11,479,000 for the first six months of 2014 compared to $10,840,000 for the first six months of 2013. Management fees are calculated based on a percentage of the gross fair value of CIM Urban's investments, which are appraised in the fourth quarter of each year. The higher fees reflect a net increase in the fair value of the real estate investments based on the December 31, 2013 appraised values, as well as incremental capital expenditures and acquisitions in the first six months of 2014. In addition, pursuant to the Master Services Agreement entered into on the Acquisition Date, CIM Commercial will pay a Base Service Fee equal to $1,000,000 per year (subject to annual escalation by a specified inflation factor beginning on January 1, 2015) to the Manager, a related party. Fees to the related party totaled $306,000 for the first six months of 2014 compared to $0 for the first six months of 2013. In addition, pursuant to the terms of the Master Services Agreement, the Manager may receive compensation for performing certain services for CIM Commercial and its subsidiaries that are not covered under the Base Service Fee. For the first six months of 2014, fees for such services were $290,000.

***Depreciation and Amortization:*** Depreciation and amortization expense decreased to $33,915,000, or 2.2%, for the first six months of 2014, compared to $34,670,000 for the first six months of 2013. The decrease in depreciation and amortization expense compared to the first six months of 2013 is primarily due to certain assets that became fully depreciated, partially offset by an increase in depreciation expense associated with additional capital expenditures and the acquisition of the office property in April 2014.

**LIQUIDITY AND CAPITAL RESOURCES**

**Sources and Uses of Funds**

**Credit Facilities**

At June 30, 2014, CIM Commercial had a revolving credit facility with borrowing up to $25,000,000 which matures on June 30, 2015. We are charged interest on the balance outstanding under the revolving credit facility at our election of either the prime rate of the lender less 50 basis points or 30-day LIBOR plus 2%. In addition, we are charged an unused fee equal to 25 basis points computed based on our daily available balance. At June 30, 2014, $700,000 was outstanding under this facility. As of July 31, 2014, $0 was outstanding under this facility, and $25,000,000 was available for future borrowings.

Our term note in the principal amount of $30,000,000 which matures in September 2014 has an interest rate of 2.74%. During the second quarter of 2014, $10,000,000 of this term note was repaid. Upon repayment in full of this term note, CIM Commercial's $25,000,000 revolving credit facility will be increased to $40,000,000. The CIM Commercial revolving credit facility requires us to meet certain covenants including an asset coverage test (eligible loans receivable to balances outstanding under the facility and term note) of 3.00 times.

In February 2012, CIM Urban entered into an unsecured revolving line of credit with a bank syndicate, which allows for maximum borrowings of $100,000,000. Borrowings under the line of credit are limited by certain borrowing base calculations. Outstanding advances under the line of credit bore interest at the base rate, as defined, plus 0.75% to 1.50% or LIBOR plus 1.75% to 2.50%, depending on the maximum consolidated leverage ratio, as defined, until August 2013. In August 2013, the unsecured revolving line was amended, and outstanding advances under the line bear interest at the base rate, as defined, plus 0.25% to 0.85% or LIBOR plus 1.25% to 1.85%, depending on the maximum consolidated leverage ratio, as defined. The line of credit is also subject to an unused commitment fee of 0.25% or 0.35% depending on the amount of aggregate unused commitments. The line of credit matures in February 2016, with a one-year extension option under certain conditions. As of July 31, 2014, June 30, 2014, and December 31, 2013, $100,000,000, was outstanding under the line of credit, and $0, was available for future borrowings.

In August 2013, CIM Urban entered into another unsecured revolving credit facility with a syndicate of banks. The credit facility provides an additional $125,000,000 of borrowing capacity that was increased to $150,000,000. CIM Urban amended the facility in April 2014 to further increase the maximum aggregate borrowing capacity under the revolving credit facility to $200,000,000. Borrowings under the revolving credit facility are limited by certain borrowing base calculations. Outstanding advances under the revolving credit facility bear interest at the base rate, as defined, plus 0.25% to 0.85% or LIBOR plus 1.25% to 1.85%, depending on the maximum consolidated leverage ratio, as defined. The revolving credit facility is also subject to an unused commitment fee of 0.25% or 0.35% depending on the amount of aggregate unused commitments. The revolving credit facility originally matured in February 2014, and was recently extended to October 10, 2014. As of July 31, 2014, June 30, 2014, and December 31, 2013, $188,000,000, $188,000,000, and $64,000,000, respectively, was outstanding under the revolving credit facility, and $12,000,000, $12,000,000 and $61,000,000, respectively, was available for future borrowings.

At June 30, 2014 and December 31, 2013, CIM Commercial and CIM Urban were either in compliance with all of their respective financial covenants or had obtained waivers from the relevant lenders with respect to such compliance.

Our primary liquidity needs for the next twelve months (1) include (i) funds to pay for capital expenditures, (ii) funds to originate new loans, (iii) funds to pay debts and other obligations as they become due and (iv) funds to pay dividends and (2) may include funds for acquisitions, development or repositioning of properties. While we expect to meet some of these liquidity needs through cash on hand, cash provided by operations, borrowings under our existing credit facilities and principal collections on loans receivable, we do not expect that we will have sufficient funds to cover all of these liquidity needs. We expect to cover any additional liquidity needs through one or more credit facilities and/or debt issuances. We are currently in negotiations with two banks, as joint lead arrangers, to finalize an unsecured term loan and a revolving credit facility of $550,000,000, with an accordion feature which would increase the maximum aggregate facilities to $850,000,000. We intend to use the proceeds of these facilities to repay all of our outstanding term and revolving credit facilities. We expect to close the new term loan and revolving credit facilities by the end of the third quarter of 2014. Completion and the costs of any future debt transactions (including the new term and revolving credit facilities) will depend primarily upon market conditions. It is our intention to conduct business activities in a manner which will allow reasonable access to capital for future investment activities. However, there can be no assurance that our negotiation of the new term loan and revolving credit facilities will be successful or that the closing of these new facilities will occur in the time frame described above. If the new term loan and revolving credit facilities fail to close for any reason or closing is delayed substantially beyond the time frame described above, there can be no assurances we will be able to successfully negotiate an extension of our existing credit facilities or any increased maximum availability. In addition, there can be no assurances that we will be able to enter into any other debt transactions successfully in the future. However, we believe other financing sources would be available to us. If any of the contingencies described in the preceding sentences occur, our liquidity could be adversely affected.

Our long-term liquidity needs will consist primarily of funds necessary to acquire properties and to pay for development or repositioning of properties, non-recurring capital expenditures, loan originations and refinancing of indebtedness. We may not have sufficient funds on hand or may not be able to obtain additional financing to cover all of these long-term cash requirements. The nature of our business, and the requirements imposed by REIT rules that we distribute a substantial majority of our REIT taxable income on an annual basis in the form of dividends, may cause us to have substantial liquidity needs over the long-term. We will seek to satisfy our long term liquidity needs through cash flows from operations, long-term indebtedness, equity issuances and/or, to the extent appropriate, property dispositions. These sources of funding may not be available on attractive terms or at all. If we cannot obtain additional funding for our long-term liquidity needs, our investments may generate lower cash flows or decline in value, or both, which may cause us to reduce our dividend or sell assets at a time when we would not otherwise do so.

**Available Borrowings, Cash Balances and Capital Resources**

We have typically financed our capital needs through investor equity commitments, long-term secured mortgages and a short-term lines of credit. As of June 30, 2014 and December 31, 2013, we had total indebtedness of $601,303,000 and $395,105,000, respectively. Included in total indebtedness is $288,700,000 and $164,000,000 of borrowings under lines of credit with total capacity of $325,000,000 and $225,000,000 at June 30, 2014 and December 31, 2013, respectively.

**Cash Flow Analysis**

As a REIT, our cash flows from operations are typically used to fund our dividends.

Our cash and cash equivalents totaled $20,030,000 and $16,796,000 at June 30, 2014 and December 31, 2013, respectively. Our cash flows from operating activities are primarily dependent upon the occupancy level of our real estate assets, the rental rates achieved through our leases, and the collectability of rent and recoveries from our tenants. Our cash flows from operating activities are also impacted by fluctuations in operating expenses and other general and administrative costs. Net cash provided by operating activities totaled $36,670,000 for the first six months of 2014 compared to $32,249,000 for the first six months of 2013. The increase is mainly due to additional net income from the acquisition of an office property in April 2014, and due to the operations of the LAX Holiday Inn, which CIM Urban acquired through foreclosure in October 2013, being reflected as an operating hotel in the first six months of 2014, versus a mortgage note receivable in the first six months of 2013. In addition, our cash flows from operating activities include cash used in operating activities from the lending division of $16,753,000 for loans funded that were held for sale, net of $12,999,000 proceeds from the sale of guaranteed loans. Our loans funded held for sale will fluctuate based on management's decision to sell loans for solely cash premiums, as a hybrid loan sale or for solely servicing spread.

Our cash flows from investing activities are primarily related to property acquisitions and sales, expenditures for development and redevelopment projects, capital expenditures and the cash flows from lending activities. Net cash used in investing activities was $38,120,000 in the first six months of 2014 compared to $10,987,000 in the first six months of 2013 primarily due to an increase in the use of funds for the acquisition of the office property acquired in April 2014, an increase in loans funded, and an increase in capital expenditures, offset by principal collected on loans, and by cash and cash equivalents acquired in the Merger of $3,185,000.

Our cash flows from financing activities are generally impacted by borrowings and capital activities, net of dividends and distributions. Net cash provided by (used in) financing activities increased to $4,684,000 in the first six months of 2014, from ($19,425,000) in the first six months of 2013. We used funds from financing activities during the six months ended June 30, 2014 primarily to pay distributions of $101,642,000 in the aggregate ($42,356,000 to partners and stockholders and $59,286,000 for the acquisition of PMC Commercial) compared to partner distributions of $41,035,000 during the first six months of 2013. We had net borrowings of $106,713,000 during the first six months of 2014 compared to $21,736,000 during the first six months of 2013.

## SUMMARIZED CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

The following summarizes our contractual obligations at June 30, 2014:

| Contractual Obligations | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | 2014 | 2015 - 2016 | 2017 - 2018 | Thereafter |
| | | | (in thousands) | | |
| *Debt:* | | | | | |
| Mortgages Payable | $ 225,125 | $ 3,278 | $ 81,409 | $ 28,942 | $ 111,496 |
| Other Principal(1) | 335,770 | 208,000 | 100,700 | — | 27,070 |
| Secured Borrowings(2) | 37,210 | 575 | 2,400 | 2,572 | 31,663 |
| *Interest:* | | | | | |
| Debt(3) | 102,987 | 8,901 | 25,134 | 18,174 | 50,778 |
| *Other Contractual Obligations:* | | | | | |
| Borrower advances | 5,137 | 5,137 | — | — | — |
| Executive employment agreements(4) | 1,257 | 419 | 838 | — | — |
| Operating leases(5) | 132,091 | 345 | 1,359 | 1,356 | 129,031 |
| Total contractual cash obligations | $ 839,577 | $ 226,655 | $ 211,840 | $ 51,044 | $ 350,038 |

(1) Represents the revolving credit facility, term note, junior subordinated notes, and unsecured revolving lines of credit.

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

(3) Excludes premiums and discounts. For the mortgages payable, the interest expense is calculated based on the current effective interest rate on the related debt. For our revolving credit facilities, assumes current balance outstanding through maturity date, and is calculated using the variable rate in effect at June 30, 2014.

(4) Represents minimum payments required under executive employment agreements.

(5) Represents future minimum lease payments under our operating leases for office space, and under the ground lease for one of the projects.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Our accounting policies are described in Note 3 to the consolidated financial statements included in this Form 10-Q.

## DIVIDENDS

Our stockholders are entitled to receive dividends when and as declared by the Board of Directors. In determining our dividend policy, the Board of Directors considers many factors including, but not limited to, expectations for future earnings, REIT taxable income (loss) and maintenance of REIT status, the economic environment and portfolio performance. Consequently, the dividend rate on a quarterly basis does not necessarily correlate directly to any individual factor. There can be no assurance that the future dividends declared by our Board of Directors will not differ materially from historical dividend levels.

CIM Urban REIT declared distributions to its partners of $16,100,000 prior to the Acquisition Date ($0.1685 per share of Common Stock, as converted). In addition, dividends of $59,286,000 ($27.975 per share of Common Stock) were paid to the PMC Commercial stockholders, which includes the $27.50 per share of Common Stock special dividend plus the $0.475 pro rata portion of PMC Commercial's regular quarterly cash dividend.

On March 24, 2014, we declared a common share dividend of $0.05 per share of Common Stock and a preferred dividend of $0.0403 per share of preferred stock ($0.0285 per share of Common Stock, as converted), all of which were paid on March 28, 2014.

On April 28, 2014, we declared a dividend in the aggregate amount of $1,964,000 to the preferred stockholders ($0.0302 per share of preferred stock and $0.0215 per share of Common Stock as converted) in connection with the conversion of shares of preferred stock to shares of Common Stock, which was paid on June 27, 2014.

On June 12, 2014, we declared a common share dividend of $0.21875 per share of Common Stock which was paid on June 27, 2014.

## ITEM 3.
## Quantitative and Qualitative Disclosures About Market Risk

The fair value of CIM Commercial's mortgages payable is sensitive to fluctuations in interest rates. Discounted cash flow analysis is generally used to estimate the fair value of CIM Commercial's mortgages payable, using rates ranging from 4.10% to 4.35% at June 30, 2014 and 4.85% to 5.00% at December 31, 2013. Mortgages payable with book values of $227,498,000 and $231,105,000 as of June 30, 2014 and December 31, 2013, respectively, have a fair value of approximately $234,292,000 and $231,250,000, respectively.

CIM Commercial's future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. CIM Commercial is exposed to market risk in the form of changes in interest rates and the potential impact such changes may have on the cash flows from its floating rate debt or the fair values of its fixed rate debt. Given the long term nature of its real estate investments, CIM Commercial generally finances its properties with long term, fixed rate mortgage loans. At June 30, 2014 and December 31, 2013 (excluding premiums and discounts on assumed mortgages), $225,125,000 (or 37.7%) and $228,319,000 (or 58.2%) of CIM Commercial's debt was fixed rate mortgage loans, $20,000,000 (or 3.3%) and $0 term note was fixed rate, and $352,980,000 (or 59.0%) and $164,000,000 (or 41.8%) was floating rate borrowings. Based on the level of floating rate debt outstanding at June 30, 2014 and December 31, 2013, a 12.5 basis point change in LIBOR would result in an annual impact to CIM Commercial's earnings of approximately $441,000 and $205,000, respectively. CIM Commercial calculates interest rate sensitivity by multiplying the amount of floating rate debt by the respective change in rate. The sensitivity analysis does not take into consideration possible changes in the balances or fair value of CIM Commercial's floating rate debt.

## ITEM 4.
## Controls and Procedures

### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based upon this evaluation, as of June 30, 2014, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### CHANGES IN INTERNAL CONTROL IN FINANCIAL REPORTING

On March 11, 2014, we consummated the Merger as described under "Executive Summary—The Merger" in Item 2 above. As a result of the Merger, our management is analyzing, evaluating and, where necessary, implementing changes in controls and procedures. Due to the significance of the Merger and the limited period of time since the Acquisition Date, we did not have sufficient resources available to assess any change in our internal controls over financial reporting with respect to CIM Urban for the quarter ended June 30, 2014. Therefore, we excluded CIM Urban from our evaluation of change in internal controls over financial reporting contained in this quarterly report. However, management considers the operations of CIM Urban material to our consolidated financial position, results of operations and cash flows and believes that the disclosure controls and procedures of CIM Urban will have a material effect on internal controls over financial reporting. CIM Urban will be included in the overall assessment of, and report on, internal controls over financial reporting as of December 31, 2014.

## PART II
## Other Information

### ITEM 1. Legal Proceedings

The information contained in Item 1.01 of our Current Report on Form 8-K filed on January 29, 2014 is incorporated herein by reference.

While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

### ITEM 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

### ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

### ITEM 3. Defaults upon Senior Securities

None.

### ITEM 4. Mine Safety Disclosures

Not applicable.

### ITEM 5. Other Information

None.

### ITEM 6. Exhibits

A. Exhibits

| | |
|---|---|
| 3.1 | Articles of Amendment and Restatement of PMC Commercial Merger Sub, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 2, 2014). |
| 3.1(a) | Articles of Amendment (Name Change) (incorporated by reference to Exhibit 3.4 to the Registrant's Current Report on Form 8-K filed with the SEC on May 2, 2014). |
| 3.1(b) | Articles of Amendment (Reverse Stock Split) (incorporated by reference to Exhibit 3.5 to the Registrant's Current Report on Form 8-K filed with the SEC on May 2, 2014). |
| 3.1(c) | Articles of Amendment (Par Value Decrease) (incorporated by reference to Exhibit 3.6 to the Registrant's Current Report on Form 8-K filed with the SEC on May 2, 2014). |
| 3.2 | Bylaws (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on May 2, 2014). |
| 10.1 | Credit Agreement, dated as of August 28, 2013, among CIM Urban Partners, L.P., CIM Urban REIT, LLC, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A. as Syndication Agent and the other Lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 11, 2014). |

| | |
|---|---|
| 10.2 | Consent and First Amendment to Credit Agreement, dated as of October 16, 2013, among CIM Urban Partners, L.P., CIM Urban REIT, LLC, each Lender party thereto and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on April 11, 2014). |
| 10.3 | Second Amendment to Credit Agreement, dated as of April 7, 2014, among CIM Urban Partners, L.P., each Lender party thereto and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on April 11, 2014). |
| 10.4 | Credit Agreement, dated as of February 6, 2012, among CIM Urban Partners, L.P., CIM Urban REIT, LLC, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, JPMorgan Chase Bank, N.A., as Syndication Agent and the other Lenders party thereto (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the SEC on April 11, 2014). |
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| 10.7 | Third Amendment to Credit Agreement, dated as of April 7, 2014, among CIM Urban Partners, L.P., each Lender party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed with the SEC on April 11, 2014). |
| *10.8 | Service Agreement, dated as of August 7, 2014, by and among CIM Commercial Trust Corporation and CIM Service Provider, LLC, under the Master Services Agreement dated March 11, 2014, by and among PMC Commercial Trust, certain of its subsidiaries, and CIM Service Provider, LLC. |
| *10.9 | Form of Indemnification Agreement for directors and officers of CIM Commercial Trust Corporation |
| 10.10 | Third Amendment to the Credit Agreement, dated as of July 19, 2014, among CIM Urban Partners, L.P., each Lender party thereto and Bank of America, N.A., as Administrative Agent, (Incorporate by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 1, 2014). |
| *31.1 | Section 302 Officer Certification—President |
| *31.2 | Section 302 Officer Certification—Chief Financial Officer |
| **32.1 | Section 906 Officer Certification—President |
| **32.2 | Section 906 Officer Certification—Chief Financial Officer |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

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* Filed herewith.
** Furnished herewith

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| | CIM Commercial Trust Corporation |
| Date: 08/11/14 | /s/ JAN F. SALIT |
| | Jan F. Salit<br>*President*<br>*(Principal Executive Officer)* |
| Date: 08/11/14 | /s/ DAVID THOMPSON |
| | David Thompson<br>*Chief Financial Officer*<br>*(Principal Accounting Officer)* |

## Exhibit Index

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| Exhibit Number | Exhibit Description |
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| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

*	Filed herewith.

**	Furnished herewith

**Exhibit 10.8**

**Service Agreement under the Master Services Agreement**

This AGREEMENT (as amended, modified or supplemented from time to time, this "**Agreement**"), dated as of August 7, 2014, is entered into by and among CIM Service Provider, LLC ("**CIM Service Provider**") and CIM Commercial Trust Corporation ("**CMCT**").

**RECITALS:**

Whereas CMCT, CIM Service Provider and the other parties thereto have executed a Master Services Agreement, dated as of March 11, 2014 (as amended, modified or supplemented from time to time, the "**MSA**");

Whereas CIM Service Provider has provided certain services to CMCT and CMCT wishes for CIM Service Provider to continue to provide such services to CMCT under the MSA;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows.

Section 1. **Services**.

(a) CMCT and CIM Service Provider agree that the services that CIM Service Provider and/or its affiliates provided to CMCT from March 11, 2014 to June 30, 2014 included the following services:

(i) CMCT finance, accounting, financial reporting and tax: public company reporting, SOX compliance, internal audit services, property-level general ledger accounting services, budgeting, forecasting, financial planning and analytics, preparing and reviewing financial statements, REIT tax compliance, real estate tax and tax advice;

(ii) technology and IT Support: information technology controls (including) SOX related matters, system application control and reporting and providing CMCT with general and technology support;

(iii) CMCT corporate communications and investor relations: managing CMCT's website, handling inquiries from CMCT's public investors, assisting CMCT with internal and external presentations, designing CMCT's press strategies and drafting press releases;

(iv) insurance: assisting CMCT with obtaining, renewing and/or reviewing its insurance coverage;

(v) legal: assisting CMCT with legal and compliance matters; and

(vi) human resources: assisting CMCT with human resources matters.

(b) From and after June 30, 2014, CIM Service Provider agrees that it will continue to provide the services described in subsection (a) above to CMCT and such other services as may be agreed between CIM Service Provider and CMCT.

(c) CMCT and CIM Service Provider agree that the services described under subsections (a) and (b) above do not and will not constitute "Base Services" under the MSA but will constitute either "Transactional Services" under Section 3.2 or Compensation Charges under Section 5.2.1



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Section 2. **Payment**.

(a) For performing the services described in Section 1(a) during the first quarter of 2014 (commencing on March 11, 2014), CMCT agrees to pay CIM Service Provider $45,800.

(b) For performing the services described in Section 1(a) during the second quarter of 2014, CMCT agrees to pay CIM Service Provider $244,200.

(c) CIM Service Provider represents to CMCT that the amounts described in subsections (a) and (b) above represent a percentage of the actual salaries (and costs of fringe benefits) paid to employees of CIM Service Provider and/or its affiliates that had performed the services described in Section 1(a) based on the time spent by such employees in performing such services.

(d) For the services to be performed by CIM Service Provider pursuant to Section 1(b), CMCT agrees to pay CIM Service Provider an amount determined in accordance with the methodology described in subsection (c) above. CIM Service Provider agrees to provide a schedule of all services furnished by CIM Service Provider to CMCT pursuant to Section 1(b) no later than 60 days after the end of each calendar quarter.

(e) CIM Service Provider acknowledges and agrees that any fees required to be paid by CMCT under this Agreement shall be subject to the approval of the independent members of the Board of Directors of CMCT (the "**Independent Directors**"). CMCT agrees to (i) use its commercially reasonable efforts to cause a meeting of the Independent Directors to occur not less than quarterly to approve the payment of any amounts required under this Agreement and (ii) pay CIM Service Provider as promptly as practicable after approval of the Independent Directors.

Section 3. **Term**.

(a) Either party may terminate this Agreement at any time upon not less than 60 days' prior written notice.

Section 4. **The MSA**.

(a) The parties agree that this Agreement shall be deemed to be a part of the MSA and the MSA shall apply to this Agreement mutatis mutandis. To the extent there is any inconsistency between the MSA and this Agreement, the MSA shall be deemed to have been amended by this Agreement.

(b) CMCT represents that the Independent Directors have approved this Agreement.



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IN WITNESS WHEREOF, each of the undersigned, intending to be legally bound hereby, has executed this Agreement as of the date hereof.

CIM Commercial Trust Corporation

/s/ Jan S. Salit
Name: Jan S. Salit
Title: President

CIM Service Provider, LLC

/s/ Eric Rubenfeld
Name: Eric Rubenfeld
Title: Vice President and Secretary

**Exhibit 10.9**

# FORM OF INDEMNIFICATION AGREEMENT

This Agreement ("Agreement") is made and entered into as of August , 2014 between CIM Commercial Trust Corporation, a Maryland corporation (the "Company"), and ("Indemnitee").

**W I T N E S S E T H:**

WHEREAS, highly competent persons have become more reluctant to serve corporations and other entities as directors, officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, Indemnitee served as **[a director] [and] [an officer]** of PMC Commercial Trust, a Texas real estate investment trust ("PMC");

WHEREAS, on March 11, 2014, PMC completed its merger with CIM Urban REIT, LLC and, on April 28, 2014, PMC changed its state of incorporation from Texas to Maryland by merging with and into the Company, which was a wholly owned subsidiary of PMC, and operates under the name "CIM Commercial Trust Corporation";

WHEREAS, as an inducement to Indemnitee to serve as **[a director] [and] [an officer]** of the Company, the Company has agreed to indemnify Indemnitee and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of Indemnitee's agreement to serve or continue to serve as a director or officer of the Company and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Indemnity of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by Maryland law, as such may be amended from time to time, if, by reason of his Corporate Status (as hereinafter defined), Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined). Pursuant to this Section 1, Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him, or on his behalf, in connection with such Proceeding or any claim, issue or matter therein.

2. Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the Company shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without

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limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitations that shall exist upon the Company's obligations pursuant to this Agreement shall be (a) as provided in Section 9 hereof and (b) that the Company shall not be obligated to make any payment to Indemnitee if it is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) that such payment would be unlawful.

3. Contribution.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such Proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all directors, officers or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction or events from which such Proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all directors, officers or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the transaction or events that resulted in such Expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which applicable law may require to be considered. The relative fault of the Company and all directors, officers or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by directors, officers or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount



incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) from which such Proceeding arose; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

4. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness or otherwise asked to participate, in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Corporate Status within thirty (30) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation of the Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free.

6. Procedures and Presumptions for Determination of Entitlement to Indemnification. The following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The officer of the Company receiving any such request from Indemnitee shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification. Indemnitee may submit one or more such requests from time to time and at such time(s) as Indemnitee deems appropriate in Indemnitee's sole discretion. Notwithstanding the foregoing, any failure of Indemnitee to provide such a request to the Company, or to provide such a request in a timely fashion, shall not relieve the Company of any liability that it may have to Indemnitee unless, and to the extent that, such failure actually and materially prejudices the interests of the Company.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination with respect to Indemnitee's entitlement thereto (including a determination that the Indemnitee met the standard of conduct set forth in Section 9(f)) shall be made in the specific case by one of the following methods: (i) if a Change in Control (as hereinafter defined) shall have occurred, by Independent Counsel (as hereinafter defined) in a written opinion to the Company, a copy of which shall be delivered to Indemnitee;



or (ii) if a Change in Control shall not have occurred, then in the Board of Directors' election (A) by a majority vote of the Disinterested Directors or, by the majority vote of a committee of Disinterested Directors designated by the Disinterested Directors to make the determination, (B) by Independent Counsel in a written opinion to the Company, a copy of which shall be delivered to Indemnitee or (C) by a Stockholders Resolution.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected by the Indemnitee and approved by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the Maryland General Corporation Law (the "MGCL"), which approval shall not be unreasonably withheld or delayed. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6 hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6.

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement and has met the standard of conduct set forth in Section 9(f). Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(e) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel and/or the managing member shall act reasonably and in good faith in making a determination regarding Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(f) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such Proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(g) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise shall not be imputed to Indemnitee for purposes of determining any other right to indemnification under this Agreement.

7. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 6 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in any court of competent jurisdiction, of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within one hundred and eighty (180) days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6 of this Agreement.

(c) If a determination shall have been made pursuant to Section 6 of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under Maryland law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, the Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefore and a written affirmation and undertaking in accordance with Section 5 hereof) advance, to the extent not prohibited by law or Section 9 hereof, such expenses to Indemnitee, which are incurred by Indemnitee in connection with such judicial adjudication. If it shall be determined in such judicial adjudication that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication shall be appropriately prorated.



(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

8. Non-Exclusivity; Survival of Rights; Insurance; Primacy of Indemnification; Subrogation.

(a) This Agreement supersedes any prior indemnification agreement between the Company or any predecessor of the Company and the Indemnitee. The rights of indemnification and to receive reimbursement or advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the charter or Bylaws of the Company, any agreement, or any Stockholders Resolution , or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies. In the event of a Change in Control, the Company shall maintain in force any and all directors and officers liability insurance policies that were maintained by the Company immediately prior to the Change in Control for a period of six years with the insurance carrier or carriers and through the insurance broker in place at the time of the Change in Control; provided, however, (i) if the carriers will not offer the same policy and an expiring policy needs to be replaced, a policy substantially comparable in scope and amount shall be obtained and (ii) if any replacement insurance carrier is necessary to obtain a policy substantially comparable in scope and amount, such insurance carrier shall have an AM Best rating that is the same or better than the AM Best rating of the existing insurance carrier; provided, further, however, in no event shall the Company be required to expend in the aggregate in excess of 300% of the annual premium or premiums paid by the Company for directors and officers liability insurance in effect on the date of the Change in Control. In the event that 300% of the annual premium paid by the Company for such existing directors and officers liability insurance is insufficient for such coverage, the Company shall spend up to that amount to purchase such lesser coverage as may be obtained with such amount.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

9. Exception to Right of Indemnification. Notwithstanding any provision in this Agreement (other than Section 14), the Company shall not make any indemnity or advancement of Expenses:

(a) in connection with any claim made against Indemnitee for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) in connection with any claim made against Indemnitee for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law;

(c) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Proceeding was brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Section 7 of this Agreement, or (ii) the Company's charter or Bylaws, a Stockholder Resolution or an agreement approved by the Board of Directors to which the Company is a party expressly provide otherwise.

(d) in connection with any Proceeding by or in the right of the Company and Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable to the Company;

(e) if Indemnitee is adjudged, in a final adjudication of any Proceeding not subject to further appeal, to be liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee, whether or not involving action in the Indemnitee's Corporate Status; or

(f) if it is established that (a) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (i) was committed in bad faith or (ii) was the



result of active and deliberate dishonesty, (b) Indemnitee actually received an improper personal benefit in money, property or services or (c) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

10. Investment Company Act Limitations. Notwithstanding anything to the contrary in this Agreement, to the extent the Company is subject to the Investment Company Act of 1940, as amended, and the regulations promulgated thereunder (the "Investment Company Act"), the Company shall not indemnify Indemnitee, or reimburse or advance Expenses to Indemnitee, to the extent such indemnification, reimbursement or advance would violate the Investment Company Act. Without limiting the foregoing, to the extent subject to the Investment Company Act, no indemnification shall be made with respect to liability arising from Indemnitee's willful misfeasance, bad faith or gross negligence.

11. Duration of Agreement. All agreements and obligations of the Company contained herein shall commence on March 11, 2014 and shall continue until and terminate on the later of (i) the date that Indemnitee shall have ceased to serve as a director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company and (ii) the date that Indemnitee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 7 hereof). This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives.

12. Security. To the extent requested by Indemnitee and approved by the Board of Directors, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of Indemnitee.

13. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve or continue to serve as a director of the Company and the Company acknowledges that Indemnitee is relying upon this Agreement in agreeing to serve or continue to serve as a director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

14. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the



following circumstances:

(a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper.

15. Reports to Stockholders. To the extent required by the MGCL, the Company shall report in writing to its stockholders the payment of any amounts for indemnification of, or advance of Expenses to, Indemnitee under this Agreement arising out of a Proceeding by or in the right of the Company with the notice of the meeting of stockholders of the Company next following the date of the payment of any such indemnification or advance of Expenses or prior to such meeting.

16. Definitions. For purposes of this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Securities by Third Party. Any Person (as defined below) becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding interests;

(ii) Extraordinary Events. The Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; and

(iii) Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 16(a), the following terms shall have the following meanings:

(A) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(B) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall



exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any entity owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company.

(C) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act.

(b) "Corporate Status" means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company: (i) if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust or other enterprise (1) of which a majority of the voting power or equity interest is or was owned directly or indirectly by the Company or (2) the management of which is controlled directly or indirectly by the Company and (ii) if, as a result of Indemnitee's service to the Company or any of its affiliated entities, Indemnitee is subject to duties by, or required to perform services for, an employee benefit plan or its participants or beneficiaries, including as deemed fiduciary thereof.

(c) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

(d) "Expenses" shall include all reasonable and out-of-pocket attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including, without limitation, the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(e) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.



(f) "Stockholders Resolution" means a resolution of the stockholders entitled to vote generally at the election of directors or of the Board of Directors, other than the directors or officers who are parties to the Proceeding. For the avoidance of doubt, the vote of stockholders affiliated with any Director will not be excluded.

(g) "Proceeding" includes any threatened, pending or completed action, suit, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other threatened, pending or completed proceeding, including, without limitation, any and all appeals, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee is, was or will be involved as a party or otherwise, by reason of his Corporate Status, by reason of any action taken by him or of any inaction on his part while acting in his Corporate Status, in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification or reimbursement or advancement of Expenses can be provided under this Agreement, including one pending on or before the date of this Agreement.

17. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

18. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of this Agreement shall be binding unless executed in writing by the party against whom it is to operate. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

19. Notice By Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

20. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified; (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day; (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) To Indemnitee at the address set forth below Indemnitee signature hereto.



(b) To the Company at:

c/o CIM Group, L.P.
6922 Hollywood Blvd, Suite 900
Los Angeles, California 90028
Attention: General Counsel

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

21. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

22. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

23. Governing Law and Consent to Jurisdiction. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division (each, a "Maryland Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the applicable Maryland Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the applicable Maryland Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the applicable Maryland Court has been brought in an improper or inconvenient forum.

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement on and as of the date first written above.

**CIM COMMERCIAL TRUST CORPORATION,**
a Maryland corporation

By: ______________________________
Name: _________________________
Title: __________________________

**INDEMNITEE**

______________________________
Name: _________________________

Address:

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**EXHIBIT A**

AFFIRMATION AND UNDERTAKING TO REPAY EXPENSES ADVANCED

To: The Board of Directors of CIM Commercial Trust Corporation.

Re: Affirmation and Undertaking

Ladies and Gentlemen:

This Affirmation and Undertaking is being provided pursuant to that certain Indemnification Agreement dated the day of , 20 , by and between CIM Commercial Trust Corporation, a Maryland corporation (the “Company”), and the undersigned Indemnitee (the “Indemnification Agreement”), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the “Proceeding”).

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good faith belief that at all times, insofar as I was involved as **[a director] [and] [an officer]** of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance by the Company for Expenses incurred by me in connection with the Proceeding (the “Advanced Expenses”), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this day of , 20 .

Name: _________________________

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jan F. Salit, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CIM Commercial Trust Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | |
|---|---|
| Date: 08/11/14 | /s/ JAN F. SALIT |
| | Jan F. Salit<br>*President* |

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Thompson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CIM Commercial Trust Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 08/11/14

/s/ DAVID THOMPSON

David Thompson
*Chief Financial Officer*

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**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CIM Commercial Trust Corporation (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jan F. Salit, President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAN F. SALIT

Jan F. Salit
*President*
August 11, 2014

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**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CIM Commercial Trust Corporation (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Thompson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID THOMPSON

David Thompson
*Chief Financial Officer*
August 11, 2014

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EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002