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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2019

OR

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

Commission file number 1-13610

CIM COMMERCIAL TRUST CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	**75-6446078** (I.R.S. Employer Identification No.)
17950 Preston Road, Suite 600, Dallas, Texas (Address of Principal Executive Offices)	**75252** (Zip Code)

(972) 349-3200
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, $0.001 Par Value	CMCT	Nasdaq Global Market
Common Stock, $0.001 Par Value	CMCT-L	Tel Aviv Stock Exchange
Series L Preferred Stock, $0.001 Par Value	CMCTP	Nasdaq Global Market
Series L Preferred Stock, $0.001 Par Value	CMCTP	Tel Aviv Stock Exchange
(Title of each class)	(Trading symbol)	(Name of each exchange on which registered)

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer ☒	Non-accelerated filer o
Smaller reporting company ☒	Emerging growth company o	

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

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

As of June 30, 2019, the aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by reference to the average high and low sales prices on the Nasdaq Global Market as of the close of business on June 30, 2019, was approximately $81.4 million. The registrant does not have any nonvoting common equities.

As of March 12, 2020, the registrant had outstanding 14,602,149 shares of common stock, par value $0.001 per share.

Documents Incorporated by Reference

Part III of this Annual Report on Form 10-K incorporates by reference specified portions of CIM Commercial Trust Corporation's Proxy Statement for its 2020 Annual Meeting of Stockholders, which the registrant anticipates will be filed with the Securities and Exchange Commission no later than April 29, 2020.

CIM COMMERCIAL TRUST CORPORATION
2019 ANNUAL REPORT ON FORM 10-K

Forward-Looking Statements

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

Important Note

On September 3, 2019, we effected a 1-for-3 reverse stock split (the “Reverse Stock Split”) on our common stock, par value $0.001 per share (“Common Stock”). Unless otherwise specified, all Common Stock and per share of Common Stock amounts set forth in this Annual Report on Form 10-K have been adjusted to give retroactive effect to the Reverse Stock Split.

PART I

Item 1. Business

Business Overview

The principal business of CIM Commercial Trust Corporation and its subsidiaries (which may be referred to in this Annual Report on Form 10-K as "we," "us," "our," "our company", "CIM Commercial" or the "Company") is to acquire, own, and operate Class A and creative office assets in vibrant and improving metropolitan communities throughout the United States (including improving and developing such assets). These communities are located in areas that include traditional downtown areas and suburban main streets, which have high barriers to entry, high population density, positive population trends and a propensity for growth. We believe that the critical mass of redevelopment in such areas creates positive externalities, which enhance the value of real estate assets in the area. We believe that these assets will provide greater returns than similar assets in other markets as a result of the population growth, public commitment, and significant private investment that characterize these areas.

We are operated by affiliates of CIM Group, L.P. ("CIM Group" or "CIM"). CIM Group is a vertically-integrated owner and operator of real assets with multi-disciplinary expertise and in-house research, acquisition, credit analysis, development, finance, leasing, and onsite property management capabilities. CIM Group is headquartered in Los Angeles, California and has offices in Chicago, Illinois; Dallas, Texas; New York, New York; Orlando, Florida; Phoenix, Arizona; the San Francisco Bay Area; the Washington D.C. Metro Area; and Tokyo, Japan. See the sections "Overview and History of CIM Group", "CIM Urban Partnership Agreement" and "Investment Management Agreement" in "Item 1—Business" of this Annual Report on Form 10-K.

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

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

Our reportable segments consist of two types of commercial real estate properties, namely office and hotel, as well as a segment for our lending business, which primarily originates loans to small businesses. As of December 31, 2019, our real estate portfolio consisted of 11 assets, all of which were fee-simple properties. As of December 31, 2019, our 9 office properties (including one development site, which is being used as a parking lot), totaling approximately 1.3 million rentable square feet, were 86.7% occupied and our one hotel with an ancillary parking garage, which has a total of 503 rooms, had revenue per available room ("RevPAR") of $127.09 for the year ended December 31, 2019. For the year ended December 31, 2019, our office portfolio contributed approximately 63.6% of revenue from our segments, while our hotel contributed approximately 28.4%, and our lending segment contributed approximately 8.0%.

Our office and hotel assets are located in five U.S. markets. The breakdown by segment, market and submarket, as of December 31, 2019, is as follows:

Overview of our Real Estate Portfolio as of December 31, 2019

Property	Market	Sub-Market	Office and Retail Rentable Square Feet	Hotel Rooms
Office				
1 Kaiser Plaza	Oakland, CA	Lake Merritt	540,175	—
11620 Wilshire Boulevard	Los Angeles, CA	West Los Angeles	195,357	—
3601 S Congress Avenue (1)	Austin, TX	South	183,885	—
4750 Wilshire Boulevard	Los Angeles, CA	Mid-Wilshire	141,310	—
9460 Wilshire Boulevard	Los Angeles, CA	Beverly Hills	97,037	—
11600 Wilshire Boulevard	Los Angeles, CA	West Los Angeles	56,697	—
Lindblade Media Center (2)	Los Angeles, CA	West Los Angeles	32,428	—
1130 Howard Street	San Francisco, CA	South of Market	21,194	—
Total Office (8 Properties)			**1,268,083**	**—**
Other Ancillary Properties within Office Portfolio (1 Property)				
2 Kaiser Plaza Parking Lot (3)	Oakland, CA	Lake Merritt	—	—
Total Office including Other Ancillary (9 Properties)			**1,268,083**	**—**
Hotel Portfolio (1 Property)				
Sheraton Grand Hotel	Sacramento, CA	Downtown/Midtown	—	503
Other Ancillary Properties within Hotel Portfolio (1 Property)				
Sheraton Grand Hotel Parking Garage & Retail (4)	Sacramento, CA	Downtown/Midtown	9,453	—
Total Portfolio (11 Properties)			**1,277,536**	**503**

(1) 3601 S Congress Avenue consists of ten buildings. The Company expects to complete the development of an existing surface parking lot into approximately 42,000 square feet of additional rentable office space by mid-2020.

(2) Lindblade Media Center consists of three buildings.

(3) 2 Kaiser Plaza Parking Lot is a 44,642 square foot parcel of land currently being used as a surface parking lot. We are entitled to develop a building, which we are in the process of designing, having between 425,000 and 800,000 rentable square feet.

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

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

The Company completed the previously announced program to unlock embedded value in its portfolio, enhance growth prospects and improve the trading liquidity of our Common Stock (the "Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock"):

- Sale of Assets. During 2019, the Company sold eight properties in accordance with the approval of its then-principal stockholder, and an additional two properties (one office property and one development site in Washington, D.C.) after evaluating each asset within its portfolio and the intrinsic value of each property (such sales, collectively, the “Asset Sale”). The Asset Sale generated an aggregate gross sales price to the Company of $990,996,000.

- Repayment of Certain Indebtedness. We used a portion of the net proceeds from the Asset Sale to repay balances on certain of the Company’s indebtedness.

- Return of Capital to Holders of Common Stock. On August 30, 2019, we paid a special dividend of $42.00 per share of Common Stock ($14.00 per share of Common Stock prior to the Reverse Stock Split) (the "Special Dividend"), or $613,294,000 in the aggregate, to stockholders of record of our Common Stock at the close of business on August 19, 2019.

- CIM REIT Liquidation. In connection with its liquidation process, CIM Urban REIT, LLC, the former indirect principal stockholder of the Company ("CIM REIT"), (i) distributed during the year ended December 31, 2019 approximately 10,624,000 shares of our Common Stock formerly indirectly held by CIM REIT, representing approximately 72.8% of the outstanding shares of our Common Stock, to a diverse group of institutional investors that were former members of CIM REIT and (ii) sold, in October 2019, 2,468,390 shares of our Common Stock formerly indirectly held by CIM REIT, representing approximately 16.9% of the outstanding shares of our Common Stock, for $19.1685 per share to an affiliate of CIM Group in a private transaction. As of March 12, 2020, CIM Group, its affiliates, and our officers and directors have an aggregate economic interest in approximately 19.6% of the outstanding shares of our Common Stock.

On October 22, 2019, the Company commenced a tender offer (the "Tender Offer") for the purchase of up to 2,693,580 shares of Series L preferred stock, par value $0.001 per share ("Series L Preferred Stock"), representing one-third of the then-outstanding shares of Series L Preferred Stock. The Tender Offer was oversubscribed, and pursuant to the terms of the Tender Offer, shares of Series L Preferred Stock were accepted for purchase on a pro rata basis. We repurchased 2,693,580 shares of Series L Preferred Stock at a purchase price of $29.12 per share (of which $1.39, or $3,744,000 in the aggregate, reflects the amount of accrued and unpaid dividends on the Series L Preferred Stock as of November 20, 2019), as converted to and paid in Israeli New Shekels ("ILS"). The total cost to repurchase the tendered shares, including professional fees to complete the Tender Offer of $462,000 but excluding the dividends accrued in respect of such shares, was $75,155,000, which was primarily funded from borrowings under the revolving credit facility. We recognized $5,873,000 of redeemable preferred stock redemptions in our consolidated statement of operations for the year ended December 31, 2019 in connection with the Tender Offer. The shares of Series L Preferred Stock accepted for payment by the Company were restored to the status of authorized but unissued shares of preferred stock without designation as to class or series.

Business Objectives and Growth Strategies

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

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

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

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

Competitive Advantages

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

- Vertically-Integrated Organization and Team

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

To support CIM Group’s organic growth and related platforms, CIM Group has invested substantial time and resources in building a strong and integrated team of approximately 600 experienced professionals. Each of CIM Group’s teams is managed by seasoned professionals and CIM Group continues to expand and develop its management team, to include the next generation of CIM Group’s leaders. In addition to developing a core team of principals and senior level management, CIM Group has proactively managed its growth through career development and mentoring at both the mid and junior staffing levels, and has hired ahead of its needs, thus ensuring appropriate management and staffing.

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

location of the asset being evaluated. As a result, all investment professionals work across a variety of Qualified Communities and CIM Group's knowledge base is shared across its offices.

- Community Qualification

Since inception, CIM Group's proven community qualification process has served as the foundation for its investing strategy. CIM Group targets high barrier to entry markets and submarkets with high population density and applies rigorous research to designate the market as a CIM Group Qualified Community for potential acquisitions. Since 1994, CIM Group has identified 135 Qualified Communities and has deployed capital in 75 of them. As part of the community qualification process, CIM Group examines the characteristics of a market to determine whether the district possesses certain characteristics prior to the extensive efforts CIM Group's investment professionals undertake when reviewing potential acquisitions. Qualified Communities generally fall into one of two categories: (i) transitional metropolitan districts that have dedicated resources to become vibrant metropolitan communities and (ii) well-established, thriving metropolitan areas (typically major central business districts).

Once a community is qualified, CIM Group believes it continues to differentiate itself through the following business principles: (i) product non-specific— CIM Group has extensive experience owning and operating a diverse range of property types, including retail, residential, office, parking, hotel, signage and mixed-use, which gives CIM Group the ability to effectively execute and capitalize on its strategy; (ii) community-based tenanting— CIM Group's strategy focuses on the entire community and the best use of assets in that community; owning a significant number of key properties in an area better enables CIM Group to meet the co-tenancy needs of national retailers and office tenants and thus optimize the value of these real estate properties; (iii) local market leadership with North American footprint— CIM Group maintains local market knowledge and relationships, along with a diversified North American presence, through its 135 Qualified Communities (thus, CIM Group has the flexibility to deploy capital in its Qualified Communities only when the market environment meets CIM Group's underwriting standards); and (iv) deploying capital across the capital stack— CIM Group has extensive experience structuring transactions across the capital stack including equity, preferred equity, debt and mezzanine positions, giving it the flexibility to structure transactions in efficient and creative ways.

- Discipline

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

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

Strategy

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

Our strategy is centered around CIM Group's community qualification process. We believe this strategy provides us with a significant competitive advantage when making real estate acquisitions. The qualification process generally takes between six months and five years and is a critical component of CIM Group's evaluation. As part of the community qualification process, CIM Group examines the characteristics of a market to determine whether the district possesses certain characteristics prior to the extensive efforts CIM Group's investment professionals undertake when reviewing potential acquisitions in its Qualified Communities. Qualified Communities generally fall into one of two categories: (i) transitional

metropolitan districts that have dedicated resources to become vibrant metropolitan communities and (ii) well-established, thriving metropolitan areas (typically major central business districts). Qualified Communities are distinct districts which have dedicated resources to become or are currently vibrant communities where people can live, work, shop and be entertained, all within walking distance or close proximity to public transportation. These areas also generally have high barriers to entry, high population density, positive population trends and support for investment. CIM Group believes that a vast majority of the risks associated with acquiring real estate are mitigated by accumulating local market knowledge of the community where the asset is located. CIM Group typically spends significant time and resources qualifying targeted communities prior to making any acquisitions. Since 1994, CIM Group has identified 135 Qualified Communities and has deployed capital in 75 of them. Although we may not deploy capital exclusively in Qualified Communities, it is expected that most of our assets will be identified through this systematic process.

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

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

We seek to utilize the CIM Group platform to acquire, improve and or develop real estate assets within CIM Group's Qualified Communities. We believe that these assets will provide greater returns than similar assets in other markets, as a result of the population growth, public commitment, and significant private investment that characterize these areas. Over time, we seek to expand our real estate assets in communities targeted by CIM Group, supported by CIM Group's broad real estate capabilities, as part of our plan to prudently grow NAV and cash flow per share of Common Stock. As a matter of prudent management, we also regularly evaluate each asset within our portfolio as well as our strategies. Such review may result in dispositions when an asset no longer fits our overall objectives or strategies, or when our view of the market value of such asset is equal to or exceeds its intrinsic value.

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

2019 Acquisitions

There were no acquisitions during the year ended December 31, 2019.

2019 Dispositions

The following is a schedule of our dispositions during the year ended December 31, 2019. We sold 100% fee-simple interests in the following properties to unrelated third-parties. Transaction costs related to these sales were expensed as incurred.

Property	Asset Type	Date of Sale	Square Feet	Sales Price	Transaction Costs	Gain on Sale
				(in thousands)		
March Oakland Properties, Oakland, CA (1)	Office / Parking Garage	March 1, 2019	975,596	$ 512,016	$ 8,971	$ 289,779
830 1st Street, Washington, D.C.	Office	March 1, 2019	247,337	116,550	2,438	45,710
260 Townsend Street, San Francisco, CA	Office	March 14, 2019	66,682	66,000	2,539	42,092
1333 Broadway, Oakland, CA	Office	May 16, 2019	254,523	115,430	658	55,221
Union Square Properties, Washington, D.C. (2)	Office / Land	July 30, 2019	630,650	181,000	3,744	302
				$ 990,996	$ 18,350	$ 433,104

(1) The "March Oakland Properties" consist of 1901 Harrison Street, 2100 Franklin Street, 2101 Webster Street, and 2353 Webster Street Parking Garage.

(2) The "Union Square Properties" consist of 899 North Capitol Street, 901 North Capitol Street and 999 North Capitol Street. Prior to the sale, we determined that the book values of such properties exceeded their estimated fair values and recognized an impairment charge of $69,000,000 for the year ended December 31, 2019. Our determination of the fair values of these properties was based on negotiations with the third-party buyer and the contract sales price. The gain on sale includes $113,000 of extinguishment of noncontrolling interests as a result of the sale.

Financing Strategy

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

Risk Management

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

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

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

Regulatory Matters

Environmental Matters

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

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

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

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

Americans with Disabilities Act of 1990

Under the Americans with Disabilities Act of 1990, as amended (the "ADA"), all public accommodations must meet federal requirements related to access and use by disabled persons. Although we believe that our properties, to the extent such properties are "public accommodations" as defined under the ADA, substantially comply with present requirements of the ADA, we have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of our properties or future properties are not in compliance with the ADA, we may be required to take remedial action which would require us to incur additional costs to bring the property into compliance. We cannot predict the ultimate amount, if any, of the cost of compliance with the ADA or the cost of any damages or attorney's fees to private litigants or any fines imposed by the federal government in respect of any failure to comply with the ADA.

Competition

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

Overview and History of CIM Group

CIM Group was founded in 1994 by Shaul Kuba, Richard Ressler and Avraham Shemesh and has approximately $29.1 billion of assets owned and operated across its vehicles as of December 31, 2019.[1] CIM Group's successful track record is anchored by CIM Group's community-oriented approach to acquisitions as well as a number of other competitive advantages including its prudent use of leverage, underwriting approach, disciplined capital deployment, vertically-integrated capabilities and strong network of relationships.

CIM Group is headquartered in Los Angeles, California and has offices in Chicago, Illinois; Dallas, Texas; New York, New York; Orlando, Florida; Phoenix, Arizona; the San Francisco Bay Area; the Washington D.C. Metro Area; and Tokyo, Japan. CIM Group has generated strong risk-adjusted returns across multiple market cycles by focusing on improved asset and community performance, and capitalizing on market inefficiencies and distressed situations.

Principles

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

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

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

[1] Assets owned and operated ("AOO") represents the aggregate assets owned and operated by CIM Group on behalf of partners (including where CIM Group contributes alongside for its own account) and co-investors, whether or not CIM Group has discretion, in each case without duplication. AOO includes total gross assets at fair value, with real assets presented at Book Value (as defined below) and operating companies presented at gross assets less debt, as of December 31, 2019 (the "Report Date") (including the shares of such assets owned by joint venture partners and co-investments), plus binding unfunded commitments. The "Book Value" for each investment generally represents the investment's book value as reflected in the applicable fund's unaudited financial statements as of the Report Date prepared in accordance with U.S. generally accepted accounting principles on a fair value basis. These book values generally represent the asset's third-party appraised value as of the Report Date, but in the case of CIM Group's Cole Net-Lease Asset strategy, book values generally represent undepreciated cost (as reflected in SEC-filed financial statements). The only investment held by CIM Urban REIT, LLC ("CIM REIT"), as of the Report Date consisted of shares of Common Stock, and the Book Value of CIM REIT was determined by assuming the underlying assets of the Company were liquidated based upon the third-party appraised value. The AOO of CIM Group also includes the $0.3 billion of AOO attributable to CIM Compass Latin America (CCLA), which is 50% owned and jointly operated by CIM Group. The AOO of CMMT Partners, L.P. (which represents assets under management), a perpetual-life real estate debt fund, is $1.0 billion as of the Report Date. Equity Owned and Operated ("EOO") representing the Net Asset Value (as defined below) before incentive fee allocation, plus binding unfunded commitments, is $17.5 billion as of the Report Date, inclusive of $0.3 billion of EOO attributable to CCLA (as described above) and $0.9 billion of EOO for CMMT (which represents equity under management). Net Asset Value represents the distributable amount based on a "hypothetical liquidation" assuming that on the date of determination that: (i) investments are sold at their Book Values; (ii) debts are paid and other assets are collected; and (iii) appropriate adjustments and or allocations between equity partners are made in accordance with applicable documents, as determined in accordance with applicable accounting guidance.

- *Local Market Leadership with North American Footprint:* CIM Group maintains local market knowledge and relationships, along with a diversified North American presence, through its 135 Qualified Communities. Thus, CIM Group has the flexibility to deploy capital in its Qualified Communities only when the market environment meets CIM Group's underwriting standards. CIM Group does not need to acquire assets in a given community or product type at a specific time due to its broad proprietary pipeline of communities.

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

CIM Urban Partnership Agreement

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

Liability for Acts and Omissions

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

Investment Management Agreement

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

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

Daily Average Adjusted Fair Value of CIM Urban's Assets		Quarterly Fee
From Greater of	To and Including	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%

For the years ended December 31, 2019, 2018 and 2017, the Operator earned asset management fees of $12,019,000, $17,880,000 and $22,229,000, respectively.

For the first and second quarters of 2020, the Company will, subject to applicable laws and regulations under Nasdaq and the Tel Aviv Stock Exchange (the "TASE") and the agreement of the Operator and or the Administrator (as defined below), as the case may be, seek to pay some or all of the asset management fees, fees for Base Services (as defined below) and or reimbursements under the Master Services Agreement (as defined below) in respect of such quarter in shares of Common Stock. The Company may seek to do so for the third and fourth quarters of 2020 as well (subject to the agreement of the Operator and or the Administrator, as the case may be, and the approval of a special committee consisting of the independent members of the Board of Directors).

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

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

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

Master Services Agreement

On March 11, 2014, CIM Commercial and its subsidiaries entered into a master services agreement (the "Master Services Agreement") with CIM Service Provider, LLC (the "Administrator"), an affiliate of CIM Group, pursuant to which the Administrator has agreed to provide, or arrange for other service providers to provide, management and administration services (the "Base Services") to CIM Commercial and its subsidiaries. Pursuant to the Master Services Agreement, we appointed an affiliate of CIM Group as the administrator of CIM Urban GP ("Urban GP Administrator"). Under the Master Services Agreement, CIM Commercial pays a base service fee (the "Base Service Fee") to the Administrator initially set at $1,000,000 per year (subject to an annual escalation by a specified inflation factor beginning on January 1, 2015), payable quarterly in arrears. For the years ended December 31, 2019, 2018 and 2017, the Administrator earned a Base Service Fee of $1,102,000, $1,079,000 and $1,060,000, respectively. In addition, pursuant to the terms of the Master Services Agreement, the Administrator may receive compensation and or reimbursement for performing certain services for CIM Commercial and its subsidiaries that are not covered by the Base Service Fee. During the years ended December 31, 2019, 2018 and 2017, such services performed by the Administrator and its affiliates included accounting, tax, reporting, internal audit, legal, compliance, risk management, IT, human resources, corporate communications, and from and after September 2018, operational and on-going support in connection with our registered public offering of units ("Series A Preferred Units"), where each Series A Preferred Unit consisted of one share of Series A preferred stock, par value $0.001 per share (the "Series A Preferred Stock"), and one warrant to purchase 0.25 shares of Common Stock, subject to adjustment upon the occurrence of certain events specified in the related warrant agreement ("Series A Preferred Warrants"). The Administrator's compensation is based on the salaries and benefits of the employees of the Administrator and or its affiliates who performed these services (allocated based on the percentage of time spent on the affairs of CIM Commercial and its subsidiaries). For the years ended December 31, 2019, 2018 and 2017, we expensed $2,577,000, $2,783,000 and $3,065,000, respectively, for such services which are included in asset management and other fees to related parties.

Other Services

CIM Management, Inc. and certain of its affiliates (collectively, the "CIM Management Entities"), all affiliates of CIM REIT and CIM Group, 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 $2,562,000, $4,365,000 and $5,034,000 for the years ended December 31, 2019, 2018 and 2017, respectively. CIM Urban also reimbursed the CIM Management Entities $5,852,000, $6,065,000 and $8,465,000 during the years ended December 31, 2019, 2018 and 2017, respectively, for onsite management costs incurred on behalf of CIM Urban, which is included in rental and other property operating expenses. The CIM Management Entities earned leasing commissions of $658,000, $1,548,000 and $982,000 for the years ended December 31, 2019, 2018, and 2017, respectively, which were capitalized to deferred charges. In

addition, the CIM Management Entities earned construction management fees of $525,000, $580,000 and $1,654,000 for the years ended December 31, 2019, 2018 and 2017, respectively, which were capitalized to investments in real estate.

On January 1, 2015, we entered into a Staffing and Reimbursement Agreement with CIM SBA Staffing, LLC ("CIM SBA"), an affiliate of CIM Group, and our subsidiary, PMC Commercial Lending, LLC. The agreement provides that CIM SBA will provide personnel and resources to us and that we will reimburse CIM SBA for the costs and expenses of providing such personnel and resources. For the years ended December 31, 2019, 2018, and 2017, we incurred expenses related to services subject to reimbursement by us under this agreement of $2,382,000, $2,445,000, and $3,464,000, respectively, which are included in asset management and other fees to related parties for lending segment costs, and $223,000, $264,000, and $433,000, respectively, for corporate services, which are included in asset management and other fees to related parties. In addition, for the years ended December 31, 2019, 2018 and 2017, we deferred personnel costs of $112,000, $330,000 and $429,000, respectively, associated with services provided for originating loans.

On May 10, 2018, the Company executed a wholesaling agreement (the "Wholesaling Agreement") with International Assets Advisors, LLC ("IAA") and CCO Capital, LLC ("CCO Capital"). CCO Capital is a registered broker dealer and is under common control with the Operator and the Administrator. IAA was the exclusive dealer manager for the Company's public offering of Series A Preferred Units until May 31, 2019. Under the Wholesaling Agreement, among other things, CCO Capital, in its capacity as the wholesaler for the offering, assisted IAA with the sale of Series A Preferred Units. In exchange for such services, IAA paid CCO Capital a fee equal to 2.75% of the selling price of each Series A Preferred Unit for which a sale was completed, reduced by any applicable fee reallowances payable to soliciting dealers pursuant to separate soliciting dealer agreements between IAA and soliciting dealers. The foregoing fee was reduced, and could have been exceeded, by a fixed monthly payment by CCO Capital to IAA for IAA's services in connection with periodic closings and settlements for the offering.

On May 31, 2019, the Company, IAA and CCO Capital entered into an Amendment, Assignment and Assumption Agreement (the "Assignment Agreement"), pursuant to which CCO Capital assumed all of the rights and obligations of IAA under the dealer manager agreement, dated as of June 28, 2016, as amended, by and between the Company and IAA. As a result of the Assignment Agreement, CCO Capital became the exclusive dealer manager for the Company's public offering of the Series A Preferred Units effective as of May 31, 2019. In connection with the execution of the Assignment Agreement, the Company terminated the Wholesaling Agreement effective as of May 31, 2019. The Company's offering of the Series A Preferred Units ended at the end of January 2020. On January 28, 2020, the Company entered into the Second Amended and Restated Dealer Manager Agreement, pursuant to which CCO Capital acts as the exclusive dealer manager for the Company's public offering of Series A Preferred Stock and Series D preferred stock, $0.001 per share ("Series D Preferred Stock"). In connection with such agreement, the Wholesaling Agreement and the Assignment Agreement were terminated.

Lending Segment

Through our loans originated under the Small Business Administration's ("SBA") 7(a) Guaranteed Loan Program ("SBA 7(a) Program"), we are a national lender that primarily originates loans to small businesses. We identify loan origination opportunities through personal contacts, internet referrals, attendance at trade shows and meetings, direct mailings, advertisements in trade publications and other marketing methods. We also generate loans through referrals from real estate and loan brokers, franchise representatives, existing borrowers, lawyers and accountants.

During 2019, 2018 and 2017, we funded an aggregate of $39,592,000, $74,234,000 and $76,316,000, respectively, of loans in our lending business and received principal payments (including prepayments) of $13,886,000, $16,468,000 and $17,557,000, respectively.

In addition to our retained SBA 7(a) portfolio described above, we service $179,193,000 of aggregate principal balance remaining on secondary market loan sales.

Seasonality

Our revenues and expenses for our hotel property are subject to seasonality during the year. Generally, our hotel revenues are greater in the first and second quarters than the third and fourth quarters. This seasonality can be expected to cause quarterly fluctuations in revenues, segment net operating income, net income and cash provided by operating activities. Additionally, our operating results will be adversely affected by our ongoing renovations of the guest rooms, food and beverage amenities, public areas, meeting rooms and other amenities at the hotel during 2020, as well as the temporary closure of the nearby Sacramento Convention Center until its expected reopening in November 2020. In addition, the hotel industry is cyclical and demand generally follows, on a lagged basis, key macroeconomic factors.

Tenants accounting for over 10% of revenues

Rental and other property income from Kaiser Foundation Health Plan, Incorporated ("Kaiser"), which occupied space in two of our Oakland, California properties, accounted for approximately 10.8%, 9.7% and 8.0% of total revenues for the years ended December 31, 2019, 2018 and 2017, respectively, and approximately 17.3%, 12.9% and 10.8% of our office segment revenues for the years ended December 31, 2019, 2018 and 2017, respectively.

Rental and other property income from the U.S. General Services Administration and other government agencies (collectively, "Governmental Tenants"), which primarily occupied space in our properties located in Washington, D.C., accounted for approximately 10.6%, 18.4% and 21.6% of total revenues for the years ended December 31, 2019, 2018 and 2017, respectively, and approximately 17.1%, 24.6% and 29.4% of our office segment revenues for the years ended December 31, 2019, 2018 and 2017, respectively. However, due to the Asset Sale, we do not expect such tenant revenue concentration to exceed 10% for the year ending December 31, 2020.

Employees

As of December 31, 2019, we had five employees.

Offices

We are headquartered in Dallas, Texas.

Available Information

The public can access free of charge through the "Shareholders" section of our corporate website, *www.cimcommercial.com*, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports filed with or furnished to the Securities and Exchange Commission (the “SEC”) as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our corporate website is not part of this Annual Report on Form 10-K. The SEC also maintains a website at *www.sec.gov* that contains reports, proxy and information statements and other information regarding our filings.

We have adopted a written code of ethics that applies to all directors, officers and employees of the Company, the Operator and the Administrator, including our principal executive officer and senior financial officer, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder. The code of ethics, which we call our Code of Business Conduct and Ethics, is available on our corporate website, *www.cimcommercial.com*, in the section entitled “Shareholders—Corporate Overview—Corporate Governance.” In the event that we make changes in, or provide waivers from, the provisions of such code of ethics that the SEC requires us to disclose, we intend to disclose these events on our corporate website in such section. In the Corporate Governance section of our corporate website, we have also posted our Audit Committee Charter, as well as our Governance Principles.

Item 1A. Risk Factors

The following information should be read in conjunction with Part II, "Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes in Part II, "Item 8-Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. A wide range of factors could materially affect our future developments and performance. In addition to the factors described elsewhere in this report, management has identified the following important factors that could cause actual results to differ materially from those reflected in forward-looking statements or from our historical results. These factors, which are not all-inclusive, could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations, to maintain our level of distributions on our Common Stock, Series A Preferred Stock, Series D Preferred Stock and Series L Preferred Stock (collectively with the Series A Preferred Stock and Series D Preferred Stock, the "Preferred Stock"). This discussion of risk factors includes many forward-looking statements. For cautions about relying on forward-looking statements, please refer to the section entitled "Forward-Looking Statements" immediately prior to "Item 1—Business" of this Annual Report on Form 10-K.

Risks Related to Our Business

We may be unable to pay or maintain cash distributions or increase distributions to stockholders over time.

Several factors may affect the availability and timing of cash distributions to our stockholders. Distributions are based primarily on anticipated cash flow from operations over time. The amount of cash available for distributions is affected by many factors, including the performance of our existing assets, including the selection of tenants and the amount of rental income, our operating expense levels, opportunities for acquisition identified by our Operator, the availability of financing arrangements as well as many other variables. We may not always be in a position to pay distributions to our stockholders and the amount of any distributions we do make may not increase over time. In addition, our actual results may differ significantly from the assumptions used by our Board of Directors in establishing our distribution policy. There also is a risk that we may not have sufficient cash flow from operations to fund distributions required to qualify as a REIT or maintain our REIT status.

We have paid, and may in the future pay, some or all of our distributions to stockholders from sources other than cash flow from operations, including borrowings, proceeds from asset sales or the sale of our securities, which may reduce the amount of capital we ultimately deploy in our real estate operations and may negatively impact the value of our Common Stock.

To the extent that cash flow from operations has been or is insufficient to fully cover our distributions to our stockholders, we have paid, and may in the future pay, some or all of our distributions from sources other than cash flow from operations. Such sources may include borrowings, proceeds from asset sales or the sale of our securities. We have no limits on the amounts we may use to pay distributions from sources other than cash flow from operations. The payment of distributions from sources other than cash provided by operating activities may reduce the amount of proceeds available for acquisitions and operations or cause us to incur additional interest expense as a result of borrowed funds. This may negatively impact the market price of our Common Stock.

Distributions at any point in time may not reflect the current performance of our properties or our current operating cash flow.

We may make distributions from any source, including the sources described in the risk factor above. Because the amount we pay in distributions may exceed our earnings and our cash flow from operations, distributions may not reflect the current performance of our properties or our current operating cash flow.

Our future success depends on the performance of the Administrator and the Operator, their respective key personnel and their access to the investment professionals of CIM Group. We may not find suitable replacements if such key personnel or investment professionals leave the employment of the Administrator, the Operator or other applicable affiliates of CIM Group or if such key personnel or investment professionals otherwise become unavailable to us.

We rely on the Administrator to provide management and administration services to us, and CIM Urban relies completely on the Operator to provide CIM Urban with certain services.

Our executive officers also serve as officers or employees of the Administrator and or the Operator or other applicable affiliates of CIM Group. The Administrator and the Operator have significant discretion as to the implementation of acquisitions and operating policies and strategies on behalf of us and CIM Urban. Accordingly, we believe that our success

depends to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the officers and key personnel of the Administrator, the Operator and the other applicable affiliates of CIM Group. The departure of any of these officers or key personnel could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

We also depend on access to, and the diligence, skill and network of, business contacts of the professionals within CIM Group and the information and deal flow generated by its investment professionals in the course of their acquisitions and onsite property management and leasing activities. The departure of any of these individuals, or of a significant number of the investment professionals or principals of CIM Group, could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock. We cannot guarantee that we will continue to have access to CIM Group's investment professionals or its information and deal flow.

If we seek to internalize the management functions provided pursuant to the Master Services Agreement and the Investment Management Agreement, we could incur substantial costs and lose certain key personnel.

The Board of Directors may determine that it is in our best interest to become self-managed by internalizing the functions performed by the Administrator and or the Operator and to terminate the Master Services Agreement and or the Investment Management Agreement, respectively. However, we do not have the unilateral right to terminate the Master Services Agreement and CIM Urban does not have the unilateral right to terminate the Investment Management Agreement, and neither the Administrator nor the Operator would be obligated to enter into an internalization transaction with us. There is no assurance that a mutually acceptable agreement with these entities as to the terms of the internalization could be reached.

The costs that would be incurred by us in any such internalization transaction are uncertain and could be substantial. Inadequate management of an internalization transaction could cause us to incur excess costs or suffer deficiencies in our disclosure controls and procedures or our internal control over financial reporting. An internalization transaction may divert management's attention from effectively managing our assets. Further, following any internalization of our management functions, certain key employees may remain employees of the Administrator and the Operator or their respective affiliates instead of becoming our employees, especially if the Administrator and the Operator are not acquired by us.

Uninsured losses or losses in excess of our insurance coverage could materially adversely affect our financial condition and cash flows, and there can be no assurance as to future costs and the scope of coverage that may be available under insurance policies.

We carry commercial liability, special form/all risk and business interruption insurance on all of the properties in our portfolio. In addition, we carry directors' and officers' insurance. While we select policy specifications and insured limits that we believe are appropriate and adequate given the relative risk of loss, the cost of the coverage, and industry practice, there can be no assurance that we will not experience a loss that is uninsured or that exceeds policy limits.

Our business operations in California and Texas are susceptible to, and could be significantly affected by, adverse weather conditions and natural disasters such as earthquakes, tsunamis, hurricanes, wind, blizzards, floods, landslides, drought and fires. These adverse weather conditions and natural disasters could cause significant damage to the properties in our portfolio, the risk of which is enhanced by the concentration of our properties, by aggregate net operating income and square feet, in California. Our insurance may not be adequate to cover business interruption or losses resulting from adverse weather or natural disasters. We carry earthquake insurance on our properties in California in an amount and with deductibles and limitations that we deem to be appropriate. However, the amount of our earthquake insurance coverage may not be sufficient to cover losses from earthquakes in California. Furthermore, we may not carry insurance for certain losses, such as those caused by war or certain environmental conditions, such as mold or asbestos.

As a result of the factors described above, we may not have sufficient coverage against all losses that we may experience for any reason.

If we experience a loss that is uninsured or that exceeds policy limits, we could incur significant costs and lose the capital deployed in the damaged properties as well as the anticipated future cash flows from those properties. Further, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if the properties were irreparable. In addition, our properties may not be able to be rebuilt to their existing height or size at their existing location under current land-use laws and policies. In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications and otherwise may have to

upgrade such property to meet current code requirements. Any of the factors described above could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and or damage to our business relationships, all of which could negatively impact our financial results.

We face cybersecurity risks and risks associated with security breaches or disruptions, such as cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to emails, social engineering and phishing schemes or persons inside our organization, the Operator and or Administrator. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. The occurrence of a cyber incident may result in disrupted operations, misstated or unreliable financial data, misappropriation of assets, compromise or corruption of confidential information collected in the course of conducting our business, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation, regulatory enforcement, damage to our tenant and stockholder relationships, material harm to our financial condition, cash flows and the market price of our securities or other adverse effects. Our Operator's and Administrator's IT networks and related systems are essential to the operations of our business and our ability to perform day-to-day operations (including managing our building systems). Our Operator and Administrator have implemented processes, procedures and internal controls to help mitigate cyber incidents, but these measures do not guarantee that a cyber incident involving our Operator or Administrator will not occur or that attempted security breaches or disruptions would not be successful or damaging. A cyber incident involving our Operator's or Administrator's IT networks and related systems could materially adversely impact our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Our Operator, Administrator and their respective affiliates, in the course of providing onsite property management, leasing, accounting and or services to us, collect and retain certain personal information provided by our tenants and vendors. Our Operator, Administrator and their respective affiliates rely on computer systems to process transactions and manage our business. We can provide no assurance that the data security measures designed to protect confidential information on such systems established by our Operator, Administrator and their respective affiliates will be able to prevent unauthorized access to such personal information. There can be no assurance that their efforts to maintain the security and integrity of the information collected and their computer systems will be effective or that attempted security breaches or disruptions will not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and, in some cases, are designed not be detected and, in fact, may not be detected. Accordingly, our Operator, Administrator and their respective affiliates may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results.

An effective system of internal control over financial reporting is necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a public company. As part of our ongoing monitoring of internal controls, we may discover material weaknesses or significant deficiencies in our internal controls that we believe require remediation. If we discover such weaknesses, we will make efforts to improve our internal controls in a timely manner. Any system of internal controls, however well designed and operated, is based in part on certain assumptions and can only provide reasonable, not absolute, assurance that the objectives of the system are met. Any failure to maintain effective internal controls, or implement any necessary improvements in a timely manner, could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock, or cause us to not meet our reporting obligations, which could affect our ability to maintain our listings of Common Stock and Series L Preferred Stock on Nasdaq and the TASE. Ineffective internal controls could also cause holders of our securities to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our securities.

Risks Related to Conflicts of Interest

Neither the Master Services Agreement nor the Investment Management Agreement may be terminated by us (except in limited circumstances for cause in the case of the Master Services Agreement) and the Master Services Agreement may be assigned by the Administrator in certain circumstances without our consent, either or both of which may have a material adverse effect on us.

We and our lending subsidiaries are parties to the Master Services Agreement pursuant to which the Administrator provides, or arranges for other service providers to provide, management and administrative services to us and all of our direct and indirect subsidiaries. We are obligated to pay the Administrator the Base Service Fee (see "Item 1—Business—Master Services Agreement") and market rate transaction fees for transactional and other services that the Administrator elects to provide to us. Pursuant to the terms of the Master Services Agreement, the Administrator has the right to provide any transactional services to us that we would otherwise engage a third-party to provide.

The Master Services Agreement continues in full force and effect until December 31, 2019, and thereafter will renew automatically each year. The Administrator may assign the Master Services Agreement without our consent to one of its affiliates or an entity that is a successor through merger or acquisition of the business of the Administrator. We generally may terminate the Master Services Agreement only in the event of a material breach, fraud, gross negligence or willful misconduct by or, in certain limited circumstances, a change of control of the Administrator that our independent directors determine to be materially detrimental to us and our subsidiaries as a whole. We do not have the right to terminate the Master Services Agreement solely for the poor performance of our operations. In addition, CIM Urban does not have the right to terminate the Investment Management Agreement under any circumstances.

Moreover, any removal of Urban GP Administrator as manager of CIM Urban GP pursuant to the Master Services Agreement or the CIM Urban Partnership Agreement would not affect the rights of the Administrator under the Master Services Agreement or the Operator under the Investment Management Agreement. Accordingly, the Administrator would continue to provide the Base Services and receive the Base Service Fee, and the Administrator or the applicable service provider would continue to provide the transactional services and receive related transaction fees, under the Master Services Agreement, and the Operator would continue to receive the management fee under the Investment Management Agreement.

The Administrator and Operator are entitled to receive fees for the services they provide regardless of our performance, which may reduce their incentive to devote time and resources to our portfolio.

Pursuant to the Master Services Agreement, the Administrator is entitled to receive the Base Service Fee, regardless of our performance, and additional fees for the provision of transactional and other services at fair market rates approved by our independent directors. Additionally, the Operator is entitled to receive an asset management fee based upon the adjusted fair value of CIM Urban's assets, including any assets acquired by CIM Urban in the future. See "Item 1—Business—Investment Management Agreement." The Administrator's and the Operator's entitlement to substantial non-performance based compensation might reduce their incentive to devote time and effort to seeking profitable opportunities for our portfolio.

The Operator may undertake transactions that are motivated, in whole or in part, by a desire to increase its compensation.

The Operator's fees are based on the adjusted fair value of CIM Urban's assets, including any assets acquired by CIM Urban in the future, which may provide an incentive for the Operator to deploy our capital to assets that are riskier than we would otherwise acquire, regardless of the anticipated long-term performance of such assets. For instance, if CIM Urban, or we on its behalf, incurs debt or uses leverage to acquire an asset, the adjusted fair value of our assets will increase by an amount greater than the amount of cash used in such levered acquisition, which leads to greater compensation payable to the Operator. In this manner, the Operator may seek to maximize its compensation by recommending a deployment of capital to assets that are not necessarily in the best interest of our stockholders. The Operator may also recommend the disposition of assets that are beneficial to CIM Urban's operations in order to fund such acquisitions. For a discussion of the broad discretion that may be exercised by the Operator in our business, see "—Each of the Administrator and Operator provides services to us under broad mandates, and our Board of Directors may not necessarily be involved in each acquisition, disposition or financing decision made by the Administrator or Operator" below.

Each of the Administrator and Operator provides services to us under broad mandates, and our Board of Directors may not necessarily be involved in each acquisition, disposition or financing decision made by the Administrator or Operator.

Each of the Administrator, under the Master Services Agreement, and the Operator, under the Investment Management Agreement, has broad discretion and authority over our day-to-day operations and deployment of our capital in assets. While

our Board of Directors periodically reviews the performance of our businesses, our Board of Directors does not review all activities conducted by the Administrator and the Operator, and may not review certain proposed acquisitions, dispositions or the implementation of other strategic initiatives before they occur. In addition, in reviewing our business operations, our directors may rely on information provided to them by the Administrator or the Operator, as the case may be. The Administrator or the Operator may cause us to enter into significant transactions or undertake significant activities that may be difficult or impossible to unwind, exit or otherwise remediate. Each of the Administrator and the Operator has great latitude in the implementation of our strategies, including determining the types of assets that are appropriate for us. The decisions of the Administrator and the Operator could therefore result in losses or returns that are substantially below our expectations, which could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

The Operator, the Administrator and their respective affiliates engage in real estate activities that could compete with us and our subsidiaries, which could result in decisions that are not in the best interests of our stockholders.

The Investment Management Agreement with the Operator and the Master Services Agreement with the Administrator do not prevent the Operator or the Administrator, as applicable, and their respective affiliates from operating additional real estate assets or participating in other real estate opportunities, some of which could compete with us and our subsidiaries. The Operator, the Administrator and their respective affiliates operate real estate assets and participate in additional real estate activities having objectives that overlap with our own, and may thus face conflicts in the operation and allocation of real estate opportunities between us, on the one hand, and such other real estate operations and activities, on the other hand. Allocation of real estate opportunities is at the discretion of the Operator and or the Administrator and there is no guarantee that this allocation will be made in the best interest of our stockholders.

There may be conflicts of interest in allocating real estate opportunities to CIM Urban and other funds, vehicles and ventures operated by the Operator. For example, the Operator serves as the operator of private funds formed to deploy capital in real estate and real estate-related assets located in metropolitan areas that CIM Group has already qualified. There may be a significant overlap in the assets and strategies between us and such funds, and many of the same investment personnel will provide services to both entities. Further, the Operator and its affiliates may in the future operate funds, vehicles and ventures that have overlapping objectives with CIM Urban and therefore may compete with CIM Urban for opportunities. The ability of the Operator, the Administrator and their officers and employees to engage in other business activities, including the operation of other vehicles operated by CIM Group or its affiliates, may reduce the time the Operator and the Administrator spend managing our activities.

Certain of our directors and executive officers may face conflicts of interest related to positions they hold with the Operator, the Administrator, CIM Group and their affiliates, which could result in decisions that are not in the best interest of our stockholders.

Some of our directors and executive officers are also part-owners, officers and or directors of the Operator, the Administrator, CIM Group and or their respective affiliates. As a result, such directors and executive officers may owe fiduciary duties to these various other entities and their equity owners that may from time to time conflict with the duties such persons owe to us. Further, these multiple responsibilities may create conflicts of interest for these individuals if they are presented with opportunities that may benefit us and our other affiliates. These individuals may be incentivized to allocate opportunities to other entities rather than to us. Their loyalties to other affiliated entities could result in actions or inactions that are detrimental to our business, strategy and opportunities.

The business of CIM Urban is managed by Urban GP Administrator and we agreed in the Master Services Agreement to appoint an affiliate of CIM Group as the manager of the general partner of CIM Urban; in addition, the general partner of CIM Urban can be removed from that position under certain circumstances as provided in the CIM Urban Partnership Agreement.

Pursuant to the Master Services Agreement, we agreed to appoint an affiliate of CIM Group as the manager of the general partner of CIM Urban. While currently that designated entity, Urban GP Administrator, is an affiliate of CIM Group, there can be no assurances that a different entity would not be appointed the manager of the general partner of CIM Urban in the future. Moreover, we may only remove the Urban GP Administrator as the manager of CIM Urban GP for "cause" (as defined in the Master Services Agreement). Removal for "cause" also requires the approval of the holders of at least 66 2/3% of our outstanding shares of Common Stock. Upon removal, a replacement manager will be appointed by the independent directors.

Subject to the limitations set forth in the governing documents of CIM Urban and CIM Urban GP, Urban GP Administrator is given the power and authority under the Master Services Agreement to manage, to direct the management, business and affairs of and to make all decisions to be made by or on behalf of (1) CIM Urban GP and (2) CIM Urban. Subject to the other terms of the CIM Urban Partnership Agreement, CIM Urban GP has broad discretion over the operations of CIM Urban. Accordingly, while we own indirectly all of the partnership interests in CIM Urban, except as set forth in the Master Services Agreement and the rights specifically reserved to limited partners by the CIM Urban Partnership Agreement and applicable law, we will have no part in the management and control of CIM Urban.

Risks Related to Our Corporate Structure

Certain provisions of the Maryland General Corporation Law (the "MGCL") could inhibit changes in control.

Certain provisions of the MGCL, if applied to us, would have the effect of inhibiting a third-party from making a proposal to acquire us or impeding a change of control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our Common Stock, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns, directly or indirectly, 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special appraisal rights and special stockholder voting requirements on these combinations; and

- "control share" provisions that provide that "control shares" of our Company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have elected to opt out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL, by resolution of our Board of Directors and, in the case of the control share provisions of the MGCL, pursuant to a provision in our bylaws. However, our Board of Directors may by resolution elect to repeal the foregoing opt-outs from the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Our charter, bylaws, the partnership agreement for CIM Urban and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our Common Stock or otherwise be in the best interest of our stockholders.

If we were to be deemed an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"), applicable restrictions could make it impractical for us to continue our business as contemplated and could have an adverse effect on our business.

We are not an investment company under the Investment Company Act and intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the Investment Company Act, including limitations on the nature of assets and ability to transact with affiliates, could make it impractical for us to continue our business as contemplated. In addition, the Investment Company Act imposes certain requirements on companies deemed to be within its regulatory scope, including registration as an investment company, adoption of a specific form of corporate structure and compliance with certain burdensome reporting, record keeping, voting, proxy, disclosure and other rules and regulations. In the event we were to be characterized as an investment company, the failure by us to satisfy such regulatory requirements, whether on a timely basis or at all, would, under certain circumstances, also have a material adverse effect on us.

The Operator may change its acquisition process, or elect not to follow it, without stockholder consent at any time, which may adversely affect returns on our assets.

While we are principally focused on Class A and creative office assets in vibrant and improving metropolitan communities throughout the United States (including improving and developing such assets), we may also participate more

actively in other CIM Group real estate strategies and product types in order to broaden our participation in CIM Group's platform and capabilities for the benefit of all classes of stockholders. This may include, without limitation, engaging in real estate development activities as well as investing in other product types directly, side-by-side with one or more funds of CIM Group, through direct deployment of capital in a CIM Group real estate or debt fund, or deploying capital in or originating loans that are secured directly or indirectly by properties primarily located in Qualified Communities that meet our strategy. Such loans may include limited and or non-recourse junior (mezzanine, B-note or 2nd lien) and senior acquisition, bridge or repositioning loans. Stockholders will not have any approval rights with respect to any expansion or change in strategies or future composition of our assets. Our Operator determines our policies regarding deployment of capital into real estate assets, financing, growth and debt capitalization. Our Operator may change these and other policies without a vote of our stockholders. In addition, there can be no assurance that the Operator will follow its acquisition process in relation to the identification and acquisition or origination of prospective assets. As a result, the nature of the composition of our assets could change without the consent of our stockholders. Changes in the Operator's acquisition process and or philosophy may result in, among other things, inferior due diligence and transaction standards, which may adversely affect the performance of our assets. If we are unsuccessful in expanding into new real estate activities or our changes in strategies or future deployment of our capital turn out to be unsuccessful, it could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

The power of the Board of Directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

Our organizational documents permit our Board of Directors to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if the Board of Directors determines that it is no longer in our best interest to continue to qualify as a REIT. In such a case, we would become subject to U.S. federal, state and local income tax on our net taxable income and we would no longer be required to distribute most of our net taxable income to our stockholders, which could have adverse consequences on the total return to our holders of Common Stock.

The MGCL or our charter may limit the ability of our stockholders or us to recover on a claim against a director or officer who negligently causes us to incur losses.

The MGCL provides that a director has no liability in such capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. A director who performs his or her duties in accordance with the foregoing standards should not be liable to us or any other person for failure to discharge his or her obligations as a director.

In addition, our charter provides that our directors and officers will not be liable to us or our stockholders for monetary damages unless the director or officer actually received an improper benefit or profit in money, property or services, or is adjudged to be liable to us or our stockholders based on a finding that his or her action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. Our charter and bylaws also require us, to the maximum extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any individual who is a present or former director or officer and who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity or any individual who, while a director or officer and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity. With the approval of our Board of Directors, we may provide such indemnification and advance for expenses to any individual who served a predecessor of the Company in any of the capacities described above and any employee or agent of the Company or a predecessor of the Company, including our Administrator and its affiliates.

We also are permitted to purchase and we currently maintain insurance or provide similar protection on behalf of any directors, officers, employees and agents, including our Administrator and its affiliates, against any liability asserted which was incurred in any such capacity with us or arising out of such status. This may result in us having to expend significant funds, which could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

The liability of the Administrator and the Operator to us under the Master Services Agreement and the Investment Management Agreement, respectively, is limited and we and CIM Urban have agreed to indemnify the Administrator and the Operator, respectively, against certain liabilities. As a result, we could experience poor performance or losses for which neither the Administrator nor the Operator would be liable.

Pursuant to the Master Services Agreement, the Administrator has no responsibility other than to provide its services in good faith and will not be responsible for any action of our Board of Directors that follows or declines to follow the Administrator's advice or recommendations. Under the terms of the Master Services Agreement, none of the Administrator or any of its affiliates providing services under the Master Services Agreement will be liable to us, any subsidiary of ours party to the Master Services Agreement, any governing body (including any director or officer), stockholder or partner of any such entity for acts or omissions made pursuant to or in accordance with the Master Services Agreement, other than acts or omissions constituting fraud, willful misconduct, gross negligence or violation of certain laws or any other intentional or criminal wrongdoing or breach of the Master Services Agreement. Moreover, the aggregate liability of any such entities and persons pursuant to the Master Services Agreement is capped at the aggregate amount of the Base Service Fee and any transaction fees previously paid to the Administrator in the two most recent calendar years. In addition, we have agreed to indemnify the Administrator and any of its affiliates providing services under the Master Services Agreement, any affiliates of the Administrator and any directors, officers, stockholders, agents, subcontractors, contractors, delegates, members, partners, shareholders, employees and other representatives of each of them from and against all actions, lawsuits, investigations, proceedings or claims except to the extent resulting from such person's fraud, willful misconduct, gross negligence or violation of certain laws or any other intentional or criminal wrongdoing or breach of the Master Services Agreement.

Pursuant to the Investment Management Agreement, the Operator is not liable to CIM Urban, CIM Urban GP or any manager or director of CIM Urban GP for, and CIM Urban has agreed to indemnify the Operator against any losses, claims, damages or liabilities to which it may become subject in connection with, among other things, (1) any act or omission performed or omitted by it or for any costs, damages or liabilities arising therefrom, in the absence of fraud, gross negligence, willful misconduct or a breach of the Investment Management Agreement or (2) any losses due to the negligence of any employees, brokers, or other agents of CIM Urban.

Risks Related to Real Estate Assets

Our operating performance is subject to risks associated with the real estate industry.

Real estate assets are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Certain events may decrease cash available for distributions, as well as the value of our properties. These events include, but are not limited to:

- adverse changes in economic and socioeconomic conditions (including as a result of the outbreak of the novel strain of the Coronavirus (COVID-19) that began in the fourth quarter of 2019);
- vacancies or our inability to rent space on favorable terms;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- inability to collect rent from tenants;
- competition from real estate investors with significant capital, including but not limited to real estate operating companies, publicly-traded REITs and institutional investment funds;
- reductions in the level of demand for office and hotel space and changes in the relative popularity of properties;
- increases in the supply of office and hotel space;
- fluctuations in interest rates and the availability of credit, which could adversely affect our ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;
- dependence on third parties to provide leasing, brokerage, onsite property management and other services with respect to certain of our assets;

- increases in expenses, including insurance costs, labor costs, utility prices, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies, and our inability to pass on some or all of these increases to our tenants; and

- changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning, real estate tax, federal and state laws, governmental fiscal policies and the ADA.

The outbreak of COVID-19 that began in the fourth quarter of 2019 may lead to an economic slowdown in the United States or even a recession. During periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases. If we cannot operate our properties so as to meet our financial expectations, our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock may be negatively impacted.

There can be no assurance that we will achieve our economic objectives.

A significant portion of our properties, by aggregate net operating income and square feet, are located in California. We are dependent on the California real estate market and economy, and are therefore susceptible to risks of events in the California market that could adversely affect our business, such as adverse market conditions, changes in local laws or regulations and natural disasters.

Because our properties in California represent a significant portion of our portfolio by aggregate net operating income and square feet, we are exposed to greater economic risks than if we owned a more geographically diverse portfolio. We are susceptible to adverse developments in the California economic and regulatory environments (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation and other factors) as well as natural disasters that occur in these areas (such as earthquakes, floods, fires and other events). In addition, the State of California is regarded as more litigious and more highly regulated and taxed than many states, which may reduce demand for office and hotel space in California. Any adverse developments in the economy or real estate markets in California, or any decrease in demand for office and hotel space resulting from the California regulatory or business environments, could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Capital and credit market conditions may adversely affect demand for our properties and the overall availability and cost of credit.

In periods when the capital and credit markets experience significant volatility, demand for our properties and the overall availability and cost of credit may be adversely affected. No assurances can be given that the capital and credit market conditions will not have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

In addition, we could be adversely affected by significant volatility in the capital and credit markets as follows:

- the tenants in our office properties may experience a deterioration in their sales or other revenue, or experience a constraint on the availability of credit necessary to fund operations, which in turn may adversely impact those tenants' ability to pay contractual base rents and tenant recoveries. Some tenants may terminate their occupancy due to an inability to operate profitably for an extended period of time, impacting our ability to maintain occupancy levels; and

- constraints on the availability of credit to tenants, necessary to purchase and install improvements, fixtures and equipment and to fund business expenses, could impact our ability to procure new tenants for spaces currently vacant in existing office properties or properties under development.

Tenant concentration increases the risk that cash flow could be interrupted.

We are, and expect that we will continue to be, subject to a degree of tenant concentration at certain of our properties and or across multiple properties. Rental and other property income from Kaiser, which occupied space in two of our Oakland, California properties, accounted for approximately 10.8%, 9.7% and 8.0% of total revenues for the years ended December 31,

2019, 2018 and 2017, respectively, and approximately 17.3%, 12.9% and 10.8% of our office segment revenues for the years ended December 31, 2019, 2018 and 2017, respectively. In the event that a tenant occupying a significant portion of one or more of our properties or whose rental income represents a significant portion of the rental revenue at such property or properties were to experience financial weakness or file bankruptcy, it could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

If a major tenant declares bankruptcy, we may be unable to collect balances due under relevant leases, which could have a material adverse effect on our financial condition and ability to pay distributions to our stockholders.

The bankruptcy or insolvency of our tenants may adversely affect the income produced by our properties. Under bankruptcy law, a tenant cannot be evicted solely because of its bankruptcy and has the option to assume or reject any unexpired lease. If the tenant rejects the lease, any resulting claim we have for breach of the lease (other than to the extent of any collateral securing the claim) will be treated as a general unsecured claim. Our claim against the bankrupt tenant for unpaid and future rent will be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and it is unlikely that a bankrupt tenant that rejects its lease would pay in full amounts it owes us under the lease. Even if a lease is assumed and brought current, we still run the risk that a tenant could condition lease assumption on a restructuring of certain terms, including rent, that would have an adverse impact on us. Any shortfall resulting from the bankruptcy of one or more of our tenants could adversely affect our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

In addition, the financial failure of, or other default by, one or more of the tenants to whom we have exposure could have an adverse effect on the results of our operations. While we evaluate the creditworthiness of our tenants by reviewing available financial and other pertinent information, there can be no assurance that any tenant will be able to make timely rental payments or avoid defaulting under its lease. If any of our tenants' businesses experience significant adverse changes, they may fail to make rental payments when due, exercise early termination rights (to the extent such rights are available to the tenant) or declare bankruptcy. A default by a significant tenant or multiple tenants could cause a material reduction in our revenues and operating cash flows. In addition, if a tenant defaults, we may incur substantial costs in protecting our asset.

We have assumed, and in the future may assume, liabilities in connection with our property acquisitions, including unknown liabilities.

In connection with the acquisition of properties, we may assume existing liabilities, some of which may have been unknown or unquantifiable at the time of the acquisition of assets. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of tenants or other persons dealing with the sellers prior to our acquisition of the properties, tax liabilities, and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. If the magnitude of such unknown liabilities is high, either singly or in the aggregate, it could adversely affect our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

We may be adversely affected by trends in the office real estate industry.

Telecommuting, flexible work schedules, open workspaces and teleconferencing are becoming more common. These practices enable businesses to reduce their space requirements. There is also an increasing trend among some businesses to utilize shared office space and co-working spaces. A continuation of the movement towards these practices could over time erode the overall demand for office space and, in turn, place downward pressure on occupancy, rental rates and property valuations.

We may be unable to renew leases or lease vacant office space.

As of December 31, 2019, 13.0% of the rentable square footage of our office portfolio was available for lease, and 15.5% of the occupied square footage of such office properties was scheduled to expire in 2020. The local economic environment may make the renewal of these leases more difficult, or renewal may occur at rental rates equal to or below existing rental rates. As a result, portions of our office properties may remain vacant for extended periods of time. In addition, we may have to offer substantial rent abatements, tenant improvements, concessions, early termination rights or below-market renewal options to attract new tenants or retain existing tenants. The factors described above could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

A significant portion of our net operating income is expected to come from our hotel and, as a result, our operating performance is subject to the cyclical nature of the lodging industry.

The performance of the lodging industry has historically been closely linked to the performance of the general economy and, specifically, growth in U.S. gross domestic product. Fluctuations in lodging demand and, therefore, hotel operating performance, are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. For instance, increased fuel costs, natural disasters or disruptive global political events, including terrorist activity and war, are a few factors that could affect an individual's willingness to travel.

In addition to general economic conditions, lodging supply is an important factor that can affect the lodging industry's performance. Industry overbuilding and the introduction of new concepts and products such as Airbnb®, Homeaway® and VRBO® have the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. Further, the success of our hotel property depends largely on the property operator's ability to adapt to dominant trends, competitive pressures and consolidation, as well as disruptions such as consumer spending patterns, changing demographics and the availability of labor.

An adverse change in lodging fundamentals could result in returns that are substantially below our expectations or result in losses, which could adversely affect our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

The outbreak of a highly infectious, contagious or widespread disease, such as COVID-19, could reduce travel and adversely affect demand for our hotel.

Our hotel operations are sensitive to the willingness and ability of our guests to travel. The outbreak of highly infectious, contagious or widespread diseases or global health emergencies will likely cause decreases in both discretionary and business travel and reduce the number of guests that visit our hotel. The degree of such a decrease will likely be worsened in the event such a disease causes a disruption in air or other forms of travel used by guests of our hotel. In the event a person having such a disease visits or works at our hotel, the operations at our hotel will likely be disrupted. With COVID-19 now spreading in the United States and travel restrictions and cancellations increasing, we believe that the operations of our hotel in Sacramento, California will be adversely impacted. However, the Company cannot predict the magnitude of the adverse effect on our business, financial condition, results of operations and cash flows.

The seasonality of the lodging industry may cause quarterly fluctuations in our revenues.

The lodging industry is seasonal in nature, which may cause quarterly fluctuations in our revenues, occupancy levels, room rates, operating expenses and cash flows. Our quarterly earnings may be adversely affected by factors outside our control, including timing of holidays, weather conditions, poor economic factors and competition in the area of our hotel. We can provide no assurances that our cash flows will be sufficient to offset any shortfalls that occur as a result of these fluctuations. As a result, we may have to enter into short-term borrowings in certain quarters in order to make distributions to our stockholders, and we can provide no assurances that such borrowings will be available on favorable terms, if at all. Consequently, volatility in our financial performance resulting from the seasonality of the lodging industry could adversely affect our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Our hotel has an ongoing need for renovations and potentially significant capital expenditures and the costs of such activities may exceed our expectations.

From time to time we will need to make capital expenditures to comply with applicable laws and regulations, to remain competitive with other hotels and to maintain the economic value of our hotel. Occupancy and average daily rate ("ADR") are often affected by the maintenance and capital improvements at a hotel, especially in the event that the maintenance or improvements are not completed on schedule or if the improvements require significant closures at the hotel. The costs of capital improvements we need or choose to make could harm our financial condition and reduce amounts available for distribution to our stockholders. These capital improvements may give rise to the following additional risks, among others:

- construction cost overruns and delays;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available to us on affordable terms;

- uncertainties as to market demand or a loss of market demand after capital improvements have begun;
- disruption in service and room availability causing reduced demand, occupancy and rates;
- possible environmental problems; and
- disputes with our manager/franchise owner regarding our compliance with the requirements under our management or franchise agreements.

The increasing use of online travel intermediaries by consumers may adversely affect our profitability.

Some of our hotel rooms are booked through online travel intermediaries, including, but not limited to, Travelocity.com, Expedia.com and Priceline.com. As online bookings increase, these intermediaries may demand higher commissions, reduced room rates or other significant contract concessions. Moreover, some of these online travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These intermediaries hope that consumers will develop brand loyalties to their reservations systems rather than to particular hotels. Although most of the business for our hotel is expected to be derived from consumer direct and traditional hotel channels, such as travel agencies, corporate accounts, meeting planners and recognized wholesale operators, if the amount of sales made through online intermediaries increases significantly, room revenues may be lower than expected, which could adversely affect our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Increased use of technology may reduce the need for business-related travel.

The increased use of teleconference and video-conference technology by businesses could result in decreased business travel as companies increase the use of technologies that allow multiple parties from different locations to participate at meetings without traveling to a centralized meeting location. To the extent that such technologies play an increased role in day-to-day business and the necessity for business-related travel decreases, hotel room demand may decrease, which could adversely affect our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

We are subject to risks associated with the employment of hotel personnel, particularly with respect to unionized labor.

Our third-party manager is responsible for hiring and maintaining the labor force at our hotel. As owner of our hotel, we are responsible for and subject to many of the costs and risks generally associated with the hotel labor force, particularly with respect to unionized labor. From time to time, hotel operations may be disrupted as a result of strikes, lockouts, public demonstrations or other negative actions and publicity. We also may incur increased legal costs and indirect labor costs as a result of contract disputes or other events. The resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. We do not have the ability to affect the outcome of these negotiations.

We may be unable to deploy capital in a way that grows our business and, even if consummated, we may fail to successfully integrate and operate acquired properties.

We plan to deploy capital in additional real estate assets as opportunities arise. Our ability to do so on favorable terms and or successfully integrate and operate them is subject to the following significant risks:

- we may be unable to deploy capital in additional real estate assets because of competition from real estate investors with better access to less expensive capital, including real estate operating companies, publicly-traded REITs and investment funds;
- we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- competition from other potential acquirers may significantly increase purchase prices;

- acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures;
- we may be unable to generate sufficient cash from operations or obtain the necessary debt or equity financing to consummate a transaction on favorable terms or at all;
- we may need to spend more money than anticipated to make necessary improvements or renovations to acquired properties;
- we may spend significant time and money on potential transactions that we do not consummate;
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations;
- we may suffer higher than expected vacancy rates and or lower than expected rental rates; and
- we may acquire properties without any recourse, or with only limited recourse, for liabilities against the former owners of the properties.

If we cannot complete real estate transactions on favorable terms, or operate acquired assets to meet our goals or expectations, our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock could be materially adversely affected.

We may be unable to successfully expand our operations into new markets.

The risks described in the immediately preceding risk factor that are applicable to our ability to acquire and successfully integrate and operate properties in the markets in which our properties are located are also applicable to our ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, we may not possess the same level of familiarity with the dynamics and market conditions of certain new markets that we may enter, which could adversely affect our ability to expand into those markets. We may be unable to build a significant market share or achieve a desired return on our assets in new markets. If we are unsuccessful in expanding into new markets, it could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

We may deploy capital outside of the United States, which would subject us to additional risks that may affect our operations unfavorably.

We may deploy some of our capital outside of the United States. Such deployment of capital in foreign countries could be affected unfavorably by changes in exchange rates due to political and economic factors, including inflation. Because non-U.S. companies are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about non-U.S. companies and their assets. This may affect our ability to underwrite and evaluate proposed deployment of capital in foreign countries or to obtain appropriate financial reports relating to such deployment. In addition, with respect to certain countries, there may be an increased potential for corrupt business practices, or the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments that could affect our deployment of capital in those countries. Moreover, individual economies could differ unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, changes in currency rates and exchange control regulations and capital reinvestment. As a result of the factors described in this paragraph, any capital deployed outside of the United States may be subject to a higher degree of risk; there can also be no assurance that any such deployment will generate returns comparable to similar deployment of capital made in the United States.

We are subject to risks and liabilities unique to joint venture relationships.

We may contemplate acquisitions of properties through joint ventures and sales to institutions of partial ownership of properties that we wholly own. Joint venture involves certain risks, including for example:

- disputes with joint venture partners might affect our ability to develop, operate or dispose of a property;

- the refinancing of unconsolidated joint venture debt may require additional equity commitments on our part;
- joint venture partners may control or share certain approval rights over major decisions or might have economic or other business interests or goals that are inconsistent with our business interests or goals that would affect our ability to operate the property;
- we may be forced to fulfill the obligations of a joint venture or of joint venture partners who default on their obligations including those related to debt or interest rate swaps; and
- there may be conflicts of interests because our joint venture partners may have varying interests such as different needs for liquidity, different assessments of the market, different tax objectives or ownership of competing interests in properties in our markets.

The occurrence of one or more of the foregoing events could adversely affect our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Certain of our properties were subject to impairment charges prior to their sales, and any of our properties may be subject to impairment charges in the future.

We routinely evaluate our assets for impairment indicators, and as such, we have recorded $69,000,000, $0 and $13,100,000 of impairment of long-lived assets for the years ended December 31, 2019, 2018 and 2017, respectively. The judgment regarding the existence and magnitude of impairment indicators is based on factors such as market conditions, tenant performance and lease structure. For example, the early termination of, or default under, a lease by a tenant may lead to an impairment charge. If we determine that an impairment has occurred, we will be required to make a downward adjustment to the net carrying value of the property, which could have a material adverse effect on our results of operations in the period in which the impairment charge is recorded. Negative developments in the real estate market may cause management to reevaluate the business and macro-economic assumptions used in its impairment analysis. Changes in management's assumptions based on actual results may have a material impact on the Company's financial statements.

We may obtain only limited warranties when we purchase a property and typically have only limited recourse in the event our due diligence did not identify any issues that lower the value of our property.

The seller of a property often sells such property in "as is" condition on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that survive for only a limited period after the closing and with a cap on recoverable damages. In the event we purchase a property with a limited warranty, there will be an increased risk that we will lose some or all of our capital in the property.

We may be unable to sell a property if or when we decide to do so, including as a result of uncertain market conditions.

Real estate assets are, in general, relatively illiquid and may become even more illiquid during periods of economic downturn. As a result, we may not be able to sell our properties quickly or on favorable terms in response to changes in the economy or other conditions when it otherwise may be prudent to do so. In addition, certain significant expenditures generally do not change in response to economic or other conditions, including debt service obligations, real estate taxes, and operating and maintenance costs. This combination of variable revenue and relatively fixed expenditures may result, under certain market conditions, in reduced earnings. Therefore, we may be unable to adjust our portfolio promptly in response to economic, market or other conditions, which could adversely affect our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Some of our leases may not include periodic rental increases, or the rental increases may be less than the fair market rate at a future point in time. In either case, the value of the leased property to a potential purchaser may not increase over time, which may restrict our ability to sell that property, or if we are able to sell that property, may result in a sale price less than the price that we paid to purchase the property or the price that could be obtained if the rental income was at the then-current market rate.

We expect to hold our various real properties until such time as we decide that a sale or other disposition is appropriate given our business objectives. Our ability to dispose of properties on advantageous terms or at all depends on certain factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of

our properties. We cannot predict the various market conditions affecting real estate assets which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the disposition of our properties, we cannot assure our stockholders that we will be able to sell such properties at a profit or at all in the future. Accordingly, the extent to which our stockholders will receive cash distributions and realize potential appreciation on our real estate assets will depend upon fluctuating market conditions. Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure our stockholders that we will have funds available to correct such defects or to make such improvements.

We may be unable to secure funds for our future long-term liquidity needs.

Our long-term liquidity needs will consist primarily of funds necessary for acquisitions of assets, development or repositioning of properties, capital expenditures, refinancing of indebtedness, SBA 7(a) loan originations, paying distributions on our Preferred Stock or any other preferred stock we may issue, any future repurchase and or redemption of our Preferred Stock (if we choose, or are required, to pay the redemption price in cash instead of in shares of our Common Stock), and distributions on our Common Stock. 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 one or more of the following methods: (i) offerings of shares of Common Stock, preferred stock, senior unsecured securities, and or other equity and debt securities; (ii) credit facilities and term loans; (iii) the addition of senior recourse or non-recourse debt using target acquisitions as well as existing assets as collateral; (iv) the sale of existing assets; and or (v) cash flows from operations. 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 assets may generate lower cash flow or decline in value, or both, which may cause us to sell assets at a time when we would not otherwise do so and could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Income from our long-term leases is an important source of our cash flow from operations and is subject to risks related to increases in expenses and inflation.

We are exposed to risks related to increases in market lease rates and inflation, as income from long-term leases is an important source of our cash flow from operations. Leases of long-term duration or which include renewal options that specify a maximum rate increase may result in below-market lease rates over time if we do not accurately estimate inflation or market lease rates. Provisions of our leases designed to mitigate the risk of inflation and unexpected increases in market lease rates, such as periodic rental increases, may not adequately protect us from the impact of inflation or unexpected increases in market lease rates. If we are subject to below-market lease rates on a significant number of our properties pursuant to long-term leases and our operating and other expenses are increasing faster than anticipated, our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock could be materially adversely affected.

We may finance properties with lock-out provisions, which may prohibit us from selling a property or may require us to maintain specified debt levels for a period of years on some properties.

A lock-out provision is a provision that prohibits the prepayment of a loan during a specified period of time. Lock-out provisions may include terms that provide strong financial disincentives for borrowers to prepay their outstanding loan balance. If a property is subject to a lock-out provision, we may be materially restricted from or delayed in selling or otherwise disposing of or refinancing such property. Lock-out provisions may prohibit us from reducing the outstanding indebtedness with respect to any properties, refinancing such indebtedness at maturity, or increasing the amount of indebtedness with respect to such properties. Lock-out provisions could impair our ability to take other actions during the lock-out period that could be in the best interests of our stockholders and, therefore, may have an adverse impact on the value of our securities relative to the value that would result if the lock-out provisions did not exist. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change of control even though that disposition or change of control might be in the best interests of our stockholders.

Increased operating expenses could reduce cash flow from operations and funds available to deploy capital or make distributions.

Our properties are subject to operating risks common to real estate in general, any or all of which may negatively affect us. If any property is not fully occupied or if rents are payable (or are being paid) in an amount that is insufficient to

cover operating expenses that are our responsibility under the lease, we could be required to expend funds in excess of such rents with respect to that property for operating expenses. Our properties are subject to increases in tax rates, utility costs, insurance costs, repairs and maintenance costs, administrative costs and other operating and ownership expenses. Our property leases may not require the tenants to pay all or a portion of these expenses, in which event we may be responsible for these costs. If we are unable to lease properties on terms that require the tenants to pay all or some of the properties' operating expenses, if our tenants fail to pay these expenses as required or if expenses we are required to pay exceed our expectations, we could have less funds available for future acquisitions or cash available for distributions to our stockholders.

The market environment may adversely affect our operating results, financial condition and ability to pay distributions to our stockholders.

Any deterioration of domestic or international financial markets could impact the availability of credit or contribute to rising costs of obtaining credit and therefore, could have the potential to adversely affect the value of our assets, the availability or the terms of financing, our ability to make principal and interest payments on, or refinance, any indebtedness and or, for our leased properties, the ability of our tenants to enter into new leasing transactions or satisfy their obligations, including the payment of rent, under existing leases. The market environment also could affect our operating results and financial condition as follows:

- *Debt Markets*—The debt market is sensitive to the macro environment, such as Federal Reserve policy, market sentiment, or regulatory factors affecting the banking and commercial mortgage backed securities ("CMBS") industries. Should overall borrowing costs increase, due to either increases in index rates or increases in lender spreads, our operations may generate lower returns.

- *Real Estate Markets*—While incremental demand growth has helped to reduce vacancy rates and support modest rental growth in recent years, and while improving fundamentals have resulted in gains in property values, in many markets property values, occupancy and rental rates continue to be below those previously experienced before the most recent economic downturn. If recent improvements in the economy reverse course, the properties we acquire could substantially decrease in value after we purchase them. Consequently, we may not be able to recover the carrying amount of our properties, which may require us to recognize an impairment charge or record a loss on sale in our earnings.

Real estate-related taxes may increase, and if these increases are not passed on to tenants, our income will be reduced.

We are required to pay property taxes for our properties, which can increase as property tax rates increase or as properties are assessed or reassessed by taxing authorities. In California, pursuant to an existing state law commonly referred to as Proposition 13, all or portions of a property are reassessed to market value only at the time of “change in ownership” or completion of “new construction,” and thereafter, annual property tax increases are limited to 2% of previously assessed values. As a result, Proposition 13 generally results in significant below-market assessed values over time. From time to time, including recently, lawmakers and political coalitions have initiated efforts to repeal or amend Proposition 13. If successful in the future, these proposals could substantially increase the assessed values and property taxes for our properties in California. Although some tenant leases may permit us to pass through such tax increases to the tenants for payment, renewal leases or future leases may not be negotiated on the same basis. Tax increases not passed through to tenants could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Our operating results may be negatively affected by development and construction delays and the resultant increased costs and risks.

If we engage in development or construction projects, we will be subject to uncertainties associated with re-zoning for development, environmental and land use concerns of governmental entities and or community groups, and our builder's ability to build in conformity with plans, specifications, budgeted costs, and timetables. If a builder fails to perform, we may resort to legal action to rescind the breached agreement or to compel performance. A builder's performance may also be affected or delayed by conditions beyond the builder's control. Delays in completion of construction could also give tenants the right to terminate preconstruction leases. We may incur additional risks if we make periodic progress payments or other advances to builders before they complete construction. These and other such factors can result in increased costs of a project or loss of our asset. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. We also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction when agreeing upon a price at the time we acquire the property. If our projections are inaccurate, we may pay too much for a property, and our return on our assets could suffer.

We may deploy capital in unimproved real property. Returns from development of unimproved properties are also subject to risks associated with re-zoning the land for development and environmental and land use concerns of governmental entities and or community groups.

We face significant competition.

Our office portfolio competes with a number of developers, owners and operators of office real estate, many of which own properties similar to ours in the same markets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and may not be able to replace them, and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants' leases expire. As a result of any of the foregoing factors, our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock may be materially adversely affected.

Our hotel property competes for guests primarily with other hotels in the immediate vicinity of our hotel and secondarily with other hotels in the geographic market of our hotel. An increase in the number of competitive hotels in these areas could have a material adverse effect on the occupancy, ADR and RevPAR of our hotel.

Terrorism and war could harm our operating results.

The strength and profitability of our business depends on demand for and the value of our properties. Future terrorist attacks in the United States, such as the attacks that occurred in New York and the District of Columbia on September 11, 2001 and in Boston on April 15, 2013, and other acts of terrorism or war may have a negative impact on our operations. Terrorist attacks in the United States and elsewhere may result in declining economic activity, which could harm the demand for and the value of our properties. In addition, the public perception that certain locations are at greater risk for attack, such as major airports, ports, and rail facilities, may decrease the demand for and the value of our properties near these sites. A decrease in demand could make it difficult for us to renew or re-lease our properties at these sites at lease rates equal to or above historical rates. Such terrorist attacks could have an adverse impact on our business even if they are not directed at our properties.

Previous terrorist attacks and subsequent terrorist alerts have adversely affected the U.S. travel and hospitality industries since 2001, often disproportionately to the effect on the overall economy. The extent of the impact that actual or threatened terrorist attacks in the United States or elsewhere could have on domestic and international travel and our business in particular cannot be determined, but any such attacks or the threat of such attacks could have a material adverse effect on travel and hotel demand and our ability to finance our hospitality business.

In addition, the terrorist attacks of September 11, 2001 have substantially affected the availability and price of insurance coverage for certain types of damages or occurrences, and our insurance policies for terrorism include large deductibles and co-payments. Although we maintain terrorism insurance coverage on our portfolio, the amount of our terrorism insurance coverage may not be sufficient to cover losses inflicted by terrorism and therefore could expose us to significant losses and have a negative impact on our operations.

In connection with the ownership and operation of real estate assets, we may be potentially liable for costs and damages related to environmental matters.

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

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

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

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

Changes in U.S. accounting standards regarding operating leases may make the leasing of our properties less attractive to our potential tenants, which could reduce overall demand for our leasing services.

Previously, tenants were required to classify a lease of real property as a capital lease, with the leased asset and liability reflected on its balance sheet, only if the significant risks and rewards of ownership were considered to reside with the tenant; otherwise, the lease was considered an operating lease not reflected on the balance sheet (except that the contractual future minimum payment obligations of such lease were disclosed in the footnotes to the financial statements). Thus, entering into an operating lease could have appeared to enhance a tenant’s balance sheet in comparison to direct ownership.

The U.S. Financial Accounting Standards Board (the "FASB") and the International Accounting Standards Board conducted a joint project to re-evaluate lease accounting. In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* ("ASU 2016-02"), which applies to fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Under ASU 2016-02, tenants must recognize assets and liabilities on the balance sheet for all leases with a lease term of more than 12 months, with the result being the recognition of a right of use asset and a lease liability and the disclosure of key information about the entity's leasing arrangements. These and other changes to the accounting guidance could affect both our accounting for leases as well as that of our current and potential tenants. These changes may affect how our real estate leasing business is conducted. For example, companies may be less willing to enter into real property leases in general or may seek leases with shorter terms because the apparent benefits to their balance sheets may have been reduced or eliminated given the changes in accounting treatment. This impact in turn could make it more difficult for us to enter into leases on terms we find favorable.

Changes in accounting standards may adversely impact our financial condition and or results of operations.

We are subject to the rules and regulations of the FASB related to generally accepted accounting principles in the United States ("GAAP"). Various changes to GAAP are constantly being considered, some of which could materially impact our reported financial condition and or results of operations. Also, to the extent publicly traded companies in the United States would be required in the future to prepare financial statements in accordance with International Financial Reporting Standards instead of the current GAAP, this change in accounting standards could materially affect our financial condition or results of operations.

Compliance with the ADA and fire, safety and other regulations may require us to make unanticipated expenditures that could significantly reduce the cash available for distributions on our Common Stock or Preferred Stock.

Our properties are subject to regulation under federal laws, such as the ADA, pursuant to which all public accommodations must meet federal requirements related to access and use by disabled persons. Although we believe that our properties substantially comply with present requirements of the ADA, we have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of our properties or future properties are not in compliance with the ADA, we might be required to take remedial action, which would require us to incur additional costs to bring the property into compliance. Noncompliance with the ADA could also result in imposition of fines or an award of damages to private litigants.

Additional federal, state and local laws also may require modifications to our properties or restrict our ability to renovate our properties. We cannot predict the ultimate amount of the cost of compliance with the ADA or other legislation.

In addition, our properties are subject to various federal, state and local regulatory requirements, such as state and local earthquake, fire and life safety requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. If we were to fail to

comply with these various requirements, we might incur governmental fines or private damage awards. If we incur substantial costs to comply with the ADA or any other regulatory requirements, our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock could be materially adversely affected.

Risks Related to Debt Financing

We have incurred significant indebtedness and may incur significant additional indebtedness on a consolidated basis.

We have incurred significant indebtedness and may incur significant additional indebtedness to fund future acquisitions, development activities and operational needs. The degree of leverage could make us more vulnerable to a downturn in business or the economy generally.

Payments of principal and interest on our borrowings may leave us with insufficient cash resources to operate our properties and or pay distributions on our Common Stock or Preferred Stock. The incurrence of substantial outstanding indebtedness, and the limitations imposed by our debt agreements, could have significant other adverse consequences, including the following:

- our cash flows may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our liquidity for acquisitions or operations;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our existing indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;
- we may violate restrictive covenants in our debt documents, which would entitle the lenders to accelerate our debt obligations;
- we may default on our obligations and the lenders or mortgagees may foreclose on our properties and take possession of any collateral that secures their loans; and
- our default under any of our indebtedness with cross-default provisions could result in a default on other indebtedness.

If any one of these events occurs, our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock may be materially adversely affected. In addition, any foreclosure on our properties could create taxable income without the accompanying cash proceeds, which could adversely affect our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code").

We intend to rely in part on external sources of capital to fund future capital needs and, if we encounter difficulty in obtaining such capital, we may not be able to meet maturing obligations or make additional acquisitions.

In order to qualify and maintain our qualification as a REIT under the Code, we are required, among other things, to distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding any net capital gain. Because of this dividend requirement, we may not be able to fund from cash retained from operations all of our future capital needs, including capital needed to refinance maturing obligations or make new acquisitions.

The capital and credit markets have experienced extreme volatility and disruption as a result of the global outbreak of COVID-19. We believe that such volatility and disruption are likely to continue into the foreseeable future. Market volatility and disruption could hinder our ability to obtain new debt financing or refinance our maturing debt on favorable terms or at all or to raise debt and equity capital. Our access to capital will depend upon a number of factors, including:

- general market conditions;

- government action or regulation, including changes in tax law;
- the market's perception of our future growth potential;
- the extent of stockholder interest;
- analyst reports about us and the REIT industry;
- the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our financial performance and that of our tenants;
- our current debt levels;
- our current and expected future earnings; and
- our cash flow and cash distributions, including our ability to satisfy the dividend requirements applicable to REITs.

If we are unable to obtain needed capital on satisfactory terms or at all, we may not be able to meet our obligations and commitments as they mature or make any new acquisitions.

High interest rates may make it difficult for us to finance or refinance assets, which could reduce the number of properties we can acquire and the amount of cash distributions we can make.

We run the risk of being unable to finance or refinance our assets on favorable terms or at all. If interest rates are high when we desire to mortgage our assets or when existing loans come due and the assets need to be refinanced, we may not be able to, or may choose not to, finance the assets and we would be required to use cash to purchase or repay outstanding obligations. Our inability to use debt to finance or refinance our assets could reduce the number of assets we can acquire, which could reduce our operating cash flow and the amount of cash distributions we can make on our Common Stock or Preferred Stock. Higher costs of capital also could negatively impact our operating cash flow and returns on our assets.

Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to pay distributions to our stockholders.

We have incurred indebtedness, and in the future may incur additional indebtedness, that bears interest at a variable rate. To the extent that we incur variable rate debt and do not hedge our exposure thereunder, increases in interest rates would increase the amounts payable under such indebtedness, which could reduce our operating cash flows and our ability to pay distributions to our stockholders. In addition, if our existing indebtedness matures or otherwise becomes payable during a period of rising interest rates, we could be required to liquidate one or more of our assets at times that may prevent realization of the maximum return on such assets.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

Our ability to make payments on and to refinance our indebtedness, and to fund our operations, working capital and capital expenditures, depends on our ability to generate cash. To a certain extent, our cash flow is subject to general economic, industry, financial, competitive, operating, legislative, regulatory and other factors, many of which are beyond our control.

We cannot assure our stockholders that our business will generate sufficient cash flow from operations or that future sources of cash will be available to us in an amount sufficient to enable us to pay amounts due on our indebtedness or to fund our other liquidity needs.

Additionally, if we incur additional indebtedness in connection with any future deployment of capital or development projects or for any other purpose, our debt service obligations could increase. We may need to refinance all or a portion of our indebtedness before maturity. Our ability to refinance our indebtedness or obtain additional financing will depend on, among other things:

- our financial condition and market conditions at the time;

- restrictions in the agreements governing our indebtedness;
- general economic and capital market conditions;
- the availability of credit from banks or other lenders; and
- our results of operations.

As a result, we may not be able to refinance our indebtedness on commercially reasonable terms, or at all. If we do not generate sufficient cash flow from operations, and additional borrowings or refinancing or proceeds of asset sales or other sources of cash are not available to us, we may not have sufficient cash to enable us to meet all of our obligations. Accordingly, if we cannot service our indebtedness, we may have to take actions such as seeking additional equity, or delaying any strategic acquisitions and alliances or capital expenditures, any of which could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions on our Common Stock or Preferred Stock.

In connection with providing us financing, a lender could impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan documents we enter into may contain covenants that limit our ability to further mortgage the property or discontinue insurance coverage. These or other limitations imposed by a lender may adversely affect our flexibility and limit our ability to pay distributions on our Common Stock or Preferred Stock.

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders.

We may finance some of our property acquisitions using interest-only mortgage indebtedness. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum or "balloon" payment at maturity. These required payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the loan on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT. Any of these results would have a significant, negative impact on the value of our securities.

We may in the future enter into hedging transactions that could expose us to contingent liabilities in the future and materially adversely impact our financial condition and results of operations.

Subject to maintaining our qualification as a REIT, we may in the future enter into hedging transactions that could require us to fund cash payments in certain circumstances (e.g., the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument), which could in turn result in economic losses to us.

In addition, certain of the hedging instruments that we may enter into could involve additional risks if they are not traded on regulated exchanges, guaranteed by an exchange or our clearing house, or regulated by any U.S. or foreign governmental authorities. It cannot be assured that a liquid secondary market will exist for hedging instruments that we may enter into in the future, and we may be required to maintain a position until exercise or expiration, which could result in significant losses.

We intend to record any derivative and hedging transactions we enter into in accordance with GAAP. However, we may choose not to pursue, or fail to qualify for, hedge accounting treatment relating to such derivative instruments. As a result, our operating results may suffer because losses, if any, on these derivative instruments may not be offset by a change in the fair value of the related hedged transaction or item. Any losses sustained as a result of our hedging transactions would be reflected in our results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Risks Related to Our Lending Operations

Our lending operations expose us to a high degree of risk associated with real estate.

The performance and value of our loans depends upon many factors beyond our control. The ultimate performance and value of our loans are subject to risks associated with the ownership and operation of the properties which collateralize our loans, including the property owner's ability to operate the property with sufficient cash flow to meet debt service requirements. The performance and value of the properties collateralizing our loans may be adversely affected by:

- changes in national or regional economic conditions;
- changes in real estate market conditions due to changes in national, regional or local economic conditions or property market characteristics;
- competition from other properties;
- changes in interest rates and the condition of the debt and equity capital markets;
- the ongoing need for capital repairs and improvements;
- increases in real estate tax rates and other operating expenses (including utilities);
- adverse changes in governmental rules and fiscal policies; acts of God, including earthquakes, hurricanes, fires and other natural disasters; pandemic outbreaks and other global health emergencies (including as a result of the outbreak of COVID-19 that began in the fourth quarter of 2019); disruptive global political events, including terrorist activity and war; or a decrease in the availability of or an increase in the cost of insurance;
- adverse changes in zoning laws;
- the impact of environmental legislation and compliance with environmental laws; and
- other factors that are beyond our control or the control of the commercial property owners**.**

In the event that any of the properties underlying our loans experience any of the foregoing events or occurrences, the value of, and return on, such loans may be negatively impacted, which in turn could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

There are significant risks related to loans originated under the SBA 7(a) Program.

Many of the borrowers under our SBA 7(a) Program are privately-owned businesses. There is typically no publicly available information about these businesses; therefore, we must rely on our own due diligence to obtain information in connection with our decisions. Our borrowers may not meet net income, cash flow and other coverage tests typically imposed by banks. A borrower's ability to repay its loan may be adversely impacted by numerous factors, including a downturn in its industry or other negative local or macro-economic conditions. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in the collateral for the loan. In addition, small businesses typically depend on the management talents and efforts of one person or a small group of people for their success. The loss of services of one or more of these persons could have an adverse impact on the operations of the small business. Small companies are typically more vulnerable to customer preferences, market conditions and economic downturns and often need additional capital to maintain

the business, expand or compete. These factors may have an impact on the ultimate recovery of our loans receivable from such businesses. Loans to small businesses, therefore, involve a high degree of business and financial risk, which can result in substantial losses and accordingly should be considered speculative. The factors described above could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Our loans secured by real estate and our real estate owned ("REO") properties are typically illiquid and their values may decrease.

Our loans secured by real estate and our real estate acquired through foreclosure are typically illiquid. Therefore, we may be unable to vary our portfolio promptly in response to changing economic, financial and investment conditions. As a result, the fair market value of these assets may decrease in the future and losses may result. The illiquid nature of our loans may adversely affect our ability to dispose of such loans at times when it may be advantageous or necessary for us to liquidate such assets, which in turn could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Our lending operations have an industry concentration, which may negatively impact our financial condition and results of operations.

A majority of our revenue from the lending operations is generated from loans collateralized by hospitality properties. At December 31, 2019, our loans subject to credit risk were 98.7% concentrated in the hospitality industry. Any factors that negatively impact the hospitality industry, including the outbreak of COVID-19 that began in the fourth quarter of 2019, recessions, severe weather events (such as hurricanes, blizzards, floods, etc.), depressed commercial real estate markets, travel restrictions, bankruptcies or other political or geopolitical events or the introduction of new concepts and products such as Airbnb®, Homeaway® and VRBO®, could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Establishing loan loss reserves entails significant judgment and may negatively impact our results of operations.

We have a quarterly review process to identify and evaluate potential exposure to loan losses. The determination of whether significant doubt exists and whether a loan loss reserve is necessary requires judgment and consideration of the facts and circumstances existing at the evaluation date. Additionally, further changes to the facts and circumstances of the individual borrowers, the limited service hospitality industry and the economy may require the establishment of additional loan loss reserves and the effect to our results of operations would be adverse. If our judgments underlying the establishment of our loan loss reserves are not correct, our results of operations may be negatively impacted.

Whenever our borrowers experience significant operating difficulties and we are forced to liquidate the collateral underlying the loans, losses may be relatively substantial and could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Our SBA 7(a) Program loans are subject to delinquency, foreclosure and loss, any or all of which could result in losses.

Our loans originated pursuant to the SBA 7(a) Program are collateralized by income-producing properties and typically have personal guarantees. These loans are predominantly to operators of limited service hospitality properties. As a result, these operators are subject to risks associated with the hospitality industry, including the outbreak of COVID-19 that began in the fourth quarter of 2019, recessions, severe weather events, depressed commercial real estate markets, travel restrictions, bankruptcies or other political or geopolitical events.

Our SBA 7(a) loans that have real estate as collateral are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of and or cash flow from the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of and or cash flow from an income-producing property can be affected by, among other things, tenant mix, success of tenant businesses, onsite property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expenses or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in

national, regional or local economic conditions and or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

In the event of a loan default, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral multiplied by our percentage ownership and the unguaranteed portion of the principal and accrued interest on the loan. In the event of the bankruptcy of the borrower, the loan to such borrower will be deemed collateralized only to the extent of the value of the underlying property at the time of the bankruptcy (as determined by the bankruptcy court). In addition to losses related to collateral deficiencies, during the foreclosure process we may incur costs related to the protection of our collateral including unpaid real estate taxes, legal fees, franchise fees, insurance and operating shortfalls to the extent the property is being operated by a court-appointed receiver.

Foreclosure and bankruptcy are complex and sometimes lengthy processes that are subject to federal and state laws and regulations. An action to foreclose on a property is subject to many of the delays and expenses of other lawsuits if the defendant raises defenses or counterclaims. In the event of a default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due under the note. Further, borrowers have the option of seeking federal bankruptcy protection which could delay the foreclosure process. In conjunction with the bankruptcy process, the terms of the loan agreements may be modified. Typically, delays in the foreclosure process will have a negative impact on our results of operations and or financial condition due to direct and indirect costs incurred and possible deterioration of the value of the collateral. After foreclosure has been completed, a lack of funds or capital may force us to sell the underlying property resulting in a lower recovery even though developing the property prior to a sale could result in a higher recovery.

As a result of the factors described above, defaults on SBA 7(a) Program loans could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Curtailment of our ability to utilize the SBA 7(a) Program by the federal government could adversely affect our results of operations.

We are dependent upon the federal government to maintain the SBA 7(a) Program. There can be no assurance that the program will be maintained or that loans will continue to be guaranteed at current levels. In addition, there can be no assurance that our SBA lending subsidiary, First Western SBLC, Inc. ("First Western") will be able to maintain its status as a "Preferred Lender" under PLP (as defined below) or that we can maintain our SBA 7(a) license.

If we cannot continue originating and selling government guaranteed loans at current levels, we could experience a decrease in future servicing spreads and earned premiums. From time-to-time the SBA has reached its internal budgeted limits and ceased to guarantee loans for a stated period of time. In addition, the SBA may change its rules regarding loans or Congress may adopt legislation or fail to approve a budget that would have the effect of discontinuing, reducing availability of funds for, or changing loan programs. Non-governmental programs could replace government programs for some borrowers, but the terms might not be equally acceptable. If these changes occur, the volume of loans to small businesses that now qualify for government guaranteed loans could decline, as could the profitability of these loans.

First Western has been granted national preferred lender program ("PLP") status and originates, sells and services small business loans and is authorized to place SBA guarantees on loans without seeking prior SBA review and approval. Being a national lender, PLP status allows First Western to expedite loans since First Western is not required to present applications to the SBA for concurrent review and approval. The loss of PLP status could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Mezzanine loans are subject to delinquency, foreclosure and loss, any or all of which could result in losses.

We may originate mezzanine loans, which are loans made to entities that have subsidiaries which own real property and are secured by pledges of such entity's equity ownership in its property-owning subsidiary. Mezzanine loans are by their nature structurally and legally subordinated to more senior property-level financings. Accordingly, if a borrower defaults on our mezzanine loan or if there is a default by our borrower's subsidiary on debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the property-level debt and other senior debt is paid in full.

We may also retain, from whole loans we originate, subordinate interests referred to as B-notes. B-notes are commercial real estate loans secured by a first mortgage on a single large commercial property or group of related properties and subordinated to a senior interest, referred to as an A-note. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-note owners after payment to the A-note owners.

Moreover, under the terms of intercreditor arrangements governing mezzanine loans, B-notes and other similar subordinated loans originated by us, we may have to satisfy certain liquidity and capital requirements before we can step into a borrower's position after it has defaulted. There can be no assurance that we will be able to satisfy such requirements, resulting in potentially lower recovery. After a foreclosure on the pledged equity interest has been completed, a lack of funds may force us to sell the underlying property without developing it further (which sale may result in a lower recovery) instead of injecting funds into and developing the property prior to a sale (which may result in a higher recovery).

As a result of the factors described above, defaults on commercial real estate loans could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

We operate in a competitive market for real estate opportunities and future competition for commercial real estate collateralized loans may limit our ability to originate or dispose of our target loans and could also affect the yield of these loans.

We are in competition with a number of entities for the types of commercial real estate collateralized loans that we may originate. These entities include, among others, debt funds, specialty finance companies, savings and loan associations, banks and financial institutions. Some of these competitors may be substantially larger and have considerably greater financial, technical and marketing resources than we do. Some of these competitors may also have a lower cost of funds and access to funding sources that may not be available to us currently. In addition, many of our competitors may not be subject to operating constraints associated with REIT qualification or maintenance of exclusions from registration under the Investment Company Act. Furthermore, competition may further limit our ability to generate desired returns. Due to this competition, we may not be able to take advantage of attractive opportunities from time to time, and can offer no assurance that we will be able to identify and deploy our capital in a manner consistent with our objective. We cannot guarantee that the competitive pressures we face will not have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

We may be subject to lender liability claims.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or our other creditors or stockholders. There can be no assurance that that such claims will not arise or that we will not be subject to significant liability if a claim of this type did arise.

We may be adversely affected by the potential discontinuation of the London Interbank Offered Rate (“LIBOR”).

In July 2017, the Financial Conduct Authority in the United Kingdom, which regulates LIBOR, announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after December 31, 2021. In the event that LIBOR is discontinued, the interest rate for any of our indebtedness that is indexed to LIBOR at the time of discontinuation will be based on a replacement rate or an alternate base rate as specified in the applicable documentation governing such indebtedness or as otherwise agreed by us and the applicable lender. Such an event would not affect our ability to borrow or maintain already outstanding borrowings, but the replacement rate or alternate base rate could be higher or more volatile than LIBOR prior to its discontinuance. For instance, as of December 31, 2019, we had $153,000,000 of outstanding indebtedness that was indexed to LIBOR under our revolving credit facility, which allows us to borrow up to $250,000,000, subject to a borrowing base calculation. Additionally, as of December 31, 2019, we had $27,070,000 of junior subordinated notes and $22,282,000 of SBA 7(a) loan-backed notes that were indexed to LIBOR. The full impact of the expected transition away from LIBOR and the potential discontinuation of LIBOR after 2021 is unclear, but these changes could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

U.S. Federal Income and Other Tax Risks

Failure to qualify and maintain our qualification as a REIT would have significant adverse consequences to us and the value of our securities.

We believe that we are organized and qualify as a REIT and intend to operate in a manner that will allow us to continue to qualify as a REIT. However, we cannot guarantee that we are qualified as such, or that we will remain qualified as such in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification.

If we fail to qualify as a REIT, we could face serious tax consequences that could substantially reduce our funds available for payment of distributions to our stockholders for each of the years involved because:

- we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we also could be subject to increased state and local taxes; and
- unless we are entitled to relief under statutory provisions, we could not elect to be subject to be taxed as a REIT for four taxable years following the year during which we are disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. As a result of these factors, our failure to qualify as a REIT could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock. If we fail to qualify as a REIT for federal income tax purposes and are able to avail ourselves of one or more of the relief provisions under the Code in order to maintain our REIT status, we might nevertheless be required to pay certain penalty taxes for each such failure.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

Income from "qualified dividends" payable to U.S. stockholders that are individuals, trusts and estates are generally subject to tax at preferential rates. Dividends payable by REITs, however, generally are not eligible for the preferential tax rates applicable to qualified dividend income. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the preferential rates continue to apply to regular corporate qualified dividends, investors that are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could materially and adversely affect the value of the shares of REITs, including the per share trading price of our securities. However, under the Tax Cuts and Jobs Act of 2017 (the "Tax Cuts and Jobs Act") for taxable years prior to 2026, non-corporate U.S. stockholders of REITs may deduct up to 20% of any “qualified REIT dividends.” A qualified REIT dividend is defined as any dividend from a REIT that is not a capital gain dividend or a dividend attributable to dividend income from U.S. corporations or certain non-U.S. corporations. A non-corporate U.S. stockholder’s ability to claim a deduction equal to 20% of qualified REIT dividends received may be limited by the stockholder’s particular circumstances.

Our ownership of and relationship with our taxable REIT subsidiaries will be limited, and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax.

Subject to certain restrictions, a REIT may own up to 100% of the stock of one or more taxable REIT subsidiaries (“TRSs”). A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by the REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. A TRS generally will pay income tax at regular corporate rates on any taxable income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Our TRSs are subject to normal corporate income taxes. We continuously monitor the value of our investments in TRSs for the purpose of ensuring compliance with the rule that no more than 20% of the value of our assets may consist of TRS stock and securities (which is applied at the end of each calendar quarter). The aggregate value of our TRS stock and securities was less than 20% of the value of our total assets (including our TRS stock and securities) as of December 31, 2019. In addition, we scrutinize all of our transactions with our TRSs for the purpose of ensuring that they are entered into on arm's-length terms in order to avoid incurring the 100% excise tax described above. There are no distribution requirements applicable to the TRSs and after-tax earnings may be retained. There can be no assurance, however, that we will be able to comply with the 20% limitation on ownership of TRS stock and securities on an ongoing basis so as to maintain REIT status or to avoid application of the 100% excise tax imposed on certain non-arm's-length transactions.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability or reduce our operating flexibility, including changes resulting from the recently passed Tax Cuts and Jobs Act.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in shares of our capital stock. Additional changes to the tax laws are likely to continue to occur, and we cannot assure our stockholders that any such changes will not adversely affect our taxation and our ability to continue to qualify as a REIT or the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. Our stockholders are urged to consult with their tax advisors with respect to the impact of recent legislation on their investment in our shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares or on our ability to continue to qualify as a REIT. Even changes that do not impose greater taxes on us could potentially result in adverse consequences to our stockholders. Although REITs generally receive better tax treatment than entities taxed as regular corporations, it is possible that future legislation (such as a decrease in corporate tax rates) would result in a REIT having fewer tax advantages, and it could decrease the attractiveness of the REIT structure relative to companies that are not organized as REITs. As a result, our charter provides our Board of Directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a regular corporation, without the vote of our stockholders. Our Board of Directors has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in the best interests of our stockholders.

In addition, the Tax Cuts and Jobs Act makes significant changes to the U.S. federal income tax rules for taxation of individuals and businesses, generally effective for taxable years beginning after December 31, 2017. In addition to reducing corporate and individual tax rates, the Tax Cuts and Jobs Act eliminates or restricts various deductions. Many of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The Tax Cuts and Jobs Act makes numerous large and small changes to the tax rules that do not affect the REIT qualification rules directly but may otherwise affect us or our stockholders and could impact the geographic markets in which we operate as well as our tenants in ways, both positive and negative, that are difficult to anticipate. For example, the limitation in the Tax Cuts and Jobs Act on the deductibility of certain state and local taxes may make operating in jurisdictions that impose such taxes at higher rates less desirable than operating in jurisdictions imposing such taxes at lower rates.

While the changes in the Tax Cuts and Jobs Act generally appear to be favorable with respect to REITs, the extensive changes to non-REIT provisions in the Code may have unanticipated effects on us or our stockholders. Moreover, certain provisions of the Tax Cuts and Jobs Act give rise to issues needing clarification and unintended consequences that will have to be revisited in subsequent tax legislation or administrative guidance. At this point, it is not clear if or when Congress or the Internal Revenue Service will resolve these issues.

In certain circumstances, we may be subject to certain federal, state and local taxes as a REIT, which would reduce our cash available for distribution to our stockholders.

Even if we qualify and maintain our status as a REIT, we may be subject to certain federal, state and local taxes. For example, net income from the sale of properties that are "dealer" properties sold by a REIT (a "prohibited transaction" under the Code) will be subject to a 100% excise tax, and some state and local jurisdictions may tax some or all of our income because not all states and localities treat REITs the same as they are treated for federal income tax purposes. Any federal, state or local taxes we pay will reduce our cash available for distribution to our stockholders. Moreover, as discussed above, our TRSs are generally subject to corporate income taxes and excise taxes in certain cases. Additionally, if we are not able to make sufficient distributions to eliminate our REIT taxable income, we may be subject to tax as a corporation on our undistributed REIT taxable income. We may also decide to retain income we earn from the sale or other dispositions of our properties and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the

tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability.

REIT annual distribution requirements may force us to forgo otherwise attractive opportunities or borrow funds during unfavorable market conditions. This could delay or hinder our ability to meet our objectives and reduce our stockholders' overall return.

In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding any net capital gain. We will be subject to U.S. federal income tax on our undistributed taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which dividends we pay with respect to any calendar year are less than the sum of (i) 85% of our ordinary income, (ii) 95% of our capital gain net income and (iii) 100% of our undistributed income from prior years.

Further, to maintain our qualification as a REIT, we must ensure that we meet the REIT gross income tests annually and that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and certain kinds of mortgage-related securities. The remainder of our investment in securities (other than government securities, qualified real estate assets and stock of a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, qualified real estate assets and stock of a TRS) can consist of the securities of any one issuer, no more than 20% of the value of our total assets can be represented by securities of one or more TRSs and no more than 25% of the value of our total assets can be represented by certain debt securities of publicly offered REITs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences.

The foregoing requirements could cause us to distribute amounts that otherwise would be spent on deploying capital in real estate assets and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these dividends or make taxable stock dividends. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings, it is possible that we might not always be able to do so.

Non-U.S. stockholders may be subject to U.S. federal withholding tax and may be subject to U.S. federal income tax upon the disposition of our shares.

Gain recognized by a non-U.S. stockholder upon the sale or exchange of shares of our capital stock generally will not be subject to U.S. federal income taxation unless such stock constitutes a "U.S. real property interest" ("USRPI") under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). Shares of our capital stock will not constitute a USRPI so long as we are a "domestically-controlled qualified investment entity." A domestically-controlled qualified investment entity includes a REIT if at all times during a specified testing period, less than 50% in value of such REIT's stock is held directly or indirectly by non-U.S. stockholders. We believe that we are a domestically-controlled qualified investment entity. However, because our capital stock is and will be freely transferable (other than restrictions on ownership and transfer that are intended to, among other purposes, assist us in maintaining our qualification as a REIT for federal income tax purposes as described in the risk factor "The share transfer and ownership restrictions applicable to REITs and contained in our charter may inhibit market activity in our shares of stock and restrict our business combination opportunities"), no assurance can be given that we are or will be a domestically-controlled qualified investment entity.

Even if we do not qualify as a domestically-controlled qualified investment entity at the time a non-U.S. stockholder sells or exchanges shares of our capital stock, gain arising from such a sale or exchange would not be subject to U.S. taxation under FIRPTA as a sale of a USRPI if: (i) the class of shares of capital stock sold or exchanged is "regularly traded," as defined by applicable U.S. Treasury regulations, on an established securities market, and (ii) such non-U.S. stockholder owned, actually or constructively, 10% or less of the outstanding shares of such class of capital stock at all times during the shorter of the five-year period ending on the date of the sale and the period that such non-U.S. stockholder owned such shares. If the class of shares of capital stock sold or exchanged is not "regularly traded," gain arising from such sale or exchange would not be subject to U.S. taxation under FIRPTA as a sale of a USRPI if: (A) on the date the shares were acquired by the non-U.S. stockholder, such shares did not have a fair market value greater than the fair market value on that date of 5% of the "regularly traded" class of our outstanding shares of capital stock with the lowest fair market value, and (B) the test in clause (A) is also satisfied as of the date of any subsequent acquisition by such non-U.S. stockholder of additional shares of the same non-"regularly traded"

class of our capital stock, including all such shares owned as of such date by such non-U.S. stockholder. Complex constructive ownership rules apply for purposes of determining the amount of shares held by a non-U.S. stockholder for these purposes.

Complying with REIT requirements may limit our ability to hedge our liabilities effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets or to offset certain other positions, if properly identified under applicable U.S. Treasury regulations, does not constitute "gross income" for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions will likely be treated as non-qualifying income for purposes of one or both of the gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRSs would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in a TRS generally will not provide any tax benefit, except for being carried forward against future taxable income of such TRS.

Our property taxes could increase due to property tax rate changes or reassessment, which would impact our cash flows.

We will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase substantially. If the property taxes we pay increase and if any such increase is not reimbursable under the terms of our lease, then our cash flows will be impacted, which in turn could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

REIT stockholders can receive taxable income without cash distributions.

Under certain circumstances, REITs are permitted to pay required dividends in shares of their stock rather than in cash. If we were to avail ourselves of that option, our stockholders could be required to pay taxes on such stock distributions without the benefit of cash distributions to pay the resulting taxes.

The share transfer and ownership restrictions applicable to REITs and contained in our charter may inhibit market activity in our shares of stock and restrict our business combination opportunities.

In order to continue to qualify as a REIT, five or fewer individuals, as defined in the Code, may not own, actually or constructively, more than 50% in value of our issued and outstanding shares of stock at any time during the last half of each taxable year, other than the first year for which a REIT election is made. Attribution rules in the Code determine if any individual or entity actually or constructively owns our shares of stock under this requirement. Additionally, at least 100 persons must beneficially own our shares of stock during at least 335 days of a taxable year for each taxable year, other than the first year for which a REIT election is made. To help ensure that we meet these tests, among other purposes, our charter restricts the acquisition and ownership of our shares of stock.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and advisable to preserve our qualification as a REIT. Unless exempted by the Board of Directors, for as long as we continue to qualify as a REIT, our charter prohibits, among other limitations on ownership and transfer of shares of our stock, any person from beneficially or constructively owning (applying certain attribution rules under the Code) more than 6.25% (in value or in number of shares, whichever is more restrictive) of the aggregate of our outstanding shares of capital stock and more than 6.25% (in value or in number of shares, whichever is more restrictive) of our Common Stock. The Board of Directors, in its sole discretion and upon receipt of certain representations and undertakings, may exempt a person (prospectively or retrospectively) from the ownership limits. However, the Board of Directors may not, among other limitations, grant an exemption from these ownership restrictions to any proposed transferee whose ownership, direct or indirect, in excess of the 6.25% ownership limit would result in the termination of our qualification as a REIT. These restrictions on transfer and ownership will not apply, however, if the Board of Directors determines that it is no longer in our best interest to continue to qualify as a REIT or that compliance with the restrictions is no longer required in order for us to continue to so qualify as a REIT.

These ownership limits could delay or prevent a transaction or a change in control that might involve a premium price for our capital stock or otherwise be in the best interest of our stockholders.

Risks Related to Our Common Stock and Preferred Stock

There is no public market for our Series A Preferred Stock or Series D Preferred Stock, and we do not expect any such market to develop.

There is no public market for the Series A Preferred Stock or Series D Preferred Stock, and we currently have no plan to list any of these securities on a securities exchange or to include any of these shares for quotation on any national securities market. Additionally, our charter contains restrictions on the ownership and transfer of our securities, and these restrictions may inhibit your ability to sell the Series A Preferred Stock or Series D Preferred Stock promptly or at all. If you are able to sell shares of Series A Preferred Stock or Series D Preferred Stock, you may only be able to sell them at a substantial discount from the price you paid. Therefore, you should purchase the Series A Preferred Stock and Series D Preferred Stock only as a long term investment.

Neither the Series A Preferred Stock nor the Series D Preferred Stock has been rated.

We have not obtained, and currently do not intend to obtain, a rating for the Series A Preferred Stock or Series D Preferred Stock, and it is likely that neither the Series A Preferred Stock nor Series D Preferred Stock will ever be rated. No assurance can be given, however, that one or more rating agencies will not independently determine to issue such a rating or that that we will not elect in the future to obtain such a rating. Such a rating, if issued, may adversely affect the market price and or liquidity of the Series A Preferred Stock or Series D Preferred Stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward, placed on negative outlook or withdrawn entirely at the discretion of the issuing rating agency if, in its judgment, circumstances so warrant. While ratings do not reflect market prices or the suitability of a security for a particular investor, such downward revision or withdrawal of a rating could have an adverse effect on the market price and or liquidity of the Series A Preferred Stock or Series D Preferred Stock.

We may issue shares of our Common Stock at prices below the then-current NAV per share of our Common Stock, which could materially reduce our NAV per share of our Common Stock.

Any sale or other issuance of shares of our Common Stock by us at a price below the then-current NAV per share will result in an immediate reduction of our NAV per share. This reduction would occur as a result of a proportionately greater decrease in a stockholder's interest in our earnings and assets than the increase in our assets resulting from such issuance. For example, if we issue a number of shares of Common Stock equal to 5% of our then-outstanding shares at a 2% discount from NAV, a holder of our Common Stock who does not participate in that offering to the extent of its proportionate interest in the Company will suffer NAV dilution of up to 0.1%, or $1 per $1,000 of NAV. As described in "Item 1. Business—Investment Management Agreement", the Company intends to seek to pay some or all fees payable to the Operator and the Administrator, subject to their consent, in respect of the fiscal year ending December 31, 2020 in shares of Common Stock at prices equal to the then most recent consolidated closing bid price of our Common Stock on the Nasdaq Global Market. Currently, the trading price of our Common Stock is substantially below our NAV. As a result, any issuance of shares of our Common Stock to pay the Operator and or the Administrator will result in an immediate reduction of our NAV per share. Because the number of future shares of our Common Stock that may be issued below our NAV per share and the price and timing of such issuances are otherwise not currently known or anticipated, we cannot predict the resulting reduction in our NAV per share of any such issuance.

Changes in market conditions could adversely affect the market prices of our Common Stock and Series L Preferred Stock.

The market value of our Common Stock and Series L Preferred Stock, as with other publicly traded equity securities, will depend on various market conditions, which may change from time to time. In addition to the economic environment and future volatility in the securities and credit markets in general, the market conditions described in the risk factor "We intend to rely in part on external sources of capital to fund future capital needs and, if we encounter difficulty in obtaining such capital, we may not be able to meet maturing obligations or make additional acquisitions" may affect the value of our Common Stock. In addition, increases in market interest rates may lead investors to demand a higher annual yield from our distributions in relation to the price of our securities.

The market value of our Common Stock is based, among other things, upon the market's perception of our growth potential and our current and potential future earnings and cash dividends and our capital structure. Consequently, our Common Stock or our Series L Preferred Stock may trade at prices that are higher or lower than our NAV per share of Common Stock or the stated value of the Series L Preferred Stock of $28.37 (the "Series L Preferred Stock Stated Value"), subject to adjustment. If our future earnings or cash distributions are less than expected, the market prices of our Common Stock or Series L Preferred Stock could decline.

Our Common Stock ranks, with respect to dividends, junior to our Series A Preferred Stock, Series D Preferred Stock and, except to the extent of the Initial Dividend (as defined below), our Series L Preferred Stock.

The rights of the holders of shares of our Common Stock to receive dividends rank junior to those of the holders of shares of our Series A Preferred Stock, Series D Preferred Stock and, except to the extent of the Initial Dividend, the Series L Preferred Stock.

The "Initial Dividend" for a given fiscal year is a minimum annual amount of dividends on the Common Stock that is announced by us at the end of the prior fiscal year, provided that we are under no obligation to pay any portion of the Initial Dividend unless and until our Board of Directors authorizes and we declare any such dividend. While there are no limitations on the maximum amount of the Initial Dividend that can be paid in a particular year, it is our intention that we will not announce an Initial Dividend for any given year that, based on the information then reasonably available to us at the time of announcement, we believe will cause us to be unable to make a future distribution on our Series L Preferred Stock or on any other outstanding share of preferred stock.

On December 20, 2019, our Board of Directors announced an Initial Dividend on shares of our Common Stock for fiscal year 2020 in the aggregate amount of $4,380,644.70. We must declare and pay dividends on our Common Stock equal to the Initial Dividend prior to declaring and paying any distributions on our Series L Preferred Stock.

Unless full cumulative dividends on shares of our Series A Preferred Stock and Series D Preferred Stock for all past dividend periods have been declared and paid (or set apart for payment), we will not declare or pay dividends with respect to any shares of our Common Stock for any period.

Our Common Stock ranks, with respect to rights upon liquidation, dissolution or winding up of the Company, junior to the Series A Preferred Stock, Series D Preferred Stock and, other than to a limited extent, the Series L Preferred Stock.

Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of shares of Preferred Stock are entitled to receive a liquidation preference equal to the applicable stated values of such shares, plus all accrued but unpaid dividends on such shares, prior and in preference to any distribution to the holders of shares of our Common Stock. The stated value of the Series A Preferred Stock is $25.00 per share, subject to adjustment (the "Series A Preferred Stock Stated Value"), the stated value of the Series D Preferred Stock is $25.00 per share, subject to adjustment (the "Series D Preferred Stock Stated Value"), and the Series L Preferred Stock Stated Value is $28.37, subject to adjustment. However, notwithstanding the foregoing, holders of our Common Stock are entitled to receive, prior to our payment to holders of Series L Preferred Stock of any accrued and unpaid distributions on the Series L Preferred Stock, an amount equal to the amount of any unpaid Initial Dividend.

Holders of our securities may be required to recognize taxable income in excess of any cash or other distributions received from us, and non-U.S. stockholders could be subject to withholding tax on such amounts.

The Series A Preferred Warrant Agreement provides that adjustments may be made to the exercise price or the number of shares of Common Stock issuable upon exercise of the Series A Preferred Warrants. In certain cases, such an adjustment could result in the recognition of a taxable dividend to holders of Common Stock, Series A Preferred Stock or Series A Preferred Warrants even if such holders do not receive any cash or other distribution from us.

The redemption price of shares of Preferred Stock may be paid, in our sole discretion in cash or in shares of Common Stock, which ranks junior to our Preferred Stock (other than to the Series L Preferred Stock to the extent of the Initial Dividend).

We have the right, at our option and in our sole discretion, to pay the redemption price of shares of Preferred Stock, whether redeemed at our option or at the option of a holder, in cash or in shares of Common Stock. The redemption price of shares of our Series A Preferred Stock and Series D Preferred Stock may be paid, in our sole discretion, in cash in U.S. dollars ("USD") or in equal value through the issuance of shares of Common Stock, based on the volume-weighted average price of our Common Stock for the 20 trading days prior to the redemption. The redemption price of shares of our Series L Preferred Stock may be paid, in our sole discretion, (1) in cash in ILS, at the then-current exchange rate determined in accordance with the Articles Supplementary defining the terms of the Series L Preferred Stock, (2) in equal value through the issuance of shares of Common Stock, with such value of Common Stock to be deemed the lower of (a) our NAV per share of our Common Stock as most recently published by the Company as of the effective date of redemption and (b) the volume-weighted average price of our Common Stock, determined in accordance with the Articles Supplementary defining the terms of the Series L Preferred

Stock, or (3) in a combination of cash, in ILS, and our Common Stock, based on the conversion mechanisms set forth in (a) and (b), respectively.

The rights of the holders of shares of our Common Stock as to distributions rank junior to the rights of the holders of shares of our Series A Preferred Stock, Series D Preferred Stock and, except to the extent of the Initial Dividend, our Series L Preferred Stock. Unless full cumulative dividends on shares of our Preferred Stock for all past dividend periods have been declared and paid (or set apart for payment), we will not declare or pay dividends with respect to any shares of our Common Stock for any period.

The rights of the holders of shares of our Common Stock upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company also rank junior to the rights of the holders of Series A Preferred Stock and Series D Preferred Stock and, to the extent of the Series L Preferred Stock Stated Value, holders of Series L Preferred Stock. However, holders of our Common Stock are entitled to receive a distribution equal to the aggregate amount of any unpaid Initial Dividend prior to our payment of any accrued and unpaid dividends on shares of Series L Preferred Stock.

We have the option to redeem shares of Preferred Stock under certain circumstances without the consent of their holders.

From and after the fifth anniversary of the date of original issuance of any share of our Preferred Stock, we have the right (but not the obligation) to redeem such share at a redemption price equal to 100% of the stated value of such share, plus any accrued but unpaid dividends in respect of such share as of the effective date of the redemption. However, if for any given quarter the conditions specified in the Articles Supplementary defining the terms of the Series L Preferred Stock are not met, or we are in arrears on dividends in respect of the Series L Preferred Stock, we will not be able to exercise our redemption right in respect of the Series L Preferred Stock.

We may suffer from delays in deploying capital, which could adversely affect our ability to pay distributions to our stockholders and the value of our securities.

We could suffer from delays in deploying capital, particularly if the capital we raise (including in our current equity offerings described in “Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and Uses of Funds”) outpaces our Operator’s ability to identify acquisitions and or close on them. Such delays, which may be caused by a number of factors, including competition in the market for the same real estate opportunities, may adversely affect our ability to pay distributions to our stockholders and or the value of their overall returns on investment in our securities.

The cash distributions received by holders of our Preferred Stock and Common Stock may be less frequent or lower in amount than expected by such holders.

Our Board of Directors will determine the amount and timing of distributions on our Preferred Stock and Common Stock. In making this determination, our Board of Directors will consider all relevant factors, including the amount of cash resources available for distributions, capital spending plans, cash flow, financial position, applicable requirements of the MGCL and any applicable contractual restrictions. We cannot assure you that we will be able to consistently generate sufficient available cash flow to fund distributions on our Preferred Stock and Common Stock, nor can we assure you that sufficient cash will be available to make distributions on our Preferred Stock and Common Stock (in each case, even to the extent of the Initial Dividend). While holders of Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Preferred Stock at a specified rate, we cannot predict with certainty the timing of the payment of such distributions and we may be unable to pay or maintain such distributions over time.

Our ability to redeem shares of our Preferred Stock, or to pay distributions on our Preferred Stock and Common Stock, may be limited by Maryland law.

Under applicable Maryland law, a corporation may redeem, or pay distributions on, stock as long as, after giving effect to the redemption or distribution, the corporation is able to pay its debts as they become due in the usual course (the equity solvency test) and its total assets exceed the sum of its total liabilities plus, unless its charter permits otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the redemption or distribution, to satisfy the preferential rights upon dissolution of stockholders when preferential rights on dissolution are superior to those whose stock is being redeemed or on which the distributions are being paid (the balance sheet solvency test). If the Company is insolvent at any time we are required to redeem any shares of our Preferred Stock, or at any time we are required to make a distribution on our Preferred Stock or Common Stock, the Company may not be able to effect such redemption or distribution.

Holders of our securities are subject to inflation risk.

Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation-adjusted, or "real," value of an investment in our Common Stock and Preferred Stock, or the income from that investment, will be worth less in the future. As inflation occurs, the real value of our Common Stock and Preferred Stock and distributions payable on such shares may decline because the rate of distribution will remain the same.

If market interest rates go up, prospective purchasers of shares of our Common Stock or Preferred Stock may expect a higher distribution rate on their investment. Higher market interest rates would not, however, result in more funds for us to pay distributions and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distributions, and higher interest rates will not change the distribution rate on our Preferred Stock. Thus, higher market interest rates could cause the market price of our Common Stock and Preferred Stock to decline.

The transfer and ownership restrictions applicable to our securities may impair the ability of stockholders to receive shares of our Common Stock upon exercise of the Warrants and, if the Company elects to pay the redemption price in shares of Common Stock, upon redemption of the Preferred Stock.

Our charter contains restrictions on ownership and transfer of the Preferred Stock and Common Stock that are intended to assist us in maintaining our qualification as a REIT for federal income tax purposes as described in the risk factor "The share transfer and ownership restrictions applicable to REITs and contained in our charter may inhibit market activity in our shares of stock and restrict our business combination opportunities." Additionally, the Warrant Agreement provides that Warrants may not be exercised to the extent such exercise would result in the holder's beneficial or constructive ownership of more than 6.25%, in number or value, whichever is more restrictive, of our outstanding shares of Common Stock immediately after giving effect to the issuance of such shares. These restrictions may impair the ability of stockholders to receive shares of our Common Stock upon exercise of the Warrants and, if the Company elects to pay the redemption price in shares of Common Stock, upon redemption of the Preferred Stock.

The terms of our Preferred Stock do not contain any financial covenants, other than, with respect to the Series L Preferred Stock, a limited restriction on our ability to issue shares of preferred stock.

Other than as described below, the terms of our Preferred Stock do not limit our ability to incur indebtedness or make distributions or contain any other restrictive financial covenants. The Preferred Stock ranks subordinate to all of our existing and future debt and liabilities. Our future debt agreements may restrict our ability to pay distributions to preferred stockholders or to redeem shares of preferred stock in the event of a default under such debt agreements or in other circumstances. In addition, (i) while the Series A Preferred Stock and Series D Preferred Stock rank senior to our Common Stock with respect to payment of dividends and distributions upon liquidation, dissolution or winding-up, we are allowed to pay dividends on our Common Stock so long as we are current in the payment of dividends on shares of our Series A Preferred Stock and Series D Preferred Stock, and (ii) while the Series L Preferred Stock ranks senior to our Common Stock with respect to payment of distributions, except to the extent of the Initial Dividend, and amounts payable upon our liquidation, dissolution or winding-up, to the extent of the Series L Preferred Stock Stated Value, we are allowed to pay dividends on our Common Stock so long as we are current in the payment of the dividends on shares of our Preferred Stock. Further, the terms of our Series A Preferred Stock and Series D Preferred Stock do not restrict our ability to repurchase shares of our Common Stock so long as we are current in the payment of dividends on shares of our Series A Preferred Stock and Series D Preferred Stock. Such dividends on or repurchases of our Common Stock may reduce the amount of cash on hand to pay the redemption price of our Series A Preferred Stock or Series D Preferred Stock in cash (if we so choose).

Until November 21, 2022, we are prohibited from issuing any shares of preferred stock ranking senior to or on parity with the Series L Preferred Stock with respect to the payment of dividends, other distributions, liquidation, and or dissolution or winding up of the Company unless the Series L Preferred Stock Minimum Fixed Charge Coverage Ratio, calculated in accordance with the Articles Supplementary describing the Series L Preferred Stock, is equal to or greater than 1.25:1.00. Our good faith determination of an applicable Series L Preferred Stock Minimum Fixed Charge Coverage Ratio is binding absent manifest error for purposes of this restriction. At December 31, 2019, we were in compliance with the Series L Preferred Stock Minimum Fixed Charge Coverage Ratio. In order to maintain our compliance with the Minimum Fixed Charge Coverage Ratio during the year ending December 31, 2020, for the first and second quarters of 2020, we will, subject to applicable laws and regulations under Nasdaq and the TASE and the agreement of the Operator and or the Administrator, seek to pay some or all of the asset management fees, the Base Service Fee and or reimbursements under the Master Services Agreement in respect of such quarter in shares of Common Stock. The Company may seek to do so for the third and fourth quarters of 2020 as well (su

bject to the agreement of the Operator and or the Administrator, as the case may be, and the approval of a special committee consisting of the independent members of the Board of Directors).

Holders of our Preferred Stock have no voting rights with respect to such shares.

The terms of our Preferred Stock do not entitle holders to voting rights. Our Common Stock is currently the only class of our capital stock that carries any voting rights. Unless and until a holder of our Preferred Stock acquires shares of Common Stock upon the redemption of such shares, such holder will have no rights with respect to the shares of our Common Stock issuable upon redemption of our Preferred Stock. If, at our discretion, a holder of our Preferred Stock is issued shares of our Common Stock upon redemption, such holder will be entitled to exercise the rights of holders of our Common Stock only as to matters for which the record date occurs after the effective date of redemption.

The ownership percentage in the Company of a holder may become diluted if we issue new shares of Common Stock or other securities, and issuances of additional preferred stock or other securities by us may further subordinate the rights of the holders of our Preferred Stock or Common Stock (which holders of Preferred Stock may become upon receipt of redemption payments in shares of Common Stock). Additionally, future issuances of Common Stock, including shares issued in exchange for consideration, upon redemption of Preferred Stock or upon exercise of any Series A Preferred Warrants, may cause the market price of our Common Stock to drop significantly, even if our business is doing well.

Our Board of Directors is authorized, without stockholder approval, to cause us to issue additional shares of Common Stock or to raise capital through the issuance of shares of preferred stock and equity or debt securities convertible into Common Stock, preferred stock, options, warrants and other rights, on such terms and for such consideration as our Board of Directors in its sole discretion may determine. Any such issuance could result in dilution of the equity of our stockholders. In addition, our Board of Directors may, in its sole discretion, authorize us to issue Common Stock or other equity or debt securities to persons from whom we purchase properties, as part or all of the purchase price of the property, or from whom we receive services (including the Operator or the Administrator), as part or all of the payment for such services. Our Board of Directors, in its sole discretion, may determine the price of any Common Stock or other equity or debt securities issued in consideration of such properties or services provided, or to be provided, to us.

We may make redemption payments under the terms of our Preferred Stock in shares of our Common Stock. Although the dollar amounts of such payments are unknown, the number of shares of our Common Stock to be issued in connection with such payments may fluctuate based on the price of our Common Stock. Any sales or perceived sales in the public market of shares of our Common Stock issuable upon such redemption payments could adversely affect prevailing market prices of shares of our Common Stock. The existence of our Preferred Stock may encourage short selling by market participants because the possibility that redemption payments will be made in shares of our Common Stock could depress the market price of shares of our Common Stock. Further, any such issuance could result in dilution of the equity of our stockholders.

Our charter also authorizes our Board of Directors, without stockholder approval, to designate and issue one or more classes or series of preferred stock in addition to our Preferred Stock and equity or debt securities convertible into preferred stock and to set the voting powers, conversion or other rights, preferences, restrictions, limitations as to dividends or other distributions and qualifications or terms or conditions of redemption of each class or series of shares so issued. If any additional preferred stock is publicly offered, the terms and conditions of such preferred stock (or other equity or debt securities convertible into preferred stock) will be set forth in a registration statement registering the issuance of such preferred stock or equity or debt securities convertible into preferred stock. Because our Board of Directors has the power to establish the preferences and rights of each class or series of preferred stock, it may afford the holders of any class or series of preferred stock preferences, powers, and rights senior to the rights of holders of our Preferred Stock or Common Stock. If we ever create and issue additional preferred stock or equity or debt securities convertible into preferred stock with a distribution preference over our Preferred Stock or Common Stock, payment of any distribution preferences of such new outstanding preferred stock would reduce the amount of funds available for the payment of distributions on our Preferred Stock and Common Stock, as applicable. Further, holders of preferred stock are normally entitled to receive a preference payment if we liquidate, dissolve, or wind up before any payment is made to the holders of our Common Stock, likely reducing the amount the holders of our Common Stock would otherwise receive upon such an occurrence. In addition, under certain circumstances, the issuance of additional preferred stock may delay, prevent, render more difficult or tend to discourage, a merger, tender offer, or proxy contest, the assumption of control by a holder of a large block of our securities, or the removal of incumbent management.

No stockholders have rights to buy additional shares of stock or other securities if we issue new shares of stock or other securities. We may issue Common Stock, convertible debt or preferred stock pursuant to subsequent public offerings or private placements. Investors in our Common Stock who do not participate in any future stock issuances will experience dilution in the percentage of the issued and outstanding stock they own. In addition, depending on the terms and pricing of any

future offerings and the value of our assets, such investors may experience dilution in the book value and fair market value of, and the amount of distributions paid on, their shares of Common Stock, if any.

The listing of our Common Stock and Series L Preferred Stock on more than one stock exchange may result in price variations that could adversely affect liquidity of the market for our Common Stock and or Series L Preferred Stock.

Our Common Stock and Series L Preferred Stock are listed on Nasdaq and the TASE. The dual-listing of our Common Stock and Series L Preferred Stock may result in price variations of our securities between the two exchanges due to a number of factors. First, trading in our securities on these markets takes place in different currencies (USD on Nasdaq and ILS on the TASE). In addition, the exchanges are open for trade at different times of the day and on different days. For example, Nasdaq opens generally during U.S. business hours, Monday through Friday, while the TASE opens generally during Israeli business hours, Sunday through Thursday. The two exchanges also observe different public holidays. Differences in the trading schedules, as well as volatility in the exchange rate of the two currencies, among other factors, may result in different trading prices for our Common Stock and Series L Preferred Stock on the two exchanges. Any decrease in the trading price of our Common Stock and Series L Preferred Stock in one market could cause a decrease in the trading price of such security on the other market.

The dual-listing may adversely affect liquidity and trading prices for our Common Stock and Series L Preferred Stock on one or both of the exchanges as a result of circumstances that may be outside of our control. For example, transfers by holders of our securities from trading on one exchange to the other could result in increases or decreases in liquidity and or trading prices on either or both of the exchanges. In addition, holders could seek to sell or buy our Series L Preferred Stock or Common Stock to take advantage of any price differences between the two markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both the prices of and volumes of our Series L Preferred Stock and Common Stock available for trading on either exchange.

The existing mechanism for the dual-listing of securities on Nasdaq and the TASE may be eliminated or otherwise altered such that we may be subject to additional regulatory burden and additional costs.

The existing Israeli regulatory regime provides a mechanism for the dual-listing of securities traded on Nasdaq and the TASE that does not impose any significant regulatory burden or significant costs on us. If this dual-listing regime is eliminated or otherwise altered such that we are unable or unwilling to comply with the regulatory requirements, we may incur additional costs and we may consider delisting of our Series L Preferred Stock and or Common Stock from the TASE.

Our NAV is an estimate of the fair value of our properties and real estate-related assets and may not necessarily reflect realizable value.

The determination of estimated NAV involves a number of subjective assumptions, estimates and judgments that may not be accurate or complete. Neither the Financial Industry Regulatory Authority nor the SEC provides rules on the methodology we must use to determine our estimated NAV per share. We believe there is no established practice among public REITs for calculating estimated NAV. Different firms using different property-specific, general real estate, capital markets, economic and other assumptions, estimates and judgments could derive an estimated NAV that is significantly different from our estimated NAV.

Our estimated NAV, as determined by us from time to time, is calculated by relying in part on appraisals of our real estate assets and the assets of our lending segment. However, valuations of these assets do not necessarily represent the price at which a willing buyer would purchase such assets; therefore, there can be no assurance that we would realize the values underlying our estimated NAVs if we were to sell our assets and distribute the net proceeds to our stockholders. The values of our assets and liabilities, and therefore our NAV, are likely to fluctuate over time based on changes in value, investment activities, capital activities, indebtedness levels, and other various activities.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2019, our real estate portfolio consisted of 11 assets, all of which were fee-simple properties. As of December 31, 2019, our 9 office properties (including one development site, which is being used as a parking lot), totaling approximately 1.3 million rentable square feet, were 86.7% occupied and our one hotel with an ancillary parking garage, which has a total of 503 rooms, had RevPAR of $127.09 for the year ended December 31, 2019.

Office Portfolio Summary as of December 31, 2019

Property	Market	Rentable Square Feet	% Occupied	% Leased (1)	Annualized Rent (2) (in thousands)	Annualized Rent Per Occupied Square Foot
1 Kaiser Plaza	Oakland, CA	540,175	96.6%	96.6%	$ 22,323	$ 42.78
11620 Wilshire Boulevard	Los Angeles, CA	195,357	92.6%	94.0%	8,007	44.26
3601 S Congress Avenue (3)	Austin, TX	183,885	96.1%	96.1%	6,565	37.15
4750 Wilshire Boulevard	Los Angeles, CA	141,310	21.5%	21.5%	1,456	47.92
9460 Wilshire Boulevard	Los Angeles, CA	97,037	86.6%	86.6%	8,469	100.78
11600 Wilshire Boulevard	Los Angeles, CA	56,697	92.9%	92.9%	2,885	54.77
Lindblade Media Center (4)	Los Angeles, CA	32,428	100.0%	100.0%	1,674	51.62
1130 Howard Street	San Francisco, CA	21,194	100.0%	100.0%	1,614	76.15
2 Kaiser Plaza Parking Lot (5)	Oakland, CA	N/A	N/A	N/A	N/A	N/A
Total Office		**1,268,083**	**86.7%**	**87.0%**	**$ 52,993**	**$ 48.18**

(1) Based on leases signed as of December 31, 2019.

(2) Represents gross monthly base rent, as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

(3) 3601 S Congress Avenue consists of ten buildings. The Company expects to complete the development of an existing surface parking lot into approximately 42,000 square feet of additional rentable office space by mid-2020.

(4) Lindblade Media Center consists of three buildings.

(5) 2 Kaiser Plaza Parking Lot is a 44,642 square foot parcel of land currently being used as a surface parking lot. We are entitled to develop a building, which we are in the process of designing, having between 425,000 and 800,000 rentable square feet.

Office Portfolio Detail by Property, Market, and Submarket as of December 31, 2019

Location	Rentable Square Feet	% Occupied	% Leased (1)	Annualized Rent (2) (in thousands)	Annualized Rent Per Occupied Square Foot
Northern California					
Oakland, CA					
Lake Merritt					
1 Kaiser Plaza	540,175	96.6%	96.6%	$ 22,323	$ 42.78
2 Kaiser Plaza Parking Lot (3)	N/A	N/A	N/A	N/A	N/A
Total Lake Merritt	540,175	96.6%	96.6%	22,323	42.78
Total Oakland, CA	**540,175**	**96.6%**	**96.6%**	**22,323**	**42.78**
San Francisco, CA					
South of Market					
1130 Howard Street	21,194	100.0%	100.0%	1,614	76.15
Total San Francisco, CA	**21,194**	**100.0%**	**100.0%**	**1,614**	**76.15**
Total Northern California	**561,369**	**96.7%**	**96.7%**	**$ 23,937**	**$ 44.10**
Southern California					
Los Angeles, CA					
West Los Angeles					
11620 Wilshire Boulevard	195,357	92.6%	94.0%	$ 8,007	$ 44.26
11600 Wilshire Boulevard	56,697	92.9%	92.9%	2,885	54.77
Lindblade Media Center (4)	32,428	100.0%	100.0%	1,674	51.62
Total West Los Angeles	284,482	93.5%	94.5%	12,566	47.24
Mid-Wilshire					
4750 Wilshire Boulevard	141,310	21.5%	21.5%	1,456	47.92
Beverly Hills					
9460 Wilshire Boulevard	97,037	86.6%	86.6%	8,469	100.78
Total Los Angeles, CA	**522,829**	**72.8%**	**73.3%**	**22,491**	**59.09**
Total Southern California	**522,829**	**72.8%**	**73.3%**	**$ 22,491**	**$ 59.09**
Southwest					
Austin, TX					
South					
3601 S Congress Avenue (5)	183,885	96.1%	96.1%	$ 6,565	$ 37.15
Total Southwest	**183,885**	**96.1%**	**96.1%**	**$ 6,565**	**$ 37.15**
Total Office	**1,268,083**	**86.7%**	**87.0%**	**$ 52,993**	**$ 48.18**

(1) Based on leases signed as of December 31, 2019.

(2) Represents gross monthly base rent, as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

(3) 2 Kaiser Plaza Parking Lot is a 44,642 square foot parcel of land currently being used as a surface parking lot. We are entitled to develop a building, which we are in the process of designing, having between 425,000 and 800,000 rentable square feet.

(4) Lindblade Media Center consists of three buildings.

(5) 3601 S Congress Avenue consists of ten buildings. The Company expects to complete the development of an existing surface parking lot into approximately 42,000 square feet of additional rentable office space by mid-2020.

Hotel Portfolio Summary as of December 31, 2019

Property	Market	Rooms	% Occupied (1)	Revenue Per Available Room (2)
Sheraton Grand Hotel (3)	Sacramento, CA	503	78.2%	$ 127.09
Total Hotel (1 Property)		**503**	**78.2%**	**$ 127.09**

Other Ancillary Property within Hotel Portfolio

Property	Market	Rentable Square Feet (Retail)	% Occupied (Retail)	% Leased (Retail) (4)	Annualized Rent (Parking and Retail) (5) (in thousands)
Sheraton Grand Hotel Parking Garage & Retail (6)	Sacramento, CA	9,453	100.0%	100.0%	$ 2,976
Total Ancillary Hotel (1 Property)		**9,453**	**100.0%**	**100.0%**	**$ 2,976**

(1) Represents trailing 12-month occupancy as of December 31, 2019, calculated as the number of occupied rooms divided by the number of available rooms.

(2) Represents trailing 12-month RevPAR as of December 31, 2019, calculated as room revenue divided by the number of available rooms.

(3) The Sheraton Grand Hotel is part of the Sheraton franchise and is managed by Sheraton Operating Corporation, a subsidiary of Marriott International, Inc.

(4) Based on leases commenced as of December 31, 2019.

(5) Represents gross monthly contractual rent under parking and retail leases commenced as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

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

Office Portfolio—Top 5 Tenants by Annualized Rental Revenue as of December 31, 2019

Tenant	Property	Credit Rating (S&P / Moody's / Fitch)	Lease Expiration	Annualized Rent (1) (in thousands)	% of Annualized Rent	Rentable Square Feet	% of Rentable Square Feet
Kaiser Foundation Health Plan, Inc.	1 Kaiser Plaza	AA- / - / AA-	2025 - 2027 (2)	$ 15,536	29.3%	373,938	29.5%
MUFG Union Bank, N.A.	9460 Wilshire Boulevard	A / Aa2 / A	2029	3,482	6.6%	27,569	2.2%
3 Arts Entertainment, Inc.	9460 Wilshire Boulevard	- / - / -	2026	2,094	4.0%	27,112	2.1%
CIM Group, L.P.	Various	- / - / -	2020-2030	1,857	3.5%	42,765	3.4%
Homeaway, Inc.	3601 S Congress Avenue	- / - / -	2020	1,641	3.1%	42,545	3.4%
Total for Top Five Tenants				**24,610**	**46.5%**	**513,929**	**40.6%**
All Other Tenants				28,383	53.5%	585,878	46.1%
Vacant				—	—%	168,276	13.3%
Total Office				**$ 52,993**	**100.0%**	**1,268,083**	**100.0%**

(1) Represents gross monthly base rent, as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

(2) Prior to February 28, 2023, the tenant may terminate up to 140,000 square feet of space in the aggregate (of which no more than 100,000 rentable square feet may be terminated with respect to the rentable square feet expiring in 2027), effective as of any date specified by the tenant in a written notice given to us at least 12 months prior to the termination, in exchange for a termination penalty. From and after February 28, 2023 with respect to the rentable square feet expiring in 2025, and February 28, 2025 with respect to rentable square feet expiring in 2027, the tenant has the right to terminate all or any portions of its lease with us, effective as of any date specified by the tenant in a written notice given to us at least 15 months prior to the termination, in each case in exchange for a termination penalty. The amount of such termination penalties is dependent on a variety of factors, including but not limited to the date of the termination notice, the amount of the square feet to be terminated and the location within the building of the space to be terminated.

Office Portfolio—Diversification by NAICS Code as of December 31, 2019

NAICS Code	Annualized Rent (1) (in thousands)	% of Annualized Rent	Rentable Square Feet	% of Rentable Square Feet
Health Care and Social Assistance	$ 20,994	39.6%	481,036	37.9%
Professional, Scientific, and Technical Services	9,926	18.7%	210,798	16.6%
Finance and Insurance	5,574	10.5%	60,648	4.8%
Real Estate and Rental and Leasing	5,491	10.4%	111,565	8.8%
Arts, Entertainment, and Recreation	2,998	5.7%	45,610	3.6%
Accommodation and Food Services	1,926	3.6%	47,139	3.7%
Public Administration	1,115	2.1%	26,378	2.1%
Information	1,027	1.9%	17,003	1.3%
Manufacturing	973	1.8%	31,363	2.5%
Retail Trade	584	1.1%	16,552	1.3%
Administrative and Support and Waste Management and Remediation Services	524	1.0%	10,590	0.8%
Other Services (except Public Administration)	424	0.8%	7,774	0.6%
Management of Companies and Enterprises	416	0.8%	9,671	0.8%
Agriculture, Forestry, Fishing and Hunting	409	0.8%	9,082	0.7%
Wholesale Trade	215	0.4%	4,938	0.4%
Educational Services	203	0.4%	5,155	0.4%
Construction	194	0.4%	4,505	0.4%
Vacant	—	—%	168,276	13.3%
Total Office	**$ 52,993**	**100.0%**	**1,268,083**	**100.0%**

(1) Represents gross monthly base rent, as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

Office Portfolio—Lease Expiration as of December 31, 2019

Year of Lease Expiration	Square Feet of Expiring Leases	% of Square Feet Expiring	Annualized Rent (1) (in thousands)	% of Annualized Rent Expiring	Annualized Rent Per Occupied Square Foot
2020 (2)	172,029	15.5%	$ 7,460	14.2%	$ 43.36
2021	81,025	7.4%	4,417	8.3%	54.51
2022	137,107	12.5%	5,965	11.3%	43.51
2023	68,130	6.2%	3,155	6.0%	46.31
2024	42,693	3.9%	2,022	3.8%	47.36
2025	385,116	35.0%	16,963	32.0%	44.05
2026	46,685	4.2%	2,911	5.5%	62.35
2027	91,010	8.3%	4,104	7.7%	45.09
2028	15,335	1.4%	911	1.7%	59.41
2029	30,342	2.8%	3,629	6.8%	119.60
Thereafter	30,335	2.8%	1,456	2.7%	48.00
Total Occupied	**1,099,807**	**100.0%**	**$ 52,993**	**100.0%**	**$ 48.18**
Vacant	168,276				
Total Office	**1,268,083**				

(1) Represents gross monthly base rent, as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

(2) Includes 22,416 square feet of month-to-month leases as of December 31, 2019.

Office Portfolio—Historical Occupancy

Property	December 31, 2019 Rentable Square Feet	Occupancy Rates (1) 2015	2016	2017	2018	2019
1 Kaiser Plaza	540,175	96.7%	96.4%	93.4%	93.5%	96.6%
11620 Wilshire Boulevard	195,357	91.5%	93.0%	98.6%	94.1%	92.6%
3601 S Congress Avenue (2)	183,885	97.4%	94.0%	92.2%	94.7%	96.1%
4750 Wilshire Boulevard	141,310	100.0%	100.0%	100.0%	100.0%	21.5%
9460 Wilshire Boulevard (3)	97,037	N/A	N/A	N/A	94.9%	86.6%
11600 Wilshire Boulevard	56,697	84.7%	80.0%	87.6%	90.4%	92.9%
Lindblade Media Center (4)	32,428	100.0%	100.0%	100.0%	100.0%	100.0%
1130 Howard Street (5)	21,194	N/A	N/A	100.0%	100.0%	100.0%
2 Kaiser Plaza Parking Lot (6)	N/A	N/A	N/A	N/A	N/A	N/A
Current Office Weighted Average	**1,268,083**	**95.9%**	**95.2%**	**94.9%**	**94.7%**	**86.7%**
211 Main Street (7)	N/A	100.0%	100.0%	N/A	N/A	N/A
200 S College Street (7)	N/A	66.9%	90.1%	N/A	N/A	N/A
980 9th Street (7)	N/A	64.0%	66.6%	N/A	N/A	N/A
1010 8th Street Parking Garage & Retail (7)	N/A	9.6%	10.7%	N/A	N/A	N/A
800 N Capitol Street (7)	N/A	76.1%	76.1%	N/A	N/A	N/A
7083 Hollywood Boulevard (7)	N/A	97.3%	97.3%	N/A	N/A	N/A
370 L'Enfant Promenade (7)	N/A	87.7%	39.1%	N/A	N/A	N/A
1901 Harrison Street (7)	N/A	98.2%	97.5%	91.8%	81.1%	N/A
2100 Franklin Street (7)	N/A	96.7%	98.5%	98.9%	98.9%	N/A
2101 Webster Street (7)	N/A	98.9%	98.9%	99.3%	96.2%	N/A
2353 Webster Street Parking Garage (7)	N/A	N/A	N/A	N/A	N/A	N/A
830 1st Street (7)	N/A	100.0%	100.0%	100.0%	100.0%	N/A
260 Townsend Street (7)	N/A	89.7%	78.8%	100.0%	100.0%	N/A
1333 Broadway (7)	N/A	92.9%	92.9%	96.7%	92.8%	N/A
899 N Capitol Street (7)	N/A	73.7%	74.1%	86.1%	86.1%	N/A
901 N Capitol Street (7)	N/A	N/A	N/A	N/A	N/A	N/A
999 N Capitol Street (7)	N/A	84.0%	84.0%	83.2%	90.1%	N/A
Total Weighted Average	**1,268,083**	**86.9%**	**85.7%**	**94.2%**	**93.2%**	**86.7%**

(1) Historical occupancy rates for office properties are shown as a percentage of rentable square feet and are based on leases commenced as of December 31st of each historical year.

(2) 3601 S Congress Avenue consists of ten buildings. The Company expects to complete the development of an existing surface parking lot into approximately 42,000 square feet of additional rentable office space by mid-2020.

(3) 9460 Wilshire Boulevard was acquired on January 18, 2018.

(4) Lindblade Media Center consists of three buildings.

(5) 1130 Howard Street was acquired on December 29, 2017.

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

(7) 211 Main Street, 200 S College Street, 980 9th Street, 1010 8th Street Parking Garage & Retail, 800 N Capitol Street, 7083 Hollywood Boulevard, 370 L'Enfant Promenade, 1901 Harrison Street, 2100 Franklin Street, 2101 Webster Street, 2353 Webster Street Parking Garage, 830 1st Street, 260 Townsend Street, 1333 Broadway, 899 N Capitol

Street, 901 N Capitol Street (a parcel of land located between 899 and 999 N Capitol Street) and 999 N Capitol Street, were sold on March 28, 2017, June 8, 2017, June 20, 2017, June 20, 2017, August 31, 2017, September 21, 2017, October 17, 2017, March 1, 2019, March 1, 2019, March 1, 2019, March 1, 2019, March 1, 2019, March 14, 2019, May 16, 2019, July 30, 2019, July 30, 2019, and July 30, 2019, respectively.

Office Portfolio—Historical Annualized Rents

Property	December 31, 2019 Rentable Square Feet	Annualized Rent Per Occupied Square Foot (1)				
		2015	2016	2017	2018	2019
1 Kaiser Plaza	540,175	$ 34.24	$ 37.13	$ 39.26	$ 41.77	$ 42.78
11620 Wilshire Boulevard	195,357	35.07	38.55	39.28	41.23	44.26
3601 S Congress Avenue (2)	183,885	30.21	31.84	33.65	35.66	37.15
4750 Wilshire Boulevard	141,310	25.03	25.71	26.17	26.92	47.92
9460 Wilshire Boulevard (3)	97,037	N/A	N/A	N/A	93.78	100.78
11600 Wilshire Boulevard	56,697	49.23	50.62	50.86	52.43	54.77
Lindblade Media Center (4)	32,428	39.88	41.60	43.27	44.59	51.62
1130 Howard Street (5)	21,194	N/A	N/A	67.90	70.26	76.15
2 Kaiser Plaza Parking Lot (6)	N/A	N/A	N/A	N/A	N/A	N/A
Current Office Weighted Average	**1,268,083**	**$ 33.32**	**$ 35.70**	**$ 37.88**	**$ 43.92**	**$ 48.18**
211 Main Street (7)	N/A	28.81	28.80	N/A	N/A	N/A
200 S College Street (7)	N/A	23.33	23.60	N/A	N/A	N/A
980 9th Street (7)	N/A	29.69	30.23	N/A	N/A	N/A
1010 8th Street Parking Garage & Retail (7)	N/A	6.63	7.07	N/A	N/A	N/A
800 N Capitol Street (7)	N/A	45.36	45.02	N/A	N/A	N/A
7083 Hollywood Boulevard (7)	N/A	38.35	38.45	N/A	N/A	N/A
370 L'Enfant Promenade (7)	N/A	51.94	55.80	N/A	N/A	N/A
1901 Harrison Street (7)	N/A	34.02	35.49	36.99	45.39	N/A
2100 Franklin Street (7)	N/A	37.65	38.44	39.50	42.18	N/A
2101 Webster Street (7)	N/A	36.76	37.64	38.75	41.12	N/A
2353 Webster Street Parking Garage (7)	N/A	N/A	N/A	N/A	N/A	N/A
830 1st Street (7)	N/A	42.53	43.90	43.60	47.09	N/A
260 Townsend Street (7)	N/A	64.92	68.97	70.80	74.32	N/A
1333 Broadway (7)	N/A	31.07	33.12	35.76	40.38	N/A
899 N Capitol Street (7)	N/A	50.44	49.49	51.99	52.90	N/A
901 N Capitol Street (7)	N/A	N/A	N/A	N/A	N/A	N/A
999 N Capitol Street (7)	N/A	44.82	45.19	46.45	47.56	N/A
Total Weighted Average	**1,268,083**	**$ 36.75**	**$ 36.79**	**$ 41.00**	**$ 45.21**	**$ 48.18**

(1) Other than as set forth in (5) below, Annualized Rent Per Occupied Square Foot represents gross monthly base rent as of December 31 of each historical year, multiplied by twelve and divided by the respective total occupied square feet. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

(2) 3601 S Congress Avenue consists of ten buildings. The Company expects to complete the development of an existing surface parking lot into approximately 42,000 square feet of additional rentable office space by mid-2020.

(3) 9460 Wilshire Boulevard was acquired on January 18, 2018.

(4) Lindblade Media Center consists of three buildings.

(5) 1130 Howard Street was acquired on December 29, 2017. The annualized rent as of December 31, 2017 for 12,944 rentable square feet of the building is presented using the actual rental income under a signed lease with a different tenant who took possession in March 2018, as the space was occupied by the prior owner and annualized rent under the short-term lease was de minimis.

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

(7) 211 Main Street, 200 S College Street, 980 9th Street, 1010 8th Street Parking Garage & Retail, 800 N Capitol Street, 7083 Hollywood Boulevard, 370 L'Enfant Promenade, 1901 Harrison Street, 2100 Franklin Street, 2101 Webster Street, 2353 Webster Street Parking Garage, 830 1st Street, 260 Townsend Street, 1333 Broadway, 899 N Capitol Street, 901 N Capitol Street (a parcel of land located between 899 and 999 N Capitol Street) and 999 N Capitol Street, were sold on March 28, 2017, June 8, 2017, June 20, 2017, June 20, 2017, August 31, 2017, September 21, 2017, October 17, 2017, March 1, 2019, March 1, 2019, March 1, 2019, March 1, 2019, March 1, 2019, March 14, 2019, May 16, 2019, July 30, 2019, July 30, 2019, and July 30, 2019, respectively.

Multifamily Portfolio—Historical Occupancy

		Occupancy Rates (2)				
Property (1)	**Units**	**2015**	**2016**	**2017**	**2018**	**2019**
4649 Cole Avenue (3)	334	93.1%	94.3%	N/A	N/A	N/A
4200 Scotland Street	308	91.2%	93.2%	N/A	N/A	N/A
47 E 34th Street	110	89.1%	85.5%	N/A	N/A	N/A
3636 McKinney Avenue	103	94.2%	92.2%	N/A	N/A	N/A
3839 McKinney Avenue (4)	75	96.0%	86.7%	N/A	N/A	N/A
Total Weighted Average	**930**	**92.4%**	**92.0%**	**N/A**	**N/A**	**N/A**

(1) 3636 McKinney Avenue, 3839 McKinney Avenue, 4649 Cole Avenue, 47 E 34th Street, and 4200 Scotland Street were sold on May 30, 2017, May 30, 2017, June 23, 2017, September 26, 2017, and December 15, 2017, respectively.

(2) Historical occupancies for multifamily properties are based on leases commenced as of December 31st of each historical year and were calculated using units and not square feet.

(3) 4649 Cole Avenue consisted of fifteen buildings.

(4) 3839 McKinney Avenue consisted of two buildings.

Multifamily Portfolio—Historical Annualized Rents

		Monthly Rent Per Occupied Unit (2)				
Property (1)	**Units**	**2015**	**2016**	**2017**	**2018**	**2019**
4649 Cole Avenue (3)	334	$ 1,404	$ 1,439	N/A	N/A	N/A
4200 Scotland Street	308	1,768	1,661	N/A	N/A	N/A
47 E 34th Street	110	4,642	4,947	N/A	N/A	N/A
3636 McKinney Avenue	103	1,696	1,735	N/A	N/A	N/A
3839 McKinney Avenue (4)	75	1,597	1,661	N/A	N/A	N/A
Total Weighted Average	**930**	**$ 1,942**	**$ 1,948**	**N/A**	**N/A**	**N/A**

(1) 3636 McKinney Avenue, 3839 McKinney Avenue, 4649 Cole Avenue, 47 E 34th Street, and 4200 Scotland Street were sold on May 30, 2017, May 30, 2017, June 23, 2017, September 26, 2017, and December 15, 2017, respectively.

(2) Represents gross monthly base rent under leases commenced divided by occupied units as of December 31st of each historical year. This amount reflects total cash rent before concessions.

(3) 4649 Cole Avenue consisted of fifteen buildings.

(4) 3839 McKinney Avenue consisted of two buildings.

Hotel Portfolio—Historical Occupancy Rates as of December 31, 2019

			Occupancy (%) (1)				
Hotel Location	**Franchise**	**Rooms**	**2015**	**2016**	**2017**	**2018**	**2019**
Sacramento, CA	Sheraton	503	77.5%	78.1%	81.5%	80.1%	78.2%
Los Angeles, CA (2)	Holiday Inn	405	87.9%	81.1%	N/A	N/A	N/A
Oakland, CA (3)	Courtyard	162	81.9%	74.3%	N/A	N/A	N/A
Weighted Average		**1,070**	**82.1%**	**78.9%**	**81.5%**	**80.1%**	**78.2%**

(1) Historical occupancies for hotel properties are shown as a percentage of rentable rooms and represent the trailing 12-months occupancy as of December 31st of each historical year. For sold properties, occupancy is presented for our period of ownership only.

(2) This property was sold on July 19, 2016.

(3) This property was sold on February 2, 2016.

Hotel Portfolio—Historical Average Daily Rates as of December 31, 2019

			Average Daily Rate (Price) Per Room/Suite ($) (1)				
Hotel Location	**Franchise**	**Rooms**	**2015**	**2016**	**2017**	**2018**	**2019**
Sacramento, CA	Sheraton	503	$ 148.24	$ 152.89	$ 157.64	$ 161.95	$ 162.54
Los Angeles, CA (2)	Holiday Inn	405	100.46	123.24	N/A	N/A	N/A
Oakland, CA (3)	Courtyard	162	173.05	169.58	N/A	N/A	N/A
Weighted Average		**1,070**	**$ 132.61**	**$ 144.06**	**$ 157.64**	**$ 161.95**	**$ 162.54**

(1) Represents the trailing 12-months average daily rate as of December 31st of each historical year, calculated by dividing the amount of room revenue by the number of occupied rooms. For sold properties, the average daily rate is presented for our period of ownership only.

(2) This property was sold on July 19, 2016.

(3) This property was sold on February 2, 2016.

Hotel Portfolio—Historical Revenue per Available Room/Suite as of December 31, 2019

			Revenue Per Available Room/Suite ($) (1)				
Hotel Location	**Franchise**	**Rooms**	**2015**	**2016**	**2017**	**2018**	**2019**
Sacramento, CA	Sheraton	503	$ 114.83	$ 119.44	$ 128.43	$ 129.73	$ 127.09
Los Angeles, CA (2)	Holiday Inn	405	88.35	99.98	N/A	N/A	N/A
Oakland, CA (3)	Courtyard	162	141.72	126.00	N/A	N/A	N/A
Weighted Average		**1,070**	**$ 108.88**	**$ 113.73**	**$ 128.43**	**$ 129.73**	**$ 127.09**

(1) Represents the trailing 12-months RevPAR as of December 31st of each historical year, calculated by dividing the amount of room revenue by the number of available rooms. For sold properties, RevPAR is presented for our period of ownership only.

(2) This property was sold on July 19, 2016.

(3) This property was sold on February 2, 2016.

Property Indebtedness as of December 31, 2019

Property	Outstanding Principal Balance (in thousands)	Interest Rate	Maturity Date	Balance Due At Maturity Date (in thousands)	Prepayment/ Defeasance
1 Kaiser Plaza	$ 97,100	4.14%	7/1/2026	$ 97,100	(1)
Total/Weighted Average	**$ 97,100**	**4.14%**		**$ 97,100**	

(1) Loan is generally not prepayable prior to April 1, 2026.

Key Properties

1 Kaiser Plaza

Built in 1970 and renovated in 2008, 1 Kaiser Plaza is a Class A office property located in Oakland, California. The Company acquired a 100% fee-simple interest in the property on October 8, 2008 from an unrelated third-party.

In June 2016, the Company entered into a mortgage loan agreement with JPMorgan Chase Bank, National Association relating to this property. The mortgage loan agreement consists of two promissory notes, both having a fixed interest rate of 4.14% per annum, with monthly payments of interest only and combined principal totaling $97,100,000 due on July 1, 2026, and are secured by deeds of trust on the property and assignments of rents. The obligations under the mortgage loan agreement are non-recourse and are generally not prepayable prior to April 1, 2026.

The following table sets forth the principal provisions of the leases of tenants occupying 10% or more of the rentable square footage:

Tenant	NAICS Code	Lease Expiration	Annualized Rent (1) (in thousands)	% of Annualized Rent	Rentable Square Feet	% of Occupied Square Feet	Renewal Option
Kaiser Foundation Health Plan, Inc.	Health Care and Social Assistance	2025-2027 (3) (4)	$ 15,536	69.6%	373,938	71.7%	Yes (2)
Total			**$ 15,536**	**69.6%**	**373,938**	**71.7%**	

(1) Represents gross monthly base rent, as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

(2) The Kaiser Foundation Health Plan, Inc. lease agreements include a renewal option, except with respect to 30,481 of the occupied square feet.

(3) Includes 7,161 square feet of month-to-month leases as of December 31, 2019.

(4) Prior to February 28, 2023, the tenant may terminate up to 140,000 square feet of space in the aggregate (of which no more than 100,000 rentable square feet may be terminated with respect to the rentable square feet expiring in 2027), effective as of any date specified by the tenant in a written notice given to us at least 12 months prior to the termination, in exchange for a termination penalty. From and after February 28, 2023 with respect to the rentable square feet expiring in 2025, and February 28, 2025 with respect to rentable square feet expiring in 2027, the tenant has the right to terminate all or any portions of its lease with us, effective as of any date specified by the tenant in a written notice given to us at least 15 months prior to the termination, in each case in exchange for a termination penalty. The amount of such termination penalties is dependent on a variety of factors, including but not limited to the date of the termination notice, the amount of the square feet to be terminated and the location within the building of the space to be terminated.

The following table sets forth the lease expirations for leases at 1 Kaiser Plaza for the next 10 years, assuming that tenants do not exercise any renewal options or early termination options:

Year of Lease Expiration	Square Feet of Expiring Leases	% of Square Feet Expiring	Annualized Rent (1) (in thousands)	% of Annualized Rent Expiring	Annualized Rent Per Occupied Square Foot
2020 (2)	54,969	10.6%	$ 1,984	8.9%	$ 36.09
2021	40,548	7.8%	2,033	9.1%	50.14
2022	19,450	3.7%	956	4.3%	49.15
2023	27,673	5.3%	1,346	6.0%	48.64
2024	2,842	0.5%	173	0.8%	60.87
2025	292,436	56.1%	12,117	54.3%	41.43
2026	—	—	—	—	—
2027	83,696	16.0%	3,714	16.6%	44.37
2028	—	—	—	—	—
2029	—	—	—	—	—
Thereafter	—	—	—	—	—
Total Occupied	**521,614**	**100.0%**	**$ 22,323**	**100.0%**	**$ 42.78**
Vacant	18,561				
Total	**540,175**				

(1) Represents gross monthly base rent, as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

(2) Includes 20,030 square feet of month-to-month leases as of December 31, 2019.

9460 Wilshire Boulevard

Built in 1959 and renovated in 2008, 9460 Wilshire Boulevard is a Class A office property located in Beverly Hills, California. The Company acquired a 100% fee-simple interest in the property on January 18, 2018 from an unrelated third-party.

The following table sets forth the principal provisions of the leases of tenants occupying 10% or more of the rentable square footage:

Tenant	NAICS Code	Lease Expiration	Annualized Rent (1) (in thousands)	% of Annualized Rent	Rentable Square Feet	% of Occupied Square Feet	Renewal Option
MUFG Union Bank, N.A.	Finance and Insurance	2029	$ 3,482	41.1%	27,569	32.8%	Yes
3 Arts Entertainment, Inc.	Arts, Entertainment, and Recreation	2026 (2)	2,094 (2)	24.7%	27,112 (2)	32.3%	Yes
Teles Properties, Inc.	Real Estate and Rental and Leasing	2020	1,259	14.9%	12,712	15.1%	Yes
StockCross Financial Services, Inc.	Finance and Insurance	2021	1,004	11.9%	8,685	10.3%	No
Total			**$ 7,839**	**92.6%**	**76,078**	**90.5%**	

(1) Represents gross monthly base rent, as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

(2) Includes 300 square feet of month-to-month leases as of December 31, 2019.

The following table sets forth the lease expirations at 9460 Wilshire Boulevard for leases for the next 10 years, assuming that tenants do not exercise any renewal options or early termination options:

Year of Lease Expiration	Square Feet of Expiring Leases	% of Square Feet Expiring	Annualized Rent (1) (in thousands)	% of Annualized Rent Expiring	Annualized Rent Per Occupied Square Foot
2020 (2)	14,587	17.4%	$ 1,388	16.4%	$ 95.15
2021	11,278	13.4%	1,189	14.0%	105.43
2022	3,786	4.5%	330	3.9%	87.16
2023	—	—	—	—	—
2024	—	—	—	—	—
2025	—	—	—	—	—
2026	26,812	31.9%	2,080	24.6%	77.58
2027	—	—	—	—	—
2028	—	—	—	—	—
2029	27,569	32.8%	3,482	41.1%	126.30
Thereafter	—	—	—	—	—
Total Occupied	**84,032**	**100.0%**	**$ 8,469**	**100.0%**	**$ 100.78**
Vacant	13,005				
Total	**97,037**				

(1) Represents gross monthly base rent, as of December 31, 2019, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

(2) Includes 300 square feet of month-to-month leases as of December 31, 2019.

Sheraton Grand Hotel

Built in 2001, the Sheraton Grand Hotel is a full service hotel comprised of a 26-story tower with 503 rooms which is part of the Sheraton franchise and is managed by Sheraton Operating Corporation, a subsidiary of Marriott International, Inc. The property is adjacent to the Sacramento Convention Center, and is three blocks from the State Capitol. The Company purchased the hotel from an unrelated third-party on May 2, 2008, and the seller retained a non-controlling interest of less than 0.5% in the property. The Company has commenced renovations of the Sheraton Grand Hotel, which will renovate guest rooms, food and beverage amenities, public areas, meeting rooms and other amenities. The renovations are expected to cost approximately $26,300,000, which the Company expects to finance using cash flows from operations, borrowings under the Company's revolving credit facility and or proceeds from offerings of shares of Common Stock, preferred stock, senior unsecured securities, or other equity and debt securities. As of December 31, 2019, the Company had incurred costs of $2,423,000 for the renovation.

Item 3. Legal Proceedings

We are not currently involved in any material pending or threatened legal proceedings nor, to our knowledge, are any material legal proceedings currently threatened against us, other than routine litigation arising in the ordinary course of business. 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. While the outcome of these legal actions and proceedings cannot be predicted with certainty, in management's opinion, the resolution of these legal proceedings and actions will not have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Marketplace Designation, Sales Price Information and Holders

Shares of our Common Stock trade on Nasdaq, under the ticker symbol "CMCT", and on the TASE, under the ticker symbol "CMCT-L." The following table sets forth the regular and special cash dividends per share, per quarter, declared during 2019 and 2018.

Quarter Ended	Regular Quarterly Cash Dividends Per Share (1)	Special Cash Dividends Per Share (1) (2)
December 31, 2019	$ 0.075	$ —
September 30, 2019	$ 0.075	$ 42.000
June 30, 2019	$ 0.375	$ —
March 31, 2019	$ 0.375	$ —
December 31, 2018	$ 0.375	$ —
September 30, 2018	$ 0.375	$ —
June 30, 2018	$ 0.375	$ —
March 31, 2018	$ 0.375	$ —

(1) Amounts have been adjusted to give retroactive effect to the Reverse Stock Split.

(2) On August 30, 2019, in connection with the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock, as defined in "Item 1—Business" of this Annual Report on Form 10-K, we paid a special cash dividend of $42.00 per share of Common Stock ($14.00 per share of Common Stock prior to the Reverse Stock Split), or $613,294,000 in the aggregate, to stockholders of record at the close of business on August 19, 2019. The Special Dividend was funded primarily by the net proceeds (after the repayment of debt) received from the sale of ten properties during 2019 and borrowings on our revolving credit facility.

On March 12, 2020, there were approximately 335 holders of record of our Common Stock, excluding stockholders whose shares were held by brokerage firms, depositories and other institutional firms in "street name" for their customers. The closing price of our Common Stock on March 12, 2020 was $9.57 as reported on Nasdaq.

Approximately 80.4% of shares of our Common Stock as of March 12, 2020 were held by non-affiliated stockholders.

Holders of our Common Stock are entitled to receive dividends, if, as and when authorized by the Board of Directors and declared by us out of legally available funds. In determining our dividend policy, the Board of Directors considers many factors including the amount of cash resources available for dividend distributions, capital spending plans, cash flow, our financial position, applicable requirements of the MGCL, any applicable contractual restrictions, and future growth in NAV and cash flow per share prospects. 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. Risks inherent in our ability to pay dividends are further described in "Item 1A—Risk Factors" of this Annual Report on Form 10-K.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information at December 31, 2019 with respect to shares of our Common Stock, either under options or in respect of restricted stock awards that may be issued under existing equity compensation plans, all of which have been approved by our stockholders.

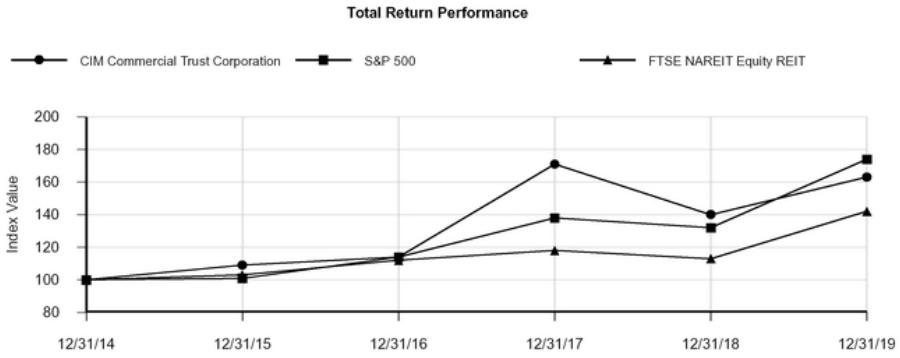
Plan Category	Number of shares of Common Stock to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of shares of Common Stock remaining available for future issuances under equity compensation plans (all in restricted shares of Common Stock) (1)
Equity incentive plan	—	N/A	92,014

(1) All share amounts have been adjusted to give retroactive effect to the Reverse Stock Split.

Performance Graph

The information below is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 ("Exchange Act") or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing.

The line graph below compares the percentage change in the cumulative total stockholder return on our Common Stock with the cumulative total return of the S&P 500 and the FTSE NAREIT Equity REIT Index. The FTSE NAREIT Equity REIT Index is a free-float adjusted, market capitalization-weighted index of U.S. Equity REITs. The Index includes all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property. All returns assume an investment of $100 on December 31, 2014 and the reinvestment of dividends. The stock price performance shown on the graph is not necessarily indicative of future price performance.



	Cumulative return on $100 invested on December 31, 2014 as of December 31,					
Index	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
CIM Commercial Trust Corporation	$ 100.00	$ 108.66	$ 113.84	$ 170.95	$ 140.27	$ 162.55
S&P 500	100.00	101.38	113.51	138.29	132.23	173.86
FTSE NAREIT Equity REIT	100.00	103.18	112.25	118.11	112.63	141.89

Source: SNL Financial LC

Recent Sales of Unregistered Securities and Use of Proceeds

None.

Repurchases of Equity Securities

The following table summarizes all purchases of Common Stock by or on behalf of us or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act) in each of the three months ended December 31, 2019.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
October 1, 2019 to October 31, 2019	2,468,390 (1)	$ 19.17	—	$ —
November 1, 2019 to November 30, 2019	—	—	—	—
December 1, 2019 to December 31, 2019	—	—	—	—
Total	2,468,390	$ 19.17	—	

(1) Reflects shares of Common Stock that were purchased by the Administrator for its own account from Urban Partners II, LLC, a Delaware limited liability company and affiliate of CIM Group, on October 11, 2019 in a private transaction.

The following table summarizes all purchases of Series L Preferred Stock by or on behalf of us or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act) in each of the three months ended December 31, 2019.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
October 1, 2019 to October 31, 2019	—	$ —	—	$ —
November 1, 2019 to November 30, 2019	2,693,580 (1)	29.12 (2)	—	—
December 1, 2019 to December 31, 2019	—	—	—	—
Total	2,693,580	$ 29.12	—	

(1) Reflects shares of Series L Preferred Stock that were repurchased by the Company pursuant to a tender offer commenced on October 22, 2019 for the purchase of up to 2,693,580 shares of Series L Preferred Stock, representing one-third of the then-outstanding shares of Series L Preferred Stock. The tender offer was oversubscribed and expired on November 20, 2019.

(2) The purchase price of $29.12 per share was converted to ILS prior to payment to the tendering stockholders and includes $1.39 of accrued and unpaid dividends on the Series L Preferred Stock as of November 20, 2019.

Item 6. Selected Financial Data

The following is a summary of our selected financial data as of and for each of the years in the five year period ended December 31, 2019. The following data should be read in conjunction with our consolidated financial statements and the notes thereto and "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K. The selected financial data presented below has been derived from our audited consolidated financial statements.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Consolidated Operating Data:	(in thousands, except per share amounts)				
Total revenues (1)	$ 139,989	$ 197,470	$ 236,059	$ 265,571	$ 275,935
Total expenses (1) (2)	226,690	195,403	263,023	272,879	272,109
Gain on sale of real estate (2)	433,104	—	408,098	39,666	3,092
Income from continuing operations before provision for income taxes	346,403	2,067	381,134	32,358	6,918
Provision for income taxes	882	925	1,376	1,646	806
Net income from continuing operations	345,521	1,142	379,758	30,712	6,112
Net income from discontinued operations (3)	—	—	—	3,853	18,291
Net income	345,521	1,142	379,758	34,565	24,403
Net loss (income) attributable to noncontrolling interests	152	(21)	(21)	(18)	(11)
Net income attributable to the Company	345,673	1,121	379,737	34,547	24,392
Redeemable preferred stock dividends declared or accumulated	(17,095)	(15,423)	(1,926)	(9)	—
Redeemable preferred stock redemptions	(5,882)	4	2	—	—
Net income (loss) attributable to common stockholders	$ 322,696	$ (14,298)	$ 377,813	$ 34,538	$ 24,392
Funds from operations (FFO) attributable to common stockholders (4) (5)	$ (14,034)	$ 38,930	$ 41,179	$ 66,840	$ 93,661
Cash dividends on common stock (6)	$ 13,140	$ 21,895	$ 38,327	$ 77,316	$ 85,389
Cash dividends per share of common stock (6) (7)	$ 0.900	$ 1.500	$ 1.782	$ 2.625	$ 2.625
Weighted average shares of common stock outstanding (7)					
Basic	14,598	14,597	23,021	30,443	32,529
Diluted	16,493	14,597	23,023	30,443	32,529

(1) To conform with the current period presentation, consistent with ASU 2016-02, bad debt expense associated with changes in the Company's collectability assessment for operating leases has been reclassified as an adjustment to rental and other property income rather than rental and other property operating expenses. The impact of this reclassification resulted in a $254,000, $317,000, $360,000 and $1,013,000 decrease in total expenses and total revenues for the years ended December 31, 2018, 2017, 2016 and 2015, respectively.

(2) To conform with the current period presentation, we reclassified $6,361,000 from gain on sale of real estate to loss on early extinguishment of debt, which is included with total expenses on the consolidated statement of operations for the year ended December 31, 2017.

(3) Net income from discontinued operations represents revenues and expenses from the parts of our lending segment acquired in March 2014 in connection with the merger, which were discontinued during 2015 and 2016. On December 17, 2015, we sold substantially all of our commercial mortgage loans with a carrying value of $77,121,000 to an unrelated third-party and recognized a gain of $5,151,000. On December 29, 2016, we sold our commercial real estate lending subsidiary, which was classified as held for sale and had a carrying value of $27,587,000, which was equal to management's estimate of fair value, to a fund managed by an affiliate of CIM Group. We did not recognize any gain or loss in connection with the transaction. Management's estimate of fair value was determined with assistance from an independent third-party valuation firm.

(4) See “—Funds from Operations” below for a discussion of why we believe funds from operations ("FFO") is a useful supplemental measure of operating performance and the limitations of FFO as a measurement tool and a reconciliation of net income (loss) attributable to common stockholders to FFO attributable to common stockholders.

(5) To conform with the current period presentation, we reclassified $6,361,000 from gain on sale of real estate to loss on early extinguishment of debt, which reduced FFO for the year ended December 31, 2017.

(6) Cash dividends in 2019 do not include the Special Dividend of $42.00 per share of Common Stock paid to stockholders of record at the close of business on August 19, 2019. Cash dividends in 2017 do not include the special cash dividends that allowed the common stockholders that did not participate in the September 14, 2016, June 12, 2017 and December 18, 2017 private share repurchases to receive the economic benefit of such repurchases. Urban II, an affiliate of CIM REIT and CIM Urban, waived its right to receive these special cash dividends as to its shares of our Common Stock owned as of the applicable record dates.

(7) All share and per share amounts have been adjusted to give retroactive effect to the Reverse Stock Split.

	At December 31,				
	2019	2018	2017	2016	2015
Consolidated Balance Sheet Data:			(in thousands)		
Total assets	$ 667,592	$ 1,342,401	$ 1,336,388	$ 2,022,884	$ 2,092,060
Debt	$ 307,421	$ 588,671	$ 630,852	$ 967,886	$ 693,956
Redeemable preferred stock	$ 36,841	$ 35,733	$ 27,924	$ 1,426	$ —
Equity	$ 278,195	$ 617,275	$ 626,705	$ 966,589	$ 1,297,347

Funds from Operations

We believe that FFO is a widely recognized and appropriate measure of the performance of a REIT and that it is frequently used by securities 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) attributable to common stockholders, computed in accordance with GAAP, which reflects the deduction of redeemable preferred stock dividends accumulated, excluding gains (or losses) from sales of real estate, impairment of real estate, and real estate depreciation and amortization. We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts (the "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 the standards established by the NAREIT; accordingly, our FFO may not be comparable to the FFOs of other REITs. Therefore, FFO should be considered only as a supplement to net income (loss) as a measure of our performance and should not be used as a supplement to or substitute measure for cash flows from operating activities computed in accordance with 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 (loss) attributable to common stockholders to FFO attributable to common stockholders:

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Net income (loss) attributable to common stockholders (1) (2)	$ 322,696	$ (14,298)	$ 377,813	$ 34,538	$ 24,392
Depreciation and amortization	27,374	53,228	58,364	71,968	72,361
Impairment of real estate	69,000	—	13,100	—	—
Gain on sale of depreciable assets	(433,104)	—	(408,098)	(39,666)	(3,092)
FFO attributable to common stockholders (1) (2)	$ (14,034)	$ 38,930	$ 41,179	$ 66,840	$ 93,661

(1) During the years ended December 31, 2019, 2018, 2017 and 2016, we recognized $29,982,000, $808,000, $8,215,000, and $417,000, respectively, of loss on early extinguishment of debt. Such losses are included in, and have the effect of reducing, net income (loss) attributable to common stockholders and FFO attributable to common stockholders, because loss on early extinguishment of debt is not an adjustment prescribed by NAREIT.

(2) During the year ended December 31, 2019, the Company recognized redeemable preferred stock redemptions of $5,882,000 primarily in connection with the Tender Offer. Such amount is included in, and has the effect of reducing, net income (loss) attributable to common stockholders and FFO attributable to common stockholders, because redeemable preferred stock redemptions are not an adjustment prescribed by NAREIT.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section includes many forward-looking statements. For cautions about relying on such forward-looking statements, please see "Forward-Looking Statements" at the beginning of this report immediately prior to "Item 1—Business" *in this Annual Report on Form 10-K.*

Executive Summary

Business Overview

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

We are operated by affiliates of CIM Group. CIM Group is a vertically-integrated owner and operator of real assets with multi-disciplinary expertise and in-house research, acquisition, credit analysis, development, finance, leasing, and onsite property management capabilities. CIM Group is headquartered in Los Angeles, California and has offices in Chicago, Illinois; Dallas, Texas; New York, New York; Orlando, Florida; Phoenix, Arizona; the San Francisco Bay Area; the Washington D.C. Metro Area; and Tokyo, Japan.

Properties

As of December 31, 2019, our real estate portfolio consisted of 11 assets, all of which were fee-simple properties. As of December 31, 2019, our 9 office properties (including one development site, which is being used as a parking lot), totaling approximately 1.3 million rentable square feet, were 86.7% occupied and our one hotel with an ancillary parking garage, which has a total of 503 rooms, had RevPAR of $127.09 for the year ended December 31, 2019.

Strategy

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

Our strategy is centered around CIM Group's community qualification process. We believe this strategy provides us with a significant competitive advantage when making real estate acquisitions. The qualification process generally takes between six months and five years and is a critical component of CIM Group's evaluation. As part of the community qualification process, CIM Group examines the characteristics of a market to determine whether the district possesses certain characteristics prior to the extensive efforts CIM Group's investment professionals undertake when reviewing potential acquisitions in its Qualified Communities. Qualified Communities generally fall into one of two categories: (i) transitional metropolitan districts that have dedicated resources to become vibrant metropolitan communities and (ii) well-established, thriving metropolitan areas (typically major central business districts). Qualified Communities are distinct districts which have dedicated resources to become or are currently vibrant communities where people can live, work, shop and be entertained, all within walking distance or close proximity to public transportation. These areas also generally have high barriers to entry, high population density, positive population trends and support for investment. CIM Group believes that a vast majority of the risks associated with acquiring real estate are mitigated by accumulating local market knowledge of the community where the asset is located. CIM Group typically spends significant time and resources qualifying targeted communities prior to making any acquisitions. Since 1994, CIM Group has identified 135 Qualified Communities and has deployed capital in 75 of them. Although we may not deploy capital exclusively in Qualified Communities, it is expected that most of our assets will be identified through this systematic process.

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

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

We seek to utilize the CIM Group platform to acquire, improve and or develop real estate assets within CIM Group's Qualified Communities. We believe that these assets will provide greater returns than similar assets in other markets, as a result of the population growth, public commitment, and significant private investment that characterize these areas. Over time, we seek to expand our real estate assets in communities targeted by CIM Group, supported by CIM Group's broad real estate capabilities, as part of our plan to prudently grow NAV and cash flow per share of Common Stock. As a matter of prudent management, we also regularly evaluate each asset within our portfolio as well as our strategies. Such review may result in dispositions when an asset no longer fits our overall objectives or strategies, or when our view of the market value of such asset is equal to or exceeds its intrinsic value.

While we are principally focused on Class A and creative office assets in vibrant and improving metropolitan communities throughout the United States (including improving and developing such assets), we may also participate more

actively in other CIM Group real estate strategies and product types in order to broaden our participation in CIM Group's platform and capabilities for the benefit of all classes of stockholders. This may include, without limitation, engaging in real estate development activities as well as investing in other product types directly, side-by-side with one or more funds of CIM Group, through direct deployment of capital in a CIM Group real estate or debt fund, or deploying capital in or originating loans that are secured directly or indirectly by properties primarily located in Qualified Communities that meet our strategy. Such loans may include limited and or non-recourse junior (mezzanine, B-note or 2nd lien) and senior acquisition, bridge or repositioning loans.

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

The Company completed the previously announced Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock:

- Sale of Assets. During 2019, the Company sold eight properties in accordance with the approval of its then-principal stockholder, and an additional two properties (one office property and one development site in Washington, D.C.) after evaluating each asset within its portfolio and the intrinsic value of each property. The Asset Sale generated an aggregate gross sales price to the Company of $990,996,000.

- Repayment of Certain Indebtedness. We used a portion of the net proceeds from the Asset Sale to repay balances on certain of the Company's indebtedness.

- Return of Capital to Holders of Common Stock. On August 30, 2019, we paid a Special Dividend of $42.00 per share of Common Stock ($14.00 per share of Common Stock prior to the Reverse Stock Split), or $613,294,000 in the aggregate, to stockholders of record of our Common Stock at the close of business on August 19, 2019.

- CIM REIT Liquidation. In connection with its liquidation process, CIM REIT, the former indirect principal stockholder of the Company, (i) distributed during the year ended December 31, 2019 approximately 10,624,000 shares of our Common Stock formerly indirectly held by CIM REIT, representing approximately 72.8% of the outstanding shares of our Common Stock, to a diverse group of institutional investors that were former members of CIM REIT and (ii) sold, in October 2019, 2,468,390 shares of our Common Stock formerly indirectly held by CIM REIT, representing approximately 16.9% of the outstanding shares of our Common Stock, for $19.1685 per share to an affiliate of CIM Group in a private transaction. As of March 12, 2020, CIM Group, its affiliates, and our officers and directors have an aggregate economic interest in approximately 19.6% of the outstanding shares of our Common Stock.

On October 22, 2019, the Company commenced the Tender Offer for the purchase of up to 2,693,580 shares of Series L Preferred Stock, representing one-third of the then-outstanding shares of Series L Preferred Stock. The Tender Offer was oversubscribed, and pursuant to the terms of the Tender Offer, shares of Series L Preferred Stock were accepted for purchase on a pro rata basis. We repurchased 2,693,580 shares of Series L Preferred Stock at a purchase price of $29.12 per share (of which $1.39, or $3,744,000 in the aggregate, reflects the amount of accrued and unpaid dividends on the Series L Preferred Stock as of November 20, 2019), as converted to and paid in ILS. The total cost to repurchase the tendered shares, including professional fees to complete the Tender Offer of $462,000 but excluding the dividends accrued in respect of such shares, was $75,155,000, which was primarily funded from borrowings under the revolving credit facility. We recognized $5,873,000 of redeemable preferred stock redemptions in our consolidated statement of operations for the year ended December 31, 2019 in connection with the Tender Offer. The shares of Series L Preferred Stock accepted for payment by the Company were restored to the status of authorized but unissued shares of preferred stock without designation as to class or series.

Rental Rate Trends

Office Statistics: The following table sets forth occupancy rates and annualized rent per occupied square foot across our office portfolio as of the specified periods:

	As of December 31,		
	2019	**2018**	**2017**
Occupancy (1)	86.7%	93.2%	94.2%
Annualized rent per occupied square foot (1)(2)(3)	$ 48.18	$ 45.21	$ 41.00

(1) The information presented in this table represents historical information as of the date indicated without giving effect to any property sales occurring thereafter. We sold eight office properties, one development site and one parking garage during the year ended December 31, 2019, we acquired one office property during the year ended December 31, 2018, and we sold six office properties and one parking garage during the year ended December 31, 2017. Excluding these properties, the occupancy and annualized rent per occupied square foot were 86.7% and $43.83 as of December 31, 2019, 94.7% and $39.90 as of December 31, 2018 and 94.9% and $37.89 as of December 31, 2017.

(2) Other than as set forth in (3) below, 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 years ended December 31, 2019, 2018 and 2017 were $1,816,000, $5,146,000 and $3,128,000, respectively. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent. Annualized rent for certain office properties includes rent attributable to retail.

(3) 1130 Howard Street was acquired on December 29, 2017. The annualized rent as of December 31, 2017 for 12,944 rentable square feet of the building is presented using the actual rental income under a signed lease with a different tenant who took possession in March 2018, as the space was occupied by the prior owner and annualized rent under the short-term lease was de minimis.

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

	For the Three Months Ended			
	March 31, 2020	**June 30, 2020**	**September 30, 2020**	**December 31, 2020**
Expiring Cash Rents:				
Expiring square feet (1)	45,949	39,542	20,740	65,798
Expiring rent per square foot (2)	$ 33.54	$ 59.30	$ 42.82	$ 40.82

(1) Month-to-month tenants occupying a total of 22,416 square feet are included in the expiring leases in the first quarter listed.

(2) Represents gross monthly base rent, as of December 31, 2019, under leases expiring during the periods above, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

During the year ended December 31, 2019, we executed leases with terms longer than 12 months totaling 128,687 square feet. The table below sets forth information on certain of our executed leases during the year ended December 31, 2019, excluding space that was vacant for more than one year, month-to-month leases, leases with an original term of less than 12 months, related party leases, and space where the previous tenant was a related party:

	Number of Leases (1)	Rentable Square Feet	New Cash Rents per Square Foot (2)	Expiring Cash Rents per Square Foot (2)
Twelve Months Ended December 31, 2019	26	103,979	$ 42.75	$ 38.30

(1) Based on the number of tenants that signed leases.

(2) Cash rents represent gross monthly base rent, multiplied by twelve. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

Fluctuations in submarkets, buildings and terms of leases cause large variations in these numbers and make predicting the changes in rent in any specific period difficult. Our rental and occupancy rates are impacted by general economic conditions, including the pace of regional and economic growth, and access to capital. Therefore, we cannot give any assurance that leases will be renewed or that available space will be re-leased at rental rates equal to or above the current market rates. Additionally, decreased demand and other negative trends or unforeseeable events that impair our ability to timely renew or re lease space could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Hotel Statistics: The following table sets forth the occupancy, ADR and RevPAR for our hotel in Sacramento, California for the specified periods:

	For the Year Ended December 31,		
	2019	2018	2017
Occupancy	78.2%	80.1%	81.5%
ADR	$ 162.54	$ 161.95	$ 157.64
RevPAR	$ 127.09	$ 129.73	$ 128.43

Lending Segment

Through our SBA 7(a) lending platform, we are a national lender that primarily originates loans to small businesses. We identify loan origination opportunities through personal contacts, internet referrals, attendance at trade shows and meetings, direct mailings, advertisements in trade publications and other marketing methods. We also generate loans through referrals from real estate and loan brokers, franchise representatives, existing borrowers, lawyers and accountants.

Results of Operations

Comparison of the Year Ended December 31, 2019 to the Year Ended December 31, 2018

Net Income

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Total revenues	$ 139,989	$ 197,470	$ (57,481)	(29.1)%
Total expenses	$ 226,690	$ 195,403	$ 31,287	16.0 %
Gain on sale of real estate	$ 433,104	$ —	$ 433,104	—
Net income	$ 345,521	$ 1,142	$ 344,379	—

Net income increased to $345,521,000, or by $344,379,000, for the year ended December 31, 2019, compared to $1,142,000 for the year ended December 31, 2018, primarily due to the Asset Sale. The increase is primarily attributable to the gain on sale of real estate of $433,104,000 recognized in 2019, a decrease of $25,854,000 in depreciation and amortization, a decrease of $15,121,000 in interest expense not allocated to our operating segments, a decrease of $6,085,000 in asset management and other fees to related parties not allocated to our operating segments, an increase of $3,329,000 in interest and other income not allocated to our operating segments, a decrease of $859,000 in general and administrative expense not allocated to our operating segments, and a decrease of $364,000 in transaction costs, partially offset by $69,000,000 in impairment of real estate recognized in 2019, a decrease of $42,206,000 in segment net operating income, and an increase of $29,174,000 in loss on early extinguishment of debt.

Funds From Operations

See “Item 6—Selected Financial Data—Funds from Operations” in this Annual Report on Form 10-K for a discussion of why we believe FFO is a useful supplemental measure of operating performance and the limitations of FFO as a measurement tool.

The following table sets forth a reconciliation of net income (loss) attributable to common stockholders to FFO attributable to common stockholders:

	Year Ended December 31,	
	2019	2018
	(in thousands)	
Net income (loss) attributable to common stockholders (1) (2)	$ 322,696	$ (14,298)
Depreciation and amortization	27,374	53,228
Impairment of real estate	69,000	—
Gain on sale of depreciable assets	(433,104)	—
FFO attributable to common stockholders (1) (2)	$ (14,034)	$ 38,930

(1) During the years ended December 31, 2019 and 2018, we recognized $29,982,000 and $808,000, respectively, of loss on early extinguishment of debt. Such losses are included in, and have the effect of reducing, net income (loss) attributable to common stockholders and FFO attributable to common stockholders, because loss on early extinguishment of debt is not an adjustment prescribed by NAREIT.

(2) During the year ended December 31, 2019, the Company recognized redeemable preferred stock redemptions of $5,882,000 primarily in connection with the Tender Offer. Such amount is included in, and has the effect of reducing, net income (loss) attributable to common stockholders and FFO attributable to common stockholders, because redeemable preferred stock redemptions are not an adjustment prescribed by NAREIT.

FFO attributable to common stockholders was $(14,034,000) for the year ended December 31, 2019, a decrease of $52,964,000 compared to $38,930,000 for the year ended December 31, 2018, primarily due to the Asset Sale. The decrease in

FFO is primarily attributable to a decrease of $42,206,000 in segment net operating income, an increase of $29,174,000 in loss on early extinguishment of debt, an increase of $5,886,000 in redeemable preferred stock redemptions primarily in connection with the Tender Offer, and an increase of $1,672,000 in redeemable preferred stock dividends declared or accumulated, partially offset by a decrease of $15,121,000 in interest expense not allocated to our operating segments, a decrease of $6,085,000 in asset management and other fees to related parties not allocated to our operating segments, an increase of $3,329,000 in interest and other income not allocated to our operating segments, a decrease of $859,000 in general and administrative expense not allocated to our operating segments, and a decrease of $364,000 in transaction costs.

Summary Segment Results

During the years ended December 31, 2019 and 2018, CIM Commercial operated in three segments: office and hotel properties and lending. Set forth and described below are summary segment results for our operating segments.

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Revenues:				
Office	$ 86,948	$ 147,811	$ (60,863)	(41.2)%
Hotel	$ 38,748	$ 38,789	$ (41)	(0.1)%
Lending	$ 10,964	$ 10,870	$ 94	0.9 %
Expenses:				
Office	$ 37,159	$ 57,004	$ (19,845)	(34.8)%
Hotel	$ 26,424	$ 25,295	$ 1,129	4.5 %
Lending	$ 5,826	$ 5,714	$ 112	2.0 %

Revenues

Office Revenue: Office revenue includes rental revenue, expense reimbursements and lease termination income from office properties. Office revenue decreased to $86,948,000, or by 41.2%, for the year ended December 31, 2019 compared to $147,811,000 for the year ended December 31, 2018. The decrease is primarily due to the sale of three office properties and a parking garage in Oakland, California, the sale of an office property in Washington, D.C., and the sale of an office property in San Francisco, California, all of which were consummated in March 2019, the sale of an office property in Oakland, California, which was consummated in May 2019, the sale of two office properties in Washington, D.C., which was consummated in July 2019, and lower revenues at an office property in Los Angeles, California, partially offset by increases in rental revenue at certain of our properties due to increases in rental rates as a result of leasing activity and an increase in expense reimbursements at one of our properties. The office property in Los Angeles, California is being repositioned into vibrant, collaborative office space after the expiration in April 2019 of a lease agreement for 100% of such property, which space has been partially occupied by an affiliate of the Company since May 2019. The aforementioned sales are expected to cause office revenue to decline materially during the year ending December 31, 2020 as compared to the year ended December 31, 2019.

Hotel Revenue: Hotel revenue decreased to $38,748,000, or by 0.1%, for the year ended December 31, 2019 compared to $38,789,000 for the year ended December 31, 2018. Renovations of the guest rooms, food and beverage amenities, public areas, meeting rooms and other amenities at the hotel during 2020, as well as the outbreak of COVID-19 that began in the fourth quarter of 2019, are expected to cause hotel revenue to decline materially during the year ending December 31, 2020 as compared to the year ended December 31, 2019.

Lending Revenue: Lending revenue represents revenue from our lending subsidiaries, including interest income on loans and other loan related fee income. Lending revenue increased to $10,964,000, or by 0.9%, for the year ended December 31, 2019 compared to $10,870,000 for the year ended December 31, 2018. The increase is primarily due to an increase in servicing asset income and interest income, partially offset by a decrease in premium income from the sale of the guaranteed portion of our SBA 7(a) loans.

Interest and Other Income: Interest and other income represents revenue generated outside of our reportable segments. Interest and other income for the year ended December 31, 2019 was $3,329,000, compared to $0 for the year ended

December 31, 2018. The increase was primarily due to interest earned on the proceeds from the Asset Sale received during the year ended December 31, 2019 until the payment of the Special Dividend in August 2019, as well as interest earned during the fourth quarter of 2019 on the funds used for the Tender Offer.

Expenses

Office Expenses: Office expenses decreased to $37,159,000, or by 34.8%, for the year ended December 31, 2019 compared to $57,004,000 for the year ended December 31, 2018. The decrease is primarily due to the sale of three office properties and a parking garage in Oakland, California, the sale of an office property in Washington, D.C., and the sale of an office property in San Francisco, California, all of which were consummated in March 2019, the sale of an office property in Oakland, California, which was consummated in May 2019, and the sale of two office properties in Washington, D.C., which was consummated in July 2019, partially offset by an increase in real estate taxes at certain of our properties in California due to real estate tax refunds related to prior years recognized during the year ended December 31, 2018, an increase in payroll costs at most of our properties, and higher expenses at an office property in Los Angeles, California that is being repositioned into vibrant, collaborative office space. The aforementioned sales are expected to cause office expenses to decline materially during the year ending December 31, 2020 as compared to the year ended December 31, 2019.

Hotel Expenses: Hotel expenses increased to $26,424,000, or by 4.5%, for the year ended December 31, 2019 compared to $25,295,000 for the year ended December 31, 2018, primarily due to an increase in payroll costs. Renovations of the guest rooms, food and beverage amenities, public areas, meeting rooms and other amenities at the hotel during 2020 are expected to cause hotel expenses to decline materially during the year ending December 31, 2020 as compared to the year ended December 31, 2019.

Lending Expenses: Lending expenses represent expenses from our lending subsidiaries, including interest expense, general and administrative expenses and fees to related party. Lending expenses increased to $5,826,000, or by 2.0%, for the year ended December 31, 2019 compared to $5,714,000 for the year ended December 31, 2018. The increase is primarily due to an increase in interest expense as a result of the issuance of the SBA 7(a) loan-backed notes in May 2018, partially offset by a decrease in general and administrative expenses.

Asset Management and Other Fees to Related Parties: Asset management fees and other fees to related parties, which have not been allocated to our operating segments, were $15,921,000 for the year ended December 31, 2019, a decrease of $6,085,000, compared to $22,006,000 for the year ended December 31, 2018. Asset management fees totaled $12,019,000 for the year ended December 31, 2019 compared to $17,880,000 for the year ended December 31, 2018. Asset management fees are calculated based on a percentage of the daily average adjusted fair value of CIM Urban's assets, which are appraised in the fourth quarter of each year. The lower fees reflect a decrease in the adjusted fair value of CIM Urban's assets due to assets sold in the Asset Sale, including the sale of three office properties and a parking garage in Oakland, California, the sale of an office property in Washington, D.C., and the sale of an office property in San Francisco, California, all of which were consummated in March 2019, the sale of an office property in Oakland, California, which was consummated in May 2019, and the sale of two office properties and one development site in Washington, D.C., which was consummated in July 2019, partially offset by net increases in the fair value of CIM Urban’s real estate assets based on the December 31, 2018 appraised values as well as incremental capital expenditures during 2019. CIM Commercial also pays a Base Service Fee to the Administrator, a related party, which totaled $1,102,000 for the year ended December 31, 2019 compared to $1,079,000 for the year ended December 31, 2018. In addition, the Administrator received compensation and or reimbursement for performing certain services for CIM Commercial and its subsidiaries that are not covered by the Base Service Fee. For the years ended December 31, 2019 and 2018, we expensed $2,577,000 and $2,783,000 for such services, respectively. For the years ended December 31, 2019 and 2018, we also expensed $223,000 and $264,000, respectively, related to corporate services subject to reimbursement by us under the CIM SBA Staffing and Reimbursement Agreement. The properties sold as part of the Asset Sale will cause asset management fees to decline materially during the year ending December 31, 2020 as compared to the year ended December 31, 2019, and, as discussed in "Item 1—Business" of this Annual Report on Form 10-K, for the first and second quarters of 2020, we will, subject to applicable laws and regulations under Nasdaq and the TASE and the agreement of the Operator and or the Administrator, as applicable, seek to pay some or all of the asset management fees, the Base Service Fee and or reimbursements under the Master Services Agreement in respect of such quarter in shares of Common Stock. The Company may seek to do so for the third and fourth quarters of 2020 as well (subject to the agreement of the Operator and or the Administrator, as the case may be, and the approval of a special committee consisting of the independent members of the Board of Directors).

Interest Expense: Interest expense, which has not been allocated to our operating segments, was $10,361,000 for the year ended December 31, 2019, a decrease of $15,121,000, compared to $25,482,000 for the year ended December 31, 2018. The decrease is primarily due to the legal defeasance of mortgage loans with an aggregate outstanding principal balance of

$205,500,000 in connection with the sale of three office properties and a parking garage in Oakland, California, the prepayment of a $46,000,000 mortgage loan in connection with the sale of an office property in Washington, D.C., and the assumption of a $28,200,000 mortgage loan by the buyer of an office property in San Francisco, California, all of which were consummated in March 2019, the legal defeasance of a mortgage loan with an outstanding principal balance of $39,500,000 in connection with the sale of an office property in Oakland, California, which was consummated in May 2019, a decrease in interest expense, including the impact of interest rate swaps, as a result of the lower average outstanding principal balance on our revolving credit facility during 2019 compared to the average outstanding principal balance on our unsecured credit and term loan facilities during 2018, and due to higher income during 2019 received in connection with the termination of interest rate swaps as compared to 2018. The aforementioned reductions in our debt are expected to cause interest expense to decline materially during the year ending December 31, 2020 as compared to the year ended December 31, 2019. However, the magnitude of any such decrease cannot be predicted as it will depend on a number of factors such as the amount and timing of future borrowings on our revolving credit facility, and the terms and amount of any new borrowings we may enter into.

General and Administrative Expenses: General and administrative expenses, which have not been allocated to our operating segments, were $4,069,000 for the year ended December 31, 2019, a decrease of $859,000, compared to $4,928,000 for the year ended December 31, 2018. The decrease is primarily due to certain expenses related to our multifamily properties sold during the year ended December 31, 2017, which were expensed in 2018.

Transaction Costs: Transaction costs were $574,000 for the year ended December 31, 2019, a decrease of $364,000 compared to $938,000 for the year ended December 31, 2018.

Depreciation and Amortization Expense: Depreciation and amortization expense was $27,374,000 for the year ended December 31, 2019, a decrease of $25,854,000, compared to $53,228,000 for the year ended December 31, 2018. The decrease is primarily due to the sale of three office properties and a parking garage in Oakland, California that were held for sale starting in mid-January 2019 and sold in March 2019, the sale of an office property in Washington, D.C. that was held for sale starting in late January 2019 and sold in March 2019, the sale of an office property in San Francisco, California that was held for sale starting in late December 2018 and sold in mid-March 2019, the sale of an office property in Oakland, California that was held for sale in mid-March 2019 and sold in mid-May 2019, the impairment of two office properties and one development site in Washington, D.C., which decreased the carrying amounts of such properties and the depreciation thereon through late June 2019, when they were held for sale and sold in late July 2019, and the early renewal of a large tenant at one of our California properties, which increased the life over which certain acquisition-related assets are depreciated. The aforementioned sales are expected to cause depreciation and amortization expense to decline materially during the year ending December 31, 2020 as compared to the year ended December 31, 2019.

Loss on Early Extinguishment of Debt: Loss on early extinguishment of debt was $29,982,000 for the year ended December 31, 2019, an increase of $29,174,000, compared to $808,000 for the year ended December 31, 2018. In March 2019, we legally defeased mortgage loans with an aggregate outstanding principal balance of $205,500,000 in connection with the sale of three office properties and a parking garage in Oakland, California, we prepaid a $46,000,000 mortgage loan in connection with the sale of an office property in Washington, D.C., and a $28,200,000 mortgage loan was assumed by the buyer of an office property in San Francisco, California. In May 2019, one mortgage loan, with an outstanding principal balance of $39,500,000 at such time, was legally defeased in connection with the sale of the related property. Loss on early extinguishment of debt for the year ended December 31, 2019 consists of the costs associated with the aforementioned legal defeasances, repayment, and assumption of mortgage loans, the write-off of unamortized deferred loan costs, and, with regards to the legal defeasances, the difference between the purchase price of the U.S. government securities and the outstanding principal balance of the mortgage loans that were legally defeased. Loss on early extinguishment of debt for the year ended December 31, 2018 consists of the write-off in October 2018 of unamortized deferred loan costs on our unsecured term loan facility, as a result of the repayment and termination of the $170,000,000 of outstanding borrowings on our unsecured term loan facility using proceeds from our revolving credit facility we entered into in October 2018.

Impairment of Real Estate: Impairment of real estate was $69,000,000 for the year ended December 31, 2019 and $0 for the year ended December 31, 2018. In connection with our negotiation of an agreement with an unrelated third-party for the sale of 100% fee-simple interests in two office properties and one development site in Washington, D.C., we determined that the book values of such properties exceeded their estimated fair values and recognized impairment charges totaling $69,000,000 for the year ended December 31, 2019. Our determination of the fair value of such properties was based on the sales price negotiated with the third-party buyer.

Gain on sale of real estate*:* Gain on sale of real estate was $433,104,000 for the year ended December 31, 2019 and $0 for the year ended December 31, 2018. We recognized a gain on sale of real estate of $289,779,000 in connection with the sale of three office properties and a parking garage in Oakland, California, $45,710,000 in connection with the sale of an office

property in Washington, D.C., and $42,092,000 in connection with the sale of an office property in San Francisco, California, all of which were consummated in March 2019, a gain on sale of real estate of $55,221,000 in connection with the sale of an office property in Oakland, California, which was consummated in May 2019, and a gain on sale of real estate of $302,000 in connection with the sale of two office properties and one development site in Washington, D.C., which was consummated in July 2019.

Provision for Income Taxes: Provision for income taxes was $882,000 for the year ended December 31, 2019, a decrease of $43,000, compared to $925,000 for the year ended December 31, 2018.

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017

Net Income

	Year Ended December 31,		Change	
	2018	2017	$	%
	(dollars in thousands)			
Total revenues	$ 197,470	$ 236,059	$ (38,589)	(16.3)%
Total expenses	$ 195,403	$ 263,023	$ (67,620)	(25.7)%
Gain on sale of real estate	$ —	$ 408,098	$ (408,098)	—
Net income	$ 1,142	$ 379,758	$ (378,616)	—

Net income decreased to $1,142,000, or by $378,616,000, for the year ended December 31, 2018, compared to $379,758,000 for the year ended December 31, 2017. The decrease was primarily attributable to the gain on sale of real estate of $408,098,000 recognized in 2017, a decrease of $18,995,000 in segment net operating income, and an increase of $1,910,000 in general and administrative expenses not allocated to our operating segments, partially offset by $13,100,000 in impairment of real estate recognized in 2017, a decrease of $10,924,000 in transaction costs, a decrease of $8,588,000 in interest expense not allocated to our operating segments, a decrease of $7,407,000 in loss on early extinguishment of debt, a decrease of $5,136,000 in depreciation and amortization, and a decrease of $4,781,000 in asset management and other fees to related parties not allocated to our operating segments.

Funds from Operations

See “Item 6—Selected Financial Data—Funds from Operations” in this Annual Report on Form 10-K for a discussion of why we believe FFO is a useful supplemental measure of operating performance and the limitations of FFO as a measurement tool.

The following table sets forth a reconciliation of net (loss) income attributable to common stockholders to FFO attributable to common stockholders:

	Year Ended December 31,	
	2018	2017
	(in thousands)	
Net (loss) income attributable to common stockholders (1)	$ (14,298)	$ 377,813
Depreciation and amortization	53,228	58,364
Impairment of real estate		13,100
Gain on sale of depreciable assets	—	(408,098)
FFO attributable to common stockholders (1)	$ 38,930	$ 41,179

(1) During the years ended December 31, 2018 and 2017, we recognized $808,000 and $8,215,000, respectively, of loss on early extinguishment of debt. Such losses are included in, and have the effect of reducing, net income (loss) attributable to common stockholders and FFO attributable to common stockholders, because loss on early extinguishment of debt is not an adjustment prescribed by NAREIT.

FFO attributable to common stockholders was $38,930,000 for the year ended December 31, 2018, a decrease of $2,249,000 compared to $41,179,000 for the year ended December 31, 2017. The decrease in FFO was primarily attributable to a decrease of $18,995,000 in segment net operating income, an increase of $13,497,000 in redeemable preferred stock dividends declared or accumulated, and an increase of $1,910,000 in general and administrative expenses not allocated to our operating segments, partially offset by a decrease of $10,924,000 in transaction costs, a decrease of $8,588,000 in interest expense not allocated to our operating segments, a decrease of $7,407,000 in loss on early extinguishment of debt, and a decrease of $4,781,000 in asset management and other fees to related parties not allocated to our operating segments.

Summary Segment Results

During the year ended December 31, 2018, CIM Commercial operated in three segments: office and hotel properties and lending. During the year ended December 31, 2017, CIM Commercial operated in four segments: office, hotel and multifamily properties and lending. Set forth and described below are summary segment results for our operating segments.

	Year Ended December 31,		Change	
	2018	2017	$	%
	(dollars in thousands)			
Revenues:				
Office	$ 147,811	$ 173,853	$ (26,042)	(15.0)%
Hotel	$ 38,789	$ 38,585	$ 204	0.5 %
Multifamily	$ —	$ 13,400	$ (13,400)	—
Lending	$ 10,870	$ 10,221	$ 649	6.3 %
Expenses:				
Office	$ 57,004	$ 69,631	$ (12,627)	(18.1)%
Hotel	$ 25,295	$ 25,136	$ 159	0.6 %
Multifamily	$ —	$ 7,952	$ (7,952)	—
Lending	$ 5,714	$ 4,888	$ 826	16.9 %

Revenues

Office Revenue: Office revenue includes rental revenues, expense reimbursements and lease termination income from office properties. Office revenue decreased to $147,811,000, or by 15.0%, for the year ended December 31, 2018 compared to $173,853,000 for the year ended December 31, 2017. The decrease was primarily due to the sale of one office property in San Francisco, California in March 2017, the sale of one office property in Charlotte, North Carolina in June 2017, the sale of one office property and one parking garage in Sacramento, California in June 2017, the sale of two office properties in Washington, D.C. in August and October 2017, the sale of one office property in Los Angeles, California in September 2017, a decrease in lease termination income at two of our California properties primarily due to recognition of fees in connection with the early termination of a large tenant who vacated in December 2017, which space has been leased to a new tenant whose rent commenced on January 1, 2018, and a decrease in expense reimbursements revenue at certain of our California properties and one of our Washington, D.C. properties, partially offset by an increase from the acquisition of one office property in San Francisco, California in December 2017, the acquisition of one office property in Beverly Hills, California in January 2018, an increase in revenue at certain of our California and Washington, D.C. properties due to increases in occupancy and or rental rates, and an increase from real estate tax refunds related to prior years received during the year ended December 31, 2018 for the property in Washington, D.C. that we sold in October 2017.

Hotel Revenue: Hotel revenue increased to $38,789,000, or by 0.5%, for the year ended December 31, 2018 compared to $38,585,000 for the year ended December 31, 2017.

Multifamily Revenue: Multifamily revenue of $13,400,000 for the year ended December 31, 2017 was related to three multifamily properties in Dallas, Texas, which were sold in May and June 2017, one multifamily property in New York, New York, which was sold in September 2017, and one multifamily property in Houston, Texas, which was sold in December 2017. As a result of the aforementioned sales, there was no multifamily revenue during 2018.

Lending Revenue: Lending revenue represents revenue from our lending subsidiaries, including interest income on loans and other loan related fee income. Lending revenue increased to $10,870,000, or by 6.3%, for the year ended December 31, 2018 compared to $10,221,000 for the year ended December 31, 2017. The increase was primarily due to increases in the prime rate, an increase in the retained loan portfolio, and higher revenue resulting from the recognition of accretion for discounts related to increased prepayments on our loans, partially offset by a decrease in premium income from the sale of the guaranteed portion of our SBA 7(a) loans and a decrease related to a break-up fee received during the year ended December 31, 2017.

Expenses

Office Expenses: Office expenses decreased to $57,004,000, or by 18.1%, for the year ended December 31, 2018 compared to $69,631,000 for the year ended December 31, 2017. The decrease was primarily due to the sale of one office property in Charlotte, North Carolina in June 2017, the sale of one office property and one parking garage in Sacramento, California in June 2017, the sale of two office properties in Washington, D.C. in August and October 2017, the sale of one office property in Los Angeles, California in September 2017, a decrease in other tenant reimbursable expenses at one of our Washington, D.C. properties, and a decrease in real estate taxes at certain California properties due to real estate tax refunds related to prior years, which were received during the year ended December 31, 2018, partially offset by the transfer of the right to collect supplemental real estate tax reimbursements which reduced real estate taxes at our office property in San Francisco, California at the time of the property's sale in March 2017, an increase from the acquisition of one office property in San Francisco, California in December 2017, the acquisition of one office property in Beverly Hills, California in January 2018, and an increase in operating expenses at certain of our California properties and at one of our Washington, D.C. properties.

Hotel Expenses: Hotel expenses increased to $25,295,000, or by 0.6%, for the year ended December 31, 2018 compared to $25,136,000 for the year ended December 31, 2017.

Multifamily Expenses: Multifamily expenses of $7,952,000 for the year ended December 31, 2017 were related to three multifamily properties in Dallas, Texas, which were sold in May and June 2017, one multifamily property in New York, New York, which was sold in September 2017, and one multifamily property in Houston, Texas, which was sold in December 2017. As a result of the aforementioned sales, there were no multifamily expenses during 2018.

Lending Expenses: Lending expenses represent expenses from our lending subsidiaries, including interest expense, general and administrative expenses and fees to related party. Lending expenses increased to $5,714,000, or by 16.9%, for the year ended December 31, 2018 compared to $4,888,000 for the year ended December 31, 2017. The increase is primarily due to interest expense that commenced in May 2018 as a result of the issuance of the SBA 7(a) loan-backed notes and an increase in interest expense in connection with our secured borrowings, partially offset by a decrease in payroll related expenses.

Asset Management and Other Fees to Related Parties: Asset management fees and other fees to related parties, which have not been allocated to our operating segments, were $22,006,000 for the year ended December 31, 2018, a decrease of $4,781,000, compared to $26,787,000 for the year ended December 31, 2017. Asset management fees totaled $17,880,000 for the year ended December 31, 2018 compared to $22,229,000 for the year ended December 31, 2017. Asset management fees are calculated based on a percentage of the daily average adjusted fair value of CIM Urban's assets, which are appraised in the fourth quarter of each year. The lower fees reflect a decrease in the adjusted fair value of CIM Urban's assets due to the sale of one office property in March 2017, the sale of two multifamily properties in May 2017, the sale of two office properties, one parking garage, and one multifamily property in June 2017, the sale of one office property in August 2017, the sale of one office property and one multifamily property in September 2017, the sale of one office property in October 2017, and the sale of one multifamily property in December 2017, partially offset by the acquisition of one office property in December 2017, the acquisition of one office property in January 2018 and net increases in the fair value of CIM Urban’s real estate assets based on the December 31, 2017 appraisals as well as incremental capital expenditures during 2018. CIM Commercial also pays a Base Service Fee to the Administrator, a related party, which totaled $1,079,000 for the year ended December 31, 2018 compared to $1,060,000 for the year ended December 31, 2017. In addition, the Administrator received compensation and or reimbursement for performing certain services for CIM Commercial and its subsidiaries that are not covered by the Base Service Fee. For the years ended December 31, 2018 and 2017, we expensed $2,783,000 and $3,065,000 for such services, respectively. For the years ended December 31, 2018 and 2017, we also expensed $264,000 and $433,000, respectively, related to corporate services subject to reimbursement by us under the CIM SBA Staffing and Reimbursement Agreement.

Interest Expense: Interest expense, which has not been allocated to our operating segments, was $25,482,000 for the year ended December 31, 2018, a decrease of $8,588,000 compared to $34,070,000 for the year ended December 31, 2017. The decrease in interest expense, which includes the impact of interest rate swaps and loan fee amortization expense, is primarily due to lower average outstanding balances under the unsecured credit and term loan facilities, and revolving credit facility as a

result of aggregate repayments of $215,000,000 of outstanding borrowings on our unsecured term loan facility in August and November 2017, the payoff of a $25,331,000 mortgage loan in March 2017 in connection with the sale of one office property, the payoff of mortgage loans with a combined balance of $38,781,000 in connection with the sale of three multifamily properties in May and June 2017, the assumption of a $21,700,000 mortgage loan by the buyer of one office property in September 2017, and the assumption of a $28,560,000 mortgage loan by the buyer of one multifamily property in December 2017.

General and Administrative Expenses: General and administrative expenses, which have not been allocated to our operating segments, were $4,928,000 for the year ended December 31, 2018, an increase of $1,910,000 compared to $3,018,000 for the year ended December 31, 2017. The increase was primarily due to certain expenses related to our multifamily properties sold during the year ended December 31, 2017, which were expensed in 2018, and an increase in legal and other professional fees and shareholder services expenses.

Transaction Costs: Transaction costs were $938,000 for the year ended December 31, 2018, a decrease of $10,924,000 compared to $11,862,000 for the year ended December 31, 2017. The decrease was primarily due to the payments totaling $11,845,000 that we made in August 2017 in connection with a lawsuit filed by the City and County of San Francisco claiming past due real property transfer tax relating to a transaction in a prior year, partially offset by an increase in abandoned project costs. In September 2018, we filed a lawsuit against the City and County of San Francisco seeking a refund of the $11,845,000 in penalties, interest and legal fees paid. We disputed that such penalties, interest and legal fees were payable but, in order to contest the asserted tax obligations, we had to pay such amounts to the City and County of San Francisco in August 2017. We have been vigorously pursuing this litigation and intend to continue to do so.

Depreciation and Amortization Expense: Depreciation and amortization expense was $53,228,000 for the year ended December 31, 2018, a decrease of $5,136,000 compared to $58,364,000 for the year ended December 31, 2017. The decrease was primarily due to the sale of one office property in San Francisco, California that was held for sale starting in February 2017 and sold in March 2017, the sale of three multifamily properties in Dallas, Texas that were held for sale in May 2017 and sold in May and June 2017, the sale of two office properties and a parking garage in Sacramento, California and Charlotte, North Carolina, that were held for sale in April 2017 and sold in June 2017, the sale of one office property in Los Angeles, California that was held for sale in May 2017 and sold in September 2017, the sale of two multifamily properties in New York, New York and Houston, Texas that were held for sale in July 2017 and sold in September and December 2017, respectively, the sale of two office properties in Washington, D.C. that were held for sale in August 2017 and sold in August and October 2017, and the acceleration of tenant improvement depreciation and lease commission amortization during the year ended December 31, 2017 in connection with the early termination of a large tenant at one of our California properties who vacated in December 2017, partially offset by depreciation expense related to two office properties in San Francisco, California and Beverly Hills, California, which were acquired in December 2017 and January 2018, respectively, as well as incremental capital expenditures in 2018.

Loss on Early Extinguishment of Debt: Loss on early extinguishment of debt was $808,000 for the year ended December 31, 2018, a decrease of $7,407,000, compared to $8,215,000 for the year ended December 31, 2017. Loss on early extinguishment of debt for the year ended December 31, 2018 consists of the write-off in October 2018 of unamortized deferred loan costs on our unsecured term loan facility, as a result of the repayment and termination of the $170,000,000 of outstanding borrowings on our unsecured term loan facility using proceeds from our revolving credit facility we entered into in October 2018. Loss on early extinguishment of debt for the year ended December 31, 2017 consists of the costs associated with the repayment, assumption of mortgage loans, and the write-off of unamortized deferred loan costs, in connection with the payoff of a $25,331,000 mortgage loan in March 2017 at the sale of one office property, the payoff of mortgage loans with a combined balance of $38,781,000 at the sale of three multifamily properties in May and June 2017, the assumption of a $21,700,000 mortgage loan by the buyer of one office property in September 2017, and the assumption of a $28,560,000 mortgage loan by the buyer of one multifamily property in December 2017, as well as the write-off of unamortized deferred loan costs on our unsecured term loan facility as a result of aggregate repayments of $215,000,000 of outstanding borrowings on our unsecured term loan facility in August and November 2017.

Impairment of Real Estate: Impairment of real estate was $0 for the year ended December 31, 2018 and $13,100,000 for the year ended December 31, 2017. In August 2017, we negotiated an agreement with an unrelated third-party for the sale of one office property in Washington, D.C., which was sold in October 2017. We determined the book value of this property exceeded its estimated fair value less costs to sell, and as such, an impairment charge of $13,100,000 was recognized for the year ended December 31, 2017. Our determination of the fair value of such property was based on the sale price negotiated with the third-party buyer.

***Gain on sale of real estate**:* Gain on sale of real estate was $0 for the year ended December 31, 2018 and $408,098,000 for the year ended December 31, 2017. We recognized a gain on sale of real estate of $189,242,000 in connection with the sale of an office property in San Francisco, California, which was consummated in March 2017, a gain on sale of real estate of $11,613,000 in connection with the sale of two multifamily properties in Dallas, Texas, which was consummated in May 2017, a gain on sale of real estate of $45,906,000 in connection with the sale of an office property in Charlotte, North Carolina, $34,559,000 in connection with the sale of an office property and a parking garage in Sacramento, California, and $28,648,000 in connection with the sale of a multifamily property in Dallas, Texas, all of which were consummated in June 2017, a gain on sale of real estate of $34,456,000 in connection with the sale of an office property in Washington, D.C., which was consummated in August 2017, a gain on sale of real estate of $23,810,000 in connection with the sale of an office property in Los Angeles, California, and a gain on sale of real estate of $16,556,000 in connection with the sale of a multifamily property in New York, New York, which were consummated in September 2017, a gain on sale of real estate of $2,994,000 in connection with the sale of an office property in Washington, D.C., which was consummated in October 2017, and a gain on sale of real estate of $20,314,000 in connection with the sale of a multifamily property in Houston, Texas, which was consummated in December 2017.

Provision for Income Taxes: Provision for income taxes was $925,000 for the year ended December 31, 2018, a decrease of $451,000, compared to $1,376,000 for the year ended December 31, 2017, due to a decrease in taxable income at one of our taxable REIT subsidiaries.

Liquidity and Capital Resources

Sources and Uses of Funds

In September 2014, CIM Commercial entered into an $850,000,000 unsecured credit facility with a bank syndicate which consisted of a $450,000,000 revolver, a $325,000,000 term loan and a $75,000,000 delayed-draw term loan. Outstanding advances under the revolver bore interest at (i) the base rate plus 0.20% to 1.00% or (ii) LIBOR plus 1.20% to 2.00%, depending on the maximum consolidated leverage ratio. Outstanding advances under the term loans bore interest at (i) the base rate plus 0.15% to 0.95% or (ii) LIBOR plus 1.15% to 1.95%, depending on the maximum consolidated leverage ratio. Our unsecured credit facility matured on September 30, 2018.

In May 2015, CIM Commercial entered into an unsecured term loan facility with a bank syndicate pursuant to which CIM Commercial could borrow up to a maximum of $385,000,000. Outstanding advances under the term loan facility bore interest at (i) the base rate plus 0.60% to 1.25% or (ii) LIBOR plus 1.60% to 2.25%, depending on the maximum consolidated leverage ratio, which interest rate was effectively converted to a fixed rate of 3.16% through interest rate swaps. The term loan facility had a maturity date in May 2022. On November 2, 2015, $385,000,000 was drawn under the term loan facility. Proceeds from the term loan facility were used to repay balances outstanding under our unsecured credit facility. During the year ended December 31, 2017, we repaid $215,000,000 of outstanding borrowings on our unsecured term loan facility. In connection with such paydowns, we wrote off deferred loan costs of $1,988,000 and related accumulated amortization of $705,000, a proportionate amount to the borrowings being repaid, which was recorded as loss on early extinguishment of debt for the year ended December 31, 2017. On October 30, 2018, we repaid and terminated the $170,000,000 of outstanding borrowings on our unsecured term loan facility using proceeds from our new revolving credit facility (as described below). In connection with such paydown and termination, we wrote off the remaining deferred loan costs of $1,872,000 and related accumulated amortization of $1,064,000, which was recorded as loss on early extinguishment of debt for the year ended December 31, 2018.

In June 2016, we entered into six mortgage loan agreements with an aggregate principal amount of $392,000,000. A portion of the net proceeds from the loans was used to repay outstanding balances under our unsecured credit facility and the remaining portion was used to repurchase shares of our Common Stock in a private repurchase in September 2016. On September 21, 2017, in connection with the sale of an office property in Los Angeles, California, one mortgage loan with an outstanding principal balance of $21,700,000, collateralized by such property, was assumed by the buyer, and we recognized a loss on early extinguishment of debt of $367,000 for the year ended December 31, 2017, which represents the write-off of deferred loan costs of $259,000 and related accumulated amortization of $32,000, and transaction costs of $140,000. On March 1, 2019, additional mortgage loans, with an aggregate outstanding principal balance of $205,500,000 at such time, were legally defeased in connection with the sale of the related properties. The cash outlay required for this defeasance in the net amount of $224,086,000 was based on the purchase price of U.S. government securities that will generate sufficient cash flow to fund continued interest payments on the loans from the effective date of this defeasance through the date on which we could repay the loans at par. As a result of this defeasance, we recognized a loss on early extinguishment of debt of $19,290,000 for the year ended December 31, 2019, which represents the sum of the difference between the purchase price of U.S. government securities of $224,086,000 and the aggregate outstanding principal balance of the mortgage loans of $205,500,000, the write-off of

deferred loan costs of $637,000 and related accumulated amortization of $170,000, and transaction costs of $237,000. On March 14, 2019, in connection with the sale of an office property in San Francisco, California, one mortgage loan with an outstanding principal balance of $28,200,000 at such time was assumed by the buyer. As a result of this assumption, we recognized a loss on early extinguishment of debt of $178,000 for the year ended December 31, 2019, which represents the write-off of deferred loan costs of $243,000 and related accumulated amortization of $65,000. On May 16, 2019, one mortgage loan with an outstanding principal balance of $39,500,000 at such time, was legally defeased in connection with the sale of the related property. The cash outlay required for this defeasance in the net amount of $44,108,000 was based on the purchase price of U.S. government securities that will generate sufficient cash flow to fund continued interest payments on the loan from the effective date of this defeasance through the date on which we could repay the loan at par. As a result of this defeasance, we recognized a loss on early extinguishment of debt of $4,911,000 for the year ended December 31, 2019, which represents the sum of the difference between the purchase price of U.S. government securities of $44,108,000 and the outstanding principal balance of the mortgage loan of $39,500,000, the write-off of deferred loan costs of $287,000 and related accumulated amortization of $82,000, and transaction costs of $98,000.

On May 30, 2018, we completed a securitization of the unguaranteed portion of certain of our SBA 7(a) loans receivable with the issuance of $38,200,000 of unguaranteed SBA 7(a) loan-backed notes. The securitization uses a trust formed for the benefit of the note holders (the "Trust") which is considered a variable interest entity ("VIE"). Applying the consolidation requirements for VIEs under the accounting rules in Accounting Standards Codification ("ASC") Topic 810, *Consolidation*, the Company determined that it is the primary beneficiary based on its power to direct activities through its role as servicer and its obligations to absorb losses and right to receive benefits. The SBA 7(a) loan-backed notes are collateralized solely by the right to receive payments and other recoveries attributable to the unguaranteed portions of certain of our SBA 7(a) loans receivable. The SBA 7(a) loan-backed notes mature on March 20, 2043, with monthly payments due as payments on the collateralized loans are received. Based on the anticipated repayments of our collateralized SBA 7(a) loans, at issuance, we estimated the weighted average life of the SBA 7(a) loan-backed notes to be approximately two years. The SBA 7(a) loan-backed notes bear interest at the lower of the one-month LIBOR plus 1.40% or the prime rate less 1.08%. We reflect the SBA 7(a) loans receivable as assets on our consolidated balance sheets and the SBA 7(a) loan-backed notes as debt on our consolidated balance sheets. The restricted cash on our consolidated balance sheets as of December 31, 2019 and 2018 included $3,306,000 and $3,174,000, respectively, of funds related to our SBA 7(a) loan-backed notes.

In October 2018, CIM Commercial entered into a revolving credit facility with a bank syndicate pursuant to which CIM Commercial can borrow up to a maximum of $250,000,000, subject to a borrowing base calculation. The revolving credit facility is secured by deeds of trust on certain properties. Outstanding advances under the revolving credit facility bear interest at (i) the base rate plus 0.55% or (ii) LIBOR plus 1.55%. At December 31, 2019, the variable interest rate was 3.29%. The interest rate on the first $120,000,000 of one-month LIBOR indexed variable rate borrowings on our revolving credit facility was effectively converted to a fixed rate of 3.11% through interest rate swaps until such swaps were terminated on March 11, 2019. The revolving credit facility is also subject to an unused commitment fee of 0.15% or 0.25% depending on the amount of aggregate unused commitments. The revolving credit facility matures in October 2022 and provides for one one-year extension option under certain conditions. On October 30, 2018, we borrowed $170,000,000 on this facility to repay outstanding borrowings on our unsecured term loan facility. On December 28, 2018, we repaid $40,000,000 of outstanding borrowings on our revolving credit facility and we terminated one interest rate swap with a notional value of $50,000,000. On February 28, 2019 and March 11, 2019, we repaid $10,000,000 and $120,000,000, respectively, of outstanding borrowings on our revolving credit facility using cash on hand and net proceeds from the Asset Sale, and, in connection with the March 11, 2019 repayment, we terminated our two remaining interest rate swaps, which had an aggregate notional value of $120,000,000. At March 12, 2020, December 31, 2019 and December 31, 2018, $159,500,000, $153,000,000 and $130,000,000, respectively, was outstanding under the revolving credit facility, and approximately $67,400,000, $73,900,000 and $91,000,000, respectively, was available for future borrowings. The revolving credit facility is not subject to any financial covenants, but is subject to a borrowing base calculation that determines the amount we can borrow.

On March 28, 2017, in connection with the sale of an office property in San Francisco, California, we paid off a mortgage with an outstanding balance of $25,331,000 using proceeds from the sale. As a result, we recognized a loss on early extinguishment of debt of $1,534,000 for the year ended December 31, 2017, which represents a prepayment penalty of $1,508,000 and the write-off of deferred loan costs of $165,000 and related accumulated amortization of $139,000.

On May 30, 2017, in connection with the sale of two multifamily properties, both located in Dallas, Texas, we paid off two mortgages with an aggregate outstanding principal balance of $15,448,000 using proceeds from the sales. As a result, we recognized a loss on early extinguishment of debt of $2,014,000 for the year ended December 31, 2017, which represents prepayment penalties of $1,901,000 and the write-off of deferred loan costs of $298,000 and related accumulated amortization of $185,000.

On June 23, 2017, in connection with the sale of a multifamily property in Dallas, Texas, we paid off a mortgage with an outstanding principal balance of $23,333,000 using proceeds from the sale. As a result, we recognized a loss on early extinguishment of debt of $2,925,000 for the year ended December 31, 2017, which represents a prepayment penalty of $2,812,000 and the write-off of deferred loan costs of $304,000 and related accumulated amortization of $191,000.

On December 15, 2017, in connection with the sale of a multifamily property in Houston, Texas, a mortgage with an outstanding principal balance of $28,560,000, collateralized by such property, was assumed by the buyer. As a result, we recognized a loss on early extinguishment of debt of $92,000 for the year ended December 31, 2017, which represents the write-off of deferred loan costs of $264,000 and related accumulated amortization of $172,000.

On March 1, 2019, in connection with the sale of an office property in Washington, D.C., we prepaid the related mortgage loan with an outstanding principal balance of $46,000,000 at such time, using proceeds from the sale. As a result, we recognized a loss on early extinguishment of debt of $5,603,000 for the year ended December 31, 2019, which represents a prepayment penalty of $5,325,000 and the write-off of deferred loan costs of $537,000 and related accumulated amortization of $259,000.

We conducted a continuous public offering of Series A Preferred Units from October 2016 through January 2020, where each Series A Preferred Unit consisted of one share of Series A Preferred Stock and one Series A Preferred Warrant. Holders of Series A Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share at an annual rate of 5.5% of the Series A Preferred Stock Stated Value (i.e., the equivalent of $0.34375 per share per quarter). The Series A Preferred Warrants are exercisable beginning on the first anniversary of the date of their original issuance until and including the fifth anniversary of the date of such issuance. At the time of issuance, the exercise price of each Series A Preferred Warrant is at a 15.0% premium to the per share estimated NAV of our Common Stock most recently published and designated as the Applicable NAV by us at the time of issuance of such Series A Preferred Warrants. However, in accordance with the terms of the Series A Preferred Warrants, the exercise price of each Series A Preferred Warrant issued prior to the Reverse Stock Split was automatically adjusted to reflect the effect of the Reverse Stock Split and, in the discretion of our Board of Directors, the exercise price and the number of shares issuable upon exercise of each Series A Preferred Warrant issued prior to the Special Dividend was adjusted to reflect the effect of the Special Dividend. As of December 31, 2019, we had issued 4,484,376 Series A Preferred Units and received net proceeds of $102,565,000 after commissions, fees and allocated costs. As of December 31, 2019, there were 4,468,315 shares of Series A Preferred Stock and 4,484,376 Series A Preferred Warrants to purchase 1,164,432 shares of Common Stock outstanding. As of December 31, 2019, 16,061 shares of Series A Preferred Stock had been redeemed. In December 2019, we received a request to redeem 800 shares of Series A Preferred Stock, which were redeemed in January 2020. As of December 31, 2019, such shares are included in accounts payable and accrued expenses on our consolidated balance sheet.

On November 21, 2017, we issued 8,080,740 shares of Series L Preferred Stock and received net proceeds of $207,845,000 after commissions, fees, allocated costs, and a discount. Each share of Series L Preferred Stock has a Series L Preferred Stock Stated Value of $28.37 per share, subject to adjustment. Holders of Series L Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share of Series L Preferred Stock at an annual rate of 5.5% of the Series L Preferred Stock Stated Value (i.e., the equivalent of $1.56035 per share per year), with the first distribution paid in January 2019. If the Company fails to timely declare distributions or fails to timely pay distributions on the Series L Preferred Stock, the annual dividend rate of the Series L Preferred Stock will temporarily increase by 1.0% per year, up to a maximum rate of 8.5% per annum. However, prior to the payment of any distributions on Series L Preferred Stock in respect of a given year, the Company must first declare and pay dividends on the Common Stock in respect of such year in an aggregate amount equal to the Initial Dividend announced by our Board of Directors at the end of the prior fiscal year. On December 20, 2019, our Board of Directors announced an Initial Dividend on shares of our Common Stock for fiscal year 2020 in the aggregate amount of $4,380,644.70.

On October 22, 2019, the Company commenced the Tender Offer for the purchase of up to 2,693,580 shares of Series L Preferred Stock, representing one-third of the then-outstanding shares of Series L Preferred Stock. The Tender Offer was oversubscribed, and pursuant to the terms of the Tender Offer, shares of Series L Preferred Stock were accepted for purchase on a pro rata basis. We repurchased 2,693,580 shares of Series L Preferred Stock at a purchase price of $29.12 per share (of which $1.39, or $3,744,000 in the aggregate, reflects the amount of accrued and unpaid dividends on the Series L Preferred Stock as of November 20, 2019), as converted to and paid in ILS. The total cost to repurchase the tendered shares, including professional fees to complete the Tender Offer of $462,000 but excluding the dividends accrued in respect of such shares, was $75,155,000, which was primarily funded from borrowings under the revolving credit facility. We recognized $5,873,000 of redeemable preferred stock redemptions in our consolidated statement of operations for the year ended December 31, 2019 in connection with the Tender Offer. The shares of Series L Preferred Stock accepted for payment by the Company were restored to the status of authorized but unissued shares of preferred stock without designation as to class or series.

Since February 2020, we have been conducting a continuous public offering of up to approximately $785,000,000 of our Series A Preferred Stock and Series D Preferred Stock. Since such time, our Series A Preferred Stock is no longer being issued as a unit with an accompanying Series A Preferred Warrant. Holders of Series A Preferred Stock and Series D Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share at an annual rate of 5.5% of the Series A Preferred Stock Stated Value (i.e., the equivalent of $0.34375 per share per quarter) and 5.65% of the Series D Preferred Stock Stated Value (i.e., the equivalent of $0.35313 per share per quarter), respectively.

On March 16, 2020, the Company established an “at the market” (“ATM”) program through which it may, from time to time in its discretion, offer and sell shares of Common Stock having an aggregate offering price of up to $25,000,000 through an investment banking firm acting as the sales agent. Sales of Common Stock under the ATM program may be made directly on or through Nasdaq, among other methods. The Company intends to use the net proceeds from shares sold under the ATM program, if any, for general corporate purposes, acquisitions of shares of our preferred stock, whether through one or more tender offers, share repurchases or otherwise, and acquisitions consistent with our acquisition and asset management strategies. As of March 16, 2020, no sales of Common Stock have been made under the ATM program.

We currently have substantial borrowing capacity, and may finance our future activities through one or more of the following methods: (i) offerings of shares of Common Stock, preferred stock, senior unsecured securities, and or other equity and debt securities; (ii) credit facilities and term loans; (iii) the addition of senior recourse or non-recourse debt using target acquisitions as well as existing assets as collateral; (iv) the sale of existing assets; and or (v) cash flows from operations.

Our long-term liquidity needs will consist primarily of funds necessary for acquisitions of assets, development or repositioning of properties (including, without limitation, (i) development of an existing surface parking lot at 3601 S Congress Avenue into approximately 42,000 square feet of additional office space, which development is expected to cost approximately $15,300,000, of which costs of $5,671,000 had been incurred as of December 31, 2019, (ii) a repositioning of an existing office building at 4750 Wilshire Boulevard into vibrant, collaborative office space, which repositioning is expected to cost approximately $14,500,000, of which costs of $1,258,000 had been incurred as of December 31, 2019, and (iii) renovations of the guest rooms, food and beverage amenities, public areas, meeting rooms and other amenities at the Sheraton Grand Hotel in Sacramento, California, which renovations are expected to cost approximately $26,300,000, of which costs of $2,423,000 had been incurred as of December 31, 2019), capital expenditures, refinancing of indebtedness, SBA 7(a) loan originations, paying distributions on our Preferred Stock or any other preferred stock we may issue, any future repurchase and or redemption of our Preferred Stock (if we choose, or are required, to pay the redemption price in cash instead of in shares of our Common Stock) and distributions on our Common Stock. 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 one or more of the methods described in the immediately preceding paragraph. 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 assets may generate lower cash flows or decline in value, or both, which may cause us to sell assets at a time when we would not otherwise do so which could have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Cash Flow Analysis

Comparison of the Year Ended December 31, 2019 to the Year Ended December 31, 2018

Our cash and cash equivalents and restricted cash, inclusive of cash and restricted cash included in assets held for sale, net, totaled $35,947,000 and $77,926,000 at December 31, 2019 and 2018, respectively. Our cash flows from operating activities are primarily dependent upon the real estate assets owned, occupancy level of our real estate assets, the rental rates achieved through our leases, the ADR of our hotel, the collectability of rent and recoveries from our tenants, and loan related activity. 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 $40,985,000 for the year ended December 31, 2019 compared to $61,456,000 for the year ended December 31, 2018. The decrease was primarily due to a $16,405,000 decrease in net income adjusted for the gain on sale of real estate, depreciation and amortization expense, impairment of real estate, and loss on early extinguishment of debt, a decrease of $14,109,000 in proceeds from the sale of guaranteed loans, a decrease of $13,842,000 resulting from a higher level of working capital used compared to the prior period, and a decrease of $2,085,000 in principal collected on loans subject to secured borrowings, partially offset by a decrease of $25,961,000 in loans funded.

Our cash flows from investing activities are primarily related to property acquisitions and sales, expenditures for development or repositioning of properties, capital expenditures and cash flows associated with loans originated at our lending segment. Net cash provided by investing activities for the year ended December 31, 2019 was $917,193,000 compared to net cash used in investing activities of $131,734,000 in the corresponding period in 2018. The increase was primarily due to $941,032,000 of cash generated from the Asset Sale compared to an outflow of $112,048,000 for the acquisition of real estate during the year ended December 31, 2018, and a $8,681,000 decrease in loans funded, partially offset by an increase of $12,545,000 in cash used to fund additions to investments in real estate, and a $497,000 decrease in principal collected on loans.

Our cash flows from financing activities are generally impacted by borrowings and capital activities. Net cash used in financing activities for the year ended December 31, 2019 was $1,000,157,000 compared to $6,535,000 in the corresponding period in 2018. We had net debt payments inclusive of secured borrowings and SBA 7(a) loan-backed notes of the lending business, of $38,100,000 for the year ended December 31, 2019, compared with net debt payments of $11,157,000 for the year ended December 31, 2018. Additionally, for the year ended December 31, 2019, we had an outflow of $268,194,000 for investments in marketable securities in connection with the legal defeasance of certain mortgage loans and an outflow of $5,660,000 for prepayment penalties and other payments related to the early extinguishment of debt in connection with the Asset Sale. The source of funds used to pay dividends of $648,591,000 for the year ended December 31, 2019, which includes an annual dividend on the Series L Preferred Stock of $14,045,000 paid in January 2019, was cash provided by operating activities and cash on hand at the beginning of the period, as well as proceeds from the Asset Sale, while the source of funds used to pay dividends of $25,643,000 for the year ended December 31, 2018 was cash provided by operating activities. During the year ended December 31, 2019, we had an outflow of $75,155,000 for the repurchase of Series L Preferred Stock. Proceeds from the issuance of our Series A Preferred Units were $37,582,000 during the year ended December 31, 2019 compared to $36,057,000 in the corresponding period in 2018, while cash used for the payment of deferred stock offering costs totaled $1,320,000 for the year ended December 31, 2019, compared to $1,136,000 in the corresponding period in 2018. Cash used for payment of deferred loan costs totaled $34,000 during the year ended December 31, 2019, compared to $4,234,000 in the corresponding period in 2018, which primarily related to our revolving credit facility we entered into in October 2018 and the issuance of unguaranteed SBA 7(a) loan-backed notes in May 2018.

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017

Our cash and cash equivalents and restricted cash, inclusive of cash and restricted cash included in assets held for sale, net, totaled $77,926,000 and $154,739,000 at December 31, 2018 and 2017, respectively. Our cash flows from operating activities are primarily dependent upon the real estate assets owned, occupancy level of our real estate assets, the rental rates achieved through our leases, the ADR of our hotel, the collectability of rent and recoveries from our tenants, and loan related activity. 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 $61,456,000 for the year ended December 31, 2018 compared to net cash used in operating activities of $2,724,000 for the year ended December 31, 2017. The increase was primarily due to an increase of $54,175,000 resulting from a lower level of working capital used compared to the prior period, primarily due to a prior period $20,000,000 deposit for the office property acquired in January 2018, an increase of $8,936,000 in net income adjusted for the gain on sale of real estate, depreciation and amortization expense, impairment of real estate, loss on early extinguishment of debt, and the transfer of the right to collect supplemental real estate tax reimbursements at an office property in San Francisco, California that we sold in March 2017, an increase of $2,830,000 in proceeds from the sale of guaranteed loans, and a $1,582,000 decrease in loans funded, partially offset by a $976,000 decrease in principal collected on loans subject to secured borrowings.

Our cash flows from investing activities are primarily related to property acquisitions and sales, expenditures for development or repositioning of properties, capital expenditures and cash flows associated with loans originated at our lending segment. Net cash used in investing activities for the year ended December 31, 2018 was $131,734,000 compared to net cash provided by investing activities of $969,865,000 in the corresponding period in 2017. The decrease was primarily due to $1,018,476,000 in cash generated from the sale of real estate during the year ended December 31, 2017, and an increase in the acquisition of real estate cash outflow of $92,417,000, partially offset by a decrease of $9,046,000 in additions to investments in real estate.

Our cash flows from financing activities are generally impacted by borrowings and capital activities. Net cash used in financing activities for the year ended December 31, 2018 was $6,535,000 compared to $989,011,000 in the corresponding period in 2017. The increase in cash flows from financing activities was primarily due to $886,010,000 used during the year ended December 31, 2017 to repurchase our Common Stock and net debt payments, inclusive of secured borrowings and SBA 7(a) loan-backed notes of the lending business, of $11,157,000 for the year ended December 31, 2018, compared with net debt payments of $287,551,000 in the corresponding period in 2017, primarily due to the repayment of $215,000,000 of outstanding

borrowings on our unsecured term loan facility in August and November 2017, and the prepayment of mortgages with an aggregate outstanding principal balance of $64,112,000 in the corresponding period in 2017 in connection with the sale of real estate. Additionally, for the year ended December 31, 2017, we had an outflow of $6,361,000 for prepayment penalties and other payments related to early extinguishment of debt. Proceeds from the issuance of Series L Preferred Stock and Series A Preferred Units were $0 and $36,057,000, respectively, for the year ended December 31, 2018 compared to $210,377,000 and $28,197,000, respectively, in the corresponding period in 2017, while cash used for the payment of deferred stock offering costs totaled $1,136,000 for the year ended December 31, 2018, compared to $3,832,000 in the corresponding period in 2017. The source of funds used to pay dividends of $25,643,000 for the year ended December 31, 2018 was cash provided by operating activities, while the source of funds used to pay dividends of $43,449,000 in the corresponding period in 2017 was cash on hand at the beginning of the period of $144,449,000. Cash used for the payment of deferred loan costs totaled $4,234,000 for the year ended December 31, 2018, which primarily related to the revolving credit facility we entered into in October 2018 and the issuance of unguaranteed SBA 7(a) loan-backed notes in May 2018, compared to $304,000 for the year ended December 31, 2017.

Summarized Contractual Obligations, Commitments and Contingencies

The following summarizes our contractual obligations at December 31, 2019:

	Payments Due by Period				
Contractual Obligations	**Total**	**2020**	**2021 - 2022**	**2023 - 2024**	**Thereafter**
			(in thousands)		
Debt:					
Mortgages payable	$ 97,100	$ —	$ —	$ —	$ 97,100
Other (1) (2)	202,352	2,650	155,740	2,692	41,270
Secured borrowings (2)	12,152	1,893	941	1,038	8,280
Interest and fees:					
Debt (3)	73,537	12,088	22,962	13,061	25,426
Other contractual obligations:					
Borrower advances	3,250	3,250	—	—	—
Loan commitments	9,696	9,696	—	—	—
Tenant improvements	7,747	4,547	580	2,620	—
Operating leases	106	106	—	—	—
Total contractual obligations	$ 405,940	$ 34,230	$ 180,223	$ 19,411	$ 172,076

(1) Represents the junior subordinated notes, SBA 7(a) loan-backed notes, and revolving credit facility.

(2) Principal payments on SBA 7(a) loan-backed notes, which are included in Other, and secured borrowings are generally dependent upon cash flows received from the underlying loans. Our estimate of their repayment is based on scheduled 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 mortgage payable and junior subordinated notes, the interest expense is calculated based on the effective interest rate on the related debt. For our revolving credit facility, we use the balance outstanding and the applicable rates in effect at December 31, 2019 to calculate the unused commitment fees. For our secured borrowings related to our government guaranteed loans, we use the variable rate in effect at December 31, 2019.

Off Balance Sheet Arrangements

At December 31, 2019, we did not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates and Recently Issued Accounting Pronouncements

The discussion and analysis of our historical financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While we believe that our estimates are based on reasonable assumptions and judgments at the time they are made, some of our assumptions, estimates and judgments will inevitably prove to be incorrect. As a result, actual results could differ from our estimates, and those differences could be material.

We believe the following critical accounting policies, among others, affect our more significant estimates and assumptions used in preparing our consolidated financial statements. For a discussion of recently issued accounting literature, see Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K.

Valuation of Investments in Real Estate

As described in Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K, investments in real estate are evaluated for impairment on a quarterly basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets held for sale are reported at the lower of the asset’s carrying amount or fair value, less cost to sell. The Company recognized impairment of long lived assets of $69,000,000, $0 and $13,100,000 during the years ended December 31, 2019, 2018 and 2017, respectively.

The Company's process for evaluating real estate impairment involves the comparison of the fair value of each asset group or property to its carrying value. The Company estimates fair value primarily using the income approach. The income approach is based on the present value of the estimated future cash flows attributable to the respective property. This requires management to make significant assumptions related to certain inputs, including the market discount rates and terminal capitalization rates. The valuation of investments in real estate was determined to be a critical accounting policy. The evaluation of market discount rates and terminal capitalization rates requires a subjective evaluation based on the specific property and market and the related comparison to comparable sales data and published sources of these assumptions. Changes in the assumptions could have a significant impact on either the fair value, the amount of impairment charge, if any, or both.

Allowance for Loan Loss Reserves

As described in Notes 2 and 5 to the consolidated financial statements included in this Annual Report on Form 10-K, the Company has loans receivable of $67,532,000 and loan loss reserves of $598,000 as of December 31, 2019. On a quarterly basis, and more frequently if indicators exist, we evaluate the collectability of our loans receivable. Our evaluation of collectability involves significant judgment, estimates, and a review of the ability of the borrower to make principal and interest payments, the underlying collateral and the borrowers' business models and future operations in accordance with ASC 450-20, *Contingencies-Loss Contingencies*, and ASC 310-10, *Receivables*. For the years ended December 31, 2019, 2018 and 2017, we recorded $66,000, $147,000 and $97,000 of impairment on our loans receivable, respectively. There were no material loans receivable subject to credit risk which were considered to be impaired at December 31, 2019 or 2018. We also establish a general loan loss reserve when available information indicates that it is probable a loss has occurred based on the carrying value of the portfolio and the amount of the loss can be reasonably estimated. Significant judgment is required in determining the general loan loss reserve, including estimates of the likelihood of default and the estimated fair value of the collateral. The general loan loss reserve includes those loans, which may have negative characteristics which have not yet become known to us. In addition to the reserves established on loans not considered impaired that have been evaluated under a specific evaluation, we establish the general loan loss reserve using a consistent methodology to determine a loss percentage to be applied to loan balances. These loss percentages are based on many factors, primarily cumulative and recent loss history and general economic conditions.

The evaluation of the collectability of our loans receivable is highly subjective and is based in part on factors that could differ materially from actual results in future periods. If these factors change, we may recognize an impairment loss, which could be material.

FINRA Estimated Per Share Value

We have prepared an estimate of the per share value of our Series A Preferred Stock as of December 31, 2019 in order to assist broker-dealers that are participating in our public offering of Series A Preferred Stock in meeting their obligations under applicable FINRA rules. This estimate utilizes the fair values of our investments in real estate and certain lending assets as well as the carrying amounts of our other assets and liabilities, in each case as of December 31, 2019 (the "Calculated Assets and Liabilities"). Specifically, we divided (i) the fair values of our investments in real estate and certain lending assets and the carrying amounts of our other assets less the carrying amounts of our liabilities, in each case as of December 31, 2019, by (ii) the number of shares of Series A Preferred Stock outstanding as of that date. The fair values of our investments in real estate and certain lending assets were determined with material assistance from third-party appraisal firms engaged to value our investments in real estate and certain lending assets, in each case in accordance with standards set forth by the American Institute of Certified Public Accountants. We believe our methodology of determining the Calculated Assets and Liabilities conforms to standard industry practices and is reasonably designed to ensure it is reliable.

The terms of the Series A Preferred Stock expressly provide that the amount that a holder of Series A Preferred Stock would be entitled to receive upon the redemption of the Series A Preferred Stock or the liquidation of the Company would be equal to the Series A Preferred Stock Stated Value, plus all accumulated, accrued and unpaid dividends thereon (the “Maximum Value”), subject to any applicable redemption fee in the case of a redemption by such holder. As a result, in no event would a holder of Series A Preferred Stock be entitled to receive an amount greater than the Maximum Value upon the redemption of such shares or the liquidation of the Company. Accordingly, although the estimated value of the Series A Preferred Stock, calculated based on the Calculated Assets and Liabilities as described above, exceeded the Maximum Value, the Company determined that the estimated value of the Series A Preferred Stock, as of December 31, 2019, was equal to $25.00 per share, plus accrued and unpaid dividends.

Dividends

Holders of Series A Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Preferred Stock at an annual rate of 5.5% of the Series A Preferred Stock Stated Value (i.e., the equivalent of $0.34375 per share per quarter). Dividends on each share of Series A Preferred Stock begin accruing on, and are cumulative from, the date of issuance.

We expect to pay dividends on the Series A Preferred Stock in arrears on a monthly basis in accordance with the foregoing provisions, unless our results of operations, our general financing conditions, general economic conditions, applicable requirements of the MGCL or other factors make it imprudent to do so. The timing and amount of payment of dividends on the Series A Preferred Stock will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

Cash dividends on our Series A Preferred Stock paid in respect of the years ended December 31, 2019 and 2018 consist of the following:

Declaration Date	Payment Date	Number of Shares	Cash Dividends
			(in thousands)
December 3, 2019	January 15, 2020	4,468,315	$ 1,467
August 8, 2019	October 15, 2019	4,091,980	$ 1,318
June 4, 2019	July 15, 2019	3,601,721	$ 1,150
February 20, 2019	April 15, 2019	3,149,924	$ 1,010
December 4, 2018	January 15, 2019	2,847,150	$ 890
August 22, 2018	October 15, 2018	2,457,119	$ 769
June 4, 2018	July 16, 2018	2,149,863	$ 662
March 6, 2018	April 16, 2018	1,674,841	$ 493

On January 28, 2020, we declared a quarterly cash dividend of $0.34375 per share of our Series A Preferred Stock, or portion thereof for issuances during the period from January 1, 2020 to March 31, 2020. As a result, $0.114583 per share was paid on February 18, 2020 to holders of record of Series A Preferred Stock at the close of business on February 5, 2020, $0.114583 per share will be paid on March 16, 2020 to holders of record of Series A Preferred Stock at the close of

business on March 5, 2020, and $0.114583 per share will be paid on April 15, 2020 to holders of record of Series A Preferred Stock at the close of business on April 5, 2020.

Further, on March 2, 2020, we declared a quarterly cash dividend of $0.34375 per share of our Series A Preferred Stock, or portion thereof for issuances during the period from April 1, 2020 to June 30, 2020. As a result, $0.114583 per share will be paid on May 15, 2020 to holders of record of Series A Preferred Stock at the close of business on May 5, 2020, $0.114583 per share will be paid on June 15, 2020 to holders of record of Series A Preferred Stock at the close of business on June 5, 2020, and $0.114583 per share will be paid on July 15, 2020 to holders of record of Series A Preferred Stock at the close of business on July 5, 2020.

Holders of Series D Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share of Series D Preferred Stock at an annual rate of 5.65% of the Series D Preferred Stock Stated Value (i.e., the equivalent of $0.35313 per share per quarter) (the “Series D Dividend”). Dividends on each share of Series D Preferred Stock begin accruing on, and are cumulative from, the date of issuance.

We expect to pay the Series D Dividend in arrears on a monthly basis in accordance with the foregoing provisions, unless our results of operations, our general financing conditions, general economic conditions, applicable requirements of the MGCL or other factors make it imprudent to do so. The timing and amount of the Series D Dividend will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

As of March 12, 2020, there were 5,600 shares of Series D Preferred Stock outstanding. On March 2, 2020, we declared a quarterly cash dividend of $0.235417 per share of our Series D Preferred Stock, or portion thereof for issuances during the period from February 1, 2020 to March 31, 2020, and declared a quarterly cash dividend of $0.353125 per share of our Series D Preferred Stock, or portion thereof for issuances during the period from April 1, 2020 to June 30, 2020. The quarterly dividend per share is lower in the first quarter as it covers a two-month period, whereas the second quarter covers a three-month period because the first issuance of the Series D Preferred Stock occurred in February 2020. These dividends will be payable as follows: $0.117708 per share to be paid on March 16, 2020 to holders of record of Series D Preferred Stock at the close of business on March 5, 2020, $0.117708 per share to be paid on April 15, 2020 to holders of record of Series D Preferred Stock at the close of business on April 5, 2020, $0.117708 per share to be paid on May 15, 2020 to holders of record of Series D Preferred Stock at the close of business on May 5, 2020, $0.117708 per share to be paid on June 15, 2020 to holders of record of Series D Preferred Stock at the close of business on June 5, 2020, and $0.117708 per share to be paid on July 15, 2020 to holders of record of Series D Preferred Stock at the close of business on July 5, 2020.

Holders of Series L Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share of Series L Preferred Stock at an annual rate of 5.5% of the Series L Preferred Stock Stated Value (i.e., the equivalent of $1.56035 per share per year). Dividends on each share of Series L Preferred Stock began accruing on, and are cumulative from, the date of issuance.

We expect to pay dividends on the Series L Preferred Stock in arrears on an annual basis in accordance with the foregoing provisions, unless our results of operations, our general financing conditions, general economic conditions, applicable requirements of the MGCL or other factors make it imprudent to do so. If the Company fails to timely declare distributions or fails to timely pay distributions on the Series L Preferred Stock, the annual dividend rate of the Series L Preferred Stock will temporarily increase by 1.0% per year, up to a maximum rate of 8.5% per annum. However, prior to the payment of any distributions on Series L Preferred Stock in respect of a given year, the Company must first declare and pay dividends on the Common Stock in respect of such year in an aggregate amount equal to the Initial Dividend announced by our Board of Directors at the end of the prior fiscal year. On December 20, 2019, our Board of Directors announced an Initial Dividend on shares of our Common Stock for fiscal year 2020 in the aggregate amount of $4,380,644.70.

Cash dividends on our Series L Preferred Stock paid in respect of the years ended December 31, 2019 and 2018 consist of the following:

Declaration Date	Payment Date	Number of Shares	Cash Dividends
			(in thousands)
December 3, 2019	January 16, 2020	5,387,160	$ 8,406 (1)
December 4, 2018	January 17, 2019	8,080,740	$ 14,045 (2)

(1) Excludes $3,744,000, which represents a prorated cash dividend from January 1, 2019 to November 20, 2019 related to the 2,693,580 shares of Series L Preferred Stock that were repurchased in connection with the Series L Preferred Stock Tender Offer on November 20, 2019.

(2) Includes $1,436,000, which represents a prorated cash dividend from November 20, 2017 to December 31, 2017. For the year ended December 31, 2017, the accumulated dividends of $1,436,000 are included in the numerator for purposes of calculating basic and diluted net income (loss) attributable to common stockholders per share.

Holders of our Common Stock are entitled to receive dividends, if, as and when authorized by the Board of Directors and declared by us out of legally available funds. In determining our dividend policy, the Board of Directors considers many factors including the amount of cash resources available for dividend distributions, capital spending plans, cash flow, our financial position, applicable requirements of the MGCL, any applicable contractual restrictions, and future growth in NAV and cash flow per share prospects. Consequently, the dividend rate on a quarterly basis does not necessarily correlate directly to any individual factor.

Cash dividends per share of Common Stock paid in respect of the years ended December 31, 2019 and 2018 consist of the following:

Declaration Date	Payment Date	Type (1)	Cash Dividend Per Common Share (1)
December 3, 2019	December 27, 2019	Regular Quarterly	$ 0.075
August 8, 2019	September 18, 2019	Regular Quarterly	$ 0.075
August 8, 2019	August 30, 2019	Special Cash	$ 42.000
June 4, 2019	June 27, 2019	Regular Quarterly	$ 0.375
February 20, 2019	March 25, 2019	Regular Quarterly	$ 0.375
December 4, 2018	December 27, 2018	Regular Quarterly	$ 0.375
August 22, 2018	September 25, 2018	Regular Quarterly	$ 0.375
June 4, 2018	June 28, 2018	Regular Quarterly	$ 0.375
March 6, 2018	March 29, 2018	Regular Quarterly	$ 0.375

(1) Amounts have been adjusted to give retroactive effect to the Reverse Stock Split.

On March 2, 2020, we declared a cash dividend of $0.075 per share of our Common Stock, to be paid on March 25, 2020 to stockholders of record at the close of business on March 13, 2020.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The fair value of our mortgages payable is sensitive to fluctuations in interest rates. Discounted cash flow analysis is generally used to estimate the fair value of our mortgages payable, using a rate of 3.67% at December 31, 2019, and rates ranging from 4.62% to 4.64% at December 31, 2018. Mortgages payable, exclusive of debt included in liabilities associated with assets held for sale, net, with book values of $96,926,000 and $386,923,000 as of December 31, 2019 and 2018, respectively, have fair values of $99,764,000 and $377,364,000, respectively.

Our future income, cash flow 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. We are 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 our

floating rate debt or the fair values of our fixed rate debt. At December 31, 2019 and 2018 (excluding premiums, discounts, and deferred loan costs, including debt included in liabilities associated with assets held for sale, net, and before the impact of interest rate swaps, as applicable), $97,100,000 (or 31.2%) and $416,300,000 (or 66.8%) of our debt, respectively, was fixed rate mortgage loans, and $214,504,000 (or 68.8%) and $206,604,000 (or 33.2%), respectively, was floating rate borrowings. Based on the level of floating rate debt outstanding at December 31, 2019 and 2018, and before the impact of the interest rate swaps, as applicable, a 12.5 basis point change in LIBOR would result in an annual impact to our earnings of approximately $268,000 and $258,000, respectively. We calculate 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 our floating rate debt or the impact of interest rate swaps, as applicable.

In order to manage financing costs and interest rate exposure related to our one-month LIBOR indexed variable rate borrowings, on August 13, 2015, we entered into ten interest rate swap agreements with multiple counterparties totaling $385,000,000 of notional value. These swap agreements became effective on November 2, 2015. These interest rate swaps effectively converted the interest rate on our one-month LIBOR indexed variable rate interest payments into a fixed weighted average rate of 1.563% plus the credit spread, which was 1.55% at December 31, 2018, or an all-in rate of 3.11%. During the year ended December 31, 2017, we repaid $215,000,000 of outstanding one-month LIBOR indexed variable rate borrowings and we terminated seven interest rate swaps with an aggregate notional value of $215,000,000, for which we received termination payments, net of fees, of $973,000. On December 28, 2018, we repaid $40,000,000 of outstanding one-month LIBOR indexed variable rate borrowings and we terminated one interest rate swap with a notional value of $50,000,000, for which we received a termination payment, net of fees, of $684,000. On March 11, 2019, we repaid $120,000,000 of outstanding one-month LIBOR indexed variable rate borrowings and we terminated our two remaining interest rate swaps with an aggregate notional value of $120,000,000, for which we received aggregate termination payments, net of fees, of $1,302,000. For a description of our derivative contracts, see Note 12 to our consolidated financial statements in Item 15 of this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

The information required by this Item is incorporated herein by reference to the Financial Statements and Auditors' Report beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2019, we carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, regarding 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 Exchange Act) at the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded, as of that time, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and include controls and procedures designed to ensure the information required to be disclosed by the Company in such reports is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed 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. We reviewed the results of management's assessment with the Audit Committee of the Board of Directors.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the

Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on their assessment, management determined that as of December 31, 2019, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by BDO USA, LLP, an independent registered public accounting firm as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
CIM Commercial Trust Corporation
Dallas, TX

Opinion on Internal Control over Financial Reporting

We have audited CIM Commercial Trust Corporation and its subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedules and our report dated March 16, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Los Angeles, CA
March 16, 2020

Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal controls will prevent all errors and fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item regarding the Company's directors and executive officers, and corporate governance, including information with respect to beneficial ownership reporting compliance, will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2020 Annual Meeting of Stockholders. Such information is incorporated herein by reference. Information relating to the registrant's Code of Business Conduct and Ethics that applies to its employees, including its senior financial officers, is included in Part I of this Annual Report on Form 10-K under "Item 1—Business—Available Information."

Item 11. Executive Compensation

The information required by this Item will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2020 Annual Meeting of Stockholders. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item regarding security ownership of certain beneficial owners and management will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2020 Annual Meeting of Stockholders. Such information is incorporated herein by reference. Information relating to securities authorized for issuance under the Company's equity compensation plans is included in Part II of this Annual Report on Form 10-K under "Item 5— Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2020 Annual Meeting of Stockholders. Such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2020 Annual Meeting of Stockholders. Such information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The list of the financial statements filed as part of this Annual Report on Form 10-K is set forth on page F-1 herein.

2. Financial Statement Schedules

The list of the financial statement schedules filed as part of this Annual Report on Form 10-K is set forth on page F-1 herein.

Note: Other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

3. Exhibits

The following documents are included or incorporated by reference in this Annual Report on Form 10-K:

Exhibit No.	Document
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).
3.1(d)	Articles of Amendment (Reverse Stock Split) (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 6, 2019).
3.1(e)	Articles of Amendment (Par Value Decrease) (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on September 6, 2019).
3.2	Articles Supplementary to the Articles of Amendment and Restatement of CIM Commercial Trust Corporation, designating the Series A Preferred Stock (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2016).
3.3	Amendment No. 1 to the Articles Supplementary to the Articles of Amendment and Restatement of CIM Commercial Trust Corporation, designating the Series A Preferred Stock (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 31, 2020).
3.4	Articles Supplementary to the Articles of Amendment and Restatement of CIM Commercial Trust Corporation, designating the Series D Preferred Stock (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 31, 2020).
3.5	Articles Supplementary to the Articles of Amendment and Restatement of CIM Commercial Trust Corporation, designating the Series L Preferred Stock (incorporated by reference to Exhibit 4.1 to the Registrant's Pre-Effective Amendment No. 4 to the Form S-11 Registration Statement (333-218019) filed with the SEC on November 15, 2017).
3.6	Bylaws of CIM Commercial Trust Corporation (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).
*4.1	Description of Securities of CIM Commercial Trust Corporation.
4.2	Purchase Agreement among PMC Commercial Trust, PMC Preferred Capital Trust-A and Taberna Preferred Funding I, Ltd. dated March 15, 2005 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 10, 2005).
4.3	Junior Subordinated Indenture between PMC Commercial Trust and JPMorgan Chase Bank, National Association as Trustee dated March 15, 2005 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 10, 2005).

4.4	Amended and Restated Trust Agreement among PMC Commercial Trust, JPMorgan Chase Bank, National Association, Chase Bank USA, National Association and The Administrative Trustees Named Herein dated March 15, 2005 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 10, 2005).
4.5	Floating Rate Junior Subordinated Note due 2035 (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 10, 2005).
4.6	Warrant Agreement, dated June 28, 2016, between CIM Commercial Trust Corporation and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-11/A filed with the SEC on June 29, 2016).
4.7	First Amendment to Warrant Agreement, dated November 6, 2019, between CIM Commercial Trust Corporation and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2019).
4.8	Form of Warrant Certificate (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-11 filed with the SEC on June 29, 2016).
+10.1	2015 Equity Incentive Plan (incorporated by reference to Annex A to the Registrant's Definitive Proxy Statement related to its 2015 annual meeting of stockholders, as filed with the SEC on April 17, 2015).
+10.2	Amended and Restated Executive Employment Contract with Jan F. Salit dated August 30, 2013 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 30, 2013).
+10.3	Amended and Restated Executive Employment Contract with Barry N. Berlin dated August 30, 2013 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on August 30, 2013).
10.4	Master Services Agreement dated March 11, 2014 by and among PMC Commercial Trust, certain of its subsidiaries, and CIM Service Provider, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 11, 2014).
10.5	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 (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2014).
10.6	Form of Indemnification Agreement for directors and officers of CIM Commercial Trust Corporation (incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2014).
10.7	Staffing and Reimbursement Agreement, dated as of January 1, 2015, by and among CIM SBA Staffing, LLC, PMC Commercial Lending, LLC and CIM Commercial Trust Corporation (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 16, 2015).
10.8	Investment Management Agreement, dated as of December 10, 2015, between CIM Urban Partners, L.P. and CIM Investment Advisors, LLC (incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 15, 2016).
10.9	Assignment Agreement, dated as of January 1, 2019, by and among CIM Capital, LLC (formerly known as CIM Investment Advisors, LLC), CIM Capital Controlled Company Management, LLC, CIM Capital RE Debt Management, LLC, CIM Capital Real Property Management, LLC and CIM Capital Securities Management, LLC (incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 18, 2019).
10.10	Form of Amended and Restated Dealer Manager Agreement by and between CIM Commercial Trust Corporation and CCO Capital, LLC (incorporated by reference to Exhibit 1.1 to the Registrant's Registration Statement on Form S-11 filed with the SEC on October 2, 2019).
*10.11	Second Amended and Restated Dealer Manager Agreement, dated as of January 28, 2020, by and among CIM Commercial Trust Corporation, CIM Service Provider, LLC and CCO Capital, LLC.
10.12	Second Amended and Restated Agreement of Limited Partnership of CIM Urban Partners, L.P., dated as of December 22, 2005, by and among CIM Urban Partners GP, Inc. and CIM Urban REIT, LLC (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 16, 2015).
10.13	Credit Agreement, dated as of October 30, 2018, by and among certain subsidiary borrowers of CIM Commercial Trust Corporation, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, as syndication agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-11 (Reg. No. 333-232232) filed with the SEC on October 2, 2019).

10.14	Amended and Restated Purchase and Sale Agreement, dated as of February 27, 2019, among CIM/Oakland 1901 Harrison, LP, CIM/Oakland 2353 Webster, LP, CIM/Oakland Center 21, LP and SOF-XI U.S. MAR Acquisitions, L.L.C. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 7, 2019).
10.15	Amended and Restated Purchase and Sale Agreement and Joint Escrow Instructions, effective as of June 17, 2019, among CIM Commercial Trust Corporation, Union Square 941 Property LP, Union Square 825 Property LP, Union Square Plaza Owner LP, Network Realty Partners, LLC and First American Title Insurance Company (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 5, 2019).
*10.16	Lease Agreement, dated as of June 29, 2009, by and among CIM/Oakland 1 Kaiser Plaza, LP and Kaiser Foundation Health Plan, Inc, as amended by the First Amendment to Lease, dated as of June 15, 2012, as further amended by the Second Amendment to Lease, dated as of December 16, 2013, as further amended by the Third Amendment to Lease, dated as of July 8, 2015, and as further amended by the Fourth Amendment to Lease, dated as of November 18, 2015.
*21.1	Subsidiaries of the Registrant.
*23.1	Consent of BDO USA, LLP.
*24.1	Powers of Attorney (included on signature page).
*31.1	Section 302 Officer Certification-Chief Executive Officer.
*31.2	Section 302 Officer Certification-Chief Financial Officer.
*32.1	Section 906 Officer Certification-Chief Executive Officer.
*32.2	Section 906 Officer Certification-Chief Financial Officer.

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* Filed herewith.

\+ Management contract or compensatory plan

(b) Exhibits

The exhibits listed in Item 15(a) are incorporated by reference or attached hereto.

(c) Excluded Financial Statements

None.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Dated: March 16, 2020 By: /s/ DAVID THOMPSON
David Thompson
Chief Executive Officer

Dated: March 16, 2020 By: /s/ NATHAN D. DEBACKER
Nathan D. DeBacker
Chief Financial Officer

POWERS OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David Thompson and Nathan D. DeBacker and each of them severally, his true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully for all intents and purposes as he might or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ David Thompson David Thompson	Chief Executive Officer (Principal Executive Officer)	March 16, 2020
/s/ Nathan D. DeBacker Nathan D. DeBacker	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 16, 2020
/s/ Douglas Bech Douglas Bech	Director	March 16, 2020
/s/ Robert Cresci Robert Cresci	Director	March 16, 2020
/s/ Kelly Eppich Kelly Eppich	Director	March 16, 2020
/s/ Frank Golay Frank Golay	Director	March 16, 2020
/s/ Shaul Kuba Shaul Kuba	Director	March 16, 2020
/s/ Richard Ressler Richard Ressler	Director	March 16, 2020
/s/ Avraham Shemesh Avraham Shemesh	Director	March 16, 2020

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
CIM Commercial Trust Corporation
Dallas, TX

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CIM Commercial Trust Corporation (the "Company") and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedules (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 16, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

/s/ BDO USA, LLP

We have served as the Company's auditor since 2014.

Los Angeles, CA

March 16, 2020

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	December 31,	
	2019	2018
ASSETS		
Investments in real estate, net	$ 508,707	$ 1,040,937
Cash and cash equivalents	23,801	54,659
Restricted cash	12,146	22,512
Loans receivable, net	68,079	83,248
Accounts receivable, net	3,520	6,640
Deferred rent receivable and charges, net	34,857	84,230
Other intangible assets, net	7,260	9,531
Other assets	9,222	18,469
Assets held for sale, net (Note 3)	—	22,175
TOTAL ASSETS	$ 667,592	$ 1,342,401
LIABILITIES, REDEEMABLE PREFERRED STOCK, AND EQUITY		
LIABILITIES:		
Debt, net	$ 307,421	$ 588,671
Accounts payable and accrued expenses	24,309	41,598
Intangible liabilities, net	1,282	2,872
Due to related parties	9,431	10,951
Other liabilities	10,113	16,535
Liabilities associated with assets held for sale, net (Note 3)	—	28,766
Total liabilities	352,556	689,393
COMMITMENTS AND CONTINGENCIES (Note 15)		
REDEEMABLE PREFERRED STOCK: Series A, $0.001 par value; 36,000,000 shares authorized; 1,630,821 and 1,630,421 shares issued and outstanding, respectively, at December 31, 2019 and 1,566,386 and 1,565,346 shares issued and outstanding, respectively, at December 31, 2018; liquidation preference of $25.00 per share, subject to adjustment	36,841	35,733
EQUITY:		
Series A cumulative redeemable preferred stock, $0.001 par value; 36,000,000 shares authorized; 2,853,555 and 2,837,094 shares issued and outstanding, respectively, at December 31, 2019 and 1,287,169 and 1,281,804 shares issued and outstanding, respectively, at December 31, 2018; liquidation preference of $25.00 per share, subject to adjustment	70,633	31,866
Series L cumulative redeemable preferred stock, $0.001 par value; 9,000,000 shares authorized; 8,080,740 and 5,387,160 shares issued and outstanding, respectively, at December 31, 2019 and 8,080,740 shares issued and outstanding at December 31, 2018; liquidation preference of $28.37 per share, subject to adjustment	152,834	229,251
Common stock, $0.001 and $0.003 par value at December 31, 2019 and 2018, respectively; 900,000,000 shares authorized; 14,602,149 and 14,598,357 shares issued and outstanding at December 31, 2019 and 2018, respectively (1)	15	44
Additional paid-in capital	794,825	790,354
Accumulated other comprehensive income	—	1,806
Distributions in excess of earnings	(740,617)	(436,883)
Total stockholders' equity	277,690	616,438
Noncontrolling interests	505	837
Total equity	278,195	617,275
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK, AND EQUITY	$ 667,592	$ 1,342,401

(1) All share and per share amounts have been adjusted to give retroactive effect to the one-for-three reverse stock split of our common stock effected on September 3, 2019.

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share amounts)

	Year Ended December 31,		
	2019	**2018**	**2017**
REVENUES:			
Rental and other property income	$ 88,331	$ 147,095	$ 175,534
Hotel income	35,633	35,672	35,576
Interest and other income	16,025	14,703	24,949
	139,989	197,470	236,059
EXPENSES:			
Rental and other property operating	62,928	79,917	101,268
Asset management and other fees to related parties	18,303	24,451	30,251
Interest	12,175	26,894	34,484
General and administrative	6,354	9,167	5,479
Transaction costs (Note 15)	574	938	11,862
Depreciation and amortization	27,374	53,228	58,364
Loss on early extinguishment of debt (Note 7)	29,982	808	8,215
Impairment of real estate (Note 2)	69,000	—	13,100
	226,690	195,403	263,023
Gain on sale of real estate (Note 3)	433,104	—	408,098
INCOME BEFORE PROVISION FOR INCOME TAXES	346,403	2,067	381,134
Provision for income taxes	882	925	1,376
NET INCOME	345,521	1,142	379,758
Net loss (income) attributable to noncontrolling interests	152	(21)	(21)
NET INCOME ATTRIBUTABLE TO THE COMPANY	345,673	1,121	379,737
Redeemable preferred stock dividends declared or accumulated (Note 10)	(17,095)	(15,423)	(1,926)
Redeemable preferred stock redemptions (Note 10)	(5,882)	4	2
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 322,696	$ (14,298)	$ 377,813
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS PER SHARE: (1)			
Basic	$ 22.11	$ (0.98)	$ 16.41
Diluted	$ 19.74	$ (0.98)	$ 16.41
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: (1)			
Basic	14,598	14,597	23,021
Diluted	16,493	14,597	23,023

(1) All share and per share amounts have been adjusted to give retroactive effect to the one-for-three reverse stock split of our common stock effected on September 3, 2019.

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(In thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
NET INCOME	$ 345,521	$ 1,142	$ 379,758
Other comprehensive (loss) income: cash flow hedges	(1,806)	175	2,140
COMPREHENSIVE INCOME	343,715	1,317	381,898
Comprehensive loss (income) attributable to noncontrolling interests	152	(21)	(21)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	$ 343,867	$ 1,296	$ 381,877

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Equity
(In thousands, except share and per share amounts)

	Years Ended December 31, 2019, 2018 and 2017										
	Common Stock (1)		Preferred Stock								
			Series A		Series L		Additional	Accumulated Other	Distributions	Non-	
	Shares	Par Value	Shares	Amount	Shares	Amount	Paid - in Capital	Comprehensive Income (Loss)	in Excess of Earnings	controlling Interests	Total Equity
Balances, December 31, 2016	28,016,025	$ 84	—	$ —	—	$ —	$ 1,566,073	$ (509)	$ (599,971)	$ 912	$ 966,589
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(43)	(43)
Stock-based compensation expense	3,195	—	—	—	—	—	154	—	—	—	154
Share repurchases	(13,424,241)	(40)	—	—	—	—	(752,218)	—	(133,752)	—	(886,010)
Special cash dividends declared to certain common stockholders ($8.970 per share) (1)	—	—	—	—	—	—	—	—	(6,447)	—	(6,447)
Common dividends ($1.782 per share) (1)	—	—	—	—	—	—	—	—	(38,327)	—	(38,327)
Issuance of Series A Preferred Warrants	—	—	—	—	—	—	126	—	—	—	126
Issuance of Series L Preferred Stock	—	—	—	—	8,080,740	229,251	(21,406)	—	—	—	207,845
Dividends to holders of Series A Preferred Stock ($1.375 per share)	—	—	—	—	—	—	—	—	(490)	—	(490)
Reclassification of Series A Preferred Stock to permanent equity	—	—	61,013	1,518	—	—	(101)	—	—	—	1,417
Redemption of Series A Preferred Stock	—	—	(421)	(10)	—	—	3	—	—	—	(7)
Other comprehensive income	—	—	—	—	—	—	—	2,140	—	—	2,140
Net income	—	—	—	—	—	—	—	—	379,737	21	379,758
Balances, December 31, 2017	14,594,979	$ 44	60,592	$ 1,508	8,080,740	$ 229,251	$ 792,631	$ 1,631	$ (399,250)	$ 890	$ 626,705

(1) All share and per share amounts have been adjusted to give retroactive effect to the one-for-three reverse stock split of our common stock effected on September 3, 2019.

(Continued)

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Equity (Continued)
(In thousands, except share and per share amounts)

	Years Ended December 31, 2019, 2018 and 2017										
	Common Stock (1)		Preferred Stock								
			Series A		Series L						
	Shares	Par Value	Shares	Amount	Shares	Amount	Additional Paid - in Capital	Accumulated Other Comprehensive Income	Distributions in Excess of Earnings	Non-controlling Interests	Total Equity
Balances, December 31, 2017	14,594,979	$ 44	60,592	$ 1,508	8,080,740	$ 229,251	$ 792,631	$ 1,631	$ (399,250)	$ 890	$ 626,705
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(74)	(74)
Stock-based compensation expense	3,378	—	—	—	—	—	162	—	—	—	162
Common dividends ($1.500 per share) (1)	—	—	—	—	—	—	—	—	(21,895)	—	(21,895)
Issuance of Series A Preferred Warrants	—	—	—	—	—	—	73	—	—	—	73
Dividends to holders of Series A Preferred Stock ($1.375 per share)	—	—	—	—	—	—	—	—	(2,814)	—	(2,814)
Dividends to holders of Series L Preferred Stock ($1.738 per share)	—	—	—	—	—	—	—	—	(14,045)	—	(14,045)
Reclassification of Series A Preferred Stock to permanent equity	—	—	1,223,032	30,403	—	—	(2,516)	—	—	—	27,887
Redemption of Series A Preferred Stock	—	—	(1,820)	(45)	—	—	4	—	—	—	(41)
Other comprehensive income	—	—	—	—	—	—	—	175	—	—	175
Net income	—	—	—	—	—	—	—	—	1,121	21	1,142
Balances, December 31, 2018	14,598,357	$ 44	1,281,804	$ 31,866	8,080,740	$ 229,251	$ 790,354	$ 1,806	$ (436,883)	$ 837	$ 617,275

(1) All share and per share amounts have been adjusted to give retroactive effect to the one-for-three reverse stock split of our common stock effected on September 3, 2019.

(Continued)

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Equity (Continued)
(In thousands, except share and per share amounts)

	Years Ended December 31, 2019, 2018 and 2017										
	Common Stock (1)		Preferred Stock								
			Series A		Series L						
	Shares	Par Value	Shares	Amount	Shares	Amount	Additional Paid - in Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Earnings	Non-controlling Interests	Total Equity
Balances, December 31, 2018	14,598,357	$ 44	1,281,804	$ 31,866	8,080,740	$ 229,251	$ 790,354	$ 1,806	$ (436,883)	$ 837	$ 617,275
Contributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	455	455
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(522)	(522)
Extinguishment of noncontrolling interests	—	—	—	—	—	—	—	—	—	(113)	(113)
Stock-based compensation expense	3,880	—	—	—	—	—	194	—	—	—	194
Retirement of fractional shares	(88)	—	—	—	—	—	(1)	—	—	—	(1)
Change in par value	—	(29)	—	—	—	—	29	—	—	—	—
Special cash dividends ($42.000 per share) (Note 11)	—	—	—	—	—	—	—	—	(613,294)	—	(613,294)
Common dividends ($0.900 per share) (1)	—	—	—	—	—	—	—	—	(13,140)	—	(13,140)
Issuance of Series A Preferred Warrants	—	—	—	—	—	—	382	—	—	—	382
Dividends to holders of Series A Preferred Stock ($1.375 per share)	—	—	—	—	—	—	—	—	(4,945)	—	(4,945)
Dividends to holders of Series L Preferred Stock ($1.560 per share)	—	—	—	—	—	—	—	—	(12,150)	—	(12,150)
Repurchase of Series L Preferred Stock	—	—	—	—	(2,693,580)	(76,417)	7,135	—	(5,873)	—	(75,155)
Reclassification of Series A Preferred Stock to permanent equity	—	—	1,561,746	38,927	—	—	(3,278)	—	—	—	35,649
Redemption of Series A Preferred Stock	—	—	(6,456)	(160)	—	—	10	—	(5)	—	(155)
Other comprehensive (loss) income	—	—	—	—	—	—	—	(1,806)	—	—	(1,806)
Net income (loss)	—	—	—	—	—	—	—	—	345,673	(152)	345,521
Balances, December 31, 2019	14,602,149	$ 15	2,837,094	$ 70,633	5,387,160	$ 152,834	$ 794,825	$ —	$ (740,617)	$ 505	$ 278,195

(1) All share and per share amounts have been adjusted to give retroactive effect to the one-for-three reverse stock split of our common stock effected on September 3, 2019.

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 345,521	$ 1,142	$ 379,758
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Deferred rent and amortization of intangible assets, liabilities and lease inducements	(2,727)	(3,636)	(2,172)
Depreciation and amortization	27,374	53,228	58,364
Reclassification from AOCI to interest expense	(1,806)	(1,552)	—
Reclassification from other assets to interest expense for swap termination	1,421	—	—
Change in fair value of swaps	209	1,728	—
Transfer of right to collect supplemental real estate tax reimbursements	—	—	(5,097)
Gain on sale of real estate	(433,104)	—	(408,098)
Impairment of real estate	69,000	—	13,100
Loss on early extinguishment of debt	29,982	808	8,215
Straight-line rent, below-market ground lease and amortization of intangible assets	—	(18)	1,069
Straight-line lease termination income	—	—	(362)
Amortization of deferred loan costs	1,133	896	1,016
Amortization of premiums and discounts on debt	(227)	(444)	(590)
Unrealized premium adjustment	1,697	2,522	2,447
Amortization and accretion on loans receivable, net	(501)	(41)	96
Bad debt expense	40	494	677
Deferred income taxes	(81)	(3)	271
Stock-based compensation	194	162	154
Loans funded, held for sale to secondary market	(29,694)	(55,655)	(57,237)
Proceeds from sale of guaranteed loans	40,033	54,142	51,312
Principal collected on loans subject to secured borrowings	3,613	5,698	6,674
Other operating activity	(822)	(1,587)	(1,718)
Changes in operating assets and liabilities:			
Accounts receivable and interest receivable	3,197	6,692	(977)
Other assets	2,980	(1,421)	(21,341)
Accounts payable and accrued expenses	(6,326)	(365)	(14,139)
Deferred leasing costs	(1,695)	(5,773)	(6,973)
Other liabilities	(6,825)	2,221	(5,589)
Due to related parties	(1,601)	2,218	(1,584)
Net cash provided by (used in) operating activities	40,985	61,456	(2,724)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to investments in real estate	(24,600)	(12,055)	(21,101)
Acquisition of real estate	—	(112,048)	(19,631)
Proceeds from sale of real estate, net	941,032	—	1,018,476
Loans funded	(9,898)	(18,579)	(19,079)
Principal collected on loans	10,273	10,770	10,883
Other investing activity	386	178	317
Net cash provided by (used in) investing activities	917,193	(131,734)	969,865
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of unsecured revolving lines of credit, revolving credit facilities and term notes	(135,500)	(220,000)	(335,000)
Proceeds from unsecured revolving lines of credit, revolving credit facilities and term notes	158,500	180,000	120,000
Payment of mortgages payable	(46,000)	—	(65,877)
Investments in marketable securities in connection with the legal defeasance of mortgages payable	(268,194)	—	—
Prepayment penalties and other payments for early extinguishment of debt	(5,660)	—	(6,361)
Payment of principal on SBA 7(a) loan-backed notes	(11,487)	(4,431)	—
Proceeds from SBA 7(a) loan-backed notes	—	38,200	—
Payment of principal on secured borrowings	(3,613)	(5,698)	(6,674)
Proceeds from secured borrowings	—	772	—

(Continued)

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
(In thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Payment of deferred preferred stock offering costs	(1,320)	(1,136)	(3,832)
Payment of deferred loan costs	(34)	(4,234)	(304)
Payment of other deferred costs	(389)	(235)	—
Payment of common dividends	(13,140)	(21,895)	(38,327)
Payment of special cash dividends	(613,294)	(1,575)	(4,872)
Repurchase of Common Stock	—	—	(886,010)
Payment of borrowing costs	—	—	(8)
Net proceeds from issuance of Series A Preferred Warrants	385	73	127
Net proceeds from issuance of Series A Preferred Stock	37,197	35,984	28,070
Net proceeds from issuance of Series L Preferred Stock	—	—	210,377
Repurchase of Series L Preferred Stock	(75,155)	—	—
Payment of preferred stock dividends	(22,157)	(2,173)	(250)
Redemption of Series A Preferred Stock	(228)	(113)	(27)
Retirement of fractional shares of Common Stock	(1)	—	—
Noncontrolling interests' distributions	(522)	(74)	(43)

Noncontrolling interests' contributions	455	—	—
Net cash used in financing activities	(1,000,157)	(6,535)	(989,011)
Change in cash balances included in assets held for sale	755	(755)	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(41,224)	(77,568)	(21,870)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:			
Beginning of period	77,171	154,739	176,609
End of period	$ 35,947	$ 77,171	$ 154,739
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS:			
Cash and cash equivalents	$ 23,801	$ 54,659	$ 127,731
Restricted cash	12,146	22,512	27,008
Total cash and cash equivalents and restricted cash	$ 35,947	$ 77,171	$ 154,739
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$ 13,674	$ 27,473	$ 35,092
Federal income taxes paid	$ 1,000	$ 622	$ 1,595
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Additions to investments in real estate included in accounts payable and accrued expenses	$ 5,663	$ 11,875	$ 9,024
Net increase in fair value of derivatives applied to other comprehensive income	$ —	$ 1,727	$ 2,140
Reduction of loans receivable and secured borrowings due to the SBA's repurchase of the guaranteed portion of loans	$ —	$ —	$ 534
Additions to deferred loan costs included in accounts payable and accrued expenses	$ —	$ 32	$ —
Additions to deferred costs included in accounts payable and accrued expenses	$ 35	$ 174	$ —
Additions to preferred stock offering costs included in accounts payable and accrued expenses	$ 264	$ 172	$ 388
Accrual of dividends payable to preferred stockholders	$ 9,873	$ 14,935	$ 249
Preferred stock offering costs offset against redeemable preferred stock in temporary equity	$ 347	$ 229	$ 122
Preferred stock offering costs offset against redeemable preferred stock in permanent equity	$ 3	$ —	$ 2,532
Reclassification of Series A Preferred Stock from temporary equity to permanent equity	$ 35,649	$ 27,887	$ 1,417
Reclassification of loans receivable, net to real estate owned	$ 243	$ —	$ —
Reclassification of Series A Preferred Stock from temporary equity to accounts payable and accrued expenses	$ —	$ —	$ 13
Reclassification of Series A Preferred Stock from permanent equity to accounts payable and accrued expenses	$ 20	$ —	$ —
Accrual of special cash dividends	$ —	$ —	$ 1,575
Accrual reversed to lease termination income	$ —	$ —	$ 480
Payable to related parties included in net proceeds from disposition of real estate	$ —	$ —	$ 202
Establishment of right-of-use asset and lease liability	$ 362	$ —	$ —
Marketable securities transferred in connection with the legal defeasance of mortgages payable	$ 268,194	$ —	$ —
Mortgage notes payable legally defeased	$ 245,000	$ —	$ —
Mortgage note assumed in connection with our sale of real estate	$ 28,200	$ —	$ —

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

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements as of December 31, 2019 and 2018
and for the Years Ended December 31, 2019, 2018 and 2017

1. ORGANIZATION AND OPERATIONS

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

On July 8, 2013, PMC Commercial entered into a merger agreement with CIM Urban REIT, LLC ("CIM REIT"), an affiliate of CIM Group, L.P. ("CIM Group" or "CIM"), and subsidiaries of the respective parties. CIM REIT was a private commercial REIT and was the owner of CIM Urban Partners, L.P. ("CIM Urban"). The merger was completed on March 11, 2014 (the "Acquisition Date").

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

We filed Articles of Amendment (the "Reverse Stock Split Amendment") to effectuate a one-for-three reverse stock split of our Common Stock, effective on September 3, 2019 (the "Reverse Stock Split"). Pursuant to the Reverse Stock Split Amendment, every three shares of Common Stock issued and outstanding immediately prior to the effective time of the Reverse Stock Split were converted into one share of Common Stock, par value $0.003 per share. In connection with the Reverse Split Amendment, the Company filed Articles of Amendment to revert the par value of the Common Stock issued and outstanding from $0.003 per share to $0.001 per share, effective as of September 3, 2019, following the effective time of the Reverse Split Amendment. All Common Stock and per share of Common Stock amounts set forth in this Annual Report on Form 10-K have been adjusted to give retroactive effect to the Reverse Stock Split, unless otherwise stated.

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

On March 16, 2020, the Company established an “at the market” (“ATM”) program through which it may, from time to time in its discretion, offer and sell shares of Common Stock having an aggregate offering price of up to $25,000,000 through an investment banking firm acting as the sales agent. Sales of Common Stock under the ATM program may be made directly on or through Nasdaq, among other methods. The Company intends to use the net proceeds from shares sold under the ATM program, if any, for general corporate purposes, acquisitions of shares of our preferred stock, whether through one or more tender offers, share repurchases or otherwise, and acquisitions consistent with our acquisition and asset management strategies. As of March 16, 2020, no sales of Common Stock have been made under the ATM program.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Investments in Real Estate—Real estate acquisitions are recorded at cost as of the acquisition date. Costs related to the acquisition of properties were expensed as incurred for acquisitions that occurred prior to October 1, 2017. For any acquisition occurring on or after October 1, 2017, we have conducted and will conduct an analysis to determine if the acquisition constitutes a business combination or an asset purchase. If the acquisition constitutes a business combination, then the transaction costs will be expensed as incurred, and if the acquisition constitutes an asset purchase, then the transaction costs

will be capitalized. Investments in real estate are stated at depreciated cost. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives as follows:

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

We capitalize project costs, including pre-construction costs, interest expense, property taxes, insurance, and other costs directly related and essential to the development, redevelopment, or construction of a project, while activities are ongoing to prepare an asset for its intended use. Costs incurred after a project is substantially complete and ready for its intended use are expensed as incurred.

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

Investments in real estate are evaluated for impairment on a quarterly basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The estimated fair value of the asset group identified for step two of the impairment testing under GAAP is based on either the income approach with market discount rate, terminal capitalization rate and rental rate assumptions being most critical to such analysis, or on the sales comparison approach to similar properties. Assets held for sale are reported at the lower of the asset's carrying amount or fair value, less costs to sell. We recognized impairment of long-lived assets of $69,000,000, $0 and $13,100,000 during the years ended December 31, 2019, 2018 and 2017, respectively (Note 3).

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

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

Loans Receivable—Our loans receivable are carried at their unamortized principal balance less unamortized acquisition discounts and premiums, retained loan discounts and loan loss reserves. For loans originated under the Small Business Administration's ("SBA") 7(a) Guaranteed Loan Program ("SBA 7(a) Program"), we sell the portion of the loan that is guaranteed by the SBA. Upon sale of the SBA guaranteed portion of the loans, which are accounted for as sales, the unguaranteed portion of the loan retained by us is valued on a fair value basis and a discount (the "Retained Loan Discount") is recorded as a reduction in basis of the retained portion of the loan. Unamortized retained loan discounts were $7,631,000 and $7,234,000 as of December 31, 2019 and 2018, respectively

At the Acquisition Date, the carrying value of our loans was adjusted to estimated fair market value and acquisition discounts of $33,907,000 were recorded, which are being accreted to interest and other income using the effective interest method. We sold substantially all of our commercial mortgage loans with unamortized acquisition discounts of $15,951,000 to an unrelated third-party in December 2015. Acquisition discounts of $624,000 and $884,000 remained as of December 31, 2019 and 2018, respectively.

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

On a quarterly basis, and more frequently if indicators exist, we evaluate the collectability of our loans receivable. Our evaluation of collectability involves significant judgment, estimates, and a review of the ability of the borrower to make principal and interest payments, the underlying collateral and the borrowers' business models and future operations in accordance with Accounting Standards Codification ("ASC") 450-20, *Contingencies—Loss Contingencies*, and ASC 310-10, *Receivables*. For the years ended December 31, 2019, 2018 and 2017, we recorded $66,000, $147,000 and $97,000 of impairment on our loans receivable, respectively. There were no material loans receivable subject to credit risk which were considered to be impaired at December 31, 2019 or 2018. We also establish a general loan loss reserve when available information indicates that it is probable a loss has occurred based on the carrying value of the portfolio and the amount of the loss can be reasonably estimated. Significant judgment is required in determining the general loan loss reserve, including estimates of the likelihood of default and the estimated fair value of the collateral. The general loan loss reserve includes those loans, which may have negative characteristics which have not yet become known to us. In addition to the reserves established on loans not considered impaired that have been evaluated under a specific evaluation, we establish the general loan loss reserve using a consistent methodology to determine a loss percentage to be applied to loan balances. These loss percentages are based on many factors, primarily cumulative and recent loss history and general economic conditions.

Accounts Receivable—Accounts receivable are carried net of the allowances for uncollectible amounts. Management's determination of the adequacy of these allowances is based primarily upon evaluation of historical loss experience, individual receivables, current economic conditions, and other relevant factors. The allowances are increased or decreased through the provision for bad debts. The allowance for uncollectible accounts receivable was $45,000 and $160,000 as of December 31, 2019 and 2018, respectively.

Deferred Rent Receivable and Charges—Deferred rent receivable and charges consist of deferred rent, deferred leasing costs, deferred offering costs (Note 10) and other deferred costs. Deferred rent receivable is $19,988,000 and $52,366,000 at December 31, 2019 and 2018, 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 $16,881,000 and $51,152,000 are presented net of accumulated amortization of $7,438,000 and $23,910,000 at December 31, 2019 and 2018, respectively. Deferred offering costs represent direct costs incurred in connection with our offerings of Series A Preferred Units (as defined in Note 10) and, after January 2020, Series A Preferred Stock (as defined in Note 10) and Series D Preferred Stock (as defined in Note 10), excluding costs specifically identifiable to a closing, such as commissions, dealer-manager fees, and other offering fees and expenses. Generally, for a specific issuance of securities, issuance-specific offering costs are recorded as a reduction of proceeds raised on the issuance date and offering costs incurred but not directly related to a specifically identifiable closing of a security are deferred. Deferred offering costs are first allocated to each issuance of a security on a pro-rata basis equal to the ratio of the number of units or securities issued in a given issuance to the maximum number of units or securities that are expected to be issued in the related offering. In the case of the Series A Preferred Units, which were issued prior to February 2020, the issuance-specific offering costs and the deferred offering costs allocated to such issuance are further allocated to the Series A Preferred Stock (as defined in Note 10) and Series A Preferred Warrants (as defined in Note 10) issued in such issuance based on the relative fair value of the instruments on the date of issuance. The deferred offering costs allocated to the Series A Preferred Stock and Series A Preferred Warrants are reductions to temporary equity and permanent equity, respectively. Deferred offering costs of $5,275,000 and $4,213,000 related to our offering of Series A Preferred Units are included in deferred rent receivable and charges at December 31, 2019 and 2018, respectively. Other deferred costs are $151,000 and $409,000 at December 31, 2019 and 2018, respectively.

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

Redeemable Preferred Stock—Beginning on the date of original issuance of any given shares of Series A Preferred Stock (as defined in Note 10) or Series D Preferred Stock (as defined in Note 10), the holder of such shares has the right to require the Company to redeem such shares at a redemption price of 100% of the Series A Preferred Stock Stated Value (as defined in Note 10) or Series D Preferred Stock Stated Value (as defined in Note 10), as applicable, plus accrued and unpaid dividends, subject to the payment of a redemption fee until the fifth anniversary of such issuance. From and after the fifth anniversary of the date of the original issuance, the holder will have the right to require the Company to redeem such shares at a redemption price of 100% of the Series A Preferred Stock Stated Value or Series D Preferred Stock Stated Value, as applicable, plus accrued and unpaid dividends, without a redemption fee, and the Company will have the right (but not the obligation) to redeem such shares at 100% of the Series A Preferred Stock Stated Value or Series D Preferred Stock Stated Value, as

applicable, plus accrued and unpaid dividends. The applicable redemption price payable upon redemption of any Series A Preferred Stock is payable in cash or, on or after the first anniversary of the issuance of such shares of Series A Preferred Stock to be redeemed, in the Company's sole discretion, in cash or in equal value through the issuance of shares of Common Stock, based on the volume weighted average price of our Common Stock for the 20 trading days prior to the redemption. The applicable redemption price payable upon redemption of any Series D Preferred Stock is payable in cash or, in the Company's sole discretion, in equal value through the issuance of shares of Common Stock, based on the volume weighted average price of our Common Stock for the 20 trading days prior to the redemption. Since a holder of Series A Preferred Stock has the right to request redemption of such shares and redemptions prior to the first anniversary are to be paid in cash, we have recorded the activity related to our Series A Preferred Stock in temporary equity. We recorded the activity related to our Series A Preferred Warrants (Note 10) in permanent equity. We will record the activity related to our Series D Preferred Stock (Note 10) in permanent equity. On the first anniversary of the date of original issuance of a particular share of Series A Preferred Stock, we reclassify such share of Series A Preferred Stock from temporary equity to permanent equity because the feature giving rise to temporary equity classification, the requirement to satisfy redemption requests in cash, lapses on the first anniversary date.

From and after the fifth anniversary of the date of original issuance of the Series L Preferred Stock, each holder will have the right to require the Company to redeem, and the Company will also have the option to redeem (subject to certain conditions), such shares of Series L Preferred Stock at a redemption price equal to the Series L Preferred Stock Stated Value (as defined in Note 10), plus, provided certain conditions are met, all accrued and unpaid distributions. Notwithstanding the foregoing, a holder of shares of our Series L Preferred Stock may require us to redeem such shares at any time prior to the fifth anniversary of the date of original issuance of the Series L Preferred Stock if (1) we do not declare and pay in full the distributions on the Series L Preferred Stock for any annual period prior to such fifth anniversary or (2) we do not declare and pay all accrued and unpaid distributions on the Series L Preferred Stock for all past dividend periods prior to the applicable holder redemption date. The applicable redemption price payable upon redemption of any Series L Preferred Stock will be made, in the Company's sole discretion, in the form of (A) cash in Israeli New Shekels ("ILS") at the then-current currency exchange rate determined in accordance with the Articles Supplementary defining the terms of the Series L Preferred Stock, (B) in equal value through the issuance of shares of Common Stock, with the value of such Common Stock to be deemed the lower of (i) our net asset value ("NAV") per share of our Common Stock as most recently published by the Company as of the effective date of redemption and (ii) the volume-weighted average price of our Common Stock, determined in accordance with the Articles Supplementary defining the terms of the Series L Preferred Stock, or (C) in a combination of cash in ILS and our Common Stock, based on the conversion mechanisms set forth in (A) and (B), respectively. We recorded the activity related to our Series L Preferred Stock in permanent equity.

Purchase Accounting for Acquisition of Investments in Real Estate—We apply the acquisition method to all acquired real estate assets. The purchase consideration of the real estate, which for real estate acquired on or after October 1, 2017 includes the transaction costs incurred in connection with such acquisitions, is recorded at fair value to the acquired tangible assets, consisting primarily of land, land improvements, building and improvements, tenant improvements, and furniture, fixtures, and equipment, and identified intangible assets and liabilities, consisting of the value of acquired above-market and below-market leases, in-place leases and ground leases, if any, based in each case on their respective fair values. Loan premiums, in the case of above-market rate loans, or loan discounts, in the case of below-market rate loans, are recorded based on the fair value of any loans assumed in connection with acquiring the real estate.

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

In allocating the purchase consideration of the identified intangible assets and liabilities of an acquired property, above-market, below-market, and in-place lease values are recorded based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases measured

over a period equal to the remaining non-cancelable term of the lease, and for below-market leases, over a period equal to the initial term plus any below-market fixed-rate renewal periods. Acquired above-market and below-market leases are amortized and recorded to rental and other property income over the initial terms of the respective leases.

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

A tax abatement intangible asset was recorded for a property acquired in 2011 and sold in 2017, based on an approval for a property tax abatement, due to the location of the property. The tax abatement intangible asset was amortized over eight years and was written off in connection with the disposition.

Revenue Recognition—We use a five-step model to recognize revenue for contracts with customers. The five-step model requires that we (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) we satisfy the performance obligation.

Revenue from leasing activities

We operate as a lessor of real estate assets, primarily in Class A and creative office assets. In determining whether our contracts with our tenants constitute leases, we determined that our contracts explicitly identify the premises and that any substitution rights to relocate the tenant to other premises within the same building stated in the contract are not substantive. Additionally, so long as payments are made timely under these contracts, our tenants have the right to obtain substantially all the economic benefits from the use of this identified asset and can direct how and for what purpose the premises are used to conduct their operations. Therefore, our contracts with our tenants constitute leases.

All leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the terms of the leases when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is recorded as deferred rent. If the lease provides for tenant improvements, we determine whether the tenant improvements, for accounting purposes, are owned by the tenant or us. When we are the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is considered the owner of the improvements, any tenant improvement allowance that is funded is treated as an incentive. Lease incentives paid to tenants are included in other assets and amortized as a reduction to rental revenue on a straight-line basis over the term of the related lease. Lease incentives of $3,976,000 and $12,958,000 are presented net of accumulated amortization of $2,029,000 and $6,188,000 at December 31, 2019 and 2018, respectively.

Reimbursements from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes, insurance, and other recoverable costs, are recognized as revenue in the period the expenses are incurred. Tenant reimbursements are recognized and presented on a gross basis when we are primarily responsible for fulfilling the promise to provide the specified good or service and control that specified good or service before it is transferred to the tenant. We have elected not to separate lease and non-lease components as the pattern of revenue recognition does not differ for the two components, and the non-lease component is not the primary component in our leases.

In addition to minimum rents, certain leases provide for additional rents based upon varying percentages of tenants' sales in excess of annual minimums. Percentage rent is recognized once lessees' specified sales targets have been met. Included in rental and other property income for the years ended December 31, 2019, 2018 and 2017, is $40,000, $65,000 and $304,000, respectively, of percentage rent.

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

2019, 2018 and 2017, is $160,000, $1,509,000 and $1,881,000, respectively, of parking percentage rent. Included in hotel income for the years ended December 31, 2019, 2018 and 2017, is $0, $0, and $733,000, respectively, of parking percentage rent.

For the years ended December 31, 2019, 2018 and 2017, we recognized rental income as follows:

	Year Ended December 31,		
	2019	2018	2017
		(in thousands)	
Rental and other property income			
Fixed lease payments (1)	$ 80,205	$ 136,145	$ 162,479
Variable lease payments (2)	8,126	10,950	13,055
Rental and other property income	$ 88,331	$ 147,095	$ 175,534

(1) Fixed lease payments include contractual rents under lease agreements with tenants recognized on a straight-line basis over the lease term, including amortization of acquired above-market leases, below-market leases and lease incentives.

(2) Variable lease payments include expense reimbursements billed to tenants and percentage rent, net of bad debt expense from our operating leases.

Revenue from lending activities

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

Revenue from hotel activities

Hotel revenue is recognized upon establishment of a contract with a customer. At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, the Company considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. Various performance obligations of hotel revenues can be categorized as follows:

- cancellable and noncancelable room revenues from reservations and

- ancillary services including facility usage and food or beverage.

Cancellable reservations represent a single performance obligation of providing lodging services at the hotel. The Company satisfies its performance obligation and recognizes revenues associated with these reservations over time as services are rendered to the customer. The Company satisfies its performance obligation and recognizes revenues associated with noncancelable reservations at the earlier of (i) the date on which the customer cancels the reservation or (ii) over time as services are rendered to the customer.

Ancillary services include facilities usage and providing food and beverage. The Company satisfies its performance obligation and recognizes revenues associated with these services at a point in time as the good or service is delivered to the customer.

At inception of these contracts with customers for hotel revenues, the contractual price is equivalent to the transaction price as there are no elements of variable consideration to estimate.

We recognized hotel income of $35,633,000, $35,672,000 and $35,576,000 for the years ended December 31, 2019, 2018 and 2017, respectively. Below is a reconciliation of the hotel revenue from contracts with customers to the total hotel segment revenue disclosed in Note 19:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Hotel properties			
Hotel income	$ 35,633	$ 35,672	$ 35,576
Rental and other property income	2,947	2,922	2,877
Interest and other income	168	195	132
Hotel revenues	$ 38,748	$ 38,789	$ 38,585

Tenant recoveries outside of the lease agreements

Tenant recoveries outside of the lease agreements are related to construction projects in which our tenants have agreed to fully reimburse us for all costs related to construction. These services include architectural, permit expediter and construction services. At inception of the contract with the customer, the contractual price is equivalent to the transaction price as there are no elements of variable consideration to estimate. While these individual services are distinct, in the context of the arrangement with the customer, all of these services are bundled together and represent a single package of construction services requested by the customer. The Company satisfies its performance obligation and recognizes revenues associated with these services over time as the construction is completed. Amounts recognized for tenant recoveries outside of the lease agreements were $205,000, $399,000 and $6,822,000 for the years ended December 31, 2019, 2018 and 2017, respectively, which are included in interest and other income on the consolidated statements of operations. As of December 31, 2019, there were no remaining performance obligations associated with tenant recoveries outside of the lease agreements.

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

Stock-Based Compensation Plans—We have issued and continue to issue restricted shares under stock-based compensation plans described more fully in Note 8. We use fair value recognition provisions to account for all awards granted, modified or settled.

Earnings per Share ("EPS")—Basic EPS is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of Common Stock outstanding for the period. Net income attributable to common stockholders includes a deduction for dividends due to preferred stockholders. Diluted EPS is computed by dividing net income attributable to common stockholders by the weighted average number of shares of Common Stock outstanding adjusted for the dilutive effect, if any, of securities such as stock-based compensation awards, warrants, including the Series A Preferred Warrants (Note 11) and preferred stock, including the Series A Preferred Stock (Note 10), Series D Preferred Stock (Note 10) and Series L Preferred Stock (Note 10), whose redemption is payable in shares of Common Stock or cash, at the discretion of the Company. The dilutive effect of stock-based compensation awards and warrants, including the Series A Preferred Warrants, is reflected in the weighted average diluted shares calculation by application of the treasury stock method. The dilutive effect of preferred stock, including the Series A Preferred Stock, Series D Preferred Stock and Series L Preferred Stock, whose redemption is payable in shares of Common Stock or cash, at the discretion of the Company, is reflected in the weighted average diluted shares calculation by application of the if-converted method.

Distributions—Distributions on our Series A Preferred Stock (as defined in Note 10), Series D Preferred Stock (as defined in Note 10), Series L Preferred Stock (as defined in Note 10) and Common Stock are recorded when they are authorized by our Board of Directors and declared by the Company.

Assets Held for Sale and Discontinued Operations—In the ordinary course of business, we may periodically enter into agreements to dispose of our assets. Some of these agreements are non-binding because either they do not obligate either

party to pursue any transactions until the execution of a definitive agreement or they provide the potential buyer with the ability to terminate without penalty or forfeiture of any material deposit, subject to certain specified contingencies, such as completion of due diligence at the discretion of such buyer. We do not classify assets that are subject to such non-binding agreements as held for sale.

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

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

We sold all of our multifamily properties during the year ended December 31, 2017. We assessed the sale of these properties (Note 3) in accordance with ASC 205-20, *Discontinued Operations*. In our assessment, we considered, among other factors, the materiality of the revenue, net operating income, and total assets of our multifamily segment. Based on our qualitative and quantitative assessment, we concluded the disposals did not represent a strategic shift that would have a major effect on our operations and financial results and therefore should not be classified as discontinued operations on our consolidated financial statements.

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

Changes in the estimated fair value of a derivative (effective and ineffective components) that is highly effective and that is designated and qualifies as a cash flow hedge are initially recorded in other comprehensive income ("OCI"), and are subsequently reclassified into earnings as a component of interest expense when the variability of cash flows of the hedged transaction affects earnings (e.g., when periodic settlements of a variable-rate asset or liability are recorded in earnings). When an interest rate swap designated as a cash flow hedge no longer qualifies for hedge accounting, we recognize changes in the estimated fair value of the hedge previously deferred to accumulated other comprehensive income ("AOCI"), along with any changes in estimated fair value occurring thereafter, through earnings. We classify cash flows from interest rate swap agreements as net cash provided by operating activities on the consolidated statements of cash flows as our accounting policy is to present the cash flows from the hedging instruments in the same category in the consolidated statements of cash flows as the category for the cash flows from the hedged items. See Note 12 for disclosures about our derivative financial instruments and hedging activities.

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

We have wholly-owned taxable REIT subsidiaries ("TRS's") which are subject to federal income taxes. The income generated from the taxable REIT subsidiaries is taxed at normal corporate rates. Deferred tax assets and liabilities are

recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases.

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

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

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

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

Reclassifications—Certain prior period amounts have been reclassified to conform with the current period presentation. With the adoption of Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* and the election of the lessor practical expedient not to separate lease and non-lease components, $9,039,000 and $9,264,000 of expense reimbursements were reclassified as rental and other property income on the consolidated statements of operations for the years ended December 31, 2018 and 2017, respectively, and $984,000 and $7,382,000 of non-lease component expense reimbursements recognized under the revenue recognition guidance were reclassified as interest and other income on the consolidated statements of operations for the years ended December 31, 2018 and 2017, respectively. Under the new leasing guidance, bad debt expense associated with changes in the collectability assessment for operating leases shall be recorded as adjustments to rental and other property income rather than rental and other property operating expenses. The impact of this reclassification resulted in a $254,000 and $317,000 reclassification from rental and other property expenses to rental and other property income on the consolidated statements of operations for the years ended December 31, 2018 and 2017, respectively. Additionally, to conform with the current period presentation, we reclassified $808,000 and $1,854,000 from interest expense to loss on early extinguishment of debt on the consolidated statements of operations for the years ended December 31, 2018 and 2017, respectively, and $6,361,000 from gain on sale of real estate to loss on early extinguishment of debt on the consolidated statement of operations for the year ended December 31, 2017. In accordance with ASU 2016-15, we changed previously reported amounts within the accompanying consolidated statement of cash flows for the year ended December 31, 2017 to reclassify $6,361,000 of prepayment penalties and other payments for early extinguishment of debt from net cash provided by investing activities to net cash used in financing activities. To comply with the current year presentation, we reclassified $272,000, related to certain funds at our hotel property, from cash to other assets on the balance sheet as December 31, 2018. Such reclassification, as well as reclassification of $1,579,000 of funds at our hotel property from cash to other assets as of December 31, 2017, resulted in a $1,307,000 and $1,579,000 increase in cash provided by (used in) operating activities for the years ended December 31, 2018 and 2017, respectively.

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

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

Fair Value Measurements—The fair value of our financial assets and liabilities are disclosed in Note 13.

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

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

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

Level 3 Inputs—Unobservable inputs

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

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

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

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

The carrying amounts of our cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued expenses approximate their fair values due to their short-term maturities at December 31, 2019 and 2018. The carrying amounts of our secured borrowings—government guaranteed loans, SBA 7(a) loan-backed notes and revolving credit facility approximate their fair values, as the interest rates on these securities are variable and approximate current market interest rates.

Segment Information—Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. Our reportable segments for the years ended December 31, 2019 and 2018 consist of two types of commercial real estate properties, namely office and hotel, as well as a segment for our lending business. Our reportable segments for the year ended December 31, 2017 consist of three types of commercial real estate properties, namely, office, hotel and multifamily, as well as a segment for our lending business. The products for our office segment primarily include rental of office space and other tenant services, including tenant reimbursements, parking, and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services. The products for our hotel segment include revenues generated from the operations of hotel properties and rental income generated from a garage located directly

across the street from one of the hotels. The income from our lending segment includes income from the yield and other related fee income earned on our loans receivable.

Recently Issued Accounting Pronouncements—In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)*, which was intended to improve financial reporting about leasing transactions. Under the new guidance, a lessee was required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with previous GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily depended on its classification as a finance or operating lease. However, unlike previous GAAP, which required a lessee to recognize only capital leases on the balance sheet, the new ASU required a lessee to recognize both types of leases on the balance sheet. The lessor accounting remained largely unchanged from previous GAAP. However, the ASU contained some targeted improvements that were intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in 2014. In July 2018, the FASB issued ASU No. 2018-10, *Leases (Topic 842)*, which contained targeted improvements to amend inconsistencies and clarified guidance that was brought about by stakeholders. Furthermore, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842)*, which provided the following practical expedients to entities: (1) a transition method that allowed entities to apply the new standard at the adoption date and to recognize a cumulative-effect adjustment to the opening balance of retained earnings effective at the adoption date; and (2) the option for lessors to not separate lease and non-lease components provided that certain criteria were met. In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842)*, which provided lessors the option to elect to account for sales and other similar taxes in which the lessee directly pays third-parties to be excluded from the measurement of the contract consideration. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842)*, which provided narrow amendments, including clarification on transition disclosures to certain aspects of ASU 2016-02. For public entities, these ASUs were effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2018.

The guidance provided a package of transition practical expedients, which must be elected as a package and applied consistently by an entity to all of its leases (including those for which the entity is a lessee or a lessor) when applying this guidance to leases that commenced before the effective date of January 1, 2019: (1) An entity need not reassess whether any expired or existing contracts are or contain leases; (2) an entity need not reassess the lease classification for any expired or existing leases (that is, all leases that were classified as operating leases prior to January 1, 2019 remain classified as operating leases); and (3) an entity need not reassess initial direct costs for any existing leases. The Company elected all the aforementioned transition practical expedients, including the expedients provided under ASU 2018-11.

From a lessee's perspective, the Company determined that there is one office lease for our lending segment that is material to the consolidated balance sheet. Based on our assessment, the lease had been classified as an operating lease and the Company recorded approximately $362,000 as a right-of-use asset and lease liability on the consolidated balance sheet on the effective date of January 1, 2019. As of December 31, 2019, the right-of-use asset and lease liability balance were each approximately $106,000.

From a lessor's perspective, the Company did not record a cumulative effect adjustment on January 1, 2019 as the aforementioned package of practical expedients allowed us to continue accounting for our then-existing or expired leases under the previous accounting guidance, and we applied the new lease accounting guidance to leases that commenced or are modified after the effective date of January 1, 2019. Leases commenced or modified after the effective date have been, and we expect future commencements and modifications of leases in the future will continue to be, classified as operating leases and that we will qualify for the lessor practical expedient provided under ASU 2018-11 to not separate lease and non-lease components. Additionally, if following the effective date, our tenants have made or make payments for taxes or insurance directly to a third-party on behalf of the Company as the lessor, we have excluded and will exclude these amounts from the measurement of the contract consideration and consider these lessee costs. Otherwise, any recoveries of these costs are and will be recognized as lease revenue on a gross basis in our consolidated income statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. The amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2018, the FASB issued ASU No. 2018-19, *Financial Instruments-*

Credit Losses (Topic 326): Codification Improvements to Topic 326, Financial Instruments-Credit Losses, which clarified that receivables arising from operating leases are not within the scope of the credit losses standards. In April 2019, the FASB issued ASU 2019-04, *Financial Instruments-Credit Losses (Topic 326): Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which clarified the following: (i) an entity's estimate of expected credit losses should include expected recoveries of financial assets, including recoveries of amounts expected to be written off and those previously written off, and (ii) an entity should consider contractual extension or renewal options that it cannot unconditionally cancel when determining the contractual term over which expected credit losses are measured. In May 2019, the FASB issued ASU No. 2019-05, *Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief*, which allows entities to irrevocably elect the fair value option for existing financial assets on an instrument-by-instrument basis upon adoption of ASU 2016-13. Except for existing held-to-maturity debt securities, the alternative is available for all instruments in the scope of ASC 326-20 that are eligible for the fair value option in ASC 825-10. If an entity elects the fair value option, it will recognize a cumulative-effect adjustment for the difference between the fair value of the instrument and its carrying value. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments-Credit Losses (Topic 326)*, which deferred the effective date of Topic 326 for certain entities, including smaller reporting companies, public entities that are not SEC filers, and entities that are not public business entities. For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2019. For smaller reporting companies, public entities that are not SEC filers, and entities that are not public business entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2022. Early adoption is permitted for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2018. In November 2019, the FASB issued ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which made narrow-scope improvements to the credit losses standard, including, but not limited to, adjustments for transition relief for troubled debt restructurings and disclosures related to accrued interest receivables. We are currently in the process of evaluating the impact of adoption of this new accounting guidance on our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which simplified and expanded the eligible hedging strategies for financial and nonfinancial risks by more closely aligning hedge accounting with a company's risk management activities, and also simplified the application of Topic 815, *Derivatives and Hedging*, through targeted improvements in key practice areas. In addition, the ASU prescribed how hedging results should be presented and required incremental disclosures. Further, the ASU provided partial relief on the timing of certain aspects of hedge documentation and eliminated the requirement to recognize hedge ineffectiveness separately in earnings in the current period. For public entities, the ASU was effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2018. The Company has evaluated the guidance and determined that the effects of ASU 2017-12 did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public entities will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. For public entities, the ASU is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2019. Early adoption is permitted in any interim period after issuance of the ASU. The Company has evaluated the guidance and determined that the effects of ASU 2018-13 is not expected to have a material impact on our consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (the "SOFR") Overnight Index Swap ("OIS") Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*. The guidance permits the use of the OIS rate based on the SOFR as a U.S. benchmark rate for purposes of applying hedge accounting. The SOFR is a volume-weighted median interest rate that is calculated daily based on overnight transactions from the prior day's activity in specified segments of the U.S. Treasury repo market. It has been selected as the preferred replacement for the U.S. dollar London Interbank Offered Rate ("LIBOR"), which will be phased out by the end of 2021. For public entities, the ASU is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2019. Early adoption is permitted in any interim period after issuance of the ASU. The Company has evaluated the guidance and determined that the effects of ASU 2018-16 is not expected to have a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions for investments, intraperiod allocations and interim calculations, and adds guidance to reduce complexity in accounting for income taxes. For public entities, the ASU is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2020. Early adoption is permitted in any interim period after the issuance of the ASU. The Company has evaluated the guidance and determined the effects of ASU 2019-12 is not expected to have a material impact on our consolidated financial statements.

3. ACQUISITIONS AND DISPOSITIONS

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

2019 Transactions—There were no acquisitions during the year ended December 31, 2019.

We sold 100% fee-simple interests in the following properties to unrelated third-parties during the year ended December 31, 2019. Transaction costs related to these sales were expensed as incurred.

Property	Asset Type	Date of Sale	Square Feet	Sales Price	Transaction Costs	Gain on Sale
					(in thousands)	
March Oakland Properties, Oakland, CA (1)	Office / Parking Garage	March 1, 2019	975,596	$ 512,016	$ 8,971	$ 289,779
830 1st Street, Washington, D.C.	Office	March 1, 2019	247,337	116,550	2,438	45,710
260 Townsend Street, San Francisco, CA	Office	March 14, 2019	66,682	66,000	2,539	42,092
1333 Broadway, Oakland, CA	Office	May 16, 2019	254,523	115,430	658	55,221
Union Square Properties, Washington, D.C. (2)	Office / Land	July 30, 2019	630,650	181,000	3,744	302
				$ 990,996	$ 18,350	$ 433,104

(1) The "March Oakland Properties" consist of 1901 Harrison Street, 2100 Franklin Street, 2101 Webster Street, and 2353 Webster Street Parking Garage.

(2) The "Union Square Properties" consist of 899 North Capitol Street, 901 North Capitol Street and 999 North Capitol Street. Prior to the sale, we determined that the book values of such properties exceeded their estimated fair values and recognized an impairment charge of $69,000,000 for the year ended December 31, 2019 (Note 2). Our determination of the fair values of these properties was based on negotiations with the third-party buyer and the contract sales price. The gain on sale includes $113,000 of extinguishment of noncontrolling interests as a result of the sale.

2018 Transactions—On January 18, 2018, we acquired a 100% fee-simple interest in an office property known as 9460 Wilshire Boulevard from an unrelated third-party. The property has approximately 68,866 square feet of office space and 22,884 square feet of retail space and is located in Beverly Hills, California. The acquisition was funded with proceeds from our Series L Preferred Stock offering, and the acquired property is reported as part of the office segment (Note 19). We performed an analysis and, based on our analysis, we determined this acquisition was an asset purchase and not a business combination. As such, transaction costs were capitalized as incurred in connection with this acquisition.

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

(1) In December 2017, at the time we entered into the purchase and sale agreement, we made a $20,000,000 non-refundable deposit to an escrow account that was included in other assets on our consolidated balance sheet at December 31, 2017. Transaction costs that were capitalized in connection with the acquisition of this property totaled $48,000, which are not included in the purchase price above.

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

2017 Transactions—On December 29, 2017, we acquired a 100% fee-simple interest in an office property known as 1130 Howard Street from an unrelated third-party. The office property has approximately 21,194 square feet and is located in San Francisco, California. The acquisition was funded with proceeds from our Series L Preferred Stock offering, and the acquired property is reported as part of the office segment (Note 19). We performed an analysis and, based on our analysis, we determined this acquisition was an asset purchase and not a business combination. As such, transaction costs were capitalized as incurred in connection with this acquisition.

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

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

We sold 100% fee-simple interests in the following properties, other than 800 N Capitol, in which we sold a 100% leasehold interest, to unrelated third-parties during the year ended December 31, 2017. Transaction costs related to these sales were expensed as incurred.

Property	Asset Type	Date of Sale	Square Feet or Units (1)	Sales Price	Transaction Costs	Gain on Sale
					(in thousands)	
211 Main Street, San Francisco, CA (2)	Office	March 28, 2017	417,266	$ 292,882	$ 1,435	$ 189,242
3636 McKinney Avenue, Dallas, TX (2)	Multifamily	May 30, 2017	103	$ 20,000	$ 177	$ 6,631
3839 McKinney Avenue, Dallas, TX (2)	Multifamily	May 30, 2017	75	$ 14,100	$ 180	$ 4,982
200 S College Street, Charlotte, NC	Office	June 8, 2017	567,865	$ 148,500	$ 833	$ 45,906
980 9th and 1010 8th Street, Sacramento, CA	Office & Parking Garage	June 20, 2017	485,926	$ 120,500	$ 1,119	$ 34,559
4649 Cole Avenue, Dallas, TX (2)	Multifamily	June 23, 2017	334	$ 64,000	$ 499	$ 28,648
800 N Capitol Street, Washington, D.C.	Office	August 31, 2017	311,593	$ 119,750	$ 2,388	$ 34,456
7083 Hollywood Boulevard, Los Angeles, CA (3)	Office	September 21, 2017	82,193	$ 42,300	$ 584	$ 23,810
47 E 34th Street, New York, NY	Multifamily	September 26, 2017	110	$ 80,000	$ 3,157	$ 16,556
370 L'Enfant Promenade, Washington, D.C. (4)	Office	October 17, 2017	409,897	$ 126,680	$ 2,451	$ 2,994
4200 Scotland Street, Houston, TX (3)	Multifamily	December 15, 2017	308	$ 64,025	$ 597	$ 20,314
				$ 1,092,737	$ 13,420	$ 408,098

(1) Reflects the square footage of office properties and number of units of multifamily properties.

(2) A mortgage collateralized by this property was prepaid in connection with our sale of the property (Note 7).

(3) A mortgage collateralized by this property was assumed by the buyer in connection with our sale of the property (Note 7).

(4) In August 2017, we negotiated an agreement with an unrelated third-party for the sale of this property. We determined that the book value of this property exceeded its estimated fair value less costs to sell, and recognized an impairment charge of $13,100,000 for the year ended December 31, 2017 (Note 2). Our determination of fair value was based on the sales price negotiated with the third-party buyer.

The results of operations of the properties we sold have been included in the consolidated statements of operations through each properties' respective disposition date. The following is the detail of the carrying amounts of assets and liabilities at the time of the sales of the properties that occurred during the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Assets			
Investments in real estate, net	$ 476,532	$ —	$ 631,740
Deferred rent receivable and charges, net	55,297	—	34,071
Other intangible assets, net	316	—	11,283
Other assets	4,096	—	38
Total assets	$ 536,241	$ —	$ 677,132
Liabilities			
Debt, net (1) (2)	$ 318,072	$ —	$ 115,037
Other liabilities	—	—	14,029
Intangible liabilities, net	—	—	1,800
Total liabilities	$ 318,072	$ —	$ 130,866

(1) Debt, net for the year ended December 31, 2019 is presented net of deferred loan costs of $1,704,000 and accumulated amortization of $576,000. Additionally, a mortgage loan with an outstanding principal balance of $28,200,000 was assumed by the buyer in connection with the sale of our property in San Francisco, California. A mortgage loan with an outstanding principal balance of $46,000,000 was prepaid in connection with the sale in March 2019 of our property in Washington, D.C. that was collateral for the loan. Mortgage loans with an aggregate outstanding principal balance of $205,500,000 were legally defeased in connection with the sale of the March Oakland Properties that were collateral for the loans. A mortgage loan with an outstanding principal balance of $39,500,000 was legally defeased in connection with the sale in May 2019 of our property in Oakland, California that was collateral for the loan.

(2) Debt, net for the year ended December 31, 2017 is presented net of $665,000 of premium on assumed mortgage. Additionally, debt of $50,260,000 was assumed by certain buyers in connection with sales of certain properties.

The results of operations of the properties we acquired have been included in the consolidated statements of operations from the date of acquisition. The purchase price of the acquisitions completed during the years ended December 31, 2018 and 2017 were less than 10% of our total assets as of the respective most recent annual consolidated financial statements filed at or prior to the date of acquisition. The fair value of the net assets acquired for the aforementioned acquisitions during the years ended December 31, 2019, 2018 and 2017 are as follows:

	Year Ended December 31,		
	2019	2018	2017
		(in thousands)	
Land	$ —	$ 52,199	$ 8,290
Land improvements	—	756	—
Buildings and improvements	—	74,522	10,109
Tenant improvements	—	1,451	371
Acquired in-place leases (1)	—	7,003	1,184
Acquired above-market leases (2)	—	109	37
Acquired below-market leases (3)	—	(3,992)	(360)
Net assets acquired	$ —	$ 132,048	$ 19,631

(1) Acquired in-place leases have a weighted average amortization period of 3 years and 5 years, respectively, for the 2018 and 2017 acquisitions.

(2) Acquired above-market leases have a weighted average amortization period of 2 years and 7 years, respectively, for the 2018 and 2017 acquisitions.

(3) Acquired below-market leases have a weighted average amortization period of 3 years and 2 years, respectively, for the 2018 and 2017 acquisitions.

Assets Held for Sale

As noted above, in March 2019, we sold a 100% fee-simple interest in an office property located at 260 Townsend Street in San Francisco, California to an unrelated third-party. The office property had been classified as held for sale as of December 31, 2018, as the purchase and sale agreement was entered into and became subject to a non-refundable deposit prior to December 31, 2018.

The following is the detail of the carrying amounts of assets and liabilities for the office properties that are classified as held for sale on our consolidated balance sheet as of December 31, 2018:

	December 31, 2018
	(in thousands)
Assets	
Investments in real estate, net (1)	$ 17,123
Cash and cash equivalents	755
Accounts receivable, net	41
Deferred rent receivable and charges, net (2)	4,009
Other intangible assets, net (3)	220
Other assets	27
Total assets held for sale, net	$ 22,175
Liabilities	
Debt, net (4)	$ 28,018
Accounts payable and accrued expenses	370
Due to related parties	81
Other liabilities	297
Total liabilities associated with assets held for sale, net	$ 28,766

(1) Investments in real estate of $24,832,000 are presented net of accumulated depreciation of $7,709,000.

(2) Deferred rent receivable and charges consist of deferred rent receivable of $2,909,000 and deferred leasing costs of $1,669,000 net of accumulated amortization of $569,000.

(3) Other intangible assets, net, represent acquired in-place leases of $1,778,000, which are presented net of accumulated amortization of $1,558,000.

(4) Debt, net, includes the outstanding principal balance of 260 Townsend Street of $28,200,000, net of deferred loan costs of $243,000 and accumulated amortization of $61,000.

4. INVESTMENTS IN REAL ESTATE

Investments in real estate consist of the following:

	December 31,	
	2019	2018
	(in thousands)	
Land	$ 134,421	$ 266,410
Land improvements	2,713	18,368
Buildings and improvements	438,349	912,892
Furniture, fixtures, and equipment	4,628	4,245
Tenant improvements	35,667	133,487
Work in progress	13,484	9,234
Investments in real estate	629,262	1,344,636
Accumulated depreciation	(120,555)	(303,699)
Net investments in real estate	$ 508,707	$ 1,040,937

For the years ended December 31, 2019, 2018, and 2017, we recorded depreciation expense of $22,209,000, $43,499,000, and $49,427,000, respectively.

5. LOANS RECEIVABLE

Loans receivable consist of the following:

	December 31,	
	2019	2018
	(in thousands)	
SBA 7(a) loans receivable, subject to loan-backed notes	$ 27,598	$ 36,847
SBA 7(a) loans receivable, subject to credit risk	27,290	29,385
SBA 7(a) loans receivable, subject to secured borrowings	12,644	16,409
Loans receivable	67,532	82,641
Deferred capitalized costs	1,145	1,309
Loan loss reserves	(598)	(702)
Loans receivable, net	$ 68,079	$ 83,248

SBA 7(a) Loans Receivable, Subject to Loan-Backed Notes—Represents the unguaranteed portions of loans originated under the SBA 7(a) Program which were transferred to a trust and are held as collateral in connection with a securitization transaction. The proceeds received from the transfer are reflected as loan-backed notes payable (Note 7).

SBA 7(a) Loans Receivable, Subject to Credit Risk—Represents the unguaranteed portions of loans originated under the SBA 7(a) Program which were retained by the Company and the government guaranteed portions of such loans that have not yet been fully funded or sold.

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

At December 31, 2019 and 2018, 99.6% and 99.7%, respectively, of our loans subject to credit risk were current. We classify loans with negative characteristics in substandard categories ranging from special mention to doubtful. At December 31, 2019 and 2018, $1,362,000 and $235,000, respectively, of loans subject to credit risk were classified in substandard categories.

At December 31, 2019 and 2018, our loans subject to credit risk were 98.7% and 98.3%, respectively, concentrated in the hospitality industry.

6. OTHER INTANGIBLE ASSETS

A schedule of our intangible assets and liabilities and related accumulated amortization and accretion as of December 31, 2019 and 2018, is as follows:

	Assets			Liabilities
December 31, 2019	**Acquired Above-Market Leases**	**Acquired In-Place Leases**	**Trade Name and License**	**Acquired Below-Market Leases**
		(in thousands)		
Gross balance	$ 74	$ 13,653	$ 2,957	$ (3,521)
Accumulated amortization	(42)	(9,382)	—	2,239
	$ 32	$ 4,271	$ 2,957	$ (1,282)
Average useful life (in years)	5	8	Indefinite	4

	Assets			Liabilities
December 31, 2018	**Acquired Above-Market Leases**	**Acquired In-Place Leases**	**Trade Name and License**	**Acquired Below-Market Leases**
		(in thousands)		
Gross balance	$ 146	$ 16,210	$ 2,957	$ (6,618)
Accumulated amortization	(51)	(9,731)	—	3,746
	$ 95	$ 6,479	$ 2,957	$ (2,872)
Average useful life (in years)	3	8	Indefinite	4

The amortization of the acquired above-market leases, which decreased rental and other property income, was $63,000, $51,000 and $3,000 for the years ended December 31, 2019, 2018 and 2017, respectively. The amortization of the acquired in-place leases included in depreciation and amortization expense was $2,112,000, $3,691,000 and $808,000 for the years ended December 31, 2019, 2018 and 2017, respectively. Tax abatement amortization included in rental and other property operating expenses was $0, $0 and $276,000 for the years ended December 31, 2019, 2018 and 2017, respectively. The amortization of the acquired below-market ground lease included in rental and other property operating expenses was $0, $0 and $93,000 for the years ended December 31, 2019, 2018 and 2017, respectively. The amortization of the acquired below-market leases included in rental and other property income was $1,590,000, $2,190,000 and $1,066,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

A schedule of future amortization and accretion of acquisition related intangible assets and liabilities as of December 31, 2019, is as follows:

	Assets		Liabilities
Years Ending December 31,	Acquired Above-Market Leases	Acquired In-Place Leases	Acquired Below-Market Leases
		(in thousands)	
2020	$ 9	$ 1,349	$ (701)
2021	5	899	(347)
2022	5	663	(234)
2023	6	375	—
2024	6	375	—
Thereafter	1	610	—
	$ 32	$ 4,271	$ (1,282)

7. DEBT

Information on our debt is as follows:

	December 31,	
	2019	2018
	(in thousands)	
Mortgage loan with a fixed interest rate of 4.14% per annum, with monthly payments of interest only, and a balance of $97,100,000 due on July 1, 2026. The loan is nonrecourse. On March 1, 2019, mortgage loans with an aggregate outstanding principal balance of $205,500,000 were legally defeased in connection with the sale of the properties that were collateral for the loans. On May 16, 2019, one loan with an outstanding principal balance of $39,500,000 was legally defeased in connection with the sale of the property that was collateral for the loan.	$ 97,100	$ 342,100
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 had a $42,008,000 balance due on January 5, 2027. The loan was nonrecourse. On March 1, 2019, the mortgage loan was prepaid in connection with the sale of the property that was collateral for the loan.	—	46,000
	97,100	388,100
Deferred loan costs related to mortgage loans	(174)	(1,177)
Total Mortgages Payable	96,926	386,923
Secured borrowing principal on SBA 7(a) loans sold for a premium and excess spread—variable rate, reset quarterly, based on prime rate with weighted average coupon rate of 5.68% and 5.89% at December 31, 2019 and 2018, respectively.	7,845	11,283
Secured borrowing principal on SBA 7(a) loans sold for excess spread—variable rate, reset quarterly, based on prime rate with weighted average coupon rate of 3.32% and 3.57% at December 31, 2019 and 2018, respectively.	4,307	4,482
	12,152	15,765
Unamortized premiums	629	940
Total Secured Borrowings—Government Guaranteed Loans	12,781	16,705
Revolving credit facility	153,000	130,000
SBA 7(a) loan-backed notes with a variable interest rate which resets monthly based on the lesser of the one-month LIBOR plus 1.40% or the prime rate less 1.08%, with payments of interest and principal due monthly. Balance due at maturity in March 20, 2043.	22,282	33,769
Junior subordinated notes with a variable interest rate which resets quarterly based on the three-month LIBOR plus 3.25%, with quarterly interest only payments. Balance due at maturity on March 30, 2035.	27,070	27,070
	202,352	190,839
Deferred loan costs related to other debt	(2,867)	(3,941)
Discount on junior subordinated notes	(1,771)	(1,855)
Total Other Debt	197,714	185,043
Total Debt	$ 307,421	$ 588,671

The mortgages payable are secured by deeds of trust on certain of the properties and assignments of rents. The junior subordinated notes may be redeemed at par at our option.

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

SBA 7(a) loan-backed notes are secured by deeds of trust or mortgages.

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 $4,535,000 and $5,994,000 are presented net of accumulated amortization of $1,494,000 and $876,000 at December 31, 2019 and 2018, respectively, and are a reduction to total debt.

In September 2014, CIM Commercial entered into an $850,000,000 unsecured credit facility with a bank syndicate which consisted of a $450,000,000 revolver, a $325,000,000 term loan and a $75,000,000 delayed-draw term loan. Outstanding advances under the revolver bore interest at (i) the base rate plus 0.20% to 1.00% or (ii) LIBOR plus 1.20% to 2.00%, depending on the maximum consolidated leverage ratio. Outstanding advances under the term loans bore interest at (i) the base rate plus 0.15% to 0.95% or (ii) LIBOR plus 1.15% to 1.95%, depending on the maximum consolidated leverage ratio. Our unsecured credit facility matured on September 30, 2018.

In May 2015, CIM Commercial entered into an unsecured term loan facility with a bank syndicate pursuant to which CIM Commercial could borrow up to a maximum of $385,000,000. Outstanding advances under the term loan facility bore interest at (i) the base rate plus 0.60% to 1.25% or (ii) LIBOR plus 1.60% to 2.25%, depending on the maximum consolidated leverage ratio, which interest rate was effectively converted to a fixed rate of 3.16% through interest rate swaps. The term loan facility had a maturity date in May 2022. On November 2, 2015, $385,000,000 was drawn under the term loan facility. Proceeds from the term loan facility were used to repay balances outstanding under our unsecured credit facility. During the year ended December 31, 2017, we repaid $215,000,000 of outstanding borrowings on our unsecured term loan facility. In connection with such paydowns, we wrote off deferred loan costs of $1,988,000 and related accumulated amortization of $705,000, a proportionate amount to the borrowings being repaid, which was recorded as loss on early extinguishment of debt for the year ended December 31, 2017. On October 30, 2018, we repaid and terminated the $170,000,000 of outstanding borrowings on our unsecured term loan facility using proceeds from our new revolving credit facility (as described below). In connection with such paydown and termination, we wrote off the remaining deferred loan costs of $1,872,000 and related accumulated amortization of $1,064,000, which was recorded as loss on early extinguishment of debt for the year ended December 31, 2018.

In June 2016, we entered into six mortgage loan agreements with an aggregate principal amount of $392,000,000. A portion of the net proceeds from the loans was used to repay outstanding balances under our unsecured credit facility and the remaining portion was used to repurchase shares of our Common Stock in a private repurchase in September 2016. On September 21, 2017, in connection with the sale of an office property in Los Angeles, California, one mortgage loan with an outstanding principal balance of $21,700,000, collateralized by such property, was assumed by the buyer, and we recognized a loss on early extinguishment of debt of $367,000 for the year ended December 31, 2017, which represents the write-off of deferred loan costs of $259,000 and related accumulated amortization of $32,000, and transaction costs of $140,000. On March 1, 2019, additional mortgage loans, with an aggregate outstanding principal balance of $205,500,000 at such time, were legally defeased in connection with the sale of the related properties. The cash outlay required for this defeasance in the net amount of $224,086,000 was based on the purchase price of U.S. government securities that will generate sufficient cash flow to fund continued interest payments on the loans from the effective date of this defeasance through the date on which we could repay the loans at par. As a result of this defeasance, we recognized a loss on early extinguishment of debt of $19,290,000 for the year ended December 31, 2019, which represents the sum of the difference between the purchase price of U.S. government securities of $224,086,000 and the aggregate outstanding principal balance of the mortgage loans of $205,500,000, the write-off of deferred loan costs of $637,000 and related accumulated amortization of $170,000, and transaction costs of $237,000. On March 14, 2019, in connection with the sale of an office property in San Francisco, California, one mortgage loan with an outstanding principal balance of $28,200,000 at such time was assumed by the buyer. As a result of this assumption, we recognized a loss on early extinguishment of debt of $178,000 for the year ended December 31, 2019, which represents the write-off of deferred loan costs of $243,000 and related accumulated amortization of $65,000. On May 16, 2019, one mortgage loan with an outstanding principal balance of $39,500,000 at such time, was legally defeased in connection with the sale of the related property. The cash outlay required for this defeasance in the net amount of $44,108,000 was based on the purchase price of U.S. government securities that will generate sufficient cash flow to fund continued interest payments on the loan from the effective date of this defeasance through the date on which we could repay the loan at par. As a result of this defeasance, we recognized a loss on early extinguishment of debt of $4,911,000 for the year ended December 31, 2019, which represents the sum of the difference between the purchase price of U.S. government securities of $44,108,000 and the outstanding principal balance of the mortgage loan of $39,500,000, the write-off of deferred loan costs of $287,000 and related accumulated amortization of $82,000, and transaction costs of $98,000.

On May 30, 2018, we completed a securitization of the unguaranteed portion of certain of our SBA 7(a) loans receivable with the issuance of $38,200,000 of unguaranteed SBA 7(a) loan-backed notes. The securitization uses a trust formed for the benefit of the note holders (the "Trust") which is considered a variable interest entity ("VIE"). Applying the consolidation requirements for VIEs under the accounting rules in ASC Topic 810, *Consolidation*, the Company determined that it is the primary beneficiary based on its power to direct activities through its role as servicer and its obligations to absorb losses and right to receive benefits. The SBA 7(a) loan-backed notes are collateralized solely by the right to receive payments and other recoveries attributable to the unguaranteed portions of certain of our SBA 7(a) loans receivable. The SBA 7(a) loan-backed notes mature on March 20, 2043, with monthly payments due as payments on the collateralized loans are received. Based on the anticipated repayments of our collateralized SBA 7(a) loans, at issuance, we estimated the weighted average life of the SBA 7(a) loan-backed notes to be approximately two years. The SBA 7(a) loan-backed notes bear interest at the lower of the one-month LIBOR plus 1.40% or the prime rate less 1.08%. We reflect the SBA 7(a) loans receivable as assets on our consolidated balance sheets and the SBA 7(a) loan-backed notes as debt on our consolidated balance sheets. The restricted cash on our consolidated balance sheets as of December 31, 2019 and 2018 included $3,306,000 and $3,174,000, respectively, of funds related to our SBA 7(a) loan-backed notes.

In October 2018, CIM Commercial entered into a revolving credit facility with a bank syndicate pursuant to which CIM Commercial can borrow up to a maximum of $250,000,000, subject to a borrowing base calculation. The revolving credit facility is secured by deeds of trust on certain properties. Outstanding advances under the revolving credit facility bear interest at (i) the base rate plus 0.55% or (ii) LIBOR plus 1.55%. At December 31, 2019, the variable interest rate was 3.29%. The interest rate on the first $120,000,000 of one-month LIBOR indexed variable rate borrowings on our revolving credit facility was effectively converted to a fixed rate of 3.11% through interest rate swaps until such swaps were terminated on March 11, 2019. The revolving credit facility is also subject to an unused commitment fee of 0.15% or 0.25% depending on the amount of aggregate unused commitments. The revolving credit facility matures in October 2022 and provides for one one-year extension option under certain conditions. On October 30, 2018, we borrowed $170,000,000 on this facility to repay outstanding borrowings on our unsecured term loan facility. On December 28, 2018, we repaid $40,000,000 of outstanding borrowings on our revolving credit facility and we terminated one interest rate swap with a notional value of $50,000,000 (Note 12). On February 28, 2019 and March 11, 2019, we repaid $10,000,000 and $120,000,000, respectively, of outstanding borrowings on our revolving credit facility using cash on hand and net proceeds from the 2019 asset sales (Note 3), and, in connection with the March 11, 2019 repayment, we terminated our two remaining interest rate swaps, which had an aggregate notional value of $120,000,000 (Note 12). At December 31, 2019 and 2018, $153,000,000 and $130,000,000, respectively, was outstanding under the revolving credit facility, and approximately $73,900,000 and $91,000,000, respectively, was available for future borrowings. The revolving credit facility is not subject to any financial covenants, but is subject to a borrowing base calculation that determines the amount we can borrow.

On March 28, 2017, in connection with the sale of an office property in San Francisco, California, we paid off a mortgage with an outstanding balance of $25,331,000 using proceeds from the sale. As a result, we recognized a loss on early extinguishment of debt of $1,534,000 for the year ended December 31, 2017, which represents a prepayment penalty of $1,508,000 and the write-off of deferred loan costs of $165,000 and related accumulated amortization of $139,000.

On May 30, 2017, in connection with the sale of two multifamily properties, both located in Dallas, Texas, we paid off two mortgages with an aggregate outstanding principal balance of $15,448,000 using proceeds from the sales. As a result, we recognized a loss on early extinguishment of debt of $2,014,000 for the year ended December 31, 2017, which represents prepayment penalties of $1,901,000 and the write-off of deferred loan costs of $298,000 and related accumulated amortization of $185,000.

On June 23, 2017, in connection with the sale of a multifamily property in Dallas, Texas, we paid off a mortgage with an outstanding principal balance of $23,333,000 using proceeds from the sale. As a result, we recognized a loss on early extinguishment of debt of $2,925,000 for the year ended December 31, 2017, which represents a prepayment penalty of $2,812,000 and the write-off of deferred loan costs of $304,000 and related accumulated amortization of $191,000.

On December 15, 2017, in connection with the sale of a multifamily property in Houston, Texas, a mortgage with an outstanding principal balance of $28,560,000, collateralized by such property, was assumed by the buyer. As a result, we recognized a loss on early extinguishment of debt of $92,000 for the year ended December 31, 2017, which represents the write-off of deferred loan costs of $264,000 and related accumulated amortization of $172,000.

On March 1, 2019, in connection with the sale of an office property in Washington, D.C., we prepaid the related mortgage loan with an outstanding principal balance of $46,000,000 at such time, using proceeds from the sale. As a result, we recognized a loss on early extinguishment of debt of $5,603,000 for the year ended December 31, 2019, which represents a prepayment penalty of $5,325,000 and the write-off of deferred loan costs of $537,000 and related accumulated amortization of $259,000.

At December 31, 2019 and 2018, accrued interest and unused commitment fees payable of $650,000 and $1,574,000, respectively, are included in accounts payable and accrued expenses.

Future principal payments on our debt (face value) at December 31, 2019 are as follows:

Years Ending December 31,	Mortgages Payable	Secured Borrowings Principal (1)	Other (1) (2)	Total
		(in thousands)		
2020	$ —	$ 1,893	$ 2,650	$ 4,543
2021	—	459	1,349	1,808
2022	—	482	154,391	154,873
2023	—	506	1,656	2,162
2024	—	532	1,036	1,568
Thereafter	97,100	8,280	41,270	146,650
	$ 97,100	$ 12,152	$ 202,352	$ 311,604

(1) Principal payments on secured borrowings and SBA 7(a) loan-backed notes, which are included in Other, are generally dependent upon cash flows received from the underlying loans. Our estimate of their repayment is based on scheduled 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 junior subordinated notes, SBA 7(a) loan-backed notes, and revolving credit facility.

8. STOCK-BASED COMPENSATION PLANS

Restricted Shares—A summary of our restricted shares as of December 31, 2019, 2018 and 2017 and the changes during the years ended is as follows:

	2019	
	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Balance, January 1	3,378	$ 44.40
Granted	3,880	$ 56.66
Vested	(3,378)	$ 44.40
Balance, December 31	3,880	$ 56.66

	2018	
	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Balance, January 1	3,195	$ 46.95
Granted	3,378	$ 44.40
Vested	(3,195)	$ 46.95
Balance, December 31	3,378	$ 44.40

	2017	
	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Balance, January 1	3,615	$ 56.26
Granted	3,195	$ 46.95
Vested	(3,615)	$ 56.26
Balance, December 31	3,195	$ 46.95

In May 2016, we granted awards of 1,131 restricted shares of Common Stock to each of the independent members of the Board of Directors (3,393 in aggregate) under the 2015 Equity Incentive Plan, which fully vested in May 2017 based on one year of continuous service. In June 2017, we granted awards of 1,065 restricted shares of Common Stock to each of the independent members of the Board of Directors (3,195 in aggregate) under the 2015 Equity Incentive Plan, which fully vested in June 2018 based on one year of continuous service. In May 2018, we granted awards of 1,126 restricted shares of Common Stock to each of the independent members of the Board of Directors (3,378 in aggregate) under the 2015 Equity Incentive Plan, which fully vested in May 2019 based on one year of continuous service. In May 2019, we granted awards of 889 restricted shares of Common Stock to each of the independent members of the Board of Directors (3,556 in aggregate) under the 2015 Equity Incentive Plan, which vest after one year of continuous service. In July 2019, we granted awards of 81 restricted shares of Common Stock to each of the independent members of the Board of Directors (324 in aggregate) under the 2015 Equity Incentive Plan, which will vest at the same time as the restricted shares of Common Stock granted in May 2019. Compensation expense related to these restricted shares of Common Stock is recognized over the vesting period. We recorded compensation expense of $194,000, $162,000 and $153,000 for the years ended December 31, 2019, 2018 and 2017, respectively, related to these restricted shares of Common Stock.

We issued to two of our executive officers an aggregate of 666 shares of Common Stock on March 6, 2015, which fully vested in March 2017. The restricted shares of Common Stock vested based on two years of continuous service with one-third of the shares of Common Stock vesting immediately upon issuance and one-third vesting at the end of each of the next two years from the date of issuance. Compensation expense related to these restricted shares of Common Stock was recognized over the vesting period. We recognized compensation expense of $0, $0 and $1,000 for the years ended December 31, 2019, 2018 and 2017, respectively, related to these restricted shares of Common Stock.

As of December 31, 2019, there was $75,000 of total unrecognized compensation expense related to shares of Common Stock which will be recognized over the next year. The estimated fair value of restricted shares vested during 2019, 2018 and 2017 was $150,000, $150,000 and $203,000, respectively.

9. EARNINGS PER SHARE ("EPS")

The computations of basic EPS are based on our weighted average shares outstanding. The basic weighted average number of shares of Common Stock outstanding was 14,598,000, 14,597,000 and 23,021,000 for the years ended December 31, 2019, 2018 and 2017, respectively. In order to calculate the diluted weighted average number of shares of Common Stock outstanding for the years ended December 31, 2019 and 2017, the basic weighted average number of shares of Common Stock outstanding was increased by 1,895,000 and 2,000, respectively, to reflect the dilutive effect of certain shares of our Series A Preferred Stock. The computation of diluted EPS does not include outstanding shares of Series A Preferred Stock for the year ended December 31, 2018 because their impact was deemed to be anti-dilutive. Outstanding Series A Preferred Warrants were not included in the computation of diluted EPS for the years ended December 31, 2019, 2018 and 2017 because their impact was either anti-dilutive or such warrants were not exercisable during such periods (Note 11). Outstanding shares of Series L Preferred Stock were not included in the computation of diluted EPS for the years ended December 31, 2019, 2018 and 2017 because such shares were not redeemable during such periods.

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

The following table reconciles the numerator and denominator used in computing our basic and diluted per-share amounts for net income (loss) attributable to common stockholders for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands, except per share amounts)		
Numerator:			
Net income (loss) attributable to common stockholders	$ 322,696	$ (14,298)	$ 377,813
Redeemable preferred stock dividends declared on dilutive shares	2,804	—	9
Diluted net income (loss) attributable to common stockholders	$ 325,500	$ (14,298)	$ 377,822
Denominator:			
Basic weighted average shares of Common Stock outstanding	14,598	14,597	23,021
Effect of dilutive securities—contingently issuable shares	1,895	—	2
Diluted weighted average shares and common stock equivalents outstanding	16,493	14,597	23,023
Net income (loss) attributable to common stockholders per share:			
Basic	$ 22.11	$ (0.98)	$ 16.41
Diluted	$ 19.74	$ (0.98)	$ 16.41

10. REDEEMABLE PREFERRED STOCK

Series A Preferred Stock—We conducted a continuous public offering of Series A Preferred Units from October 2016 through January 2020, where each Series A Preferred Unit consisted of one share of Series A Preferred Stock, par value $0.001 per share, of the Company (collectively, the "Series A Preferred Stock") with an initial stated value of $25.00 per share (the "Series A Preferred Stock Stated Value"), subject to adjustment, and one warrant (collectively, the "Series A Preferred Warrants") to purchase 0.25 of a share of Common Stock depending on when such Series A Preferred Warrant was issued (Note 11). Proceeds and expenses from the sale of the Series A Preferred Units were allocated to the Series A Preferred Stock and Series A Preferred Warrants using their relative fair values on the date of issuance.

Since February 2020, we have been conducting a continuous public offering with respect to shares of our Series A Preferred Stock, which, since such time, is no longer being issued as a unit with an accompanying Series A Preferred Warrant.

With respect to the payment of dividends, each of the Series A Preferred Stock and Series D Preferred Stock (as defined below) ranks senior to our Series L Preferred Stock (as defined below) and our Common Stock. With respect to the distribution of amounts upon liquidation, dissolution or winding-up, each of the Series A Preferred Stock and Series D Preferred Stock ranks on parity with our Series L Preferred Stock, to the extent of the Series L Preferred Stock Stated Value (as defined below), and otherwise ranks senior to our Series L Preferred Stock and our Common Stock.

Our Series A Preferred Stock is redeemable at the option of the holder (the "Series A Preferred Stock Holder") or CIM Commercial. The redemption schedule of the Series A Preferred Stock allows redemptions at the option of the Series A Preferred Stock Holder from the date of original issuance of any given shares of Series A Preferred Stock at the Series A Preferred Stock Stated Value, less a redemption fee applicable prior to the fifth anniversary of the issuance of such shares, plus accrued and unpaid dividends. CIM Commercial has the right to redeem the Series A Preferred Stock after the fifth anniversary of the issuance of such shares at the Series A Preferred Stock Stated Value, plus accrued and unpaid dividends. At the Company's discretion, redemptions will be paid in cash or, on or after the first anniversary of the issuance of such shares of Series A Preferred Stock, an equal value of Common Stock based on the volume weighted average price of our Common Stock for the 20 trading days prior to the redemption.

As of December 31, 2019, we had issued 4,484,376 Series A Preferred Units and received gross proceeds of $112,106,000 ($111,377,000 of which were allocated to the Series A Preferred Stock and the remaining $729,000 were allocated to the Series A Preferred Warrants). In connection with such issuance, costs specifically identifiable to the offering of Series A Preferred Units, such as commissions, dealer manager fees and other offering fees and expenses, totaled $8,836,000 ($8,697,000 of which were allocated to the Series A Preferred Stock and the remaining $139,000 were allocated to the Series A Preferred Warrants). In addition, as of December 31, 2019, non-issuance-specific costs related to this offering totaled $5,980,000. As of December 31, 2019, we have reclassified and allocated $701,000 and $4,000 from deferred rent receivable and charges to Series A Preferred Stock and Series A Preferred Warrants, respectively, as a reduction to the gross proceeds received. Such reclassification was based on the cumulative number of Series A Preferred Units issued relative to the maximum number of Series A Preferred Units expected to be issued under the offering. As of December 31, 2019, there were 4,468,315 shares of Series A Preferred Stock and 4,484,376 Series A Preferred Warrants to purchase 1,164,432 shares of Common Stock outstanding. As of December 31, 2019, 16,061 shares of Series A Preferred Stock had been redeemed. In December 2019, we received a request to redeem 800 shares of Series A Preferred Stock, which were redeemed in January 2020. As of December 31, 2019, such shares are included in accounts payable and accrued expenses on our consolidated balance sheet.

On the first anniversary of the issuance of a particular share of Series A Preferred Stock, we reclassify such share of Series A Preferred Stock from temporary equity to permanent equity because the feature giving rise to temporary equity classification, the requirement to satisfy redemption requests in cash, lapses on the first anniversary. As of December 31, 2019, we have reclassified an aggregate of $64,953,000 in net proceeds from temporary equity to permanent equity.

Holders of Series A Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Preferred Stock at an annual rate of 5.5% of the Series A Preferred Stock Stated Value (i.e., the equivalent of $0.34375 per share per quarter) (the "Series A Dividend"). Dividends on each share of Series A Preferred Stock begin accruing on, and are cumulative from, the date of issuance.

We expect to pay the Series A Dividend in arrears on a monthly basis in accordance with the foregoing provisions, unless our results of operations, our general financing conditions, general economic conditions, applicable requirements of the MGCL or other factors make it imprudent to do so. The timing and amount of the Series A Dividend will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

Cash dividends on our Series A Preferred Stock paid in respect of the years ended December 31, 2019 and 2018 consist of the following:

Declaration Date	Payment Date	Number of Shares	Cash Dividends
			(in thousands)
December 3, 2019	January 15, 2020	4,468,315	$ 1,467
August 8, 2019	October 15, 2019	4,091,980	$ 1,318
June 4, 2019	July 15, 2019	3,601,721	$ 1,150
February 20, 2019	April 15, 2019	3,149,924	$ 1,010
December 4, 2018	January 15, 2019	2,847,150	$ 890
August 22, 2018	October 15, 2018	2,457,119	$ 769
June 4, 2018	July 16, 2018	2,149,863	$ 662
March 6, 2018	April 16, 2018	1,674,841	$ 493

On January 28, 2020, we declared a quarterly cash dividend of $0.34375 per share of our Series A Preferred Stock, or portion thereof for issuances during the period from January 1, 2020 to March 31, 2020. As a result, $0.114583 per share was paid on February 18, 2020 to holders of record of Series A Preferred Stock at the close of business on February 5, 2020, $0.114583 per share will be paid on March 16, 2020 to holders of record of Series A Preferred Stock at the close of business on March 5, 2020, and $0.114583 per share will be paid on April 15, 2020 to holders of record of Series A Preferred Stock at the close of business on April 5, 2020.

Further, on March 2, 2020, we declared a quarterly cash dividend of $0.34375 per share of our Series A Preferred Stock, or portion thereof for issuances during the period from April 1, 2020 to June 30, 2020. As a result, $0.114583 per share will be paid on May 15, 2020 to holders of record of Series A Preferred Stock at the close of business on May 5, 2020, $0.114583 per share will be paid on June 15, 2020 to holders of record of Series A Preferred Stock at the close of business on June 5, 2020, and $0.114583 per share will be paid on July 15, 2020 to holders of record of Series A Preferred Stock at the close of business on July 5, 2020.

Series D Preferred Stock—Since February 2020, we have been conducting a continuous public offering with respect to shares of our series D preferred stock (the "Series D Preferred Stock"), par value $25.00 per share (the "Series D Preferred Stock Stated Value"), subject to adjustment.

With respect to the payment of dividends, each of the Series D Preferred Stock and Series A Preferred Stock ranks senior to our Series L Preferred Stock (as defined below) and our Common Stock. With respect to the distribution of amounts upon liquidation, dissolution or winding-up, each of the Series D Preferred Stock and Series A Preferred Stock ranks on parity with our Series L Preferred Stock, to the extent of the Series L Preferred Stock Stated Value (as defined below), and otherwise ranks senior to our Series L Preferred Stock and our Common Stock.

Our Series D Preferred Stock is redeemable at the option of the holder (the "Series D Preferred Stock Holder") or CIM Commercial. The redemption schedule of the Series D Preferred Stock allows redemptions at the option of the Series D Preferred Stock Holder from the date of original issuance of any given shares of Series D Preferred Stock at the Series D Preferred Stock Stated Value, less a redemption fee applicable prior to the fifth anniversary of the issuance of such shares, plus accrued and unpaid dividends. CIM Commercial has the right to redeem the Series D Preferred Stock after the fifth anniversary of the issuance of such shares at the Series D Preferred Stock Stated Value, plus accrued and unpaid dividends. At the Company's discretion, redemptions will be paid in cash or an equal value of Common Stock based on the volume weighted average price of our Common Stock for the 20 trading days prior to the redemption.

As of December 31, 2019, we had not issued any shares of Series D Preferred Stock as the offering of Series D Preferred Stock began in February 2020. Shares of Series D Preferred Stock will be recorded in permanent equity at the time of their issuance.

Holders of Series D Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share of Series D Preferred Stock at an annual rate of 5.65% of the Series D Preferred Stock Stated Value (i.e., the equivalent of $0.35313 per share per quarter) (the “Series D Dividend”). Dividends on each share of Series D Preferred Stock begin accruing on, and are cumulative from, the date of issuance.

We expect to pay the Series D Dividend in arrears on a monthly basis in accordance with the foregoing provisions, unless our results of operations, our general financing conditions, general economic conditions, applicable requirements of the MGCL or other factors make it imprudent to do so. The timing and amount of the Series D Dividend will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

As of March 12, 2020, there were 5,600 shares of Series D Preferred Stock outstanding. On March 2, 2020, we declared a quarterly cash dividend of $0.235417 per share of our Series D Preferred Stock, or portion thereof for issuances during the period from February 1, 2020 to March 31, 2020, and declared a quarterly cash dividend of $0.353125 per share of our Series D Preferred Stock, or portion thereof for issuances during the period from April 1, 2020 to June 30, 2020. The quarterly dividend per share is lower in the first quarter as it covers a two-month period, whereas the second quarter covers a three-month period because the first issuance of the Series D Preferred Stock occurred in February 2020. These dividends will be payable as follows: $0.117708 per share to be paid on March 16, 2020 to holders of record of Series D Preferred Stock at the close of business on March 5, 2020, $0.117708 per share to be paid on April 15, 2020 to holders of record of Series D Preferred Stock at the close of business on April 5, 2020, $0.117708 per share to be paid on May 15, 2020 to holders of record of Series D Preferred Stock at the close of business on May 5, 2020, $0.117708 per share to be paid on June 15, 2020 to holders of record of Series D Preferred Stock at the close of business on June 5, 2020, and $0.117708 per share to be paid on July 15, 2020 to holders of record of Series D Preferred Stock at the close of business on July 5, 2020.

Series L Preferred Stock—On November 21, 2017, we issued 8,080,740 shares of Series L Preferred Stock having an initial stated value of $28.37 per share ("Series L Preferred Stock Stated Value"), subject to adjustment. We received gross proceeds of $229,251,000 from the sale of the Series L Preferred Stock, which was reduced by issuance-specific offering costs, such as commissions, dealer manager fees, and other offering fees and expenses, totaling $15,928,000, a discount of $2,946,000, and non-issuance-specific costs of $2,532,000. These fees have been recorded as a reduction to the gross proceeds in permanent equity.

On October 22, 2019, the Company commenced a tender offer for the purchase of up to 2,693,580 shares of Series L Preferred Stock (the "Tender Offer"), representing one-third of the then-outstanding shares of Series L Preferred Stock. The Tender Offer was oversubscribed, and pursuant to the terms of the Tender Offer, shares of Series L Preferred Stock were accepted for purchase on a pro rata basis. We repurchased 2,693,580 shares of Series L Preferred Stock at a purchase price of $29.12 per share (of which $1.39, or $3,744,000 in the aggregate, reflects the amount of accrued and unpaid dividends on the Series L Preferred Stock as of November 20, 2019), as converted to and paid in ILS. The total cost to repurchase the tendered shares, including professional fees to complete the Tender Offer of $462,000 but excluding the dividends accrued in respect of such shares, was $75,155,000, which was primarily funded from borrowings under the revolving credit facility (Note 7). We recognized $5,873,000 of redeemable preferred stock redemptions in our consolidated statement of operations for the year ended December 31, 2019 in connection with the Tender Offer. The shares of Series L Preferred Stock accepted for payment by the Company were restored to the status of authorized but unissued shares of preferred stock without designation as to class or series.

With respect to the payment of dividends, the Series L Preferred Stock ranks senior to our Common Stock (except with respect to and only to the extent of the Initial Dividend) and junior to our Series A Preferred Stock, Series D Preferred Stock and Common Stock (with respect to and only to the extent of the Initial Dividend). With respect to the distribution of amounts upon liquidation, dissolution or winding-up, the Series L Preferred Stock ranks senior to our Common Stock, both (i) to the extent of the Series L Preferred Stock Stated Value and (ii) following payment to holders of our Common Stock of an amount equal to any unpaid Initial Dividend, to the extent of any accrued and unpaid dividends on the Series L Preferred Stock, on parity with our Series A Preferred Stock and Series D Preferred Stock, to the extent of the Series L Preferred Stock Stated Value

and junior to our Series A Preferred Stock, Series D Preferred Stock and Common Stock (to the extent of the Initial Dividend), in all instances with respect to any accrued and unpaid dividends on the Series L Preferred Stock.

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

Holders of Series L Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors, and declared by us out of legally available funds, cumulative cash dividends on each share of Series L Preferred Stock at an annual rate of 5.5% of the Series L Preferred Stock Stated Value (i.e., the equivalent of $1.56035 per share per year). Dividends on each share of Series L Preferred Stock began accruing on, and are cumulative from, the date of issuance.

We expect to pay dividends on the Series L Preferred Stock in arrears on an annual basis in accordance with the foregoing provisions, unless our results of operations, our general financing conditions, general economic conditions, applicable requirements of the MGCL or other factors make it imprudent to do so. If the Company fails to timely declare distributions or fails to timely pay distributions on the Series L Preferred Stock, the annual dividend rate of the Series L Preferred Stock will temporarily increase by 1.0% per year, up to a maximum rate of 8.5% per annum. However, prior to the payment of any distributions on Series L Preferred Stock in respect of a given year, the Company must first declare and pay dividends on the Common Stock in respect of such year in an aggregate amount equal to the Initial Dividend announced by our Board of Directors at the end of the prior fiscal year. On December 20, 2019, our Board of Directors announced an Initial Dividend on shares of our Common Stock for fiscal year 2020 in the aggregate amount of $4,380,644.70.

Cash dividends on our Series L Preferred Stock paid in respect of the year ended December 31, 2019 and 2018 consist of the following:

Declaration Date	Payment Date	Number of Shares	Cash Dividends
			(in thousands)
December 3, 2019	January 16, 2020	5,387,160	$ 8,406 (1)
December 4, 2018	January 17, 2019	8,080,740	$ 14,045 (2)

(1) Excludes $3,744,000, which represents a prorated cash dividend from January 1, 2019 to November 20, 2019 related to the 2,693,580 shares of Series L Preferred Stock that were repurchased in connection with the Series L Preferred Stock Tender Offer on November 20, 2019.

(2) Includes $1,436,000, which represents a prorated cash dividend from November 20, 2017 to December 31, 2017. For the year ended December 31, 2017, the accumulated dividends of $1,436,000 are included in the numerator for purposes of calculating basic and diluted net income (loss) attributable to common stockholders per share (Note 9).

Until the fifth anniversary of the date of original issuance of our Series L Preferred Stock, we are prohibited from issuing any shares of preferred stock ranking senior to or on parity with the Series L Preferred Stock with respect to the payment of dividends, other distributions, liquidation, and or dissolution or winding up of the Company unless the Minimum

Fixed Charge Coverage Ratio, calculated in accordance with the Articles Supplementary describing the Series L Preferred Stock, is equal to or greater than 1.25:1.00. At December 31, 2019 and 2018, we were in compliance with the Series L Preferred Stock Minimum Fixed Charge Coverage Ratio. In order to maintain our compliance with the Minimum Fixed Charge Coverage Ratio during the year ending December 31, 2020, for the first and second quarters of 2020, we will, subject to applicable laws and regulations under Nasdaq and the TASE and the agreement of the Operator and or the Administrator, seek to pay some or all of the asset management fees, the Base Service Fee and or reimbursements under the Master Services Agreement in respect of such quarter in shares of Common Stock. The Company may seek to do so for the third and fourth quarters of 2020 as well (subject to the agreement of the Operator and or the Administrator, as the case may be, and the approval of a special committee consisting of the independent members of the Board of Directors).

11. STOCKHOLDERS' EQUITY

Dividends

Cash dividends per share of Common Stock paid in respect of the years ended December 31, 2019 and 2018 consist of the following:

Declaration Date	Payment Date	Type	Cash Dividend Per Common Share (1)
December 3, 2019	December 27, 2019	Regular Quarterly	$ 0.075
August 8, 2019	September 18, 2019	Regular Quarterly	$ 0.075
August 8, 2019	August 30, 2019	Special Cash	$ 42.000
June 4, 2019	June 27, 2019	Regular Quarterly	$ 0.375
February 20, 2019	March 25, 2019	Regular Quarterly	$ 0.375
December 4, 2018	December 27, 2018	Regular Quarterly	$ 0.375
August 22, 2018	September 25, 2018	Regular Quarterly	$ 0.375
June 4, 2018	June 28, 2018	Regular Quarterly	$ 0.375
March 6, 2018	March 29, 2018	Regular Quarterly	$ 0.375

(1) Amounts have been adjusted to give retroactive effect to the Reverse Stock Split.

On March 2, 2020, we declared a cash dividend of $0.075 per share of our Common Stock, to be paid on March 25, 2020 to stockholders of record at the close of business on March 13, 2020.

We declared the special cash dividends detailed below to allow the common stockholders that did not participate in the share repurchases as described below to receive the economic benefit of such repurchases. Urban Partners II, LLC ("Urban II"), a fund managed by an affiliate of CIM Group, the Administrator and the Operator of CIM Commercial (each as defined in Note 14), and an affiliate of CIM REIT and CIM Urban, waived its right to receive the April 5, 2017, June 12, 2017, and December 18, 2017 special cash dividends.

On April 5, 2017, we declared a special cash dividend of $0.84 per share of Common Stock ($0.28 per share prior to the Reverse Stock Split), or $601,000 in the aggregate, that was paid on April 24, 2017 to stockholders of record on April 17, 2017.

On June 12, 2017, we declared a special cash dividend of $5.94 per share of Common Stock ($1.98 per share prior to the Reverse Stock Split), or $4,271,000 in the aggregate, that was paid on June 27, 2017 to stockholders of record on June 20, 2017.

On December 18, 2017, we declared a special cash dividend of $2.19 per share of Common Stock ($0.73 per share prior to the Reverse Stock Split), or $1,575,000 in the aggregate, which was paid on January 11, 2018 to stockholders of record on December 29, 2017.

On August 30, 2019, in connection with the Program to Unlock Embedded Value in Our Portfolio and Improve Trading Liquidity of Our Common Stock, as defined in "Item 1—Business" of this Annual Report on Form 10-K, we paid a special cash dividend of $42.00 per share of Common Stock ($14.00 per share of Common Stock prior to the Reverse Stock Split) (the “Special Dividend”), or $613,294,000 in the aggregate, to stockholders of record at the close of business on August 19, 2019. The Special Dividend was funded primarily by the net proceeds (after the repayment of debt) received from the sale of ten properties during 2019 (Note 3) and borrowings on our revolving credit facility.

Share Repurchases

On June 12, 2017, we repurchased, in a privately negotiated transaction, canceled and retired 8,727,272 shares of Common Stock from Urban II (26,181,818 shares of Common Stock prior to the Reverse Stock Split). The aggregate purchase price was $576,000,000, or $66.00 per share of Common Stock ($22.00 per share of Common Stock prior to the Reverse Stock Split). We funded the repurchase using available cash from asset sales and short-term borrowings on our unsecured credit facility. As a result of the repurchase, our stockholders' equity was reduced by the amount we paid for the repurchased shares and the related expenses. The Company paid a special cash dividend, as described above, on June 27, 2017 that allowed stockholders that did not participate in the June 12, 2017 private repurchase to receive the economic benefit of such repurchase.

On December 18, 2017, we repurchased, in a privately negotiated transaction, canceled and retired 4,696,969 shares of Common Stock from Urban II (14,090,909 shares of Common Stock prior to the Reverse Stock Split). The aggregate purchase price was $310,000,000, or $66.00 per share of Common Stock ($22.00 per share of Common Stock prior to the Reverse Stock Split). We funded the repurchase using available cash from asset sales. As a result of the repurchase, our stockholders' equity was reduced by the amount we paid for the repurchased shares and the related expenses. The Company paid a special cash dividend, as described above, on January 11, 2018 that allowed stockholders that did not participate in the December 18, 2017 private repurchase to receive the economic benefit of such repurchase.

Series A Preferred Warrants

Prior to February 2020, the Series A Preferred Stock was sold as a unit that included one share of Series A Preferred Stock (Note 10) and one Series A Preferred Warrant (Note 10) which allowed holders of Series A Preferred Warrants to purchase 0.25 of a share of Common Stock depending on when such warrants were issued. The Series A Preferred Warrants are exercisable beginning on the first anniversary of the date of their original issuance until and including the fifth anniversary of the date of such issuance. At the time of issuance, the exercise price of each Series A Preferred Warrant is at a 15.0% premium to the per share estimated NAV of our Common Stock most recently published and designated as the Applicable NAV by us at the time of issuance of such Series A Preferred Warrants. However, in accordance with the terms of the Series A Preferred Warrants, the exercise price of each Series A Preferred Warrant issued prior to the Reverse Stock Split was automatically adjusted to reflect the effect of the Reverse Stock Split and, in the discretion of our Board of Directors, the exercise price and the number of shares issuable upon exercise of each Series A Preferred Warrant issued prior to the Special Dividend was adjusted to reflect the effect of the Special Dividend.

Proceeds and expenses from the sale of the Series A Preferred Units are allocated to the Series A Preferred Stock and Series A Preferred Warrants using their relative fair values on the date of issuance. As of December 31, 2019, we had issued 4,484,376 Series A Preferred Warrants in connection with our offering of Series A Preferred Units and allocated net proceeds of $586,000, after specifically identifiable offering costs and allocated general offering costs, to the Series A Preferred Warrants in permanent equity.

12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Hedges of Interest Rate Risk

In order to manage financing costs and interest rate exposure related to the one-month LIBOR indexed variable rate borrowings, on August 13, 2015, we entered into ten interest rate swap agreements with multiple counterparties totaling $385,000,000 of notional value. These swap agreements became effective on November 2, 2015. During the year ended December 31, 2017, we repaid $215,000,000 of outstanding one-month LIBOR indexed variable rate borrowings and we terminated seven interest rate swaps with an aggregate notional value of $215,000,000, for which we received termination payments, net of fees, of $973,000. On December 28, 2018, we repaid $40,000,000 of outstanding one-month LIBOR indexed variable rate borrowings and we terminated one interest rate swap with a notional value of $50,000,000, for which we received

a termination payment, net of fees, of $684,000. On March 11, 2019, we repaid $120,000,000 of outstanding one-month LIBOR indexed variable rate borrowings (Note 7) and we terminated our two remaining interest rate swaps with an aggregate notional value of $120,000,000, for which we received aggregate termination payments, net of fees, of $1,302,000. The fair value of our two remaining swaps at the time of termination was $1,421,000 resulting in a net loss of $119,000, which was recorded as a net increase to interest expense on our consolidated statement of operations for the year ended December 31, 2019.

Each of our interest rate swap agreements initially met the criteria for cash flow hedge accounting treatment and we had designated the interest rate swap agreements as cash flow hedges of the risk of variability attributable to changes in the one-month LIBOR. Accordingly, the interest rate swaps were recorded on our consolidated balance sheets at fair value, and prior to August 1, 2018, the changes in the fair value of the swaps were recorded in OCI and reclassified to earnings as an adjustment to interest expense as interest became receivable or payable (Note 2). On July 31, 2018, we determined the hedged forecasted transaction was no longer probable of occurring so all subsequent changes in the fair value of our interest rate swaps were included in interest expense on our consolidated statements of operations. The balance in AOCI as of July 31, 2018 was reclassified to earnings as an adjustment to interest expense on our consolidated statements of operations as the originally designated forecasted transaction affected earnings. For the years ended December 31, 2019 and 2018, $1,806,000 and $1,552,000, respectively, was reclassified from AOCI and decreased interest expense on our consolidated statements of operations, which, during the year ended December 31, 2019, included a write off of $1,580,000 at the time our two remaining interest rate swaps were terminated. Beginning on August 1, 2018, changes in the fair value of the swaps were recorded in interest expense on our consolidated statements of operations. For the years ended December 31, 2019 and 2018, $209,000 and $1,728,000, respectively, was included as an increase in interest expense on our consolidated statements of operations related to the change in the fair value of our interest rate swaps.

Credit-Risk-Related Contingent Features

Each of our interest rate swap agreements contained a provision under which we could also be declared in default under such agreements if we defaulted on the revolving credit facility or if we defaulted on the term loan facility. As of March 11, 2019, the date of termination of such swaps, and December 31, 2018, there have been no events of default under our interest rate swap agreements.

Impact of Hedges on AOCI and Consolidated Statements of Operations

The changes in the balance of each component of AOCI related to our interest rate swaps designated as cash flow hedges are as follows:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Accumulated other comprehensive income (loss), at beginning of period	$ 1,806	$ 1,631	$ (509)
Other comprehensive income before reclassifications	—	1,973	361
Amounts reclassified (to) from accumulated other comprehensive income (loss) (1)	(1,806)	(1,798)	1,779
Net current period other comprehensive income (loss)	(1,806)	175	2,140
Accumulated other comprehensive income, at end of period	$ —	$ 1,806	$ 1,631

(1) The amounts from AOCI were reclassified as a (decrease) increase to interest expense in our consolidated statements of operations.

Reclassifications from AOCI

As of July 31, 2018, the hedged forecasted transaction was no longer probable of occurring so the interest rate swaps were no longer eligible for hedge accounting and all future changes in fair value of the interest rate swaps were recorded in interest expense on our consolidated statements of operations and no further amounts were deferred into AOCI. The balance in AOCI as of July 31, 2018 was reclassified to earnings as an adjustment to interest expense on our consolidated statements of operations as the originally designated forecasted transaction affected earnings. On March 11, 2019, the remaining balance in

AOCI was reclassified to earnings as a decrease to interest expense on our consolidated statements of operations in connection with the termination of our two remaining interest rate swaps.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Our derivative financial instruments (Note 12) were measured at fair value on a recurring basis and were presented on our consolidated balance sheets at fair value, on a gross basis, excluding accrued interest. The table below presents the fair value of our derivative financial instruments as well as their classification on our consolidated balance sheets:

	December 31,			Balance Sheet
	2019	2018	Level	Location
	(in thousands)			
Assets:				
Interest rate swaps	$ —	$ 1,630	2	Other assets

Interest Rate Swaps—We estimated the fair value of our interest rate swaps by calculating the credit-adjusted present value of the expected future cash flows of each swap. The calculation incorporated the contractual terms of the derivatives, observable market interest rates which we considered to be Level 2 inputs, and credit risk adjustments, if any, to reflect the counterparty's as well as our own nonperformance risk.

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

	December 31, 2019		December 31, 2018		
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Level
	(in thousands)				
Assets:					
SBA 7(a) loans receivable, subject to loan-backed notes	$ 27,595	$ 30,076	$ 37,031	$ 38,357	3
SBA 7(a) loans receivable, subject to credit risk	27,802	29,794	29,748	30,630	3
SBA 7(a) loans receivable, subject to secured borrowings	12,682	12,780	16,469	16,706	3
Liabilities:					
Mortgages payable (1)	96,926	99,764	386,923	377,364	3
Junior subordinated notes	25,299	24,406	25,215	24,462	3

(1) The December 31, 2018 carrying amount and estimated fair value of mortgages payable exclude one mortgage loan with a carrying value of $28,018,000 that had been classified as liabilities associated with assets held for sale, net, on our consolidated balance sheet at December 31, 2018 (Notes 3 and 7).

Management's estimation of the fair value of our financial instruments other than our interest rate swaps 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 based on unobservable inputs for valuation purposes since there are no Level 1 or Level 2 inputs 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 are made at a point in time and may not be indicative of the amounts we could realize in a current market exchange.

The carrying amounts of our secured borrowings—government guaranteed loans, SBA 7(a) loan-backed notes and revolving credit facility approximate their fair values, as the interest rates on these securities are variable and approximate current market interest rates.

SBA 7(a) Loans Receivable, Subject to Loan-Backed Notes—These loans receivable represent the unguaranteed portions of loans originated under the SBA 7(a) Program which were transferred to a trust and are held as collateral in connection with a securitization transaction. The proceeds from the transfer have been recorded as SBA 7(a) loan-backed notes payable. In order to determine the estimated fair value of these loans receivable, we use a present value technique for the anticipated future cash flows using certain assumptions. At December 31, 2019, our assumptions included discount rates ranging from 5.25% to 7.25% and prepayment rates ranging from 13.41% to 16.80%. At December 31, 2018, our assumptions included discount rates ranging from 6.75% to 9.25% and prepayment rates ranging from 9.59% to 17.50%.

SBA 7(a) 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. At December 31, 2019, our assumptions included discount rates ranging from 5.25% to 7.75% and prepayment rates ranging from 9.85% to 17.50%. At December 31, 2018, our assumptions included discount rates ranging from 6.75% to 9.75% and prepayment rates ranging from 4.91% to 17.50%.

SBA 7(a) Loans Receivable, Subject to Secured Borrowings—These loans receivable represent the government guaranteed portion of loans which were sold with the proceeds received from the sale reflected as secured borrowings—government guaranteed loans. There is no credit risk associated with these loans since the SBA has guaranteed payment of the principal. 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. At December 31, 2019, our assumptions included discount rates ranging from 6.75% to 7.50% and prepayment rates ranging from 11.77% to 16.80%. At December 31, 2018, our assumptions included discount rates ranging from 8.75% to 9.50% and prepayment rates ranging from and 10.29% to 17.50%.

Mortgages Payable—The fair values of mortgages payable 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 the fair value of our mortgages payable, using a rate of 3.67% at December 31, 2019, and rates ranging from 4.62% to 4.64% at December 31, 2018.

Junior Subordinated Notes—The fair value of the junior subordinated notes is estimated based on 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 6.16% and 7.05% at December 31, 2019 and 2018, respectively.

14. RELATED PARTY TRANSACTIONS

Asset Management and Other Fees to Related Parties

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

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

Daily Average Adjusted Fair Value of CIM Urban's Assets		Quarterly Fee
From Greater of	To and Including	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 Operator earned asset management fees of $12,019,000, $17,880,000 and $22,229,000 for the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019 and 2018, asset management fees of $2,356,000 and $4,540,000, respectively, were due to the Operator.

For the first and second quarters of 2020, the Company will, subject to applicable laws and regulations under Nasdaq and the TASE and the agreement of the Operator and or the Administrator, seek to pay some or all of the asset management fees, the Base Service Fee and or reimbursements under the Master Services Agreement in respect of such quarter in shares of Common Stock. The Company may seek to do so for the third and fourth quarters of 2020 as well (subject to the agreement of the Operator and or the Administrator, as the case may be, and the approval of a special committee consisting of the independent members of the Board of Directors).

CIM Management, Inc. and certain of its affiliates (collectively, the "CIM Management Entities"), all affiliates of CIM REIT and CIM Group, 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 $2,562,000, $4,365,000 and $5,034,000 for the years ended December 31, 2019, 2018 and 2017, respectively. CIM Urban also reimbursed the CIM Management Entities $5,852,000, $6,065,000 and $8,465,000 for the years ended December 31, 2019, 2018 and 2017, respectively, for onsite management costs incurred on behalf of CIM Urban, which are included in rental and other property operating expenses. The CIM Management Entities earned leasing commissions of $658,000, $1,548,000 and $982,000 for the years ended December 31, 2019, 2018, and 2017, respectively, which were capitalized to deferred charges. In addition, the CIM Management Entities earned construction management fees of $525,000, $580,000 and $1,654,000 for the years ended December 31, 2019, 2018 and 2017, respectively, which were capitalized to investments in real estate.

At December 31, 2019 and 2018, fees payable and expense reimbursements due to the CIM Management Entities of $4,107,000 and $3,202,000, respectively, are included in due to related parties. Also included in due to related parties as of December 31, 2019 and 2018, were $97,000 and $315,000, respectively, due to the CIM Management Entities and certain of its affiliates.

On March 11, 2014, CIM Commercial and its subsidiaries entered into a master services agreement (the "Master Services Agreement") with CIM Service Provider, LLC (the "Administrator"), an affiliate of CIM Group, pursuant to which the Administrator has agreed to provide, or arrange for other service providers to provide, management and administration services to CIM Commercial and its subsidiaries. Pursuant to the Master Services Agreement, we appointed an affiliate of CIM Group as the administrator of Urban Partners GP, LLC. Under the Master Services Agreement, CIM Commercial pays a base service fee (the "Base Service Fee") to the Administrator initially set at $1,000,000 per year (subject to an annual escalation by a specified inflation factor beginning on January 1, 2015), payable quarterly in arrears. For the years ended December 31, 2019, 2018 and 2017, the Administrator earned a Base Service Fee of $1,102,000, $1,079,000 and $1,060,000, respectively. In addition, pursuant to the terms of the Master Services Agreement, the Administrator may receive compensation and or reimbursement for performing certain services for CIM Commercial and its subsidiaries that are not covered by the Base Service Fee. During the years ended December 31, 2019, 2018 and 2017, such services performed by the Administrator and its affiliates included accounting, tax, reporting, internal audit, legal, compliance, risk management, IT, human resources, corporate communications, and from and after September 2018, operational and on-going support in connection with our registered public offering of Series A Preferred Units, where each Series A Preferred Unit consisted of one share of Series A Preferred Stock and one Series

A Preferred Warrant. The Administrator's compensation is based on the salaries and benefits of the employees of the Administrator and or its affiliates who performed these services (allocated based on the percentage of time spent on the affairs of CIM Commercial and its subsidiaries). For the years ended December 31, 2019, 2018 and 2017, we expensed $2,577,000, $2,783,000, and $3,065,000, respectively, for such services which are included in asset management and other fees to related parties. At December 31, 2019 and 2018, $1,673,000 and $1,490,000 was due to the Administrator, respectively, for such services.

On January 1, 2015, we entered into a Staffing and Reimbursement Agreement with CIM SBA Staffing, LLC ("CIM SBA"), an affiliate of CIM Group, and our subsidiary, PMC Commercial Lending, LLC. The agreement provides that CIM SBA will provide personnel and resources to us and that we will reimburse CIM SBA for the costs and expenses of providing such personnel and resources. For the years ended December 31, 2019, 2018 and 2017, we incurred expenses related to services subject to reimbursement by us under this agreement of $2,382,000, $2,445,000 and $3,464,000, respectively, which are included in asset management and other fees to related parties for lending segment costs, and $223,000, $264,000 and $433,000, respectively, for corporate services, which are included in asset management and other fees to related parties. In addition, for the years ended December 31, 2019, 2018 and 2017, we deferred personnel costs of $112,000, $330,000 and $429,000, respectively, associated with services provided for originating loans. At December 31, 2019 and 2018, $1,029,000 and $1,347,000, respectively, was due to CIM SBA for costs and expenses of providing such personnel and resources.

On May 10, 2018, the Company executed a wholesaling agreement (the "Wholesaling Agreement") with International Assets Advisors, LLC ("IAA") and CCO Capital, LLC ("CCO Capital"). CCO Capital is a registered broker dealer and is under common control with the Operator and the Administrator. IAA was the exclusive dealer manager for the Company’s public offering of Series A Preferred Units until May 31, 2019. Under the Wholesaling Agreement, among other things, CCO Capital, in its capacity as the wholesaler for the offering, assisted IAA with the sale of Series A Preferred Units. In exchange for such services, IAA paid CCO Capital a fee equal to 2.75% of the selling price of each Series A Preferred Unit for which a sale was completed, reduced by any applicable fee reallowances payable to soliciting dealers pursuant to separate soliciting dealer agreements between IAA and soliciting dealers. The foregoing fee was reduced, and could have been exceeded, by a fixed monthly payment by CCO Capital to IAA for IAA’s services in connection with periodic closings and settlements for the offering.

On May 31, 2019, the Company, IAA and CCO Capital entered into an Amendment, Assignment and Assumption Agreement (the “Assignment Agreement”), pursuant to which CCO Capital assumed all of the rights and obligations of IAA under the dealer manager agreement, dated as of June 28, 2016, as amended, by and between the Company and IAA. As a result of the Assignment Agreement, CCO Capital became the exclusive dealer manager for the Company’s public offering of the Series A Preferred Units effective as of May 31, 2019. In connection with the execution of the Assignment Agreement, the Company terminated the Wholesaling Agreement effective as of May 31, 2019. At December 31, 2019 and 2018, $621,000 and $200,000, respectively, was included in deferred costs for CCO Capital fees, of which $169,000 and $138,000, respectively, was included in due to related parties. CCO Capital incurred issuance-specific costs of $700,000, which were allocated to the Series A Preferred Stock for the year ended December 31, 2019. The Company’s offering of the Series A Preferred Units ended at the end of January 2020. On January 28, 2020, the Company entered into the Second Amended and Restated Dealer Manager Agreement, pursuant to which CCO Capital acts as the exclusive dealer manager for the Company’s public offering of Series A Preferred Stock and Series D Preferred Stock. In connection with such agreement, the Wholesaling Agreement and the Assignment Agreement were terminated.

Equity Transactions

On June 12, 2017, we repurchased, in a privately negotiated transaction, canceled and retired 8,727,272 shares of Common Stock from Urban II. The aggregate purchase price was $576,000,000, or $66.00 per share (Note 11).

On December 18, 2017, we repurchased, in a privately negotiated transaction, canceled and retired 4,696,969 shares of Common Stock from Urban II. The aggregate purchase price was $310,000,000, or $66.00 per share (Note 11).

Other

On October 1, 2015, an affiliate of CIM Group entered into a 5-year lease renewal with respect to a property owned by the Company, which lease was amended to a month-to-month term in February 2019. For the years ended December 31, 2019,

2018 and 2017, we recorded rental and other property income related to this tenant of $112,000, $108,000 and $108,000, respectively.

On May 15, 2019, CIM Group entered into an approximately eleven-year lease for approximately 32,000 rentable square feet with respect to a property owned by the Company. The lease was amended on August 7, 2019 to reduce the rentable square feet to approximately 30,000 rentable square feet. For the years ended December 31, 2019, 2018 and 2017, we recorded rental and other property income related to this tenant of $932,000, $0 and $0, respectively.

In October 2019, our Administrator acquired 2,468,390 shares of our Common Stock, representing approximately 16.9% of the outstanding shares of our Common Stock at such time, for $19.1685 per share from an affiliate of CIM Group in a private transaction. As of March 12, 2020, CIM Group, its affiliates, and our officers and directors have an aggregate economic interest in approximately 19.6% of the outstanding shares of our Common Stock.

15. 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 to fund loans were $9,696,000 at December 31, 2019 and are for prime-based loans to be originated by our subsidiary engaged in SBA 7(a) Program lending, 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. CIM Commercial had a total of $7,747,000 in future obligations under leases to fund tenant improvements and other future construction obligations at December 31, 2019. At December 31, 2019, $2,814,000 was funded to reserve accounts included in restricted cash on our consolidated balance sheet for these tenant improvement obligations in connection with the mortgage loan agreement entered into in June 2016.

Employment Agreements—We have employment agreements with two of our officers. Under certain circumstances, each of these employment agreements provides for (1) severance payment equal to the annual base salary paid to the officer and (2) death and disability payments in an amount equal to two times and one time, respectively, the annual base salary paid to the officers.

Litigation—We are not currently involved in any material pending or threatened legal proceedings nor, to our knowledge, are any material legal proceedings currently threatened against us, other than routine litigation arising in the ordinary course of business. 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. While the outcome of these legal actions and proceedings cannot be predicted with certainty, in management's opinion, the resolution of these legal proceedings and actions will not have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

In September 2018, we filed a lawsuit against the City and County of San Francisco seeking a refund of the $11,845,000 in penalties, interest and legal fees paid by us for real property transfer tax allegedly due for a transaction in a prior year. We disputed that such penalties, interest and legal fees were payable but, in order to contest the asserted tax obligations, we had to pay such amounts to the City and County of San Francisco in August 2017. We have been vigorously pursuing this litigation and intend to continue to do so.

A subsidiary of the Company is a defendant in a lawsuit in connection with injuries sustained by a third-party contractor at a property previously owned by such subsidiary. While it is possible that a loss may be incurred, we are unable to estimate a range of potential losses due to the complexity and current status of the lawsuit. However, we maintain insurance coverage to mitigate the impact of adverse exposures in lawsuits of this nature and do not expect this lawsuit to have a material adverse effect on our business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

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 business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

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 business, financial condition, results of operations, cash flow or our ability to satisfy our debt service obligations or to maintain our level of distributions on our Common Stock or Preferred Stock.

Rent Expense—Rent expense under a ground lease for a property that was sold in August 2017, which includes straight-line rent and amortization of acquired below-market ground lease, was $0, $0 and $1,168,000 the years ended December 31, 2019, 2018 and 2017, respectively.

We lease office space in Dallas, Texas under a lease which, as amended, expires in May 2020. In determining whether this contract constitutes a lease, we determined that the office space is explicitly identified in the contract. Additionally, so long as payments are made timely under this lease, we as the tenant have the right to obtain substantially all the economic benefits from the use of this identified asset and can direct how and for what purpose the office space is used to conduct our operations. In January 2020, CIM Group, as successor in interest to CIM Commercial, entered into an amendment to this office lease, which commences in June 2020 upon the expiration of the existing lease.

As of December 31, 2019, the right-of-use asset and lease liability balance was approximately $106,000. The right-of-use asset is included within other assets and the lease liability is included within other liabilities on our consolidated balance sheet. We recorded rent expense of $294,000, $253,000 and $228,000 for the years ended December 31, 2019, 2018 and 2017, respectively, in general and administrative expenses on our consolidated statements of operations.

At December 31, 2019, our scheduled future noncancelable minimum lease payments was $106,000 for the year ending December 31, 2020.

16. FUTURE MINIMUM LEASE RENTALS

Future minimum rental revenue under long-term operating leases at December 31, 2019, excluding tenant reimbursements of certain costs, are as follows:

Years Ending December 31,	Total
	(in thousands)
2020	$ 47,459
2021	41,978
2022	38,691
2023	35,201
2024	33,929
Thereafter	50,809
	$ 248,067

17. CONCENTRATIONS

Tenant Revenue Concentrations—Rental and other property income from Kaiser Foundation Health Plan, Incorporated ("Kaiser"), which occupied space in two of our Oakland, California properties, accounted for approximately 17.3%, 12.9% and 10.8% of our office segment revenues for the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019 and 2018, $23,000 and $331,000, respectively, was due from Kaiser.

Rental and other property income from the U.S. General Services Administration and other government agencies (collectively, "Governmental Tenants"), which primarily occupied space in our properties located in Washington, D.C., accounted for approximately 17.1%, 24.6% and 29.4% of our office segment revenues for the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019 and 2018, $282,000 and $2,899,000, respectively, was due from Governmental Tenants.

Geographical Concentrations of Investments in Real Estate—As of December 31, 2019, 2018 and 2017, we owned 8, 16 and 15 office properties, respectively; one hotel property; one, two and two parking garages, respectively; and one, two, and two development sites, respectively, one of which is being used as a parking lot. As of December 31, 2019, 2018 and 2017, these properties were located in two states, and in Washington, D.C. as of December 31, 2018 and 2017.

Our revenue concentrations from properties are as follows:

	Year Ended December 31,		
	2019	2018	2017
California	80.6%	76.0%	63.3%
Texas	5.5	3.3	6.9
Washington, D.C.	13.9	20.7	25.1
North Carolina	—	—	3.1
New York	—	—	1.6
	100.0%	100.0%	100.0%

Our real estate investments concentrations from properties are as follows:

	December 31,	
	2019	2018
California (1)	94.4%	70.6%
Texas	5.6	2.2
Washington, D.C.	—	27.2
	100.0%	100.0%

(1) The December 31, 2018 percentage for California includes the assets of 260 Townsend Street, which was classified as held for sale on our consolidated balance sheet at December 31, 2018 and sold in March 2019 (Note 3).

18. INCOME TAXES

We have elected to be taxed as a REIT under the Code. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute at least 90% of our taxable income to our stockholders. As a REIT, we generally will not be subject to corporate level federal income tax on net income that is currently distributed to stockholders.

We have wholly-owned TRS's which are subject to federal and state income taxes. The income generated from the TRS's is taxed at normal corporate rates.

The provision for income taxes results in effective tax rates that differ from federal and state statutory rates. A reconciliation of the provision for income tax attributable to the TRSs' income from continuing operations computed at federal statutory rates to the income tax provision reported in the financial statements is as follows:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Income from continuing operations before income taxes for TRSs	$ 4,414	$ 4,962	$ 4,878
Expected federal income tax provision	$ 927	$ 1,042	$ 1,658
State income taxes	21	35	27
Change in valuation allowance	—	—	(37)
Other	(66)	(152)	(272)
Income tax provision	$ 882	$ 925	$ 1,376

The components of our net deferred tax asset, which are included in other assets, are as follows:

	December 31,	
	2019	2018
	(in thousands)	
Deferred tax assets:		
Net operating losses	$ 39	$ 37
Secured borrowings—government guaranteed loans	132	198
Other	166	185
Total gross deferred tax assets	337	420
Valuation allowance	(38)	(38)
	299	382
Deferred tax liabilities:		
Loans receivable	(210)	(255)
	(210)	(255)
Deferred tax asset, net	$ 89	$ 127

The net operating loss carryforwards at December 31, 2019 and 2018 were generated by TRSs and are available to offset future taxable income of these TRSs. The net operating loss carryforwards expire from 2026 to 2033.

The periods subject to examination for our federal and state income tax returns are 2016 through 2019. As of December 31, 2019 and 2018, no reserves for uncertain tax positions have been established and we do not anticipate any material changes in the amount of unrecognized tax benefits recorded to occur within the next 12 months.

The Tax Cuts and Jobs Act of 2017, signed into law in late December 2017, made sweeping changes to provisions of the Code applicable to businesses. Management has reviewed these statutory changes and determined that the impact to our consolidated financial statements is not material.

19. SEGMENT DISCLOSURE

In accordance with ASC Topic 280, *Segment Reporting*, our reportable segments during the years ended December 31, 2019 and 2018 consist of two types of commercial real estate properties, namely, office and hotel, as well as a segment for our lending business. Our reportable segments during the year ended December 31, 2017 consist of three types of commercial real estate properties, namely, office, hotel and multifamily, as well as a segment for our lending business. 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, and tax preparation that are not considered separate operating segments. The reportable segments are accounted for on the same basis of accounting as described in Note 2.

For our real estate segments, we define net operating income as rental and other property income and expense reimbursements less property related expenses, and excludes non-property income and expenses, interest expense, depreciation and amortization, corporate related general and administrative expenses, gain (loss) on sale of real estate, gain (loss) on early extinguishment of debt, impairment of real estate, transaction costs, and provision for income taxes. For our lending segment, we define net operating income as interest income net of interest expense and general overhead expenses.

The net operating income of our segments for the years ended December 31, 2019, 2018 and 2017 is as follows:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Office:			
Revenues	$ 86,948	$ 147,811	$ 173,853
Property expenses:			
Operating	36,638	54,654	68,650
General and administrative	521	2,350	981
Total property expenses	37,159	57,004	69,631
Segment net operating income—office	49,789	90,807	104,222
Hotel:			
Revenues	38,748	38,789	38,585
Property expenses:			
Operating	26,290	25,263	25,059
General and administrative	134	32	77
Total property expenses	26,424	25,295	25,136
Segment net operating income—hotel	12,324	13,494	13,449
Multifamily:			
Revenues	—	—	13,400
Property expenses:			
Operating	—	—	7,559
General and administrative	—	—	393
Total property expenses	—	—	7,952
Segment net operating income—multifamily	—	—	5,448
Lending:			
Revenues	10,964	10,870	10,221
Lending expenses:			
Interest expense	1,814	1,412	414
Fees to related party	2,382	2,445	3,464
General and administrative	1,630	1,857	1,010
Total lending expenses	5,826	5,714	4,888
Segment net operating income—lending	5,138	5,156	5,333
Total segment net operating income	$ 67,251	$ 109,457	$ 128,452

A reconciliation of our segment net operating income to net income attributable to the Company for the years ended December 31, 2019, 2018 and 2017 is as follows:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Total segment net operating income	$ 67,251	$ 109,457	$ 128,452
Interest and other income	3,329	—	—
Asset management and other fees to related parties	(15,921)	(22,006)	(26,787)
Interest expense	(10,361)	(25,482)	(34,070)
General and administrative	(4,069)	(4,928)	(3,018)
Transaction costs	(574)	(938)	(11,862)
Depreciation and amortization	(27,374)	(53,228)	(58,364)
Loss on early extinguishment of debt	(29,982)	(808)	(8,215)
Impairment of real estate	(69,000)	—	(13,100)
Gain on sale of real estate	433,104	—	408,098
Income before provision for income taxes	346,403	2,067	381,134
Provision for income taxes	(882)	(925)	(1,376)
Net income	345,521	1,142	379,758
Net loss (income) attributable to noncontrolling interests	152	(21)	(21)
Net income attributable to the Company	$ 345,673	$ 1,121	$ 379,737

The condensed assets for each of the segments as of December 31, 2019 and 2018, along with capital expenditures and loan originations for the years ended December 31, 2019, 2018, and 2017 are as follows:

	December 31,	
	2019	2018
	(in thousands)	
Condensed assets:		
Office (1)	$ 460,951	$ 1,094,269
Hotel	104,029	105,845
Lending	82,140	97,465
Non-segment assets	20,472	44,822
Total assets	$ 667,592	$ 1,342,401

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Capital expenditures (2):			
Office (1)	$ 16,006	$ 12,669	$ 24,907
Hotel	2,382	2,237	478
Multifamily	—	—	693
Total capital expenditures	18,388	14,906	26,078
Loan originations	39,592	74,234	76,316
Total capital expenditures and loan originations	$ 57,980	$ 89,140	$ 102,394

(1) The December 31, 2018 balances include the assets of 260 Townsend Street, which was classified as held for sale on our consolidated balance sheet at December 31, 2018 and sold in March 2019 (Note 3).

(2) Represents additions and improvements to real estate investments, excluding acquisitions. Includes the activity for dispositions through their respective disposition dates.

20. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of quarterly financial information for the year ended December 31, 2019:

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except per share amounts)			
2019				
Revenues	$ 47,277	$ 36,856	$ 29,215	$ 26,641
Loss on early extinguishment of debt	25,071	4,911	—	—
Impairment of real estate	66,200	2,800	—	—
Gain on sale of real estate	377,581	55,221	302	—
Net income (loss)	291,623	52,567	2,856	(1,525)
Net income (loss) attributable to the Company	291,797	52,566	2,848	(1,538)
Redeemable preferred stock dividends declared or accumulated	(4,162)	(4,302)	(4,470)	(4,161)
Redeemable preferred stock redemptions	(4)	(4)	—	(5,874)
Net income (loss) attributable to common stockholders	287,631	48,260	(1,622)	(11,573)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS PER SHARE (1) (2):				
Basic	$ 19.70	$ 3.31	$ (0.11)	$ (0.79)
Diluted	$ 18.90	$ 3.20	$ (0.11)	$ (0.79)
Weighted average shares of common stock outstanding - basic	14,598	14,597	14,598	14,598
Weighted average shares of common stock outstanding - diluted	15,245	15,284	14,599	14,599

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

(2) Amounts have been adjusted to give retroactive effect to the Reverse Stock Split.

CIM COMMERCIAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements as of December 31, 2019 and 2018 and for the Years Ended December 31, 2019, 2018 and 2017 (Continued)

The following is a summary of quarterly financial information for the year ended December 31, 2018:

	Three Months Ended			
	March 31,	**June 30,**	**September 30,**	**December 31,**
	(in thousands except per share amounts)			
2018				
Revenues as previously reported (1)	$ 48,398	$ 51,559	$ 47,640	$ 50,127
Bad debt expense recorded as adjustment to revenues (1)	(104)	(15)	(33)	(102)
Revenues	48,294	51,544	47,607	50,025
Loss on early extinguishment of debt	—	—	—	808
Net income (loss)	622	1,949	(529)	(900)
Net income (loss) attributable to the Company	618	1,937	(528)	(906)
Redeemable preferred stock dividends declared or accumulated	(3,645)	(3,814)	(3,921)	(4,043)
Redeemable preferred stock redemptions	1	1	1	1
Net loss attributable to common stockholders	(3,026)	(1,876)	(4,448)	(4,948)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS PER SHARE (2) (3):				
Basic	$ (0.21)	$ (0.13)	$ (0.30)	$ (0.34)
Diluted	$ (0.21)	$ (0.13)	$ (0.30)	$ (0.34)
Weighted average shares of common stock outstanding - basic	14,595	14,597	14,598	14,598
Weighted average shares of common stock outstanding - diluted	14,595	14,597	14,598	14,598

(1) Represents revenues for the three months ended March 31, June 30, September 30, and December 31, 2018, as previously reported in the Annual Report on Form 10-K for the year ended December 31, 2018. Under the new leasing guidance, bad debt expense associated with changes in the collectability assessment for operating leases shall be recorded as adjustments to rental and other property income rather than other property operating expense (Note 2).

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

(3) Amounts have been adjusted to give retroactive effect to the Reverse Stock Split.

Schedule III—Real Estate and Accumulated Depreciation
December 31, 2019
(in thousands)

Property Name, City and State	Encumbrances	Initial Cost		Net Improvements (Write-Offs) Since Acquisition	Gross Amount at Which Carried (2)				Year Built / Renovated	Year of Acquisition
		Land	Building and Improvements		Land	Building and Improvements	Total	Acc. Deprec.		
Office										
3601 S Congress Avenue										
Austin, TX	$ —	$ 9,569	$ 18,593	$ 9,833	$ 9,569	$ 28,426	$ 37,995	$ 9,041	1918/2001	2007
1 Kaiser Plaza										
Oakland, CA	97,100	9,261	113,619	19,802	9,261	133,421	142,682	44,659	1970/2008	2008
2 Kaiser Plaza Parking Lot										
Oakland, CA	—	10,931	110	1,735	10,931	1,845	12,776	117	N/A	2015
11600 Wilshire Boulevard										
Los Angeles, CA	—	3,477	18,522	2,304	3,477	20,826	24,303	5,672	1955	2010
11620 Wilshire Boulevard										
Los Angeles, CA	—	7,672	51,999	7,242	7,672	59,241	66,913	15,731	1976	2010
4750 Wilshire Boulevard										
Los Angeles, CA	—	16,633	28,985	3,897	16,633	32,882	49,515	4,170	1984/2014	2014
Lindblade Media Center										
Los Angeles, CA	—	6,342	11,568	24	6,342	11,592	17,934	1,480	1930 & 1957 / 2010	2014
1130 Howard Street										
San Francisco, CA	—	8,290	10,480	5	8,290	10,485	18,775	638	1930 / 2016 & 2017	2017
9460 Wilshire Boulevard										
Los Angeles, CA	—	52,199	76,730	620	52,199	77,350	129,549	4,644	1959 / 2008	2018
Hotel										
Sheraton Grand Hotel										
Sacramento, CA	—	3,497	107,447	122	3,497	107,569	111,066	31,158	2001	2008
Sheraton Grand Hotel Parking & Retail										
Sacramento, CA	—	6,550	10,996	208	6,550	11,204	17,754	3,245	2001	2008
	$ 97,100	$ 134,421	$ 449,049	$ 45,792	$ 134,421	$ 494,841	$ 629,262	$ 120,555		

(1) These properties collateralize the revolving credit facility, which had a $153,000,000 outstanding balance as of December 31, 2019.

(2) The aggregate gross cost of property included above for federal income tax purposes approximates $661,503,000 (unaudited) as of December 31, 2019.

The following table reconciles our investments in real estate from January 1, 2017 to December 31, 2019:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Investments in Real Estate			
Balance, beginning of period	$ 1,344,636	$ 1,228,780	$ 2,021,494
Additions:			
Improvements	18,388	14,906	26,078
Property acquisitions	—	128,928	18,770
Deductions:			
Assets held for sale	—	(24,832)	—
Asset sales	(659,849)	—	(815,357)
Impairment	(69,000)	—	(13,100)
Retirements	(4,913)	(3,146)	(9,105)
Balance, end of period	$ 629,262	$ 1,344,636	$ 1,228,780

The following table reconciles the accumulated depreciation from January 1, 2017 to December 31, 2019:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Accumulated Depreciation			
Balance, beginning of period	$ (303,699)	$ (271,055)	$ (414,552)
Additions: depreciation	(22,209)	(43,499)	(49,427)
Deductions:			
Assets held for sale	—	7,709	—
Asset sales	200,440	—	183,819
Retirements	4,913	3,146	9,105
Balance, end of period	$ (120,555)	$ (303,699)	$ (271,055)

Schedule IV—Mortgage Loans on Real Estate
December 31, 2019
(dollars in thousands, except footnotes)

Geographic Dispersion of Collateral	Number of Loans	Size of Loans From	Size of Loans To	Interest Rate	Final Maturity Date Range	Carrying Amount of Mortgages (1)	Principal Amount of Loans Subject to Delinquent Principal or "Interest"
SBA 7(a) Loans - States 2% or greater (2) (3):							
Indiana	17	$ 110	$ 1,000	6.50% to 7.75%	05/14/36 — 09/27/44	$ 8,620	$ —
Texas	25	$ —	$ 1,020	5.88% to 7.75%	01/01/21 — 10/24/44	8,086	—
Ohio	24	$ —	$ 800	6.75% to 7.75%	10/16/20 — 07/17/44	7,000	—
Michigan	17	$ 10	$ 1,000	6.25% to 7.75%	10/10/33 — 11/22/44	5,138	—
Florida	10	$ 80	$ 1,110	6.75% to 7.75%	06/29/32 — 01/26/44	4,007	—
Pennsylvania (4)	5	$ 170	$ 760	6.75% to 7.75%	03/05/40 — 11/29/43	2,388	284
Illinois	7	$ 50	$ 550	6.75% to 7.75%	09/17/35 — 08/20/44	1,779	—
Louisiana	4	$ 110	$ 610	6.75% to 7.75%	11/17/41 — 05/21/44	1,551	—
South Carolina	4	$ 280	$ 400	6.75% to 7.75%	11/06/40 — 07/30/44	1,358	—
Wisconsin (5)	7	$ —	$ 530	6.75% to 8.25%	04/23/20 — 02/27/43	1,355	80
North Carolina	4	$ 70	$ 630	6.75% to 7.75%	09/08/32 — 11/25/44	1,319	—
Colorado	4	$ 60	$ 540	6.50% to 7.75%	01/21/36 — 07/26/43	1,309	—
Virginia	4	$ 240	$ 470	7.00% to 7.75%	07/20/37 — 12/27/44	1,283	—
Mississippi	4	$ 150	$ 520	7.00% to 7.75%	08/31/29 — 08/31/43	1,206	—
Alabama	5	$ 30	$ 490	6.75% to 7.75%	07/25/25 — 08/31/44	1,130	—
Kentucky	5	$ 100	$ 430	7.00% to 7.75%	04/09/35 — 07/25/44	1,099	—
Other	29	$ 10	$ 550	6.25% to 7.75%	05/23/20 — 02/27/45	6,148	—
Government guaranteed portions (6)						1,601	—
SBA 7(a) loans, subject to secured borrowings (7)						12,152	—
General reserves						(450)	—
	175					68,079 (8)	364

(1) Excludes general reserves of $450,000.

(2) Includes $242,000 of loans with subordinate lien positions.

(3) Interest rates are variable at spreads over the prime rate unless otherwise noted.

(4) Includes a loan with a retained face value of $284,000, a valuation reserve of $116,000 and a fixed interest rate of 7.75%.

(5) Includes a loan with a retained face value of $80,000, a valuation reserve of $32,000 and a fixed interest rate of 8.25%.

(6) Represents the government guaranteed portions of our SBA 7(a) loans detailed above retained by us. As there is no risk of loss to us related to these portions of the guaranteed loans, the geographic information is not presented as it is not meaningful.

(7) Represents the guaranteed portion of SBA 7(a) loans which were sold with the proceeds received from the sale reflected as secured borrowings. For Federal income tax purposes, these proceeds are treated as sales and reduce the carrying value of loans receivable.

(8) For Federal income tax purposes, the aggregate cost basis of our loans was approximately $54,925,000 (unaudited).

Schedule IV—Mortgage Loans on Real Estate (Continued)
December 31, 2019
(in thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Balance, beginning of period	$ 83,248	$ 81,056	$ 75,740
Additions during period:			
New loans	39,592	74,234	76,316
Other - deferral for collection of commitment fees, net of costs	802	1,587	1,706
Other - accretion of loan fees and discounts	1,303	1,026	676
Deductions during period:			
Collections of principal	(13,886)	(16,468)	(17,557)
Foreclosures	(241)	—	(127)
Cost of mortgages sold, net	(42,663)	(57,947)	(54,973)
Other - reclassification from secured borrowings	—	—	(534)
Other - bad debt expense	(76)	(240)	(191)
Balance, end of period	$ 68,079	$ 83,248	$ 81,056

Exhibit 4.1

Description of Securities

The following is a summary description of certain important terms of our securities. The description of our securities is not complete and is qualified in its entirety by reference to the provisions of our charter, bylaws and, with respect to our Series A Warrants (as defined in "Series A Warrants" below), the terms of the agreement governing such warrants and the global warrant certificate and the applicable provisions of the Maryland General Corporation Law (the "MGCL"). Our charter, bylaws and agreements governing the terms of our securities are filed with, or are incorporated by reference into, our Annual Report on Form 10-K.

Unless the context otherwise requires, references to "the Company" "us," "we" and "our" are solely to CIM Commercial Trust Corporation and not to any of its subsidiaries or affiliates.

General

Our charter provides that we may issue up to 900,000,000 shares of our common stock, par value $0.001 per share (our "Common Stock"), and up to 100,000,000 shares of our preferred stock, par value $0.001 per share, of which 36,000,000 shares are classified as our Series A Preferred Stock (our "Series A Preferred Stock"), 32,000,000 shares are classified as our Series D Preferred Stock (our "Series D Preferred Stock"), and 9,000,000 shares are classified as our Series L Preferred Stock (our "Series L Preferred Stock"). Our charter authorizes our board of directors (our "Board of Directors"), with the approval of a majority of our entire Board of Directors and without stockholder approval, to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue.

As of March 12, 2020, there were 14,602,149 shares of Common Stock, 4,788,993 shares of Series A Preferred Stock, 5,600 shares of Series D Preferred Stock, 5,387,160 shares of Series L Preferred Stock and 4,603,287 Series A Warrants (as defined in "Series A Warrants" below) issued and outstanding.

Under applicable Maryland law, our stockholders are not generally liable for our debts or obligations solely as a result of their status as stockholders.

For a description of relevant provisions of our charter and bylaws that may have an effect of delaying, deferring or preventing a change in control of the Company, please see "Certain Provisions of the MGCL and Our Charter and Bylaws" below.

Common Stock

Ranking. Except with respect to the Series L Preferred Stock to the extent of the Initial Dividend (as defined in "Series L Preferred Stock" below), holders of shares of our Common Stock have no preference, conversion, exchange, sinking fund or redemption rights and have no preemptive rights to subscribe for any securities of our Company. Our charter provides that our common stockholders generally have no appraisal rights unless our Board of Directors determines prospectively that appraisal rights will apply to one or more transactions in which holders of our Common Stock would otherwise be entitled to exercise appraisal rights. Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock (see "Certain Provisions of the MGCL and Our Charter and Bylaws-Restrictions on Ownership and Transfer" below), holders of our Common Stock will have equal dividend, liquidation and other rights.

Dividends. Subject to the preferential rights of our preferred stock and any other class or series of our capital stock and to the provisions of our charter regarding the restrictions on ownership and transfer of our capital stock (see "Certain Provisions of the MGCL and Our Charter and Bylaws-Restrictions on Ownership and Transfer" below), holders of shares of our Common Stock are entitled to receive dividends and other distributions on such shares if, as and when authorized by our Board of Directors out of funds legally available therefor and declared by us and to share ratably in the assets of our Company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment or establishment of reserves for all known debts and liabilities of our Company.

Voting Rights. Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our capital stock (see "Certain Provisions of the MGCL and Our Charter and Bylaws-Restrictions on Ownership and Transfer" below) and except as may otherwise be specified in the terms of any class or series of our capital stock, each outstanding share of our Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of shares of Common Stock

will possess the exclusive voting power. There is no cumulative voting in the election of our directors. A plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director. Each share of Common Stock entitles the holder thereof to vote for as many individuals as there are directors to be elected and for whose election the holder is entitled to vote. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by the MGCL or by our charter.

Listing. Our Common Stock is traded on the Nasdaq Global Market ("Nasdaq"), under the ticker symbol "CMCT," and on the Tel Aviv Stock Exchange (the "TASE"), under the ticker symbol "CMCT-L."

Transfer Agent and Registrar. The transfer agent and registrar for the Common Stock is American Stock Transfer and Trust Company.

Series A Preferred Stock

Ranking. The Series A Preferred Stock ranks, with respect to dividend rights:

- senior to the Series L Preferred Stock, Common Stock and any other class or series of our capital stock, the terms of which expressly provide that our Series A Preferred Stock ranks senior to such class or series as to dividend rights;
- on parity with the Series D Preferred Stock and each other class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks on parity with the Series A Preferred Stock as to dividend rights;
- junior to each class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks senior to the Series A Preferred Stock as to dividend rights; and
- junior to all our existing and future debt obligations.

The Series A Preferred Stock ranks, with respect to rights upon our liquidation, winding-up or dissolution:

- senior to the Series L Preferred Stock (except as described below), Common Stock and any other class or series of our capital stock, the terms of which expressly provide that the Series A Preferred Stock ranks senior to such class or series as to rights upon our liquidation, winding-up or dissolution;
- on parity with the Series D Preferred Stock, Series L Preferred Stock (to the extent of the Series L Stated Value (as defined in "Series L Preferred Stock" below)) and with each class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks on parity with the Series A Preferred Stock as to rights upon our liquidation, winding-up or dissolution;
- junior to each class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks senior to the Series A Preferred Stock as to rights upon our liquidation, winding-up or dissolution; and
- junior to all our existing and future debt obligations.

Stated Value. Each share of Series A Preferred Stock has a stated value of $25.00, subject to appropriate adjustment in limited circumstances described in "-Adjustment of the Series A Stated Value in Connection with a Redemption" below (the "Series A Stated Value").

Dividends. Subject to the preferential rights of the holders of any class or series of our capital stock ranking senior to the Series A Preferred Stock, if any such class or series of stock is authorized in the future, the holders of Series A Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Series A Preferred Stock at an annual rate of five and fifty hundredths of a percent (5.50%) of the Series A Stated Value (the "Series A Dividend").

The Series A Dividend accrues and is cumulative from the end of the most recent period for which the Series A Dividend has been paid, or if no Series A Dividend has been paid, from the date of issuance of a given share of Series A Preferred Stock. The Series A Dividend accrues and is paid on the basis of a 360-day year consisting of twelve 30-day months.

The Series A Dividend accrues whether or not (i) we have earnings, (ii) there are funds legally available for the payment of such dividends and (iii) such dividends are authorized by our Board of Directors or declared by us. Accrued Series A Dividends do not bear interest.

The Series A Dividend is expected to be authorized and declared on a quarterly basis, payable monthly on the 15th day of the month or, if such date is not a business day, on the first business day thereafter, to holders of record on the 5th day of such month. We expect to authorize, declare and pay the Series A Dividend on a timely basis in accordance with the foregoing unless our results of operations or general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. Subject to the foregoing power that may be delegated to an authorized officer of the Company, the timing and amount of the Series A Dividend will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

Holders of our shares of Series A Preferred Stock are not entitled to any dividend in excess of full cumulative Series A Dividends on such shares. Unless full cumulative Series A Dividends for all past dividend periods have been or are contemporaneously declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment, we will not:

- declare and pay or declare and set apart for payment dividends and we will not declare and make any other distribution of cash or other property (other than dividends or other distributions paid in shares of stock ranking junior to the Series A Preferred Stock as to the dividend rights or rights upon our liquidation, winding-up or dissolution, and options, warrants or rights to purchase such shares), directly or indirectly, on or with respect to any shares of Common Stock, Series D Preferred Stock, Series L Preferred Stock or any other class or series of our stock ranking junior to or on parity with the Series A Preferred Stock as to dividend rights or rights upon our liquidation, winding-up or dissolution for any period; or

- except by conversion into or exchange for shares of stock ranking junior to the Series A Preferred Stock as to dividend rights or rights upon our liquidation, winding-up or dissolution, or options, warrants or rights to purchase such shares, redeem, purchase or otherwise acquire (other than a redemption, purchase or other acquisition of Common Stock made for purposes of an employee incentive or benefit plan) for any consideration, or pay or make available any monies for a sinking fund for the redemption of, any Common Stock, Series D Preferred Stock, Series L Preferred Stock or any class or any other class or series of our stock ranking junior to or on parity with the Series A Preferred Stock as to dividend rights or rights upon our liquidation, winding-up or dissolution.

To the extent necessary to preserve our status as a REIT, the foregoing sentence, however, will not prohibit declaring or paying or setting apart for payment any dividend or other distribution on the Common Stock or the redemption of our capital stock pursuant to the restrictions on ownership and transfer contained in our charter (see “Certain Provisions of the MGCL and Our Charter and Bylaws-Restrictions on Ownership and Transfer” below).

Redemption at the Option of a Holder. Beginning on the date of original issuance of any given shares of Series A Preferred Stock, the holder has the right to require the Company to redeem such shares at a redemption price equal to a percentage of the Series A Stated Value set forth below plus any accrued and unpaid Series A Dividends:

- 90%, for all such redemptions effective prior to the second anniversary of the date of original issuance of such shares; provided, however, that the Board of Directors (or an authorized officer of the Company, if one is delegated such power by the Board of Directors), from time to time in its discretion, may authorize a reduction of such percentage to 87%;

- 92%, for all such redemptions effective on or after the second anniversary, but prior to the third anniversary, of the date of original issuance of such shares;

- 95%, for all such redemptions effective on or after the third anniversary, but prior to the fourth anniversary, of the date of original issuance of such shares;

- 97%, for all such redemptions effective on or after the fourth anniversary, but prior to the fifth anniversary, of the date of original issuance of such shares; and

- 100%, for all such redemptions effective on or after the fifth anniversary of the date of original issuance of such shares.

Notwithstanding the foregoing, with respect to any redemptions effective on or after the second anniversary but prior to the fifth anniversary of the date of original issuance, the Board of Directors (or an authorized officer of the Company, if one is delegated such power by the Board of Directors), from time to time in its discretion, may authorize the Company to increase the redemption price from its existing level to an amount between 90 and 100% (inclusive) of the Series A Stated Value, plus any accrued and unpaid Series A Dividends through and including the date fixed for such redemption.

Each holder of Series A Preferred Stock may exercise such redemption right by delivering a written notice thereof to the Company and the redemption price will be paid by the Company on a date selected by the Company that is no later than 45 days after such notice is received by the Company.

Optional Redemption Following Death of a Holder. Beginning on the date of original issuance and ending on but not including the second anniversary of the date of original issuance of any shares of Series A Preferred Stock, we will redeem such shares held by a natural person upon his or her death at the written request of the holder's estate at a redemption price equal to 100% of the Series A Stated Value, plus any accrued and unpaid Series A Dividends through and including the date fixed for such redemption.

Optional Redemption by the Company. We have the right to redeem any or all shares of our Series A Preferred Stock from and after the fifth anniversary of the date of original issuance of such shares at a redemption price equal to 100% of the Series A Stated Value, plus any accrued and unpaid Series A Dividends. If fewer than all the outstanding shares of Series A Preferred Stock are to be redeemed, the Company will select those shares to be redeemed pro rata or in such manner as our Board of Directors may determine.

We may exercise our redemption right by delivering a written notice thereof to the holders of shares of Series A Preferred Stock to be redeemed. Each such notice will state the date on which the redemption by us shall occur, which date will be no fewer than 10 nor more than 20 days following the notice date.

If full cumulative Series A Dividends on all outstanding shares of Series A Preferred Stock have not been declared and paid or declared and set apart for payment for all past dividend periods, no shares of the Series A Preferred Stock may be redeemed at the option of the Company, unless all outstanding shares of the Series A Preferred Stock are simultaneously redeemed, and, except as provided by the restrictions on ownership and transfer set forth in our charter (see "Certain Provisions of the MGCL and Our Charter and Bylaws-Restrictions on Ownership and Transfer" below), neither the Company nor any of its affiliates may purchase or otherwise acquire shares of Series A Preferred Stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of shares of Series A Preferred Stock.

Payment of the Redemption Price. Upon any redemption of Series A Preferred Stock by a holder or the Company, or upon the death of a holder, we will pay the redemption price in cash or, on or after the first anniversary of the issuance of shares of Series A Preferred Stock to be redeemed, at our option and in our sole discretion, in equal value through the issuance of shares of Common Stock, based on the volume-weighted average price of our Common Stock for the 20 trading days prior to the redemption as described in the articles supplementary to our charter defining the terms of the Series A Preferred Stock.

If the Company elects to pay the redemption price in Common Stock, the Company will cause the transfer agent to, as soon as practicable, but not later than three business days after the effective date of such redemption, register the number of shares of Common Stock such holder is entitled to receive as a result of such redemption. The person or persons entitled to receive the shares of Common Stock issuable upon such redemption will be treated for all purposes as the record holder or holders of such shares of Common Stock as of the effective date of such redemption.

Our obligation to redeem any shares of our Series A Preferred Stock is limited to the extent that (i) we do not have sufficient funds available to fund any such redemption, in which case we will be required to redeem with shares of Common Stock, or (ii) we are restricted by applicable law, our charter or contractual obligations from making such redemption.

Adjustment of the Series A Stated Value in Connection with a Redemption. If certain events affecting the Common Stock, such as recapitalizations, stock dividends, stock splits, stock combinations, reclassifications, mergers or similar events, occur during the 20 trading days prior to a redemption of Series A Preferred Stock, we will adjust the Series A Stated Value so that such redemption shall entitle the holder to receive the aggregate number of shares of Common Stock or cash which, if the redemption had occurred immediately prior to such event, such holder would have owned upon such redemption and been entitled to received pursuant to the event affecting our Common Stock.

Fractional Shares. No fractional shares of Common Stock will be issued upon redemption of any shares of Series A Preferred Stock. Rather, any fractional number of shares of Common Stock to be issued upon any redemption of the Series A Preferred Stock will be rounded down to the nearest whole number of shares of Common Stock.

Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company, before any distribution or payment shall be made to holders of Common Stock or any other class or series of capital stock ranking junior to shares of Series A Preferred Stock, the holders of shares of Series A Preferred Stock will be entitled to be paid out of our assets legally available for distribution to our stockholders, after payment or provision for our debts and other liabilities, a liquidation preference equal to the Series A Stated Value per share, plus an amount equal to any accrued and unpaid Series A Dividends (whether or not declared) to and including the date of payment.

If upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company, the available assets of the Company, or proceeds thereof, distributable among the holders of the Series A Preferred Stock are insufficient to pay in full the above described liquidation preference and the liquidating payments on any shares of any class or series of stock ranking on parity to the Series A Preferred Stock with respect to liquidation, dissolution or winding-up ("Series A Parity Stock"), then such assets, or the proceeds thereof, will be distributed among the holders of the Series A Preferred Stock and any such Series A Parity Stock ratably in the same proportion as the respective amounts that would be payable on such Series A Preferred Stock and any such Series A Parity Stock if all amounts payable thereon were paid in full.

After payment of the full amount of the liquidating distributions to which they are entitled, the holders of shares of Series A Preferred Stock will have no right or claim to any of our remaining assets. Our consolidation, merger or conversion with or into any other corporation, trust or other entity, the consolidation or merger of any other corporation, trust or entity with or into us, the sale or transfer of any or all our assets or business, or a statutory share exchange will not be deemed to constitute a liquidation, dissolution or winding-up of the Company.

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of our stock or otherwise, is permitted under the MGCL, amounts that would be needed, if we were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of holders of the Series A Preferred Stock will not be added to our total liabilities.

Voting Rights. The Series A Preferred Stock has no voting rights, and thus has no rights to vote on any dissolution, charter amendment, merger, sale of all or substantially all of our assets, share exchange or conversion, or any amendment to the terms of the Series A Preferred Stock.

Exchange Listing. We have not made, and do not plan on making, an application to list shares of Series A Preferred Stock on Nasdaq, any other national securities exchange or nationally recognized trading system or the TASE.

Transfer Agent and Registrar. The transfer agent and registrar for the Series A Preferred Stock is American Stock Transfer and Trust Company.

Series D Preferred Stock

Ranking. The Series D Preferred Stock ranks, with respect to dividend rights:

- senior to the Series L Preferred Stock, Common Stock and any other class or series of our capital stock, the terms of which expressly provide that our Series D Preferred Stock ranks senior to such class or series as to dividend rights;
- on parity with the Series A Preferred Stock and each other class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks on parity with the Series D Preferred Stock as to dividend rights;
- junior to each class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks senior to the Series D Preferred Stock as to dividend rights; and
- junior to all our existing and future debt obligations.

The Series D Preferred Stock ranks, with respect to rights upon our liquidation, winding-up or dissolution:

- senior to the Series L Preferred Stock (except as described below), Common Stock and any other class or series of our capital stock, the terms of which expressly provide that the Series D Preferred Stock ranks senior to such class or series as to rights upon our liquidation, winding-up or dissolution;

- on parity with the Series A Preferred Stock, Series L Preferred Stock (to the extent of the Series L Stated Value (as defined in "Series L Preferred Stock" below)) and with each class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks on parity with the Series D Preferred Stock as to rights upon our liquidation, winding-up or dissolution;

- junior to each class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks senior to the Series D Preferred Stock as to rights upon our liquidation, winding-up or dissolution; and

- junior to all our existing and future debt obligations.

Stated Value. Each share of Series D Preferred Stock has a stated value of $25.00, subject to appropriate adjustment in limited circumstances described in "-Adjustment of the Series D Stated Value in Connection with a Redemption" below (the "Series D Stated Value").

Dividends. Subject to the preferential rights of the holders of any class or series of our capital stock ranking senior to the Series D Preferred Stock, if any such class or series of stock is authorized in the future, the holders of Series D Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Series D Preferred Stock at an annual rate of five and sixty-five hundredths of a percent (5.65%) of the Series D Stated Value (the "Series D Dividend").

The Series D Dividend accrues and is cumulative from the end of the most recent period for which the Series D Dividend has been paid, or if no Series D Dividend has been paid, from the date of issuance of a given share of Series D Preferred Stock. The Series D Dividend accrues and is paid on the basis of a 360-day year consisting of twelve 30-day months. The Series D Dividend accrues whether or not (i) we have earnings, (ii) there are funds legally available for the payment of such dividends and (iii) such dividends are authorized by our Board of Directors or declared by us. Accrued Series D Dividends do not bear interest.

The Series D Dividend is expected to be authorized and declared on a quarterly basis, payable monthly on the 15th day of the month or, if such date is not a business day, on the first business day thereafter, to holders of record on the 5th day of such month. We expect to authorize, declare and pay the Series D Dividend on a timely basis in accordance with the foregoing unless our results of operations or general financing conditions, general economic conditions, applicable provisions of Maryland law or other factors make it imprudent to do so. Subject to the foregoing power that may be delegated to an authorized officer of the Company, the timing and amount of the Series D Dividend will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

Holders of our shares of Series D Preferred Stock are not entitled to any dividend in excess of full cumulative Series D Dividends on such shares. Unless full cumulative Series D Dividends for all past dividend periods have been or are contemporaneously declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment, we will not:

- declare and pay or declare and set apart for payment dividends and we will not declare and make any other distribution of cash or other property (other than dividends or other distributions paid in shares of stock ranking junior to the Series D Preferred Stock as to the dividend rights or rights upon our liquidation, winding-up or dissolution, and options, warrants or rights to purchase such shares), directly or indirectly, on or with respect to any shares of Common Stock, Series A Preferred Stock, Series L Preferred Stock or any other class or series of our stock ranking junior to or on parity with the Series D Preferred Stock as to dividend rights or rights upon our liquidation, winding-up or dissolution for any period; or

- except by conversion into or exchange for shares of stock ranking junior to the Series D Preferred Stock as to dividend rights or rights upon our liquidation, winding-up or dissolution, or options, warrants or rights to purchase such shares, redeem, purchase or otherwise acquire (other than a redemption, purchase or other acquisition of Common Stock made for purposes of an employee incentive or benefit plan) for any consideration, or pay or make available any monies for a sinking fund for the redemption of, any Common Stock, Series A Preferred Stock, Series L Preferred Stock or any

class or any other class or series of our stock ranking junior to or on parity with the Series D Preferred Stock as to dividend rights or rights upon our liquidation, winding-up or dissolution.

To the extent necessary to preserve our status as a REIT, the foregoing sentence, however, will not prohibit declaring or paying or setting apart for payment any dividend or other distribution on the Common Stock or the redemption of our capital stock pursuant to the restrictions on ownership and transfer contained in our charter (see "Certain Provisions of the MGCL and Our Charter and Bylaws-Restrictions on Ownership and Transfer" below).

Redemption at the Option of a Holder. Beginning on the date of original issuance of any given shares of Series D Preferred Stock, the holder has the right to require the Company to redeem such shares at a redemption price equal to a percentage of the Series D Stated Value set forth below plus any accrued and unpaid Series D Dividends:

- 90%, for all such redemptions effective prior to the second anniversary of the date of original issuance of such shares; provided, however, that the Board of Directors (or an authorized officer of the Company, if one is delegated such power by the Board of Directors), from time to time in its discretion, may authorize a reduction of such percentage to 87%;
- 92%, for all such redemptions effective on or after the second anniversary, but prior to the third anniversary, of the date of original issuance of such shares;
- 95%, for all such redemptions effective on or after the third anniversary, but prior to the fourth anniversary, of the date of original issuance of such shares;
- 97%, for all such redemptions effective on or after the fourth anniversary, but prior to the fifth anniversary, of the date of original issuance of such shares; and
- 100%, for all such redemptions effective on or after the fifth anniversary of the date of original issuance of such shares.

Notwithstanding the foregoing, with respect to any redemptions effective on or after the second anniversary but prior to the fifth anniversary of the date of original issuance, the Board of Directors (or an authorized officer of the Company, if one is delegated such power by the Board of Directors), from time to time in its discretion, may authorize the Company to increase the redemption price from its existing level to an amount between 90 and 100% (inclusive) of the Series D Stated Value, plus any accrued and unpaid Series D Dividends through and including the date fixed for such redemption.

Each holder of Series D Preferred Stock may exercise such redemption right by delivering a written notice thereof to the Company and the redemption price will be paid by the Company on a date selected by the Company that is no later than 45 days after such notice is received by the Company.

Optional Redemption Following Death of a Holder. Beginning on the date of original issuance and ending on but not including the fifth anniversary of the date of original issuance of any shares of Series D Preferred Stock, we will redeem such shares held by a natural person upon his or her death at the written request of the holder's estate at a redemption price equal to 100% of the Series D Stated Value, plus any accrued and unpaid Series D Dividends through and including the date fixed for such redemption.

Optional Redemption by the Company. We will have the right to redeem any or all shares of our Series D Preferred Stock from and after the fifth anniversary of the date of original issuance of such shares. We may redeem such shares at a redemption price equal to 100% of the Series D Stated Value, plus any accrued and unpaid Series D Dividends. If fewer than all the outstanding shares of Series D Preferred Stock are to be redeemed, the Company will select those shares to be redeemed pro rata or in such manner as the Board of Directors may determine.

We may exercise our redemption right by delivering a written notice thereof to the holders of shares of Series D Preferred Stock to be redeemed. Each such notice will state the date on which the redemption by us shall occur, which date will be no fewer than 10 nor more than 20 days following the notice date.

If full cumulative Series D Dividends on all outstanding shares of Series D Preferred Stock have not been declared and paid or declared and set apart for payment for all past dividend periods, no shares of the Series D Preferred Stock may be redeemed at the option of the Company, unless all outstanding shares of the Series D Preferred Stock are simultaneously

redeemed, and, except as provided by the restrictions on ownership and transfer set forth in our charter (see "Certain Provisions of the MGCL and Our Charter and Bylaws-Restrictions on Ownership and Transfer" below), neither the Company nor any of its affiliates may purchase or otherwise acquire shares of Series D Preferred Stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of shares of Series D Preferred Stock.

Payment of the Redemption Price. Upon any redemption of Series D Preferred Stock by a holder or the Company, or upon the death of a holder, we will pay the redemption price, at our option and in our sole discretion, in cash or in equal value through the issuance of shares of Common Stock, based on the volume-weighted average price of our Common Stock for the 20 trading days prior to the redemption as described in the articles supplementary to our charter defining the terms of the Series D Preferred Stock.

If the Company elects to pay the redemption price in Common Stock, the Company will cause the transfer agent to, as soon as practicable, but not later than three business days after the effective date of such redemption, register the number of shares of Common Stock such holder is entitled to receive as a result of such redemption. The person or persons entitled to receive the shares of Common Stock issuable upon such redemption will be treated for all purposes as the record holder or holders of such shares of Common Stock as of the effective date of such redemption.

Our obligation to redeem any shares of our Series D Preferred Stock is limited to the extent that (i) we do not have sufficient funds available to fund any such redemption, in which case we will be required to redeem with shares of Common Stock, or (ii) we are restricted by applicable law, our charter or contractual obligations from making such redemption.

Adjustment of the Series D Stated Value in Connection with a Redemption. If certain events affecting the Common Stock, such as recapitalizations, stock dividends, stock splits, stock combinations, reclassifications, mergers or similar events, occur during the 20 trading days prior to a redemption of Series D Preferred Stock, we will adjust the Series D Stated Value so that such redemption shall entitle the holder to receive the aggregate number of shares of Common Stock or cash which, if the redemption had occurred immediately prior to such event, such holder would have owned upon such redemption and been entitled to received pursuant to the event affecting our Common Stock.

Fractional Shares. No fractional shares of Common Stock will be issued upon redemption of any shares of Series D Preferred Stock. Rather, any fractional number of shares of Common Stock to be issued upon any redemption of the Series D Preferred Stock will be rounded down to the nearest whole number of shares of Common Stock.

Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company, before any distribution or payment shall be made to holders of Common Stock or any other class or series of capital stock ranking junior to shares of Series D Preferred Stock, the holders of shares of Series D Preferred Stock will be entitled to be paid out of our assets legally available for distribution to our stockholders, after payment or provision for our debts and other liabilities, a liquidation preference equal to 100% of the Series D Stated Value per share, plus an amount equal to any accrued and unpaid Series D Dividends (whether or not declared) to and including the date of payment.

If upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company, the available assets of the Company, or proceeds thereof, distributable among the holders of the Series D Preferred Stock are insufficient to pay in full the above described liquidation preference and the liquidating payments on any shares of any class or series of stock ranking on parity to the Series D Preferred Stock with respect to liquidation, dissolution or winding-up ("Series D Parity Stock"), then such assets, or the proceeds thereof, will be distributed among the holders of the Series D Preferred Stock and any such Series D Parity Stock ratably in the same proportion as the respective amounts that would be payable on such Series D Preferred Stock and any such Series D Parity Stock if all amounts payable thereon were paid in full.

After payment of the full amount of the liquidating distributions to which they are entitled, the holders of shares of Series D Preferred Stock will have no right or claim to any of our remaining assets. Our consolidation, merger or conversion with or into any other corporation, trust or other entity, the consolidation or merger of any other corporation, trust or entity with or into us, the sale or transfer of any or all our assets or business, or a statutory share exchange will not be deemed to constitute a liquidation, dissolution or winding-up of the Company.

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of our stock or otherwise, is permitted under the MGCL, amounts that would be needed, if we were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of holders of the Series D Preferred Stock will not be added to our total liabilities.

Voting Rights. The Series D Preferred Stock has no voting rights, and thus has no rights to vote on any dissolution, charter amendment, merger, sale of all or substantially all of our assets, share exchange or conversion, or any amendment to the terms of the Series D Preferred Stock.

Exchange Listing. We have not made, and do not plan on making, an application to list shares of Series D Preferred Stock on Nasdaq, any other national securities exchange or nationally recognized trading system or the TASE.

Transfer Agent and Registrar. The transfer agent and registrar for the Series D Preferred Stock is American Stock Transfer and Trust Company.

Series L Preferred Stock

Ranking. The Series L Preferred Stock ranks, with respect to dividend rights:

- senior to our Common Stock, except with respect to and only to the extent of the Initial Dividend (as defined in "-Dividends" below), and any other class or series of our capital stock, the terms of which expressly provide that our Series L Preferred Stock ranks senior to such class or series as to dividend rights;
- on parity with any class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks on parity with the Series L Preferred Stock as to dividend rights;
- junior to our Series A Preferred Stock, Series D Preferred Stock, Common Stock (with respect to and only to the extent of the Initial Dividend) and any other class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks senior to the Series L Preferred Stock as to dividend rights; and
- junior to all our existing and future debt obligations.

The Series L Preferred Stock ranks, with respect to rights upon our liquidation, winding-up or dissolution:

- senior to our Common Stock, both (i) to the extent of the Series L Stated Value (as defined in "-Stated Value" below) and (ii) following payment to holders of our Common Stock of an amount equal to any unpaid Initial Dividend, to the extent of any accrued and unpaid Series L Dividends (as defined in "-Dividends" below) and any other class or series of our capital stock, the terms of which expressly provide that the Series L Preferred Stock ranks senior to such class or series as to rights upon our liquidation, winding-up or dissolution;
- on parity with the Series A Preferred Stock and Series D Preferred Stock to the extent of the Series L Stated Value and with each class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks on parity with the Series L Preferred Stock as to rights upon our liquidation, winding-up or dissolution;
- junior to our Series A Preferred Stock, Series D Preferred Stock and Common Stock (with respect to and only to the extent of the Initial Dividend), in each case with respect to any accrued and unpaid Series L Dividends, and any class or series of our capital stock, including capital stock issued in the future, the terms of which expressly provide that such class or series ranks senior to the Series L Preferred Stock as to rights upon our liquidation, winding-up or dissolution; and
- junior to all our existing and future debt obligations.

Stated Value. Each share of Series L Preferred Stock has a stated value of $28.37, subject to appropriate adjustment in limited circumstances described in "-Adjustment of the Series L Stated Value in Connection with a Redemption" below (the "Series L Stated Value").

Dividends. Subject to the preferential rights of the holders of any class or series of our capital stock ranking senior to the Series L Preferred Stock (including the Series A Preferred Stock, Series D Preferred Stock and, to the extent of the Initial Dividend, our Common Stock), the holders of our Series L Preferred Stock are entitled to receive, if, as and when authorized by our Board of Directors and declared by us out of legally available funds, cumulative cash dividends on each share of Series L Preferred Stock at an annual rate of five and fifty hundredths of a percent (5.50%) of the Series L Stated Value, paid in New Israeli Shekels ("ILS") as described below; provided however, if the Company fails to timely declare or fails to timely pay

dividends on our Series L Preferred Stock, the annual dividend rate of our Series L Preferred Stock will temporarily increase by 1.0% per year, up to a maximum rate of 8.5% of the Series L Stated Value, until the Company has paid all accrued distributions on our Series L Preferred Stock for any past dividend periods (the "Series L Dividend").

Series L Dividends accrue and are cumulative from the end of the most recent period for which such dividends have been paid. For a Series L Dividend to be timely, we must declare the amount of dividends to be paid on Series L Preferred Stock in U.S. dollars during the fourth quarter of the calendar year and no later than December 15. The payment date for such annual dividend is, at the discretion of the Company, on or between December 1 of the year for which such dividend is declared and January 31 of the year following the year for which such dividend is declared. Series L Dividends are paid to holders in ILS at the weighted average of the U.S. dollar/ILS exchange rates of all transactions completed by the banks through which the Company converts the payment on the third trading day of the TASE preceding the payment date.

Prior to declaring or paying any Series L Dividend, we must first declare and pay the "Initial Dividend," which for a given fiscal year is a minimum annual dividend on our Common Stock that is announced by us at the end of the prior fiscal year. The Initial Dividend will be $0 for any year in which (i) our Board of Directors does not authorize or we do not announce the Initial Dividend, (ii) any Series L Dividend is in arrears and such amount was not declared as of the last day of the preceding year or (iii) the debt of the Company dividend by the total assets of the Company, calculated as set forth in the articles supplementary to our charter defining the terms of the Series L Preferred Stock, exceeded 60% as of November 30 of the prior year. While there are no limitations on the maximum amount of the Initial Dividend that can be paid in a particular year, it is our intention that we will not announce an Initial Dividend for any given year that, based on the information reasonably available to us at the time of announcement, we believe will cause us to be unable to make a future dividend on our Series L Preferred Stock or on any other outstanding share of preferred stock.

Unless full cumulative dividends on the Series L Preferred Stock for all past annual periods have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment, we will not:

- declare and pay or declare and set apart for payment dividends and we will not declare and make any other distribution of cash or other property (other than dividends or other distributions paid in shares of stock ranking junior to our Series L Preferred Stock as to the distribution rights or rights upon our liquidation, winding-up or dissolution, and options, warrants or rights to purchase such shares), directly or indirectly, on or with respect to any shares of our Common Stock other than in amounts up to but not exceeding the Initial Dividend, if any, or any class or series of our stock ranking junior to or on parity with our Series L Preferred Stock as to distribution rights for any period; or

- except by conversion into or exchange for shares of stock ranking junior to our Series L Preferred Stock as to distribution rights or rights upon our liquidation, winding-up or dissolution, or options, warrants or rights to purchase such shares, redeem, purchase or otherwise acquire (other than a redemption, purchase or other acquisition of Common Stock made for purposes of an employee incentive or benefit plan) for any consideration, or pay or make available any monies for a sinking fund for the redemption of, any Common Stock or any class or series of our stock ranking junior to or on parity with our Series L Preferred Stock as to distribution rights.

However, to the extent necessary to preserve our status as a REIT, the foregoing sentence will not prohibit declaring or paying or setting apart for payment any dividend or other distribution on our Common Stock or the redemption of our capital stock pursuant to the restrictions on ownership and transfer contained in our charter (see "Certain Provisions of the MGCL and Our Charter and Bylaws-Restrictions on Ownership and Transfer" below).

Minimum Fixed Charge Coverage Ratio. Prior to November 21, 2022, we are not permitted to issue any preferred stock ranking senior to or on parity with the Series L Preferred Stock with respect to the payment of dividends, other distributions, liquidation or our dissolution or winding up unless the Minimum Fixed Charge Coverage Ratio (as defined in our charter) is equal to or greater than 1.25:1.00 as of the last day of the trailing 12-month period ending on the last day of the quarter preceding the date of such issuance.

Redemption at the Option of a Holder. From and after November 21, 2022, each holder of shares of Series L Preferred Stock may require us to redeem such shares at a redemption price equal to 100% of the Series L Stated Value plus, provided the Series L Conditions (as defined in "-Payment of the Redemption Price" below) are met, all accrued and unpaid Series L Dividends. Notwithstanding the foregoing, a holder of shares of our Series L Preferred Stock may require us to redeem such shares at any time prior to November 21, 2022 if (i) we do not declare and pay in full the Series L Dividend for any annual period prior to such date and (ii) we do not declare and pay all accrued and unpaid Series L Dividends for all past dividend periods prior to the applicable holder redemption date.

Optional Redemption by the Company. From and after November 21, 2022, subject to certain conditions, we may redeem shares of Series L Preferred Stock at a redemption price equal to 100% of the Series L Stated Value, plus any accrued and unpaid Series L Dividends.

No shares of Series L Preferred Stock may be redeemed at the option of the Company if (i) full cumulative Series L Dividends on all outstanding shares of Series L Preferred Stock have not been declared and paid or declared and set apart for payment for all past dividend periods, (ii) the Company has not declared the entire Initial Dividend with respect to the Common Stock for such fiscal year, (iii) full cumulative Series A Dividends on all outstanding shares of Series A Preferred Stock have not been declared and paid or declared and set apart for payment for all past dividend periods or (iv) the Company has not paid in such fiscal year dividends on the Common Stock equal to the product of (A) the Initial Dividend multiplied by (B) a fraction, the numerator of which is the number of quarters that have passed since the beginning of the fiscal year (including the current quarter) and the denominator of which is four (the conditions in (ii), (iii) and (iv), collectively, the "Series L Conditions").

If full cumulative Series L Dividends on all outstanding shares of Series L Preferred Stock have not been declared and paid or declared and set apart for payment for all past dividend periods, neither the Company nor any of its affiliates may purchase or otherwise acquire shares of Series L Preferred Stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of shares of Series L Preferred Stock.

Payment of the Redemption Price. Upon any redemption of Series L Preferred Stock by a holder or the Company, or upon the death of a holder, we will pay the redemption price (i) in cash in ILS, (ii) in shares of our Common Stock based on the lower of (i) the net asset value of the Company per share of Common Stock as most recently published by the Company as of the redemption date and (ii) the volume-weighted average price of our Common Stock for the 20 trading days prior to the redemption as described in the articles supplementary to our charter defining the terms of the Series L Preferred Stock or (iii) in any combination of cash in ILS and Common Stock, based on the foregoing conversion mechanisms.

If the Company elects to pay all or a portion of the redemption price in Common Stock, the Company will cause the transfer agent to, as soon as practicable, register the number of shares of Common Stock such holder is entitled to receive as a result of such redemption. The person or persons entitled to receive the shares of Common Stock issuable upon such redemption will be treated for all purposes as the record holder or holders of such shares of Common Stock as of the effective date of such redemption.

Our obligation to redeem any shares of our Series L Preferred Stock is limited to the extent that (i) we do not have sufficient funds available to fund any such redemption, in which case we will be required to redeem with shares of Common Stock, or (ii) we are restricted by applicable law, our charter or contractual obligations from making such redemption.

Fractional Shares. No fractional shares of Common Stock will be issued upon redemption of any shares of Series L Preferred Stock. Rather, we will round down to the nearest whole number the aggregate number of shares of Common Stock to be issued to a particular holder upon redemption in a given quarter and will pay cash, in equal value in ILS as determined in accordance with the articles supplementary to our charter defining the terms of the Series L Preferred Stock, in lieu of the fractional shares.

Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, after payment or provision for our debts and other liabilities, our funds legally available for distribution to our stockholders will be distributed as follows:

- first, pro rata to (i) holders of our Series L Preferred Stock, in an amount per share equal to the Series L Stated Value, (ii) holders of our Series A Preferred Stock, in an amount per share equal to the Series A Stated Value plus an amount equal to all accrued and unpaid Series A Dividends (whether or not declared), (iii) holders of our Series D Preferred Stock, in an amount per share equal to the Series D Stated Value plus an amount equal to all accrued and unpaid Series D Dividends (whether or not declared) and (iv) holders of any other class or series of capital stock ranking on parity with our Series L Preferred Stock, Series A Preferred Stock and Series D Preferred Stock with respect to rights upon our redemption, liquidation, winding-up or dissolution, to the extent provided by the terms of such class or series of capital stock;

- second, to holders of our Common Stock in an amount equal to the amount of any unpaid Initial Dividend;

- third, to holders of our Series L Preferred Stock in an amount equal to any accrued and unpaid Series L Dividend; and

- fourth, to holders of our Common Stock and any other class or series of capital stock ranking junior to our Series L Preferred Stock.

Any liquidation preference on our Series L Preferred Stock will be paid by the Company in ILS based on the weighted average of the U.S. dollar/ILS exchange rates of all transactions completed by the banks through which the Company converts the payment from U.S. dollars on the trading day of the TASE preceding the payment date.

If upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company, the available assets of the Company, or proceeds thereof, distributable among the holders of the Series L Preferred Stock are insufficient to pay in full the above described liquidation preference and the liquidating payments on any shares of any class or series of stock ranking on parity to the Series L Preferred Stock with respect to the liquidation, dissolution or winding-up of the Company ("Series L Parity Stock"), then such assets, or the proceeds thereof, will be distributed among the holders of the Series L Preferred Stock and any such Series L Parity Stock ratably in the same proportion as the respective amounts that would be payable on such Series L Preferred Stock and any such Series L Parity Stock if all amounts payable thereon were paid in full.

After payment of the full amount of the liquidating distributions to which they are entitled, the holders of shares of Series L Preferred Stock will have no right or claim to any of our remaining assets. Our consolidation, merger or conversion with or into any other corporation, trust or other entity, the consolidation or merger of any other corporation, trust or entity with or into us, the sale or transfer of any or all our assets or business, or a statutory share exchange will not be deemed to constitute a liquidation, dissolution or winding-up of the Company.

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of our stock or otherwise, is permitted under the MGCL, amounts that would be needed, if we were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of holders of the Series L Preferred Stock will not be added to our total liabilities.

Voting Rights. The Series L Preferred Stock has no voting rights, and thus has no rights to vote on any dissolution, charter amendment, merger, sale of all or substantially all of our assets, share exchange or conversion, or any amendment to the terms of the Series L Preferred Stock.

Exchange Listing. Our Series L Preferred Stock is listed on Nasdaq and on the TASE, in each case under the ticker symbol "CMCTP."

Transfer Agent and Registrar. The transfer agent and registrar for the Series L Preferred Stock is Computershare Trust Company, N.A.

Series A Warrants

Warrant Agreement. In connection with the initial public offering of our Series A Preferred Stock, we issued warrants to purchase 0.25 shares of Common Stock each (the "Series A Warrants"). The Series A Warrants are governed by a warrant agreement, which may be amended from time to time in accordance with its terms (the "Warrant Agreement"). The Series A Warrants are either in certificated form or in "book-entry" form and, in each case, are evidenced by one or more global warrants. Those investors who own beneficial interests in a global warrant do so through participants in DTC's system, and the rights of these indirect owners are governed solely by the Warrant Agreement and the applicable procedures and requirements of the DTC.

Exercisability. Holders of our Series A Warrants may exercise their Series A Warrants at any time beginning on the first anniversary of their date of issuance until 5:00 p.m., New York time, on the date that is the fifth anniversary of such date of issuance (the "Warrant Expiration Time"). Each Series A Warrant was originally exercisable for 0.25 shares of Common Stock, subject to adjustment as described in "-Adjustments to Exercisability" below. The Series A Warrants are exercisable at the option of each holder, in whole but not in part, for no less than an aggregate of 50 shares of Common Stock (it being understood that in the case of a "cashless exercise," the number of shares of Common Stock to be received by a holder of a Series A Warrant will be reduced to pay for the exercise price as provided in the Warrant Agreement), unless such holder does not at the time of exercise own a sufficient number of Series A Warrants to meet such minimum amount. The Series A Warrants may be exercised by delivering to the warrant agent, prior to their applicable Warrant Expiration Time, a duly executed exercise notice accompanied by payment in full for the number of shares of our Common Stock purchased upon such exercise (except in the case of a cashless exercise in the circumstances discussed below).

A holder of Series A Warrants does not have the right to exercise any portion of a Series A Warrant to the extent that, after giving effect to the issuance of shares of our Common Stock upon such exercise, the holder (together with its affiliates and any other persons acting as a group together with such holder or any of its affiliates) would beneficially or constructively own shares of Common Stock (i) in excess of 6.25% in value or number of shares, whichever is more restrictive, of the shares of Common Stock outstanding or (ii) that would otherwise result in the violation of any of the restrictions on ownership transfer of our stock contained in our charter, in each case, immediately after giving effect to the issuance of shares of Common Stock upon exercise of the Series A Warrant, as discussed in "Certain Provisions of the MGCL and Our Charter and Bylaws-Restrictions on Ownership and Transfer" below.

Cashless Exercise. If, on the date of any exercise of any Series A Warrant, a registration statement covering the issuance of the shares of Common Stock issuable upon exercise of the Series A Warrant is not effective and an exemption from registration is not available for the resale of such shares issuable upon exercise of the Series A Warrant, the holder may only satisfy its obligation to pay the exercise price upon the exercise of its Series A Warrant on a cashless basis in accordance with the terms of the Warrant Agreement. When exercised on a cashless basis, a portion of the Series A Warrant is cancelled in payment of the purchase price payable in respect of the number of shares of our Common Stock purchasable upon such exercise. The shares of Common Stock cancelled in a cashless exercise will be valued at the closing price of the Common Stock on the trading day immediately preceding the date as of which such value is being determined.

Outstanding Warrants After Expiration. Any Series A Warrant that is outstanding after its applicable Warrant Expiration Time shall be automatically terminated.

Exercise Price. The exercise price of the Common Stock purchasable upon exercise of the Series A Warrants equals an amount equal to a 15% premium to the Applicable NAV, subject to adjustment as described in "-Adjustments to Exercisability" below. The "Applicable NAV" is the fair market net asset value per share of Common Stock, calculated in the sole discretion of the Company, as most recently published by the Company at the time of the issuance of the applicable Series A Warrant. The Company will determine the Applicable NAV on an annual basis or more frequently if, in the Company's discretion, significant developments warrant.

Adjustments to Exercisability. The exercise price and the number of shares of Common Stock issuable upon exercise of the Series A Warrants are subject to appropriate adjustment from time to time in relation to the following events or actions in respect of the Company: (i) we declare a dividend or make a distribution on outstanding shares of Common Stock in shares of Common Stock; (ii) we subdivide or reclassify our outstanding shares of Common Stock into a greater number of shares of Common Stock; (iii) we combine or reclassify our outstanding shares of Common Stock into a smaller number of shares of Common Stock; or (iv) we enter into any transaction whereby the outstanding shares of Common Stock are at any time changed into or exchanged for a different number or kind of shares or other securities of the Company or of another entity through reorganization, merger, consolidation, liquidation or recapitalization. Additionally, the Company may, as it deems appropriate to account for the effect of the payment of a special cash dividend by the Company, adjust the exercise price of outstanding and unexpired Series A Warrants and/or adjust the number of shares of Common Stock for which Series A Warrants may be exercised. The decision of what constitutes a special cash dividend and whether to make any adjustment in connection therewith, the methodology used to make any adjustment and the extent of any adjustment will be determined by the Company in its sole discretion.

Transferability. Subject to applicable law, the Series A Warrants may be transferred at the option of the holder upon surrender of the Series A Warrants with the appropriate instruments of transfer.

Exchange Listing. The Series A Warrants are not listed on Nasdaq, any other national securities exchange or other nationally recognized trading system or the TASE.

Rights as Stockholder. Except by virtue of such holder's ownership of shares of our Common Stock, the holders of the Series A Warrants will not have the rights or privileges of holders of our Common Stock, including any voting rights, until they exercise their Series A Warrants.

Fractional Shares. No fractional shares of Common Stock will be issued upon the exercise of the Series A Warrants. Rather, we shall, at our election, either pay a cash adjustment in respect of such fraction in an amount equal to such fraction multiplied by the exercise price or round down the number of shares of Common Stock to be issued to the nearest whole number.

Certain Provisions of the MGCL and Our Charter and Bylaws

Classification or Reclassification of Capital Stock

Our charter authorizes our Board of Directors to classify and reclassify any unissued shares of Common Stock, or preferred stock into other classes or series of stock, including one or more classes or series of stock that have priority with respect to voting rights, dividends or upon liquidation over our Common Stock, our Series A Preferred Stock, or our Series L Preferred Stock, and authorizes us to issue the newly-classified shares, subject to the limitations contained in the terms of our Series L Preferred Stock described above. Prior to the issuance of shares of each new class or series, our Board of Directors is required by Maryland law and by our charter to set, subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock and the express terms of any other class or series of our stock then outstanding, the preferences, conversion or other rights, voting powers, restrictions (including restrictions as to transferability), limitations as to dividends and other distributions, qualifications and terms and conditions of redemption for each class or series. Our Board of Directors may take these actions without stockholder approval unless stockholder approval is required by the rules of any stock exchange or automatic quotation system on which our securities may be listed or traded or the terms of any other class or series of our stock. Therefore, our Board of Directors could authorize the issuance of shares of Common Stock or preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price for shares of our Common Stock or otherwise be in the best interest of our stockholders.

Restrictions on Ownership and Transfer

Our charter, subject to certain exceptions, contains certain restrictions on the number of shares of our stock that a person may own. Our charter contains a stock ownership limit that prohibits any person, unless exempted by our Board of Directors, from acquiring or holding, directly or indirectly, applying attribution rules under the Code, shares of our capital stock in excess of 6.25% in number of shares or value, whichever is more restrictive, of the aggregate of the outstanding shares of our stock or 6.25% of the number of shares or value, whichever is more restrictive, of the outstanding shares of our Common Stock. Pursuant to our charter, our Board of Directors has the power to increase or decrease the percentage of stock that a person may beneficially or constructively own. However, any decreased stock ownership limit will not apply to any person whose percentage ownership of our stock is in excess of such decreased stock ownership limit until that person's percentage ownership of our stock equals or falls below the decreased stock ownership limit. Until such a person's percentage ownership of our stock falls below such decreased stock ownership limit, any further acquisition of stock will be in violation of the decreased stock ownership limit.

Our charter further prohibits (i) any person from beneficially or constructively owning our stock that (A) would result in us being "closely held" under Section 856(h) of the Code (without regard to whether the shares are owned during the last half of a taxable year), (B) would cause us to constructively own 10% or more of the ownership interests in a tenant of our real property within the meaning of Section 856(d)(2)(B) of the Code or (C) would otherwise cause us to fail to qualify as a REIT, or (ii) any person from transferring our stock if such transfer would result in our stock being beneficially owned by fewer than 100 persons. Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of our stock that will or may violate any of the foregoing restrictions on ownership and transfer, or who is the intended transferee of shares of our stock that are transferred to the trust (as described below), is required to give written notice immediately to us or, in the event of a proposed or attempted transfer, at least 15 days prior written notice to us and provide us with such other information as we may request in order to determine the effect of such transfer on our qualification as a REIT. The foregoing restrictions on transfer and ownership will not apply if our Board of Directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT or that compliance with such restrictions is no longer required in order for us to qualify as a REIT.

Our Board of Directors, in its sole discretion, may exempt, prospectively or retroactively, a person from each of the foregoing restrictions except those listed under (i)(A), (i)(C) and (ii) in the preceding paragraph. The person seeking an exemption must provide such representations, covenants and undertakings as our Board of Directors may deem appropriate to conclude that granting the exemption will not cause us to lose our qualification as a REIT. Our Board of Directors may also require a ruling from the Internal Revenue Service or an opinion of counsel in order to determine or ensure our qualification as a REIT in the context of granting such exemptions. Our Board of Directors has waived the 6.25% ownership limits and the restrictions listed under (i)(B) in the preceding paragraph for CIM Urban REIT, LLC, CIM Urban Partners GP, LLC, CIM Service Provider, LLC, the California Public Employees' Retirement System and persons owning a direct or indirect interest in CIM Urban REIT, LLC, CIM Urban Partners GP, LLC, CIM Service Provider, LLC or the California Public Employees' Retirement System, and created and excepted holder limit that allows the California Public Employees' Retirement System to hold up to 23.756% of our outstanding Common Stock.

Any attempted transfer of shares of our stock which, if effective, would result in a violation of the foregoing restrictions will cause the number of shares of our stock causing the violation (rounded up to the nearest whole share) to be automatically transferred to a trust for the benefit of one or more charitable beneficiaries, and the proposed transferee will not acquire any rights in such stock. The automatic transfer will be deemed to be effective as of the close of business on the business day (as defined in our charter) prior to the date of the transfer. If, for any reason, the transfer to the trust does not occur or would not prevent a violation of the restrictions on ownership and transfer contained in our charter, our charter provides that the purported transfer will be treated as invalid from the outset. Shares of stock held in the trust will be issued and outstanding shares. The proposed transferee will not benefit economically from ownership of any stock held in the trust, will have no rights to dividends and no rights to vote or other rights attributable to the shares of stock held in the trust. The trustee of the trust will have all voting rights and rights to dividends or other distributions with respect to shares held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid prior to our discovery that shares of our stock have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the trustee. Any dividend or other distribution paid to the trustee will be held in trust for the charitable beneficiary. Subject to Maryland law, the trustee will have the authority to rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the trust and to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that shares of our stock have been transferred to the trust, the trustee will sell the shares to a person designated by the trustee, whose ownership of the shares will not violate the above ownership limitations. Upon such sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and to the charitable beneficiary as follows: the proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares, or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held in the trust (e.g., a gift, devise or other similar transaction), the market price (as defined in our charter) of the shares on the day of the event causing the shares to be held in the trust and (ii) the price per share received by the trustee from the sale or other disposition of the shares. The trustee may reduce the amount payable to the proposed transferee by the amount of dividends and other distributions paid to the proposed transferee and owed by the proposed transferee to the trust.

Any net sale proceeds in excess of the amount payable to the proposed transferee will be paid immediately to the charitable beneficiary. If, prior to our discovery that our stock have been transferred to the trust, the shares are sold by the proposed transferee, then (i) the shares shall be deemed to have been sold on behalf of the trust and (ii) to the extent that the proposed transferee received an amount for the shares that exceeds the amount the proposed transferee was entitled to receive, the excess shall be paid to the trustee upon demand.

In addition, shares of our stock held in the trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of the price per share in the transaction that resulted in the transfer to the trust (or, in the case of a devise or gift, the market price at the time of the devise or gift) and the market price on the date we, or our designee, accept the offer. We may reduce the amount payable to the proposed transferee by the amount of dividends and other distributions paid to the proposed transferee and owned by the proposed transferee to the trust. We will have the right to accept the offer until the trustee has sold the shares. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate, and the trustee will distribute the net proceeds of the sale to the proposed transferee and any dividends or other distributions held by the trustee shall be paid to the charitable beneficiary.

Every owner of more than 5% (or such lower percentage as required by the Code or the regulations promulgated thereunder) in number or in value of the outstanding shares of our stock, including our Common Stock, within 30 days after the end of each taxable year, will be required to give written notice to us stating the name and address of such owner, the number of shares of each class and series of shares of our stock that the owner beneficially owns and a description of the manner in which the shares are held. Each owner shall provide to us such additional information as we may request to determine the effect, if any, of the beneficial ownership on our qualification as a REIT and to ensure compliance with the ownership limitations. In addition, each beneficial or constructive owner and each person who is holding shares of our stock for such owner will, upon demand, be required to provide to us such information as we may request to determine our qualification as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance and to ensure compliance with the ownership limits.

These ownership limitations could delay, defer or prevent a transaction or a change in control that might involve a premium price for our Common Stock or might otherwise be in the best interests of our stockholders.

Our Board of Directors

Our charter and bylaws provide that the number of directors may be established, increased or decreased by a majority of our entire Board of Directors, but may not be fewer than the minimum number required by the MGCL (which currently is one) or, unless our bylaws are amended, more than 25. Any vacancy on our Board of Directors, whether resulting from an increase in the number of directors or otherwise, may only be filled by the affirmative vote of a majority of the remaining directors, even if such a majority constitutes less than a quorum. Except as may be provided with respect to any class or series of our stock, at each annual meeting of our stockholders, each of our directors will be elected by the holders of our Common Stock to serve until the next annual meeting of our stockholders and until his or her successor is duly elected and qualifies.

Removal of Directors

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock, a director may be removed with or without cause and by the affirmative vote of at least two-thirds of the votes entitled to be cast by our stockholders generally in the election of our directors. This provision, when coupled with the exclusive power of our Board of Directors to fill vacant directorships, may preclude stockholders from removing incumbent directors except by a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

Limitation of Liability and Indemnification

Maryland law permits a Maryland corporation to include in its charter a provision eliminating the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services or (ii) active or deliberate dishonesty established in a judgment or other final adjudication to be material to the cause of action. Our charter contains a provision that eliminates the liability of our directors and officers to the maximum extent permitted by Maryland law.

Maryland law requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- an act or omission of the director or officer was material to the matter giving rise to the proceeding and
- was committed in bad faith or
- was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a Maryland corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter and bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made, or threatened to be made, a party to, or witness in, the proceeding by reason of his or her service in that capacity; or

- any individual who, while a director or officer of our Company and at our Company's request, serves or has served another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, trustee, member, manager or partner and who is made, or threatened to be made, a party to, or witness in, the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us, subject to approval from our Board of Directors, to indemnify and advance expenses to any person who served a predecessor of our Company in any of the capacities described above and to any employee or agent of our Company or a predecessor of our Company.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and named executive officers. Each indemnification agreement provides that we will indemnify and hold harmless each such director or named executive officer to the fullest extent permitted by law.

Business Combinations

Under the MGCL, certain "business combinations," including a merger, consolidation, statutory share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities, between a Maryland corporation and an "interested stockholder" or an affiliate of such an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. An "interested stockholder" is, generally, any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting shares or an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding voting shares of the corporation.

After such five-year period, any such business combination must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least (i) 80% of the votes entitled to be cast by holders of outstanding voting shares of the corporation and (ii) two-thirds of the votes entitled to be cast by holders of voting shares of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares.

Under the MGCL, a person is not an "interested stockholder" if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. A corporation's board of directors may provide that its approval is subject to compliance with any terms and conditions determined by it.

We have elected to opt out of these provisions of the MGCL by resolution of our Board of Directors. However, our Board of Directors may by resolution elect to repeal the foregoing opt-outs from the business combination provisions of the MGCL in the future.

Control Share Acquisitions

The MGCL provides that a holder of "control shares" of a Maryland corporation acquired in a "control share acquisition" has no voting rights with respect to such shares except to the extent approved by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding any of the following persons entitled to exercise or direct the exercise of the voting power of such shares in the election of directors: (i) a person who makes or proposes to make a control share acquisition, (ii) an officer of the corporation or (iii) an employee of the corporation who is also a director of the corporation. "Control shares" are voting shares of stock that, if aggregated with all other such shares previously acquired, directly or indirectly, by the acquirer, or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (A) one-tenth or more but less than one-third, (B) one-third or more but less than a majority or (C) a majority or more of all voting power.

Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A "control share acquisition" means the acquisition, directly or indirectly, of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and making an acquiring person statement (as described in the MGCL)), may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the control shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders' meeting.

If voting rights of control shares are not approved at the meeting or if the acquiring person does not deliver an "acquiring person statement" as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of any meeting of stockholders at which the voting rights of such shares are considered and not approved or, if no such meeting is held, as of the date of the last control share acquisition. If voting rights for control shares are approved at a stockholders' meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to (i) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (ii) acquisitions approved or exempted by the charter or bylaws of the corporation.

We have elected to opt out of these provisions of the MGCL pursuant to a provision in our bylaws. However, we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of the following five provisions:

- a classified board consisting of three classes;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; or
- a majority stockholder vote requirement for the calling of a stockholder-requested special meeting of stockholders.

Our charter provides that, except as may be provided by our Board of Directors in setting the terms of any class or series of stock, we elect to be subject to the provisions of Subtitle 8 relating to the filling of vacancies on our Board of Directors. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already (1) require a two-thirds vote for the removal of any director from the Board of Directors, (2) vest in the Board of Directors the exclusive power to fix the number of directorships, subject to limitations set forth in our charter and bylaws, and (3) require, unless called by the chairman of our Board of Directors, our president, our chief executive officer or our Board of Directors, the request of stockholders entitled to cast not less than a majority of all votes entitled to be cast on a matter at such meeting to call a special meeting. We have not elected to classify our Board of Directors.

Dissolution, Amendment to the Charter and Other Extraordinary Actions

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or convert into another entity unless declared advisable by the board of directors

and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter provides for approval of any of these matters by the affirmative vote of stockholders entitled to cast a majority of the votes entitled to be cast on such matters, except that the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on such matter is required to amend the provisions of our charter relating to the removal of directors, the indemnification of our officers and directors, restrictions on ownership and transfer of our stock or the vote required to amend such provisions. Maryland law also permits a Maryland corporation to transfer all or substantially all of its assets without the approval of the stockholders of the corporation to an entity if all of the equity interests of the entity are owned, directly or indirectly, by the corporation. Because our operating assets may be held by our operating partnership or its subsidiaries, these subsidiaries may be able to merge or transfer all or substantially all of their assets without the approval of our stockholders.

Meetings of Stockholders

Under our bylaws, annual meetings of holders of our Common Stock must be held each year at a date, time and place determined by our Board of Directors. Special meetings of holders of our Common Stock may be called by the chairman of our Board of Directors, our chief executive officer, our president and our Board of Directors. Subject to the provisions of our bylaws, a special meeting of stockholders to act on any matter that may properly be considered at a meeting of stockholders must be called by our secretary upon the written request of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter at such meeting who have requested the special meeting in accordance with the procedures specified in our bylaws and provided the information and certifications required by our bylaws. Only matters set forth in the notice of a special meeting of stockholders may be considered and acted upon at such a meeting.

Advance Notice of Director Nominations and New Business

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to our Board of Directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of our Board of Directors, or (iii) by a holder of our Common Stock who was a stockholder of record at the time of giving notice and at the time of our annual meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures set forth in our bylaws. Our bylaws provide that with respect to special meetings of our stockholders, only the business specified in our notice of meeting may be brought before the meeting, and nominations of persons for election to our Board of Directors may be made only (A) by or at the direction of our Board of Directors, or (B) provided that the special meeting has been called in accordance with our bylaws for the purpose of electing directors, by any holder of our Common Stock who was a stockholder of record at the time of giving notice and at the time of the special meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures set forth in our bylaws.

Exhibit 10.11

CIM COMMERCIAL TRUST CORPORATION

OFFERING OF A MAXIMUM OF
$784,983,825,
ON AN AGGREGATE BASIS, OF SERIES A PREFERRED STOCK
AND
SERIES D PREFERRED STOCK

SECOND AMENDED AND RESTATED DEALER MANAGER AGREEMENT

This SECOND AMENDED AND RESTATED DEALER MANAGER AGREEMENT (this "**Agreement**") is entered into as of January 28, 2020, by and among CIM Commercial Trust Corporation, a Maryland corporation (the "**Company**"), CIM Service Provider, LLC, a Delaware limited liability company (the "**Manager**"), and CCO Capital, LLC, a Delaware limited liability company (the "**Dealer Manager**"), in connection with the public offering (the "**Offering**") by the Company of a maximum of $784,983,825, on an aggregate basis, of shares of Series A Preferred Stock, par value $0.001 per share, of the Company ("**Series A Preferred Stock**") and shares of Series D Preferred Stock, par value $0.001 per share, of the Company ("**Series D Preferred Stock**"). Shares of Series A Preferred Stock and Series D Preferred Stock are referred to as "**Preferred Shares**". Each of the Company, the Manager, and the Dealer Manager is from time to time referred to as a "**Party**" and, collectively, the "**Parties**".

WHEREAS, on July 1, 2016, the Company commenced an offering of up to 36,000,000 units of the Company (the "**Units**") at a purchase price of up to $25.00 per Unit (the "**Prior Offering**"), with each Unit consisting of (a) one share of Series A Preferred Stock and (b) one warrant to purchase 0.25 of a share of common stock, par value $0.001 per share, of the Company ("**Common Stock**");

WHEREAS, the Prior Offering was conducted pursuant to that certain registration statement on Form S-11 (Reg. No. 333-210880), as amended from time to time, and that certain replacement registration statement on Form S-11 (Reg. No. 333-232232) pursuant to Rule 415 promulgated under the Securities Act of 1933, as amended (the "**Securities Act**");

WHEREAS, pursuant to the terms of the Dealer Manager Agreement, dated as of June 28, 2016, as amended by Amendment No. 1 thereto, dated as of August 11, 2016, by and among the Company, the Manager and International Assets Advisory, LLC ("**IAA**"), as assigned by IAA to the Dealer Manager pursuant to that certain Amendment, Assignment and Assumption Agreement, effective as of May 31, 2019, by and among the Company, the Manager, IAA and the Dealer Manager, and as amended and restated by the terms of the Amended and Restated Dealer Manager Agreement, dated as of December 10, 2019 (the "**A&R Agreement**"), the Dealer Manager served as the exclusive dealer manager of the Company with respect to the Prior Offering commencing on May 31, 2019;

WHEREAS, the Company desires to terminate the Prior Offering and commence in its place the Offering under the shelf registration statement on Form S-3 (Reg. No. 333-233255), declared effective by the U.S. Securities and Exchange Commission (the "**Commission**") on November 27, 2019 (the "**Shelf Registration Statement**"), which Shelf Registration Statement registered an aggregate of up to $1,000,000,000 of newly issued (a) senior and subordinated debt securities of the Company, (b) Common Stock, (c) shares of preferred stock, par value $0.001 per share, of the Company ("**Preferred Stock**"), (d) warrants to purchase debt securities, Common Stock, Preferred Stock or other securities or properties of the Company, (e) rights to purchase Common Stock, Preferred Stock or other securities of the Company and (f) units comprised of two or more of the foregoing securities (collectively, "**Securities**"); and

WHEREAS, the Company, the Manager and the Dealer Manager desire that the Dealer Manager serve as the exclusive dealer manager of the Company with respect to the Offering.

NOW, THEREFORE, in consideration of foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to amend and restate the A&R Agreement as follows:

1. **Appointment**. Upon the terms and subject to the conditions contained in this Agreement, the Company and the Dealer Manager hereby confirm the appointment of the Dealer Manager as the exclusive dealer manager for the Offering. The Dealer Manager hereby agrees not to, and hereby agrees to instruct all Soliciting Dealers (as defined below) not to, solicit or make any offers for the sale of Units under the Prior Offering following the date of this Agreement.

2. **Representations and Warranties of the Company**. The Company hereby represents and warrants to the Dealer Manager, as of the date of this Agreement and on each Effective Date (as defined below), as follows:

(a) Registration Statement and Prospectus. The Company has filed with the Commission the Shelf Registration Statement containing a base prospectus for the registration of the Preferred Shares under the Securities Act and the rules and regulations of the Commission promulgated thereunder (the "**Securities Act Rules and Regulations**"). Except where the context otherwise requires, the term "**Registration Statement**" shall refer to the most recently declared effective of (i) the Shelf Registration Statement, (ii) any subsequent registration statement in respect of the Offering filed with the Commission pursuant to Rule 415(a)(6) under the Securities Act, from and after the declaration of the effectiveness of such subsequent registration statement, and (iii) any post-effective amendment to the Shelf Registration Statement or any subsequent registration statement in respect of the Offering filed with the Commission, in each case from and after the declaration of effectiveness of such post-effective amendment or subsequent registration statement, and in each case including any information contained in a Prospectus (as defined below) subsequently filed with the Commission pursuant to Rule 424(b) under the Securities Act or deemed to be a part of such registration statement pursuant to the Securities Act Rules and Regulations. The term "**Prospectus**" shall refer to the base prospectus contained in the Registration Statement, as supplemented from time to time. The term "**preliminary Prospectus**" shall refer to a preliminary prospectus related to the Offering prior to the final determination of pricing terms included at any time as part of the Registration Statement. As used herein, the terms "Registration Statement", "Prospectus" and "preliminary Prospectus" shall include the documents, if any, incorporated or deemed to be incorporated by reference therein. Except where the context otherwise requires, the term "**Effective Date**" shall refer to the effective date of the Registration Statement.

(b) Documents Incorporated by Reference. The documents incorporated or deemed to be incorporated by reference in the Prospectus (if any), at the time they were filed with the Commission, complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and the rules and regulations promulgated thereunder (the "**Exchange Act Rules and Regulations**"), and did not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) Compliance with the Securities Act, Etc.

(i) On (A) each applicable Effective Date of each Registration Statement, (B) the date of the preliminary Prospectus as to the preliminary Prospectus, (C) the date of each Prospectus as to the Prospectus, and (D) the date any supplement to the Prospectus is filed with the Commission as to such supplement, the Registration Statement, the Prospectus and any amendments or supplements thereto, as applicable, have complied, and will comply, in all material respects with the Securities Act, the Securities Act Rules and Regulations, the Exchange Act and the Exchange Act Rules and Regulations, as applicable; and

(ii) The Shelf Registration Statement does not, and any future Registration Statement will not, in each case as of the applicable Effective Date, include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and the Prospectus does not, and any amendment or supplement thereto will not, as of the applicable filing date, include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading;

provided, *however*, that the foregoing provisions of this Section 2(c) will not extend to any statements contained in, incorporated by reference in or omitted from the Registration Statement, the Prospectus or any amendment or supplement thereto that are based upon written information furnished to the Company by the Dealer Manager expressly for use therein.

(d) Securities Matters. There has not been (i) any request by the Commission for any further amendment to the Registration Statement or the Prospectus or for any additional information in respect of the Offering that has not been complied with, (ii) any issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution or, to the Company's knowledge, threat of any proceeding for that purpose, or (iii) any notification with respect to the suspension of the qualification of the Preferred Shares for sale in any jurisdiction or any initiation or, to the Company's knowledge, threat of any proceeding for such purpose. The Company is in compliance in all material respects with all federal and state securities laws, rules and regulations applicable to it and its activities, including, without limitation, with respect to the Offering and the sale of the Preferred Shares.

(e) Company Status. The Company is a corporation duly incorporated and validly existing under the general laws of the State of Maryland, with all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder.

(f) Authorization of Agreement. This Agreement has been duly and validly authorized, executed and delivered by or on behalf of the Company and, assuming due authorization, execution and delivery of this Agreement by the Dealer Manager, will constitute a valid and binding agreement of the Company enforceable in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of the United States, any state or any political subdivision thereof which affect creditors' rights generally or by equitable principles relating to the availability of remedies or except to the extent that the enforceability of the indemnity and contribution provisions contained in this Agreement may be limited under applicable securities laws).

The execution and delivery of this Agreement by the Company and the performance of this Agreement by the Company and the consummation of the transactions contemplated herein, do not and will not conflict with, or result in a breach of any of the terms and provisions of, or constitute a default under: (i) the Company's or any of its subsidiaries' charter, by-laws, or other organizational documents, as applicable; (ii) any indenture, mortgage, stockholders' agreement, note, lease or other material agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their properties is bound; or (iii) any statute, rule or regulation or order of any court or other governmental agency or body having jurisdiction over the Company, any of its subsidiaries or any of their properties, except in the case of clause (ii) or (iii), for such conflicts, breaches or defaults that do not result in and would not reasonably be expected to result in, individually or in the aggregate, a Company MAE (as defined below in this Section 2(f)). No consent, approval, authorization or order of any court or other governmental agency or body has been obtained by the Company or is required for the performance of this Agreement by the Company or for the consummation by the Company of any of the transactions contemplated hereby, other than (A) such as have been obtained or will have been obtained at the Effective Date under the Securities Act or the Exchange Act, or from the Financial Industry Regulatory Authority, Inc. ("**FINRA**"), (B) as may be required under state securities or applicable blue sky laws in connection with the offer and sale of the Preferred Shares or under the laws of states in which the Company may own real properties in connection with its qualification to transact business in such states or as may be required by subsequent events which may occur or (C) any such approvals the failure of which to obtain would not reasonably be expected to result in, individually or in the aggregate, a Company

MAE. Neither the Company nor any of its subsidiaries is in violation of its charter, by-laws or other organizational documents, as applicable, in any material respect.

As used in this Agreement, "**Company MAE**" means any event, circumstance, occurrence, fact, condition, change or effect, individually or in the aggregate, that is materially adverse to (A) the financial condition, business affairs, properties or results of operations of the Company and its subsidiaries considered as one enterprise, or (B) the ability of the Company to perform its obligations under this Agreement or the validity or enforceability of this Agreement or the Preferred Shares; *provided*, *however*, that clause (A) excludes any development resulting from any event, circumstance, development, change or effect (1) in general economic or business conditions, (2) in financial or securities markets generally, or (3) generally affecting the business or industry in which the Company operates.

(g) Actions or Proceedings. As of the date of this Agreement, there are no actions, suits or proceedings against, or investigations of, the Company or its subsidiaries pending or, to the knowledge of the Company, threatened, before any court, arbitrator, administrative agency or other tribunal (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the issuance of the Preferred Shares or the consummation of any of the transactions contemplated by this Agreement, (iii) that would reasonably be expected to materially and adversely affect the performance by the Company of its obligations under, or the validity or enforceability of, this Agreement or the Preferred Shares, (iv) that would reasonably be expected to result in a Company MAE, or (v) seeking to affect materially and adversely the U.S. federal income tax attributes of the Preferred Shares, except as described in the Prospectus. The Company promptly will give notice to the Dealer Manager of the occurrence of any action, suit, proceeding or investigation of the type referred to in this Section 2(g) arising or occurring on or after the date of this Agreement.

(h) Sales Literature. Any supplemental sales literature or advertisement (including without limitation any "broker-dealer use only" material), regardless of how labeled or described, used in addition to the Prospectus in connection with the Offering which previously has been, or hereafter is, furnished or approved by the Company (collectively, "**Approved Sales Literature**"), shall, to the extent required, be filed with and approved by the appropriate securities agencies and bodies, provided that the Dealer Manager will make all FINRA filings, to the extent required. Any and all Approved Sales Literature, taken together with the Prospectus as then supplemented or amended, did not or will not at the time provided for use include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) Authorization of Preferred Shares. The Preferred Shares have been duly authorized and, when issued and sold as contemplated by the Prospectus and upon payment therefor as provided in this Agreement and the Prospectus, will be validly issued, fully paid and nonassessable and will conform in all material respects to the description thereof contained in the Prospectus. The shares of Common Stock that may be issued upon redemption of the Preferred Shares have been duly authorized and, when issued as contemplated by the Prospectus, will be validly issued, fully paid and nonassessable and will conform in all material respects to the description thereof contained in the Prospectus.

(j) Taxes. Any taxes, fees and other governmental charges in connection with the execution and delivery of this Agreement or the execution, delivery and sale of the Preferred Shares have been or will be paid when due.

(k) Investment Company. The Company is not, and after giving effect to the offer and sale of the Preferred Shares will not be, an "investment company", as such term is defined in the Investment Company Act of 1940, as amended.

(l) Tax Returns. Except as described in the Registration Statement and Prospectus, the Company has filed all federal, state and foreign income tax returns required to be filed by or on behalf of the Company on or before the due dates therefor (taking into account all extensions of time to file), except where failure to file such returns would not reasonably be expected to result in a Company MAE and has paid or provided for the payment

of all such taxes indicated by such tax returns and all assessments received by the Company to the extent that such taxes or assessments have become due, except for any such taxes that are currently being contested in good faith or as would not reasonably be expected to result in a Company MAE.

(m) REIT Qualifications. The Company is organized and, since the date of its inception for federal income tax purposes, has operated in conformity with the requirements for qualification and taxation as a real estate investment trust ("**REIT**"). The Company intends to continue to operate in a manner that would permit it to continue to meet the requirements for qualification and taxation as a REIT under the Internal Revenue Code of 1986, as amended (the "**Code**").

(n) Independent Registered Public Accounting Firm. BDO USA, LLP, which has certified certain financial statements appearing in the Prospectus, is an independent registered public accounting firm within the meaning of the Securities Act and the Securities Act Rules and Regulations.

The Company and its subsidiaries each maintains a system of internal accounting and other controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with general or specific authorizations of the Company's management; (ii) transactions are recorded as necessary to permit preparation of the Company's financial statements in conformity with generally accepted accounting principles as applied in the United States ("**GAAP**") and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with general or specific authorization of the Company's management or directors or the Manager; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Except as described in the Registration Statement, since the end of the Company's most recent audited fiscal year, there has been (A) no material weakness in the Company's internal control over financial reporting (whether or not remediated), and (B) no significant changes in the Company's internal control over financial reporting that has materially adversely affected, or is reasonably likely to materially adversely affect, the Company's internal control over financial reporting.

(o) Preparation of the Financial Statements. The financial statements filed with the Commission as a part of the Registration Statement and included in or incorporated by reference into the Prospectus present fairly in all material respects the consolidated financial position of the Company and its subsidiaries as of and at the dates indicated and the results of their operations and cash flows for the periods specified. Such financial statements have been prepared in conformity with GAAP applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. No pro forma financial statements or supporting schedules other than those included in or incorporated by reference into the Registration Statement or any applicable Prospectus are required to be included in the Registration Statement or any applicable Prospectus.

(p) Material Adverse Change. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as may otherwise be stated therein or contemplated thereby, there has not occurred a Company MAE, whether or not arising in the ordinary course of business.

(q) Government Permits. The Company and its subsidiaries possess such certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, other than those which the failure to possess or own would not have, individually or in the aggregate, reasonably be expected to result in, a Company MAE. Neither the Company nor any of its subsidiaries has received any written notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in a Company MAE.

(r) Properties. Except as otherwise disclosed in the Prospectus and except as would not reasonably be expected to result in, individually or in the aggregate, a Company MAE, (i) all properties and assets described in the Prospectus are owned with good and marketable title by the Company or one or more of its

subsidiaries, and (ii) all liens, charges, encumbrances, claims or restrictions on or affecting any of the properties and assets of the Company or any of its subsidiaries which are required to be disclosed in the Prospectus are disclosed therein.

(s) Hazardous Materials. The Company does not have any knowledge of (i) the unlawful presence of any hazardous substances, hazardous materials, toxic substances or waste materials (collectively, "**Hazardous Materials**") on any of the properties owned by it or its subsidiaries or subject to mortgage loans owned by the Company or any of its subsidiaries, or (ii) any unlawful spills, releases, discharges or disposal of Hazardous Materials that have occurred or are presently occurring off such properties as a result of any construction on or operation and use of such properties, which presence or occurrence in the case of clauses (i) and (ii) would reasonably be expected to result in, individually or in the aggregate, a Company MAE. In connection with the properties owned by the Company and its subsidiaries or subject to mortgage loans owned by the Company or any of its subsidiaries, the Company has no knowledge of any failure to comply with all applicable local, state and federal environmental laws, regulations, ordinances and administrative and judicial orders relating to the generation, recycling, reuse, sale, storage, handling, transport and disposal of any Hazardous Materials, except where such failure to comply would not reasonably be expected to result in a Company MAE.

(t) Authorization of the MSA. The Manager is the current manager of the Company and provides services to the Company pursuant to the Master Services Agreement, dated as of March 11, 2014 (the "**MSA**"), by and between the Company and the Manager. The MSA has been duly and validly authorized, executed and delivered by or on behalf of the Company and constitutes a valid and binding agreement of the Company enforceable in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of the United States, any state or any political subdivision thereof which affect creditors' rights generally or by equitable principles relating to the availability of remedies or except to the extent that the enforceability of the indemnity and contribution provisions contained in such agreement may be limited under applicable securities laws).

(u) Relationships with FINRA Members. Except as described in the applicable Registration Statement and Prospectus, neither the Company nor any subsidiary of the Company directly or indirectly controls, is controlled by, or is under common control with, or is an associated person (within the meaning of Article I, Section 1(ee) of the By-laws of FINRA) of, any member firm of FINRA.

3. **Representations and Warranties of the Manager**. The Manager hereby represents and warrants to the Dealer Manager, as of the date of this Agreement and on each Effective Date, as follows:

(a) Organization Status. The Manager is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware.

(b) Authorization of the MSA. The MSA has been duly and validly authorized, executed and delivered by or on behalf of the Manager and constitutes a valid and binding agreement of the Manager enforceable in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of the United States, any state or any political subdivision thereof which affect creditors' rights generally or by equitable principles relating to the availability of remedies or except to the extent that the enforceability of the indemnity and contribution provisions contained in such agreement may be limited under applicable securities laws).

(c) Actions or Proceedings. As of the date of this Agreement, there is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Manager, threatened against the Manager (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the issuance of the Preferred Shares or the consummation of any of the transactions contemplated by this Agreement, (iii) that would reasonably be expected to materially and adversely affect the validity or enforceability of this Agreement or the Preferred Shares, (iv) that would reasonably be expected to result in a Company MAE, or (v) seeking to affect adversely the U.S. federal income tax attributes of the Preferred Shares, except as described in the Prospectus.

(d) Government Permits. The Manager possesses such certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by it, other than those which the failure to possess or own would not have, individually or in the aggregate, reasonably be expected to result in (i) a material adverse effect on the financial condition, business affairs, properties or results of operations of the Manager, (ii) a Company MAE or (iii) a material adverse effect on the performance of the services under the Management Agreement by the Manager. The Manager has not received any written notice of proceedings relating to the revocation or modification of any such certificate, authority or permit, which, individually or in the aggregate, if subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in (A) a material adverse effect on the financial condition, business affairs, properties or results of operations of the Manager, (B) a Company MAE or (C) a material adverse effect on the performance of the services under the Management Agreement by the Manager.

4. **Representations and Warranties of the Dealer Manager**. The Dealer Manager hereby represents and warrants to the Company, as of the date of this Agreement and on each Effective Date, as follows:

(a) Organization Status. The Dealer Manager is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware, with all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder.

(b) Authorization of Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Dealer Manager, and assuming due authorization, execution and delivery of this Agreement by the Company and the Manager, will constitute a valid and legally binding agreement of the Dealer Manager enforceable against the Dealer Manager in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of the United States, any state or any political subdivision thereof which affect creditors' rights generally or by equitable principles relating to the availability of remedies or except to the extent that the enforceability of the indemnity and contribution provisions contained in this Agreement may be limited under applicable securities laws).

(c) Absence of Conflict or Default. The execution and delivery of this Agreement by the Dealer Manager and the performance of this Agreement by the Dealer Manager and the consummation of the transactions contemplated herein, do not and will not conflict with, or result in a breach of any of the terms and provisions of, or constitute a default under: (i) the Dealer Manager's articles of formation, bylaws or other organizational documents, as applicable, (ii) any indenture, mortgage, stockholders' agreement, note, lease or other material agreement or instrument to which the Dealer Manager is a party or by which the Dealer Manager may be bound, or to which any of the property or assets of the Dealer Manager is subject, or (iii) any rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Dealer Manager or its assets, properties or operations, except in the case of clause (ii) or (iii), for such conflicts or defaults that would not, individually or in the aggregate, have or reasonably be expected to have a material adverse effect on the financial condition, business affairs, properties or results of operations of the Dealer Manager.

(d) Broker-Dealer Registration; FINRA Membership. The Dealer Manager is, and during the term of this Agreement will be, (i) duly registered as a broker-dealer pursuant to the provisions of the Exchange Act, (ii) a member in good standing of FINRA, and (iii) a broker or dealer duly registered as such in those states where the Dealer Manager is required to be registered in order to carry out the Offering as contemplated by this Agreement and the Prospectus. Each of the Dealer Manager's employees and representatives has all required licenses and registrations to act under this Agreement and to carry out the Offering as contemplated thereby. There is no provision in the Dealer Manager's FINRA membership agreement that would restrict the ability of the Dealer Manager to carry out the Offering as contemplated by this Agreement and the Prospectus.

(e) Disclosure. The information under the caption "Plan of Distribution" in the Prospectus insofar as it relates to the Dealer Manager, and all other information furnished to the Company by the Dealer Manager in writing specifically for use in the Registration Statement, any preliminary Prospectus or the Prospectus, does

not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

5. **Offering and Sale of the Preferred Shares**. Upon the terms and subject to the conditions set forth in this Agreement, the Company confirms the appointment of the Dealer Manager as its agent and exclusive distributor to solicit securities dealers to solicit subscriptions for the Preferred Shares in connection with the Offering at the subscription price to be paid in cash (the "**Soliciting Dealers**") and to retain the Soliciting Dealers now or hereafter subject to Soliciting Dealer Agreements (as defined below). Upon the terms and subject to the conditions set forth in this Agreement, the Dealer Manager hereby confirms its acceptance of such agency and exclusive distributorship and agrees to use its reasonable best efforts during the Offering Period (as defined below) or until this Agreement is earlier terminated pursuant to Section 12 to sell or cause to be sold the Preferred Shares in such quantities and to such Persons in accordance with such terms as are set forth in this Agreement, the Prospectus and the Registration Statement. As used herein, "**Person**" means any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, governmental authority or agency, or other entity of any kind.

For purposes of this Agreement, "**Offering Period**" shall mean the period commencing on the date hereof and ending on the date on which the Company has sold and issued $784,983,825, on an aggregate basis, of Series A Preferred Stock and Series D Preferred Stock in the Offering. During the period from the date hereof until the end of the Offering Period (or the earlier termination of this Agreement by the Company or the Dealer Manager pursuant to Section 12), the Company will not (and will cause its affiliates to not) engage or appoint any Person other than the Dealer Manager to solicit, or to retain any securities dealers to solicit, subscriptions for the Preferred Shares in a public offering.

The number of Preferred Shares, if any, to be reserved for sale by each Soliciting Dealer may be determined, from time to time, by the Dealer Manager upon prior approval of the Company. In the absence of such determination, the Company shall, subject to the provisions of Section 5(b), accept Subscription Agreements based upon a first-come, first accepted reservation or other similar method. Under no circumstances will the Dealer Manager be obligated to underwrite or purchase any Preferred Shares for its own account. In soliciting purchases of Preferred Shares, the Dealer Manager will act solely as the Company's agent and not as an underwriter or principal.

(a) Soliciting Dealers. The Preferred Shares offered and sold through the Dealer Manager under this Agreement shall be offered and sold only by the Dealer Manager and the Soliciting Dealers; *provided, however,* that (i) all Soliciting Dealers are registered with the Commission, are members in good standing of FINRA and are duly licensed or registered by the regulatory authorities in the jurisdictions in which they offer and sell Preferred Shares or are exempt from broker-dealer registration with the Commission and all other applicable regulatory authorities, (ii) all Soliciting Dealers may lawfully offer and sell Preferred Shares in the jurisdiction in which they offer and sell Preferred Shares, (iii) all such engagements are evidenced by written agreements, the terms and conditions of which substantially conform to the form of Soliciting Dealer Agreement approved by the Company and the Dealer Manager (the "**Soliciting Dealer Agreement**"), and (iv) the Company shall have previously approved each Soliciting Dealer (such approval not to be unreasonably withheld or delayed).

(b) Subscription Documents. Each Person desiring to purchase Preferred Shares through the Dealer Manager, or any other Soliciting Dealer, will be required to complete and execute the subscription documents described in the Prospectus.

(c) Completed Sale. A sale of a Preferred Share shall be deemed by the Company to be completed for purposes of Section 5(d) if and only if (i) the Company has received payment of the full purchase price of each purchased Preferred Share and, in the case Direct Registration Service is used for settlement, a properly completed and executed subscription agreement from an investor who satisfies the applicable suitability standards and minimum purchase requirements set forth in the Prospectus as determined by the Soliciting

Dealer, or the Dealer Manager, as applicable, in accordance with the provisions of this Agreement, (ii) the Company or its agent has accepted such subscription, and (iii) such investor has been admitted as a stockholder of the Company. In addition, no sale of Preferred Shares shall be completed until at least five business days after the date on which the subscriber receives a copy of the Prospectus. The Dealer Manager hereby acknowledges and agrees that the Company, in its sole and absolute discretion, may accept or reject any subscription, in whole or in part, for any reason whatsoever or no reason, and no commission or dealer manager fee will be paid to the Dealer Manager with respect to that portion of any subscription which is rejected. As used in this Agreement, "**business day**" means any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York, the State of Texas or the State of California are authorized or obligated by law or executive order to close.

(d) Dealer-Manager Compensation.

(i) Subject to the discounts and other special circumstances described in or otherwise provided in the "Plan of Distribution" section of the Prospectus or this Section 5(d), the Company will pay to the Dealer Manager selling commissions in the amount of up to five and fifty one-hundredths of a percent (5.50%) of the selling price of each share of Series A Preferred Stock for which a sale is completed in the Offering; provided, however, no selling commissions will be paid in respect of certain sales of shares of Series A Preferred Stock to persons affiliated with the Company as described in the Prospectus. The Dealer Manager will reallow all the selling commissions, subject to federal and state securities laws, to the Soliciting Dealers who sell the relevant shares of Series A Preferred Stock in the Offering, as described more fully in the Soliciting Dealer Agreement. No selling commissions will be paid in respect of any shares of Series D Preferred Stock sold in the Offering.

(ii) Subject to the special circumstances described in or otherwise provided in the "Plan of Distribution" section of the Prospectus or this Section 5(d), as compensation for acting as the dealer manager, the Company will pay to the Dealer Manager an upfront dealer manager fee in the amount of one and one-quarter of a percent (1.25%) of the selling price of each Preferred Share for which a sale is completed in the Offering (the "**Upfront Dealer Manager Fee**"); provided, however, the Upfront Dealer Manager Fee will be one percent (1.00%) of the selling price of each Preferred Share sold to certain persons affiliated with the Company as described in the Prospectus. The Dealer Manager may retain or re-allow all or a portion of the Upfront Dealer Manager Fee, subject to federal and state securities laws, to the Soliciting Dealer who sold the relevant Preferred Shares, as described more fully in the Soliciting Dealer Agreement.

(iii) Except as otherwise provided in the "Plan of Distribution" section of the Prospectus or this Section 5(d), as compensation for acting as the dealer manager, the Company will pay to the Dealer Manager a trailing dealer manager fee per Preferred Share that accrues daily, from the date of original issuance of such Preferred Share until the earliest to occur of (A) the date on which such Preferred Share is no longer outstanding and (B) the date on which the Company determines that payment of such fee would cause the total underwriting compensation (as described below in Section 5(d)(v)) in respect of the Offering to exceed 10.00% of the aggregate gross proceeds of Preferred Shares sold in the Offering, in the amount of 11365th of one-quarter of a percent (0.25%) per annum of the selling price of each Preferred Share for which a sale is completed in the Offering (the "**Trailing Dealer Manager Fee**" and, together with the Upfront Dealer Manager Fee, the "**Dealer Manager Fees**").

(iv) The Upfront Dealer Manager Fee and any selling commissions payable to the Dealer Manager will be paid on the day the investor subscribing for the relevant Preferred Share is admitted as a stockholder of the Company, or as promptly thereafter as practical. The Trailing Dealer Manager Fee will be paid monthly in arrears and will be paid on a continuous basis from year to year on the terms and subject to the conditions set forth in the Prospectus or this Section 5(d).

(v) In no event shall the total aggregate compensation payable from any source to (A) the Dealer Manager and any Soliciting Dealers participating in the Offering, including, but not limited to, selling commissions and the Dealer Manager Fees, and (B) other expenses incurred by the Dealer Manager or

Soliciting Dealers associated with the Offering that are paid by or reimbursed by the Company, Manager or other Person and which are deemed components of "underwriting compensation" by FINRA exceed ten percent (10.0%) of the aggregate gross offering proceeds of the Offering.

(vi) Notwithstanding anything to the contrary contained herein, if the Company pays any selling commission to the Dealer Manager for sale by a Soliciting Dealer of one or more Preferred Shares and the subscription is rescinded as to one or more of the Preferred Shares covered by such subscription, then the Company shall decrease the next payment of selling commissions or other compensation otherwise payable to the Dealer Manager by the Company under this Agreement by an amount equal to the commission rate established in this Section 5(d), multiplied by the number of Preferred Shares as to which the subscription is rescinded. If no payment of selling commissions or other compensation is due to the Dealer Manager after such rescission occurs, then the Dealer Manager shall pay the amount specified in the preceding sentence to the Company within a reasonable period of time not to exceed fifteen (15) days following receipt of notice by the Dealer Manager from the Company stating the amount owed as a result of rescinded subscriptions.

(vii) Reasonable Bona Fide Due Diligence Expenses. In addition to compensation payable to the Dealer Manager or any Soliciting Dealer, but subject to the next sentence, the Company or the Manager shall reimburse the Dealer Manager or any Soliciting Dealer for reasonable *bona fide* due diligence expenses incurred by the Dealer Manager or any Soliciting Dealer. The Company shall only reimburse the Dealer Manager or any Soliciting Dealer for any *bona fide* due diligence expenses to the extent such expenses have been approved in each case by the Company in advance, actually been incurred and are supported by detailed and itemized invoice(s) provided to the Company and permitted pursuant to the rules and regulations of FINRA.

6. **Conditions to the Dealer Manager's Obligations**. The Dealer Manager's obligations hereunder shall be subject to the following terms and conditions:

(a) The representations and warranties on the part of the Company contained in this Agreement shall be true and correct in all material respects and the Company shall have complied with its covenants, agreements and obligations contained in this Agreement in all material respects.

(b) The Registration Statement shall be effective and no stop order suspending the effectiveness of the Registration Statement shall have been issued by the Commission and, to the knowledge of the Company, no proceedings for that purpose shall have been instituted, threatened or contemplated by the Commission; and any request by the Commission for additional information (to be included in the Registration Statement or Prospectus or otherwise) shall have been complied with to the reasonable satisfaction of the Dealer Manager.

(c) The Prospectus, as then supplemented or amended, shall not contain any untrue statement of material fact, or omit to state a material fact that is required to be stated therein or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7. **Covenants of the Company**. The Company covenants and agrees with the Dealer Manager as follows (and, where applicable, the Dealer Manager covenants and agrees with the Company):

(a) Registration Statement. The Company will use commercially reasonable efforts to maintain the effective status of the Registration Statement. The Company will comply in all material respects with all federal and state securities laws, rules and regulations which are required to be complied with in order to permit the continuance of offers and sales of the Preferred Shares in accordance with the provisions hereof and of the Prospectus.

(b) Commission Orders. If the Commission shall issue any stop order or any other order preventing or suspending the use of the Prospectus, or to the Company's knowledge, shall institute any proceedings for that purpose, then the Company will promptly notify the Dealer Manager and use commercially reasonable efforts to prevent the issuance of any such order and, if any such order is issued, to use commercially reasonable efforts to obtain the removal thereof as promptly as possible.

(c) Blue Sky Qualifications. The Company will use commercially reasonable efforts to qualify the Preferred Shares for offering and sale under the securities or blue sky laws of such jurisdictions as the Dealer Manager and the Company shall mutually agree upon and to make such applications, file such documents and furnish such information as may be reasonably required for that purpose. The Company will, at the Dealer Manager's request, furnish the Dealer Manager with a copy of such papers filed by the Company in connection with any such qualification. The Company will promptly advise the Dealer Manager of the issuance by such securities administrators of any stop order preventing or suspending the use of the Prospectus or to the Company's knowledge of the institution of any proceedings for that purpose, and will use commercially reasonable efforts to prevent the issuance of any such order and if any such order is issued, to use commercially reasonable efforts to obtain the removal thereof as promptly as possible. The Dealer Manager will cause its outside counsel to furnish it and the Company with supplements to an initial Blue Sky Survey, dated as of each initial Effective Date, reflecting any changes or additions to the information disclosed in such survey.

(d) Amendments and Supplements. If, at any time when a Prospectus relating to the Preferred Shares (or any portion thereof) is required to be delivered under the Securities Act, any event shall have occurred to the knowledge of the Company as a result of which the Prospectus as then supplemented or amended or any Approved Sales Literature as then amended or supplemented, taken together with the Prospectus as then supplemented or amended, would include any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading at the time it is so required to be delivered to a subscriber, or if it is necessary at any time to amend the Registration Statement or supplement the Prospectus relating to the Preferred Shares (or any portion thereof) to comply with the Securities Act, then the Company will reasonably promptly notify the Dealer Manager thereof (unless the information shall have been received from the Dealer Manager) and will prepare and file with the Commission an amendment or supplement which will correct such statement or effect such compliance to the extent required, and shall make available to the Dealer Manager thereof sufficient copies for its own use and1or distribution to the Soliciting Dealers.

(e) Requests From Commission. The Company will promptly advise the Dealer Manager of any request made by the Commission or a state securities administrator for amending the Registration Statement, supplementing the Prospectus or for additional information in connection with the Offering.

(f) Copies of Registration Statement. The Company will furnish the Dealer Manager with such copies of the Registration Statement and the Prospectus, and all amendments and supplements thereto, as the Dealer Manager may reasonably request in connection with the sale of the Preferred Shares.

(g) Authority to Perform Agreements. The Company undertakes to obtain all consents, approvals, authorizations or orders of any court or governmental agency or body which are required for the Company's performance of this Agreement and under the Company's articles of incorporation (as the same may be amended, supplemented or otherwise modified from time to time) and by-laws for the consummation of the transactions contemplated hereby.

(h) Sales Literature. The Company will furnish to the Dealer Manager as promptly as shall be reasonably practicable upon request any Approved Sales Literature (provided that the use of said material has been first approved for use by all appropriate regulatory agencies). Any supplemental sales literature or advertisement, regardless of how labeled or described, used in addition to the Prospectus in connection with the Offering which is furnished or approved by the Company (including, without limitation, Approved Sales Literature) shall, to the extent required, be filed with and, to the extent required, approved by the appropriate securities agencies and bodies, provided that the Dealer Manager will make all FINRA filings, to the extent required. The Company will be responsible for all Approved Sales Literature. The Company and the Dealer Manager agree that all sales literature developed in connection with the Offering shall be the property of the Company and the Company shall have control of all such sales literature. Each of the Company and the Manager will not (and will cause its affiliates to not): (i) show or give to any investor or prospective investor or reproduce any material or writing that is marked "broker-dealer use only" or otherwise bearing a legend denoting that it is not to be used in connection with the sale of Preferred Shares to members of the public, and (ii) show or give to

any investor or prospective investor in a particular jurisdiction any material or writing if such material bears a legend denoting that it is not to be used in connection with the sale of Preferred Shares to members of the public in such jurisdiction.

(i) Certificates of Compliance. The Company shall provide, from time to time upon reasonable request of the Dealer Manager, certificates of its chief executive officer and chief financial officer of compliance by the Company of the requirements of this Agreement.

(j) Use of Proceeds. The Company will apply the proceeds from the sale of the Preferred Shares as set forth in the Prospectus in all material respects.

(k) Certain Payments. Without the prior consent of the Dealer Manager, neither the Company nor the Manager will make any payment (cash or non-cash) to any associated Person or registered representative of the Dealer Manager.

8. **Covenants of the Dealer Manager**. The Dealer Manager covenants and agrees with the Company as follows (and, where applicable, the Company covenants and agrees with the Dealer Manager):

(a) Compliance With Laws. With respect to the Dealer Manager's participation and the participation by each Soliciting Dealer in the offer and sale of the Preferred Shares (including, without limitation, any resales and transfers of Preferred Shares), the Dealer Manager agrees, and each Soliciting Dealer in its Soliciting Dealer Agreement has agreed or will agree, to comply in all material respects with all applicable requirements of (i) the Securities Act, the Securities Act Rules and Regulations, the Exchange Act, the Exchange Act Rules and Regulations and all other federal regulations applicable to the Offering and the sale of Preferred Shares, (ii) all applicable state securities or blue sky laws and regulations, from time to time in effect and (iii) the Rules of FINRA applicable to the Offering, from time to time in effect, specifically including, but not in any way limited to, FINRA Conduct Rules 2111, 2040, 2340, 5130 and 5141 therein. The Dealer Manager has not offered and will not offer the Preferred Shares for sale in any jurisdiction unless and until it has been advised that the Preferred Shares are either registered in accordance with, or exempt from, the securities and other laws applicable thereto.

In addition, the Dealer Manager shall, in accordance with applicable law or as prescribed by any state securities administrator, provide, or require in the Soliciting Dealer Agreement that the Soliciting Dealer shall provide, to any prospective investor copies of the Prospectus and any supplements thereto during the course of the Offering and prior to the sale of any Preferred Shares. The Company may provide the Dealer Manager with certain Approved Sales Literature to be used by the Dealer Manager and the Soliciting Dealers in connection with the solicitation of purchasers of the Preferred Shares. If the Dealer Manager elects to use Approved Sales Literature, then the Dealer Manager agrees that such material shall not be used by it in connection with the solicitation of purchasers of the Preferred Shares and that it will direct Soliciting Dealers not to make such use unless accompanied or preceded by the Prospectus, as then amended or supplemented. The Dealer Manager will not use any Approved Sales Literature other than those provided to the Dealer Manager by the Company specifically for use in the Offering.

(b) No Additional Information. In offering the Preferred Shares for sale, the Dealer Manager shall not, and each Soliciting Dealer shall agree not to, give or provide any information or make any representation other than those contained in the Prospectus or the Approved Sales Literature. The Dealer Manager shall not and each Soliciting Dealer shall agree not to (i) show or give to any investor or prospective investor or reproduce any material or writing that is supplied to it by the Company and marked "broker-dealer use only" or otherwise bearing a legend denoting that it is not to be used in connection with the sale of Preferred Shares to members of the public, (ii) show or give to any investor or prospective investor in a particular jurisdiction any material or writing that is supplied to it by the Company if such material bears a legend denoting that it is not to be used in connection with the sale of Preferred Shares to members of the public in such jurisdiction or (iii) make any public oral communications relating to the Offering that have not been previously approved by the Company.

(c) Materials for Broker-Dealer Use Only. The Dealer Manager will not use, provide, make available, distribute or otherwise use any "broker-dealer use only" Approved Sales Literature with members of the public in connection with offers or sales of the Preferred Shares.

(d) Sales of Shares. The Dealer Manager shall, and each Soliciting Dealer shall agree to, solicit purchases of the Preferred Shares only in the jurisdictions in which the Dealer Manager and such Soliciting Dealer are legally qualified to so act.

(e) Subscription Agreement. The Dealer Manager has complied and will comply in all material respects with the subscription procedures and "Plan of Distribution" set forth in the Prospectus. Subscriptions will be submitted by the Dealer Manager and each Soliciting Dealer to the Company only on the form of Subscription Agreement in respect of the Offering most recently filed or incorporated by reference as an exhibit to the Registration Statement prior to the proposed effective date of such subscription. The Dealer Manager understands and acknowledges, and each Soliciting Dealer shall acknowledge, that the Subscription Agreement must be executed and initialed by the subscriber as provided for by the Subscription Agreement.

(f) Suitability. The Dealer Manager has and will offer Preferred Shares, and in its agreement with each Soliciting Dealer requires or will require that the Soliciting Dealer offer Preferred Shares, only to Persons in the states in which the Dealer Manager is advised in writing by its counsel that the Preferred Shares are qualified for sale or that such qualification is not required. In offering Preferred Shares, the Dealer Manager has complied and will comply and, in its agreements with the Soliciting Dealers, the Dealer Manager has required and will require that the Soliciting Dealers (i) comply, with the provisions of all applicable laws, rules and regulations relating to suitability of investors, including without limitation the FINRA Conduct Rules and (ii) in making such suitability determination, consider, based on the information provided by a given purchaser: such purchaser's age, investment objectives, investment experience, income, net worth, financial situation and other investments held by such purchaser; whether such purchaser can reasonably benefit from an investment in the Preferred Shares based on his, her or its overall investment objectives and portfolio structure and is able to bear the economic risk of the investment based on his, her or its overall financial situation; and whether such purchaser has an apparent understanding of the fundamental risks of an investment in the Preferred Shares, the risk that he, she or it may lose the entire investment, the lack of liquidity of the Preferred Shares, the restrictions on transferability of the Preferred Shares, the background and qualifications of the Company's advisor, and the tax, including ERISA, consequences of an investment in the Preferred Shares. Notwithstanding the foregoing, the Dealer Manager shall not, and each Soliciting Dealer shall agree not to, execute any transaction with respect to the Preferred Shares in a discretionary account without prior written approval of the transaction by the customer.

(g) Suitability Records. The Dealer Manager shall, and each Soliciting Dealer shall agree to, maintain, for at least six years or for a period of time not less than that required in order to comply with all applicable federal, state and other regulatory requirements, whichever is later, a record of the information obtained to determine that an investor meets the suitability standards imposed on the offer and sale of the Preferred Shares (both at the time of the initial subscription and at the time of any additional subscriptions) and a representation of the investor that the investor is investing for the investor's own account or, in lieu of such representation, information indicating that the investor for whose account the investment was made met the suitability standards. Except to the extent that the Dealer Manager makes any direct sales to investors, the Company agrees that the Dealer Manager can satisfy its obligation by contractually requiring such information to be maintained by the investment advisers or banks referred to in Section 3(b) of the Soliciting Dealer Agreement.

(h) Soliciting Dealer Agreements. All engagements of the Soliciting Dealers are and shall be evidenced by a Soliciting Dealer Agreement.

(i) Electronic Delivery. If the Dealer Manager uses electronic delivery to distribute the Prospectus to any Person, it will comply with all applicable requirements of the Commission, the blue sky laws and1or FINRA and any other laws or regulations related to the electronic delivery of documents.

(j) Anti-Money Laundering Compliance. Although acting as a wholesale distributor and not itself selling securities of the Company directly to investors, the Dealer Manager represents and warrants to the Company that it has established and implemented anti-money laundering compliance programs ("**AML Program**") in accordance with applicable law, including applicable FINRA Conduct Rules, the Exchange Act Rules and Regulations and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001, as amended (the "**USA PATRIOT Act**"), specifically including, but not limited to, Section 352 of the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the "**Money Laundering Abatement Act**", and together with the USA PATRIOT Act, the "**AML Rules**"), reasonably expected to detect and cause the reporting of suspicious transactions in connection with the Offering. The Dealer Manager further represents and warrants that it is currently in compliance with all AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act, and the Dealer Manager hereby covenants to remain in compliance with such requirements and shall, upon request by the Company, provide a certification to the Company that, as of the date of such certification (i) its AML Program is consistent with the AML Rules, and (ii) it is currently in compliance with all AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act.

(k) Cooperation. Following the Offering Period or the earlier termination of this Agreement, upon the Company's request, the Dealer Manager will cooperate fully with the Company and any other Person that may be necessary to accomplish an orderly transfer and1or the transfer to a successor dealer manager of the operation and management of any services the Dealer Manager is providing to the Company under this Agreement. The Dealer Manager will not be entitled to receive any additional fee in connection with the foregoing provisions of this Section 8(k), but the Company will pay or reimburse the Dealer Manager for any out-of-pocket expenses reasonably incurred by the Dealer Manager in connection therewith and approved in advance by the Company.

(l) Customer Information. The Dealer Manager will use commercially reasonable efforts to provide the Company with any and all subscriber information that the Company requests.

(m) Customer Information. The Dealer Manager shall:

(i) abide by and comply with (A) the privacy standards and requirements of the Gramm-Leach-Bliley Act of 1999 (the "**GLB Act**"), (B) the privacy standards and requirements of any other applicable federal or state law, and (C) its own internal privacy policies and procedures, each as may be amended from time to time;

(ii) refrain from the use or disclosure of nonpublic personal information (as defined under the GLB Act) of all customers who have opted out of such disclosures except as necessary to service the customers or as otherwise necessary or required by applicable law; and

(iii) determine which customers have opted out of the disclosure of nonpublic personal information by periodically reviewing and, if necessary, retrieving an aggregated list of such customers from the Soliciting Dealers (the "**List**") to identify customers that have exercised their opt-out rights. If any Party uses or discloses nonpublic personal information of any customer for purposes other than servicing the customer, or as otherwise required by applicable law, that Party will consult the List to determine whether the affected customer has exercised his or her opt-out rights. Each Party understands that it is prohibited from using or disclosing any nonpublic personal information of any customer that is identified on the List as having opted out of such disclosures.

9. **Expenses**.

(a) Subject to Section 9(b), the Dealer Manager shall pay all its own costs and expenses incident to the performance of its obligations under this Agreement.

(b) The Company agrees to pay all costs and expenses related to:

(i) the registration fee payable to the Commission in connection with the offer and sale of the Preferred Shares;

(ii) expenses of printing the Registration Statement and the Prospectus and any amendment or supplement thereto as herein provided;

(iii) fees and expenses incurred in connection with any required filing with FINRA for the offer and sale of the Preferred Shares;

(iv) all the expenses of agents of the Company, excluding the Dealer Manager and any Soliciting Dealers, incurred in connection with the offer and sale of the Preferred Shares; and

(v) expenses of qualifying the Preferred Shares for offering and sale under state blue sky and securities laws (other than the expenses in connection with the preparation and printing of the Blue Sky Survey referred to above); and

(vi) any other reasonable, documented out-of-pocket costs and expenses directly related to the offer, sale and distribution of the Preferred Shares pre-approved by the Company, subject to FINRA rules in respect of underwriter compensation.

(c) The Company shall reimburse the Dealer Manager and Soliciting Dealers for approved or deemed approved reasonable bona fide due diligence expenses in accordance with Section 5(d)(vii).

10. **Indemnification**.

(a) Indemnified Parties Defined. For the purposes of this Agreement, an "**Indemnified Party**" shall mean a Person entitled to indemnification under this Section 10, as well as such Person's officers, directors (including with respect to the Company, any Person named in the Registration Statement with his or her consent as becoming a director in the future), employees, members, managers, partners, affiliates, agents and representatives, and each Person, if any, who controls such Person within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act.

(b) Indemnification of the Dealer Manager and Soliciting Dealers. The Company will indemnify, defend and hold harmless the Dealer Manager and the Soliciting Dealers, and their respective Indemnified Parties, from and against any losses, claims, expenses (including reasonable legal and other expenses incurred in investigating and defending such claims or liabilities), damages or liabilities, joint or several, to which any of the aforesaid parties may become subject under the Securities Act, the Exchange Act, the Securities Act Rules and Regulations, the Exchange Act Rules and Regulations or otherwise, insofar as such losses, claims, expenses, damages or liabilities (or actions in respect thereof) arise out of or are based upon or are related to (in whole or in part): (i) any material inaccuracy in a representation or warranty contained herein by the Company, any material breach of a covenant contained herein by the Company, or any material failure by the Company to perform its obligations hereunder or to comply with state or federal securities laws applicable to the Offering; (ii) any untrue statement or alleged untrue statement of a material fact contained (A) in any Registration Statement or any post-effective amendment thereto or in the Prospectus or any amendment or supplement to the Prospectus or (B) in any Approved Sales Literature; or (iii) the omission or alleged omission to state a material fact required to be stated in the Registration Statement or any post-effective amendment thereto to make the statements therein not misleading or the omission or alleged omission to state a material fact required to be stated in the Prospectus or any amendment or supplement to the Prospectus to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided, however*, that the Company will not be liable in any such case to the extent that any such loss, claim, expense, damage or liability arises out of, or is based upon (x) an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Dealer Manager expressly for use in the

Registration Statement or any post-effective amendment thereof or the Prospectus or any such amendment thereof or supplement thereto or (y) a violation of federal or state securities laws by the Dealer Manager. The Company will reimburse each Soliciting Dealer or the Dealer Manager, and their respective Indemnified Parties, for any reasonable legal or other expenses incurred by such Soliciting Dealer or the Dealer Manager, and their respective Indemnified Parties, in connection with investigating or defending such loss, claim, expense, damage, liability or action. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(c) Dealer Manager Indemnification of the Company and the Manager. The Dealer Manager will indemnify, defend and hold harmless the Company, the Manager, each of their Indemnified Parties and each Person who has signed the Registration Statement, from and against any losses, claims, expenses (including the reasonable legal and other expenses incurred in investigating and defending any such claims or liabilities), damages or liabilities to which any of the aforesaid parties may become subject under the Securities Act, the Securities Act Rules and Regulations, the Exchange Act, the Exchange Act Rules and Regulations or otherwise, insofar as such losses, claims, expenses, damages or liabilities (or actions in respect thereof) arise out of or are based upon or are related to (in whole or in part): (i) any material inaccuracy in a representation or warranty contained herein by the Dealer Manager, any material breach of a covenant contained herein by the Dealer Manager, or any material failure by the Dealer Manager to perform its obligations hereunder or to comply with state or federal securities laws applicable to the Offering; (ii) any untrue statement or any alleged untrue statement of a material fact contained (A) in any Registration Statement or any post-effective amendment thereto or in the Prospectus or any amendment or supplement to the Prospectus or (B) in any Approved Sales Literature; (iii) the omission or alleged omission to state a material fact required to be stated in the Registration Statement or any post- effective amendment thereof to make the statements therein not misleading or the omission or alleged omission to state a material fact required to be stated in the Prospectus or any amendment or supplement to the Prospectus to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided, however*, that the Dealer Manager will not be liable in any such case to the extent that any such loss, claim, expense, damage or liability arises out of, or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Dealer Manager by the Company in the Registration Statement or any such post-effective amendments thereof or the Prospectus or any such amendment thereof or supplement thereto; or (iv) any use of sales literature, including "broker-dealer use only" materials, by the Dealer Manager or any Soliciting Dealer that is not Approved Sales Literature or use of unauthorized oral communications relating to the Offering by the Dealer Manager or any Soliciting Dealer. The Dealer Manager will reimburse the aforesaid parties for any reasonable legal or other expenses incurred in connection with investigation or defense of such loss, claim, expense, damage, liability or action. This indemnity agreement will be in addition to any liability which the Dealer Manager may otherwise have.

(d) Soliciting Dealer Indemnification of the Company. By virtue of entering into the Soliciting Dealer Agreement, each Soliciting Dealer severally will agree to indemnify, defend and hold harmless the Company, the Dealer Manager, each of their respective Indemnified Parties, and each Person who signs the Registration Statement, from and against any losses, claims, expenses, damages or liabilities to which the Company, the Dealer Manager, any of their respective Indemnified Parties or any Person who signs or signed the Registration Statement, may become subject, under the Securities Act or otherwise, as more fully described in the Soliciting Dealer Agreement.

(e) Action Against Parties; Notification. Promptly after receipt by any Indemnified Party under this Section 10 of notice of the commencement of any action, such Indemnified Party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 10, promptly notify the indemnifying party of the commencement thereof; *provided, however*, that the failure to give such notice shall not relieve the indemnifying party of its obligations hereunder except to the extent it shall have been actually prejudiced by such failure. In case any such action is brought against any Indemnified Party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled, to the extent it may wish, jointly with any other indemnifying party similarly notified, to participate in the defense thereof, with counsel (including local counsel) (the "**Chosen Counsel**") satisfactory to such Indemnified Party (who shall not, except

with the consent of the Indemnified Party, be counsel to the indemnifying party), and after notice from the indemnifying party to such Indemnified Party of its election so to assume the defense thereof, the indemnifying party will not be liable to such Indemnified Party under this Section 10 for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof, other than reasonable costs of investigation, unless (i) the use of counsel (including local counsel) chosen by the indemnifying party to represent the Indemnified Party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the Indemnified Party and the indemnifying party and the Indemnified Party shall have reasonably concluded that there may be one or more legal defenses available to it and1or other Indemnified Party that are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party within a reasonable time after receipt by the indemnifying party of notice of the institution of such action, or (iv) the indemnifying party has authorized in writing the employment of counsel for the Indemnified Party at the expense of the indemnifying party; provided, however, that the indemnifying party shall not, in connection with any one such action or proceeding or separate but substantially similar actions or proceedings arising out of the same general allegations, be liable for the fees and expenses of more than one separate firm of attorneys in addition to the Chosen Counsel at any time for all Indemnified Parties hereunder. Upon assumption by the indemnifying party of the defense thereof, the Indemnified Party shall have the right to participate in such action or claim and to retain its own counsel but, except as set forth in clauses (i) through (iv) of the preceding sentence, the indemnifying party shall not be liable to such Indemnified Party for any legal fees and expenses of other counsel subsequently incurred by such Indemnified Party in connection with the defense thereof. Any such indemnifying party shall not be liable to any such Indemnified Party on account of any settlement of any claim or action effected without the consent of such indemnifying party, such consent not to be unreasonably withheld or delayed.

11. **Contribution**.

(a) If the indemnification provided for in Section 10 is for any reason unavailable to or insufficient to hold harmless an Indemnified Party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such Indemnified Party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Dealer Manager and the Soliciting Dealer, respectively, from the proceeds received in the Offering pursuant to this Agreement and the relevant Soliciting Dealer Agreement, or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, the Dealer Manager and the Soliciting Dealer, respectively, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

(b) The relative benefits received by the Company, the Dealer Manager and the Soliciting Dealer, respectively, in connection with the proceeds received in the Offering pursuant to this Agreement and the relevant Soliciting Dealer Agreement shall be deemed to be in the same respective proportion as the total net proceeds from the Offering pursuant to this Agreement and the relevant Soliciting Dealer Agreement (before deducting expenses), received by the Company, and the total selling commissions and Dealer Manager Fees received by the Dealer Manager and the Soliciting Dealer, respectively, in each case as set forth on the cover of the Prospectus bear to the aggregate offering price of the Preferred Shares sold in the Offering as set forth on such cover.

(c) The relative fault of the Company, the Dealer Manager and the Soliciting Dealer, respectively, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact related to information supplied by the Company, by the Dealer Manager or by the Soliciting Dealer, respectively, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Company, the Dealer Manager and the Soliciting Dealer (by virtue of entering into the Soliciting Dealer Agreement) agree that it would not be just and equitable if contribution pursuant to this Section

11 were determined by *pro rata* allocation or by any other method of allocation which does not take account of the equitable contributions referred to above in this Section 11. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an Indemnified Party and referred to above in this Section 11 shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission or alleged omission.

(e) Notwithstanding the provisions of this Section 11, the Dealer Manager and the Soliciting Dealer shall not be required to contribute any amount by which the total price at which the Preferred Shares sold in the Offering to the public by them exceeds the amount of any damages which the Dealer Manager and the Soliciting Dealer have otherwise been required to pay by reason of any untrue or alleged untrue statement or omission or alleged omission.

(f) No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Party who was not guilty of such fraudulent misrepresentation.

(g) For the purposes of this Section 11, the Dealer Manager's officers, directors, employees, members, partners, agents and representatives, and each Person, if any, who controls the Dealer Manager within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution of the Dealer Manager, and each officers, directors, employees, members, partners, agents and representatives of the Company, each officer of the Company who signed the Registration Statement and each Person, if any, who controls the Company, within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution of the Company. The Soliciting Dealers' respective obligations to contribute pursuant to this Section 11 are several in proportion to the number of Preferred Shares sold by each Soliciting Dealer in the Offering and not joint.

12. **Termination of this Agreement**.

(a) Term; Expiration. Unless sooner terminated by the Company pursuant to Section 12(b) or by the Dealer Manager pursuant to Section 12(c), this Agreement shall expire at the end of the Offering Period. The date upon which this Agreement shall have so expired or been terminated earlier shall be referred to as the "**Termination Date**". For the avoidance of doubt, from and after the occurrence of the Termination Date, the Company shall have the right to commence and undertake preparations to commence a public offering of Preferred Shares.

(b) Termination by the Company. This Agreement may be terminated by the Company:

(i) At any time for convenience, upon at least thirty (30) days' prior written notice to the Dealer Manager; or

(ii) Upon written notice of termination from the Company to the Dealer Manager if any of the following events shall occur:

(A) A Cause Event (as defined below);

(B) A court of competent jurisdiction enters a decree or order for relief in respect of the Dealer Manager in any involuntary case under the applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Dealer Manager or for any substantial part of its property or orders the winding up or liquidation of the Dealer Manager's affairs;

(C) The Dealer Manager commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Dealer Manager or for any substantial part of its property, or makes any general assignment for the benefit of creditors, or fails generally to pay its debts as they become due;

As used herein, a "**Cause Event**" means (1) fraud, criminal conduct or willful misconduct by or on the part of the Dealer Manager, (2) a representation or warranty made by the Dealer Manager herein shall prove to be untrue in any material respect, or (3) a default in the due performance or observance by the Dealer Manager of any covenant or agreement contained in this Agreement and such default shall continue unremedied for a period of thirty (30) days after written notice thereof to the Dealer Manager by the Company.

(c) Termination by Dealer Manager. This Agreement may be terminated by the Dealer Manager immediately upon written notice of termination from the Dealer Manager to the Company if any of the following events occur:

(i) A Good Reason Event (as defined below);

(ii) A court of competent jurisdiction enters a decree or order for relief in respect of the Company or any of its subsidiaries in any involuntary case under the applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or any of its subsidiaries or for any substantial part of its property or orders the winding up or liquidation of the Company's or any of its subsidiaries' affairs;

(iii) The Company or any of its subsidiaries commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or any of its subsidiaries or for any substantial part of their property, or makes any general assignment for the benefit of creditors, or fails generally to pay its debts as they become due;

(iv) A stop order suspending the effectiveness of the Registration Statement shall have been issued by the Commission and is not rescinded within 15 business days after the issuance thereof;

(v) There shall have occurred a Company MAE, whether or not in the ordinary course of business; or

(vi) A material action, suit, proceeding or investigation of the type referred to in Section 2(g) shall have occurred or arisen after the date of this Agreement.

As used herein, a "**Good Reason Event**" means (A) fraud, criminal conduct or willful misconduct by or on the part of the Company, (B) a representation or warranty made by the Company herein shall prove to be untrue in any material respect, or (C) a default in the due performance or observance by the Company of any covenant or agreement contained in this Agreement and such default shall continue unremedied for a period of thirty (30) days after written notice thereof to the Company by the Dealer Manager.

(d) Delivery of Records Upon Expiration or Early Termination. Upon the expiration or early termination of this Agreement for any reason, the Dealer Manager shall (i) promptly forward any and all funds, if any, in its possession which were received from investors for the sale of Preferred Shares for the deposit of investor funds, (ii) to the extent not previously provided to the Company, provide a list of all investors who have subscribed for or purchased shares and all broker-dealers with whom the Dealer Manager has entered into a Soliciting Dealer Agreement, (iii) notify Soliciting Dealers of such termination, and (iv) promptly deliver to the Company copies of any sales literature designed for use specifically for the Offering that it is then in the process

of preparing. Upon expiration or earlier termination of this Agreement, the Company shall pay to the Dealer Manager all compensation to which the Dealer Manager is then entitled under Section 5(d) at such time as such compensation becomes payable.

13. **Miscellaneous**.

(a) Survival. The following provisions of the Agreement shall survive the expiration or earlier termination of this Agreement: Section 8(g); Section 8(l); Section 9; Section 10; Section 11; Section 12; and Section 13. Notwithstanding anything else that may be to the contrary herein, the expiration or earlier termination of this Agreement shall not relieve a Party for liability for any breach occurring prior to such expiration or earlier termination. In no event shall the Dealer Manager be entitled to payment of any compensation in connection with the Offering, other than for completed sales of Preferred Shares pursuant to Section 5 hereof.

(b) Notices. All notices, consents, approvals, waivers or other communications (each, a "**Notice**") required or permitted hereunder, except as herein otherwise specifically provided, shall be in writing and shall be: (i) delivered personally or by commercial messenger; (ii) sent via a recognized overnight courier service; or (iii) sent by facsimile transmission, provided confirmation of receipt is received by sender and such Notice is sent or delivered contemporaneously by an additional method provided in this Section 13(b); in each case so long as such Notice is addressed to the intended recipient thereof as set forth below:

If to the Company:

CIM Commercial Trust Corporation
17950 Preston Road, Suite 600
Dallas, Texas 75252
Tel: (972) 349-3200
Fax: (972) 349-3269
Attention: Jan Salit 1 David Thompson

With a copy to

CIM Commercial Trust Corporation
c1o CIM Investment Advisors, LLC
4700 Wilshire Boulevard
Los Angeles, California 90010
Fax: (323) 860-4901
Attention: General Counsel
E-mail: generalcounsel@cimgroup.com

If to the Dealer Manager:

CCO Capital, LLC
2398 East Camelback Road, 4th Floor Phoenix, Arizona 85016
Attention: President

Any Party may change its address specified above by giving each Party a Notice of such change in accordance with this Section 13(b). Any Notice shall be deemed given upon actual receipt (or refusal of receipt).

(c) Successors and Assigns. No Party shall assign (voluntarily, by operation of law or otherwise) this Agreement or any right, interest or benefit under this Agreement without the prior written consent of each other Party. Subject to the foregoing, this Agreement shall be fully binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and assigns.

(d) Invalid Provision. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

(e) Applicable Law. This Agreement and any disputes relative to the interpretation or enforcement hereto shall be governed by and construed under the internal laws, as opposed to the conflicts of laws provisions, of the State of New York.

(f) WAIVER. EACH OF THE PARTIES HERETO WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THIS AGREEMENT. The parties hereto each hereby irrevocably submits to the exclusive jurisdiction of the courts of the State of New York and the Federal courts of the United States of America located in the Borough of Manhattan, New York City, in respect of the interpretation and enforcement of the terms of this Agreement, and in respect of the transactions contemplated hereby, and each hereby waives, and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts, and the parties hereto each hereby irrevocably agrees that all claims with respect to such action or proceeding shall be heard and determined in such a New York State or Federal court.

(g) Attorneys' Fees. If a dispute arises concerning the performance, meaning or interpretation of any provision of this Agreement or any document executed in connection with this Agreement, then the prevailing party in such dispute shall be awarded any and all costs and expenses incurred by the prevailing party in enforcing, defending or establishing its rights hereunder or thereunder, including, without limitation, court costs and attorneys and expert witness fees. In addition to the foregoing award of costs and fees, the prevailing party also shall be entitled to recover its attorneys' fees incurred in any post-judgment proceedings to collect or enforce any judgment.

(h) No Partnership. Nothing in this Agreement shall be construed or interpreted to constitute the Dealer Manager or the Soliciting Dealers as being in association with or in partnership with the Company or one another, and instead, this Agreement only shall constitute the Dealer Manager as a broker authorized by the Company to sell and to manage the sale by others of the Preferred Shares according to the terms set forth in the Registration Statement, the Prospectus or this Agreement. Nothing herein contained shall render the Dealer Manager or the Company liable for the obligations of any of the Soliciting Dealers or one another.

(i) Third Party Beneficiaries. Except for the Persons referred to in Section 10 and Section 11, there shall be no third party beneficiaries of this Agreement, and no provision of this Agreement is intended to be for the benefit of any Person not a Party, and no third party shall be deemed to be a beneficiary of any provision of this Agreement. Except for the Persons referred to in Section 10 and Section 11, no third party shall by virtue of any provision of this Agreement have a right of action or an enforceable remedy against any Party. Each of the Persons referred to in Section 10 and Section 11 shall be a third party beneficiary of this Agreement.

(j) Entire Agreement. This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and1or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing.

(k) Nonwaiver. The failure of any Party to insist upon or enforce strict performance by any other Party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as

a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provision or right in that or any other instance; rather, such provision or right shall be and remain in full force and effect.

(l) Access to Information. The Company may authorize the Company's transfer agent to provide information to the Dealer Manager and each Soliciting Dealer regarding recordholder information about the clients of such Soliciting Dealer who have invested with the Company on an on-going basis for so long as such Soliciting Dealer has a relationship with such clients. The Dealer Manager shall require in the Soliciting Dealer Agreement that Soliciting Dealers not disclose any password for a restricted website or portion of a restricted website provided to such Soliciting Dealer in connection with the Offering and not disclose to any Person, other than an officer, director, employee or agent of such Soliciting Dealers, any material downloaded from such a restricted website or portion of a restricted website.

(m) Counterparts. This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in counterpart copies, each of which shall be deemed an original but all of which together shall constitute one and the same instrument comprising this Agreement.

(n) Absence of Fiduciary Relationships. The Parties acknowledge and agree that (i) the Dealer Manager's responsibility to the Company and the Manager is solely contractual in nature, and (ii) the Dealer Manager does not owe the Company, the Manager, any of their respective affiliates or any other Person any fiduciary (or other similar) duty as a result of this Agreement or any of the transactions contemplated hereby.

(o) Dealer Manager Information. The Parties will expressly acknowledge and agree as to the information furnished to the Company by the Dealer Manager expressly for use in the Registration Statement.

(p) Promotion of Dealer Manager Relationship. The Company and the Dealer Manager shall not promote or advertise their relationship without the approval of the other Party in advance, provided that nothing in this Section 13(p) shall prevent or restrict the Company from making any disclosures required by securities laws, rules or regulations or applicable stock exchange rules or listing standards.

(q) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return it to us, whereupon this instrument will become a binding agreement between you and the Company in accordance with its terms.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have each duly executed this Amended and Restated Dealer Manager Agreement as of the date first set forth above.

CIM COMMERCIAL TRUST CORPORATION
By: /s/ David Thompson
Name: David Thompson
Title: Chief Executive Officer

CIM SERVICE PROVIDER, LLC
By: /s/ David Thompson
Name: David Thompson
Title: Chief Executive Officer

CCO Capital, LLC
By: /s/ Emily Vande Krol
Name: Emily Vande Krol
Title: President

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is made and entered into as of June 29, 2009, by and between **CIM/OAKLAND 1 KAISER PLAZA, LP**, a Delaware limited liability company ("Landlord") and **KAISER FOUNDATION HEALTH PLAN, INC.**, a California nonprofit public benefit corporation ("Tenant"), upon all the terms set forth in this Lease and in all Exhibits and Schedules hereto, to each and all of which terms Landlord and Tenant hereby mutually agree as follows:

RECITALS

A. Tenant occupies the Existing Premises (as defined below) pursuant to the Existing Lease (as defined below) between Tenant and Landlord. The term of the Existing Lease will expire on February 28, 2011.

B. Landlord and Tenant now desire to enter into this Lease for the purpose of demising to Tenant the Existing Premises, subject to reduction and increase, as provided in this Lease.

C. In consideration of these facts, the covenants herein below set forth and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant now enter into this Lease and agree to be bound hereby.

1. **Basic Lease Terms**

1.1 **Premises** The Existing Premises consist of approximately three hundred thirty-six thousand three hundred twenty-one (336,321) rentable square feet on either the entire or one or more portions of the following floors of the Building (as such term is defined in Section 1.2 of this Lease), and more particularly shown on the hatched area of Exhibits A-1 to A-21, respectively: 3rd, 4th, 5th, 6th, 8th, 10th, 12th, 13th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th and 27th, subject to Tenant's right to eliminate certain portions of the Existing Premises from this Lease prior to the Commencement Date as provided in Section 2, and during the Term as provided in Section 7. The Existing Premises, or so much of the Existing Premises that shall be leased by Tenant from time to time pursuant to the provisions of this Lease, shall be hereinafter referred to as the "Premises".

1.2 **Building** The Premises are contained in a twenty-seven (27) story building located at and known by the address as: The Ordway Building, One Kaiser Plaza, Oakland, California 94612 (the "Building"). The Building contains five hundred fifteen thousand seventy (515,070) rentable square feet.

1.3 **Site** The Building and the Premises are located at the Site (the "Site"), as more particularly described in the Site Plan annexed as Exhibit A-22 hereto, and the Legal Description annexed as Exhibit A-23 hereto.

1.4 **Commencement Date** March 1, 2011.

Approved by KP Legal on 7/3/09

1.5 **Expiration Date** February 29, 2016, except with respect to that portion of the Premises consisting of the 24th, 25th, 26th and 27th floors, with respect to which the Expiration Date shall be February 28, 2018.

1.6 **Term** The Term of this Lease is five (5) years, except with respect to that portion of the Premises consisting of the 24th, 25th, 26th and 27th floors, with respect to which the Term is seven (7) years, in each case, beginning on the "Commencement Date". There are also two (2) consecutive options to renew the Term of this Lease for five (5) years each. (See Section 8). Tenant may terminate this Lease as to portions of the Premises as provided in Sections 2 and 7.

1.7 **Base Rent** Base Rent for the Premises is set forth in Exhibit C, subject to adjustment by reason of Sections 2, 7 and 10.

1.8 **Rent Commencement** For the Low Rise Premises, the Rent Commencement Date shall be the first day of the fifth (5th) month of the Term. For the balance of the Premises, the Rent Commencement Date shall be the Commencement Date. In addition, Tenant shall be entitled to a credit against the Base Rent payable for the Low Rise Premises for the first four months of each of the second and third Lease Years and for the first five months of the fourth Lease Year.

1.9 **Rent Payment Address:** CIM/Oakland 1 Kaiser Plaza, LP
P.O. Box 49147
San Jose, California 95161-9340
Taxpayer I.D. No. 26-3081283

1.10 **Tenant's Pro Rata Share** means the percentage determined by dividing the Rentable Square Footage of the Premises (or the applicable portion thereof) by the Rentable Square Footage of the Building. As of the date of this Lease, (i) Tenant's Pro Rata Share for each portion of the Premises is set forth in Exhibit G and (ii) Landlord and Tenant agree that the Building contains 515,070 Rentable Square Feet.

1.11 **Base Year** The Base Year is calendar year 2011 (See Sections 11 and 12)

1.12 **Real Property Taxes** (See Section 11)

1.13 **Operating Costs** (See Section 12)

1.14 **Use** The Premises shall be used for general office use, assembly rooms and research facilities (but not as a laboratory) and for ancillary or related uses and no other use. (See Section 4)

1.15 **Notice Addresses**:

Landlord: CIM/Oakland 1 Kaiser Plaza, LP
6922 Hollywood Blvd
Ninth Floor
Los Angeles, CA 90028
Attention: General Counsel

With a copy to:

Fragner Seifert Pace & Winograd LLP
601 S. Figueroa Street, Suite 2320
Los Angeles, California 90017
Attention: Terry Pace

Tenant: Kaiser Foundation Health Plan, Inc.
Real Estate Department
1800 Harrison, 25th Floor
Oakland, CA 94612
Attention: Lease Administration

with a copy to:

Kaiser Foundation Health Plan, Inc.
1800 Harrison Street, 19th Floor
Oakland, CA 94612
Attention: Indrajit Obeysekere, Esq.

1.16 **Brokers** (see Section 42)

For Landlord: Colliers International
1999 Harrison Street
Suite 1750
Oakland, CA 94612

Brandywine Properties I Limited, Inc.
2101 Webster St., Suite 1600
Oakland, CA 94612
Attention: Chris Donohoe

For Tenant (and hereinafter referred to as "Tenant's Broker"): Jones Lang LaSalle Americas
One Front Street, Suite 300
San Francisco, CA 94111
Attention: Brian Woods

1.17 **Operating Hours** Operating Hours shall be the hours of 7 a.m. to 6 p.m. Monday through Friday, except on the Building Holidays set forth in Exhibit L; provided, however, that Tenant may, upon at least three (3) Business Days written notice to Landlord, which notice(s) may be delivered from time to time during the Term of this Lease, extend Operating Hours to include the hours of 8 a.m. to noon on Saturdays (except any such Saturdays that may be Building Holidays). (Section 20.2) In the event that Tenant so elects to extend Operating Hours,

then such Saturday hours shall be considered Operating Hours until such time as Tenant shall notify Landlord that Tenant no longer requires such extended hours. For so long as Tenant shall require such extended Operating Hours, from time to time, Tenant shall pay to Landlord as additional rent, the actual out-of-pocket cost incurred by Landlord, on a marginal basis, without markup for profit or overhead, to provide such Saturday hours, which as of the date of this Lease, is $1230.77 per Saturday for all Building services, except for the janitorial service specified on Exhibit J. In the event that Tenant elects to extend Operating Hours to include Saturdays, then Tenant may, upon at least three (3) Business Days prior notice to Landlord, elect to have Landlord supply janitorial service to the Premises as specified in Exhibit J for any Saturday included in Operating Hours. For any Saturday that Tenant elects to have Landlord provide janitorial services to the Premises, Tenant shall pay to Landlord as additional rent, the actual out-of-pocket cost incurred by Landlord, on a marginal basis, without markup for profit or overhead, to provide such services. Tenant shall reimburse Landlord for such costs on a monthly basis.

1.18 **Parking Spaces** Tenant shall have the nonexclusive right to use at least one (1) parking space per 1,000 square feet of rentable square footage in the Premises. The location of such parking spaces is specified in Exhibit E.

1.19 **Tenant Improvement Allowance** The Tenant Improvement Allowance is either Fifteen Dollars ($15.00) or Thirty Dollars ($30.00) per rentable square foot of the Premises, as set forth in Section 15. The Tenant Improvement Allowance includes the Additional Allowance (as defined in Section 15.1) where the context of this Lease so requires.

1.20 **Low Rise Premises** The Low Rise Premises shall mean that portion of the Premises located on the third (3rd) through and including the thirteenth (13th) floors of the Building and, if leased by Tenant pursuant to this Lease, the ground floor, the second (2nd) floor, the seventh (7th) floor, the ninth (9th) floor, the eleventh (11th) floor and the fourteenth (14th) floor of the Building.

1.21 **Mid Rise Premises** The Mid Rise Premises shall mean that portion of the Premises located on the fifteenth (15th) through and including the twenty-third (23rd) floors of the Building.

1.22 **High Rise Premises** The High Rise Premises shall mean that portion of the Premises located on the twenty-fourth (24th) through and including the twenty-seventh (27th) floors of the Building.

1.23 **Lease Exhibits** The Exhibits listed below are attached to and made a part of this Lease.

A-1 – A-21	The Premises
A-22	Site Plan
A-23	Legal Description
B	Superior Interests
C	Base Rent
D	Confirmation of Lease Terms
E	Parking Facilities

F-1	Memorandum of Lease
F-2	Discharge of Memorandum of Lease
G	Tenant's Pro Rata Share
H	Intentionally Deleted
I	Estoppel Certificate
J	Minimum Janitorial Service
K	Rules and Regulations
L	Building Holidays
M	Prohibited Uses
N	Intentionally Deleted
O	Categories of Operating Costs
P	Space for Premises Generator
Q	HVAC Performance Specifications
R	Terms and Conditions for Tenant Improvement Work
S	ACM Work
T	Competitors of Tenant
U	Building Elevators Performance Specifications
V	Confidentiality Agreement

1.24 **Glossary of Defined Terms**

"AAA" shall have the meaning set forth in Section 8.4.

"ACM" shall have the meaning set forth in Section 15.2.

"ACM Floor" shall have the meaning set forth in Section 15.2.

"ACM Notice" shall have the meaning set forth in Section 15.2.

"ACM/Tenant Improvement Work Notice" shall have the meaning set forth in Section 15.3.

"ADA" shall have the meaning set forth in Section 19.

"Affiliate" shall have the meaning set forth in Section 24.2(a).

"antennae systems" shall have the meaning set forth in Section 16.1.

"Anticipated Availability Date" shall have the meaning set forth in Section 10.2(a).

"Applicable Rate" shall have the meaning set forth in Section 15.1(d).

"Available" shall have the meaning set forth in Section 10.1.

"Base Rent" shall have the meaning set forth in Sections 1.7 and 9.1.

"Base Year" shall have the meaning set forth in Section 1.11.

"Baseball Arbitrator" shall have the meaning set forth in Section 8.4.

"Block of Space" shall have the meaning set forth in Section 8.2.

"Bonus Rent" shall have the meaning set forth in Section 24.5.

"Brokers" shall have the meaning set forth in Section 1.16.

"**Building**" shall have the meaning set forth in Section 1.2.

"Business Day" or **"Business Days"** shall have the meaning set forth in Section 47.

"change in ownership" shall have the meaning set forth in Section 11.5.

"**Commencement Date"** shall have the meaning set forth in Section 1.4.

"Common Areas" shall have the meaning set forth in Section 3.

"Completion Date" shall have the meaning set forth in Section 15.5.

"**Construction Period**" shall have the meaning specified in Section 15.4.

"Contraction Notice" shall have the meaning set forth in Section 7.1.

"Contraction Option" shall have the meaning set forth in Section 7.1.

"Contraction Payment" shall have the meaning set forth in Section 7.1.

"Contraction Space" shall have the meaning set forth in Section 7.1.

"Contraction Space Termination Date" shall have the meaning set forth in Section 7.1.

"control" shall have the meaning set forth in Section 24.2(a).

"day" shall have the meaning set forth in Section 47.

"emergency" shall have the meaning set forth in Section 21.4.

"Existing Lease" shall have the meaning set forth in Section 6.1.

"Existing Rights" shall have the meaning set forth in Section 10.1.

"Expiration Date" shall have the meaning set forth in Section 1.5.

"Fair Market Value" shall have the meaning set forth in Section 8.1.

"First Renewal Option" shall have the meaning set forth in Section 8.2.

"First Renewal Term" shall have the meaning set forth in Section 8.2.

"First Renewal Term Expiration Date" shall have the meaning set forth in Section 8.2.

"Fixed Costs" shall have the meaning set forth in Section 12.5.

"Force Majeure" shall mean acts of God, casualty, strikes or labor troubles, accident, acts of war, terrorism, bioterrorism (*i.e.*, the release or threatened release of an airborne agent that may adversely affect the Building or its occupants), governmental preemption in connection with an emergency, "Laws" (as defined in Section 5.09 below), conditions of supply and demand which have been or are affected by war, terrorism, bioterrorism or other emergency, or any other cause, beyond Landlord's or Tenant's reasonable control; *provided, however,* that (i) in no event shall an inability to obtain financing or to obtain funds or make any payment(s) under this Lease be deemed a Force Majeure and (ii) the party whose obligation under this Lease is affected by a Force Majeure and (ii) the party whose obligation under this Lease is affected by a Force Majeure shall give a notice to the other party as promptly as practicable after learning of its inability to perform its obligation under this Lease, which notice shall identify the reasons for such party's inability to perform with reasonable specificity, and *provided further* that each party, to the extent practicable, shall use commercially reasonable efforts to mitigate the delay caused by any event of Force Majeure; *provided* that each party, as most practicable, shall not be required to perform any work on an overtime or premium basis in order to minimize the effect on the other party of the event of Force Majeure; and, therefore, if this Lease specifies a time period for performance of an obligation by either party, such time period shall be extended one day for each day of delay occasioned by reason of an event of Force Majeure.

"GAAP" shall have the meaning set forth in Section 12.1.

"Hazardous Materials" shall have the meaning set forth in Section 18.1.

"High Rise Premises" shall have the meaning set forth in Section 1.22.

"Landlord's Determination" shall have the meaning set forth in Section 8.3.

"Landlord's ROFO Determination" shall have the meaning set forth in Section 10.2(a).

"**Landlord**" shall have the meaning set forth in the first introductory paragraph.

"Laws" shall have the meaning set forth in Section 19.

"Lease Year" shall have the meaning set forth in Section 7.1.

"**Lease**" shall have the meaning set forth in the first introductory paragraph.

"**Low Rise Premises**" shall have the meaning set forth in Section 1.20.

"**Mid Rise Premises**" shall have the meaning set forth in Section 1.21.

"**Monument Sign**" shall have the meaning set forth in Section 70.4.

"**Operating Costs**" shall have the meaning set forth in Sections 1.13 and 12.1.

"**Operating Hours**" shall have the meaning set forth in Section 1.17.

"**Outside Completion Date**" shall have the meaning set forth in Section 15.5(b).

"**Premises**" shall have the meaning set forth in Section 1.1.

"**Parking Facilities**" shall have the meaning set forth in Section 17.1.

"**Parking Spaces**" shall have the meaning set forth in Sections 1.18 and 17.

"**Prentiss**" shall have the meaning set forth in Section 6.1.

"**Proposal**" shall have the meaning set forth in Section 10.3(a).

"**Real Property Taxes**" shall have the meaning set forth in Sections 1.12 and 11.1.

"**Reduction Notice**" shall have the meaning set forth in Section 2.2.

"**Reduction Option**" shall have the meaning set forth in Section 2.2.

"**Relinquished Space**" shall have the meaning set forth in Section 2.2.

"**Renewal Notice**" shall have the meaning set forth in Section 8.2.

"**Renewal Option(s)**"shall have the meaning set forth in Section 8.2.

"**Renewal Term(s)**" shall have the meaning set forth in Section 8.2.

"**Rent**" shall have the meaning set forth in Section 9.1.

"**Rent Commencement Date**" shall have the meaning set forth in Section 1.8.

"**ROFO Acceptance Notice**" shall have the meaning set forth in Section 10.2(b).

"**ROFO Notice**" shall have the meaning set forth in Section 10.2(a).

"**ROFO Space**," "**such ROFO Space**," and "**applicable ROFO Space**" shall have the meaning set forth in Section 10.1.

"**ROFO Space Inclusion Date**" shall have the meaning set forth in Section 10.2(c).

"**ROFO Space Option**" shall have the meaning set forth in Section 10.2(b).

"**ROFR Space** "shall have the meaning set forth in Section 10.1.

"**ROFR Space Commencement Date**" shall have the meaning set forth in Section 10.10.

"**ROFR Space Option**" shall have the meaning set forth in Section 10.3(a).

"**Rules and Regulations**" shall have the meaning set forth in Section 19.

"**Second Renewal Option**" shall have the meaning set forth in Section 8.2.

"**Second Renewal Term**" shall have the meaning set forth in Section 8.2.

"**Site**" shall have the meaning set forth in Section 1.3.

"**Tenant**" shall have the meaning set forth in the first introductory paragraph.

"**Tenant Improvement Allowance**" shall have the meaning set forth in Sections 1.19 and 15.1(a).

"**Tenant Improvement Work**" shall have the meaning set forth in Section 15.3.

"**Tenant Improvements**" any leasehold improvements made by or on behalf of Tenant pursuant to Section 15.

"**Tenant's Determination**" shall have the meaning set forth in Section 8.3.

"**Tenant's Pro Rata Share**" shall have the meaning set forth in Section 1.10.

"**Tenant's ROFO Determination**" shall have the meaning set forth in Section 10.2(b).

"**Term**" shall have the meaning set forth in Sections 1.6 and 5.

"**Turnover Date**" shall have the meaning set forth in Section 15.2.

"**Use**" shall have the meaning set forth in Section 1.14 and 4.

"**Variable Components**" shall have the meaning set forth in Section 12.6.

"**Warm Shell**" shall have the meaning set forth in Section 15.2.

"**worth at the time of the award**" shall have the meaning set forth in Section 35.2.

1.25 **Lease Controls** If there is any conflict between the Basic Lease Terms and the remaining provisions of this Lease, the remaining provisions of this Lease shall control.

2. The Premises; Reduction Option

2.1 Subject to the provisions of this Section 2, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises.

2.2 Tenant has the option (the "Reduction Option") to terminate this Lease, effective as of the Commencement Date, with respect to, and relinquish, all or a portion of the Premises located in the Low Rise Premises (the portion of the Low Rise Premises so relinquished

hereinafter referred to as the "Relinquished Space"), which Tenant may exercise by written notice to Landlord (the "Reduction Notice") given no later than February 28, 2010 specifying the location and rentable square footage of the Relinquished Space. The Reduction Option is in addition to the Contraction Option provided in Section 7.

2.3 If Tenant exercises the Reduction Option, then, as of the Commencement Date (i) the Relinquished Space shall not be a part of the Premises, (ii) the Base Rent shall be decreased by the product of (w) the Base Rent per rentable square foot of the Relinquished Space and (x) the rentable square footage of the Relinquished Space, and (iii) Tenant's Pro Rata Share shall be reduced proportionately, measured on the basis provided in this Lease. After request of either party, Landlord and Tenant shall promptly execute an amendment to this Lease confirming the decreased rentable square footage of the Premises, the Base Rent, and Tenant's Pro Rata Share, but their failure to so enter into any such amendment shall not affect the validity of Tenant's exercise of the Reduction Option. No fee, penalty or other payment shall be due Landlord if Tenant shall exercise the Reduction Option.

2.4 Tenant shall surrender possession of the Relinquished Space to Landlord in its then "as is" condition but in good order, broom clean and with all of Tenant's personal property removed. Tenant shall have no restoration obligation with respect to the Relinquished Space.

3. Common Areas; Emergency Stairwell

The Premises shall include the appurtenant right to use, in common with others, lobbies, conference rooms, restrooms, entrances, loading docks, ramps, stairs, elevators, drives, roadways, walkways, sidewalks, trash areas and other public areas and facilities outside the Premises that are provided and designated by Landlord from time to time for the general use and convenience of Tenant and of other tenants of the Building and their respective authorized representatives, employees, invitees, licensees and other visitors ("Common Areas"). Landlord shall not alter the Common Areas in a way which interferes by more than a de minimis amount with the normal conduct of Tenant's business or in any other manner that may adversely affect any of Tenant's rights under this Lease. Without limiting the generality of the foregoing, Tenant shall have the right to use the emergency stairwell in the Building for access between floors comprising the Premises at all times during the Term, provided (a) Tenant does not impede the use of such stairwell, and (b) Tenant at its sole cost shall install a keycard or similar system to control access to such stairwell.

4. Use

Tenant may use the Premises for the purposes specified in Section 1.14. Tenant shall not use the Premises for any other purpose without Landlord's consent, which consent shall not be unreasonably withheld, conditioned or delayed if such other purpose is consistent with the use made by other tenants in the Building. In no event shall any portion of the Premises be used as a laboratory.

5. **Term**

The Term of this Lease is for the number of years and months specified in Section 1.6 beginning on the Commencement Date, unless sooner terminated or extended under the terms of this Lease.

6. **Existing Lease; Effect of this Lease**

6.1 Landlord and Tenant are parties to an existing lease dated March 31, 1999, between Prentiss Properties Acquisition Partners, L.P. ("Prentiss"), predecessor-in-interest to Landlord, and Tenant, as amended by (i) First Amendment to Lease dated as of March 31, 2000, between Prentiss and Tenant, (ii) First Amendment to Amended and Restated Lease and Second Amendment to the New Lease dated as of January 9, 2001, between Prentiss and Tenant, (iii) Third Amendment to Lease dated as of November 30, 2001, between Prentiss and Tenant and (iv) Fourth Amendment to Lease dated as of May 24, 2006, between Brandywine Ordway, LLC, predecessor-in-interest to Landlord, and Tenant (as so amended, the "Existing Lease"). Landlord and Tenant acknowledge that, as of the end of the day preceding the Commencement Date, the Existing Lease shall expire and shall be of no further force and effect and shall be superseded in all respects by this Lease, except for those rights and obligations of Landlord and Tenant that survive the expiration or termination of the Existing Lease, including but not limited to Tenant's obligation to pay operating expense reconciliations and Landlord's obligation to make any refunds thereof to Tenant. In no event shall the expiration of the Existing Lease relieve Landlord or Tenant from liability for any defaults on either party's part that may exist under the Existing Lease.

6.2 Notwithstanding the fact that the Term of this Lease shall not commence until the Commencement Date, Landlord and Tenant agree that the following provisions of this Lease shall apply as of the date of this Lease with the same force and effect as if the Commencement Date had occurred and such provisions of this Lease shall supersede the provisions of the Existing Lease with respect to the exercise of the rights contained in such provisions and the space in the Building leased pursuant thereto: Sections 2, 10, 15, 16, 17, 69 and 70. In addition, the provisions of Article 42 are effective as of the date of this Lease.

7. **Contraction Option**

7.1 From and after the Commencement Date, Tenant shall have the continuing right (the "Contraction Option"), which it may exercise from time to time, to terminate this Lease with respect to portions of the Premises, provided that it may not terminate this Lease pursuant to such right with respect to more than one hundred thousand (100,000) rentable square feet in the aggregate (each such terminated portion of the Premises shall hereinafter be referred to as "Contraction Space"), effective as of any date (each such date shall hereinafter be referred to as a "Contraction Space Termination Date"), specified by Tenant in a notice (a "Contraction Notice") given to Landlord at least twelve (12) months prior to the applicable Contraction Space Termination Date. The Contraction Notice shall also specify the location and rentable square footage of the Contraction Space. If the Contraction Space consists of less than an entire floor, Tenant shall pay for the cost of performing any work necessary to separate the Contraction Space from the balance of the Premises. On or before the Contraction Space Termination Date, Tenant

shall pay Landlord an amount (the "Contraction Payment") equal to (y) the proportionate share, attributable to the Contraction Space, of the then unamortized Tenant Improvement Allowance paid by Landlord to Tenant or the unamortized cost of the Tenant Improvement Work (as hereinafter defined) performed by Landlord at its cost on behalf of Tenant, as applicable, and any brokerage commissions paid by Landlord in respect of the Term of this Lease for such Contraction Space (which amounts shall be amortized on a straight line basis over the initial Term for such Contraction Space), at an annual interest rate of 8% plus (z) the sum of one (1) month's Base Rent payable for such Contraction Space, computed at the rates of Base Rent payable for each remaining year of the originally scheduled Term for the Contraction Space, for each Lease Year (and prorated for a partial year) remaining in the Term of this Lease for the Contraction Space after the Contraction Space Termination Date. At Tenant's request, Landlord shall furnish Tenant with the amounts incurred by Landlord for the costs described in clause (y) above. As used in this Section 7, the proportionate share attributable to the Contraction Space of the Tenant Improvement Allowance paid by Landlord or cost of Tenant Improvement Work performed by Landlord shall mean the sum derived by multiplying the rentable square footage of the Contraction Space by a fraction, the numerator of which is the sum of the Tenant Improvement Allowance and cost of Tenant Improvement Work paid by Landlord as of the Contraction Space Termination Date, and the denominator of which is the total square footage of the Premises under lease by Tenant immediately prior to the Contraction Termination Date.

A "Lease Year" shall mean the twelve month period beginning on the Commencement Date and each twelve month period thereafter.

7.2 Upon the Contraction Space Termination Date, this Lease shall expire as if such date were the Expiration Date with respect to the Contraction Space. Effective on the later of (A) the Contraction Space Termination Date, or (B) the date Tenant surrenders possession of the Contraction Space to Landlord in the condition required by Section 7.3, (i) the Base Rent shall be decreased by the product of (w) the Base Rent per rentable square foot applicable to the Contraction Space and (x) the rentable square footage of the Contraction Space, and (ii) Tenant's Pro Rata Share shall be reduced proportionately, measured on the basis provided in this Lease. At the request of either party, Landlord and Tenant shall promptly execute an amendment to this Lease confirming the decreased rentable square footage of the Premises, the Base Rent, and Tenant's Pro Rata Share, but their failure to so enter into any such amendment shall not affect the validity of Tenant's exercise of the Contraction Option referred to above.

7.3 Tenant shall surrender possession of the Contraction Space to Landlord in good order, repair and condition, except for ordinary wear and tear and casualty, free of all tenancies and occupancies, with all personal property, trade fixtures and equipment of Tenant (including Tenant's data/telecom infrastructure and cabling within the Contraction Space) removed therefrom and with any damage caused by such removal repaired. Notwithstanding any provision to the contrary contained in this Lease, Tenant shall have no obligation to restore the Premises to their condition at the Commencement Date.

8. **Options to Renew**

8.1 For purposes of this Section 8, and Section 10, "Fair Market Value" shall mean the rental rate determined at the applicable times set forth (i) in this Section 8 with respect to a

Renewal Term and (ii) in Section 10 with respect to ROFO Space, for vacant space in buildings located in the downtown Oakland submarket in the Bay Area, of comparable quality and age of the Building for tenants leasing space containing rentable square footage comparable to the rentable square footage in the relevant transaction. Fair Market Value shall include all relevant factors, whether favorable to Landlord or Tenant.

8.2 Provided that at the time of the exercise of each Renewal Option (as hereinafter defined), this Lease shall be in full force and effect, Tenant shall have two options to extend the Term of this Lease (as applicable, the "First Renewal Option" and the "Second Renewal Option"; collectively, the "Renewal Option(s)"), each for a period of five (5) years (as applicable, the "First Renewal Term" and the "Second Renewal Term"; collectively, the "Renewal Term(s)"). A Renewal Option may be exercised only with respect to the entire Block of Space. As used herein, a "Block of Space" shall mean all portions of the Premises sharing the same Expiration Date. If Tenant sends a Renewal Notice but fails to specify which Block of Space the Renewal Option covers, it shall be deemed to cover only the Block of Space the Term of which expires first. The First Renewal Term shall commence on the day following the Expiration Date and the Second Renewal Term shall commence on the day following the last day of the First Renewal Term (the "First Renewal Term Expiration Date"), in each case applicable to the Block of Space in question. The Renewal Options shall be exercisable by written notice (in any of such cases, a "Renewal Notice") to Landlord given not later than twelve (12) months prior to the applicable Expiration Date (with respect to the First Renewal Option) or twelve (12) months prior to the applicable First Renewal Term Expiration Date (with respect to the Second Renewal Option). The Renewal Terms shall constitute an extension of the Term of this Lease and shall be upon all of the same terms and conditions as the existing Term, except that (A) during the First Renewal Term there shall be no further option to renew the Term of this Lease with respect to a particular Block of Space, except for the Second Renewal Option, (B) during the Second Renewal Term there shall be no further option to renew the Term of this Lease with respect to such Block of Space, (C) Landlord shall not be required to furnish any materials or perform any work to prepare the Block of Space for Tenant's continued occupancy during either Renewal Term and Landlord shall not be required to reimburse Tenant for any Alterations made or to be made by Tenant during or in preparation of either Renewal Term, and (D) the Base Rent for the Renewal Term shall be payable at a rate per annum equal to the greater of (x) ninety-five (95%) percent of the Fair Market Value of the floors with respect to which the Renewal Option was exercised as of the date which is six months prior to the first day of the applicable Renewal Term and (y) the Base Rent payable by Tenant for such floors for the year immediately preceding the commencement of the applicable Renewal Term. During the Renewal Terms, Tenant shall continue to pay Operating Costs under Section 12 of this Lease.

8.3 If Tenant has given the Renewal Notice in accordance with Section 8.2, the parties shall endeavor to agree upon the Fair Market Value of the floors with respect to which the Renewal Option was exercised, as of the date which is six (6) months prior to the commencement date of the applicable Renewal Term. In the event that the parties are unable to agree upon the Fair Market Value for the applicable Renewal Term within six months prior to the first day of such Renewal Term, then the same shall be determined as follows. Landlord shall notify Tenant of Landlord's good faith determination of the Fair Market Value ("Landlord's Determination"). Within 30 days after Landlord shall have given Tenant Landlord's Determination, Tenant shall notify Landlord whether Tenant disputes Landlord's

Determination and, if Tenant disputes Landlord's Determination, Tenant shall set forth in such notice Tenant's good faith determination of the Fair Market Value for the applicable Renewal Term ("Tenant's Determination").

8.4 If Tenant disputes Landlord's Determination and Landlord and Tenant fail to agree as to the amount thereof within thirty (30) days after the giving of Tenant's Determination, then the dispute shall be resolved by arbitration as set forth below. If the dispute shall not have been resolved on or before the first day of the applicable Renewal Term, then pending such resolution, Tenant shall pay, as Base Rent for the floors with respect to which the Renewal Option was exercised for the applicable Renewal Term, an amount equal to 95% of the average of Landlord's Determination and Tenant's Determination, which amount shall be reconciled promptly after the determination of Fair Market Value. Any dispute as to Fair Market Value shall be determined as follows:

(a) An MAI appraiser (the "Baseball Arbitrator") shall be selected and paid for jointly by Landlord and Tenant. If Landlord and Tenant are unable to agree upon the Baseball Arbitrator, then the same shall be designated by the American Arbitration Association ("AAA"). The Baseball Arbitrator selected by the parties or designated by the AAA shall not have been employed by Landlord or Tenant during the previous five year period and shall have at least ten years experience in the appraisal of office space in the Lake Merritt submarket in the Bay Area comparable in size, location and quality to the floors with respect to which the Renewal Option was exercised. The Baseball Arbitrator shall determine which of Landlord's Determination and Tenant's Determination more closely represents the Fair Market Value for the floors with respect to which the Renewal Option was exercised for the applicable Renewal Term, taking into account the definition of Fair Market Value, as set forth in this Lease. The Baseball Arbitrator may not select any other rental value for the applicable Renewal Term. The determination of the Baseball Arbitrator shall be binding upon Landlord and Tenant and shall serve as the basis for the Base Rent payable for the applicable Renewal Term for the floors with respect to which the Renewal Option was exercised. After a determination has been made of the Fair Market Value, the parties shall execute and deliver an instrument setting forth the Base Rent for such floors for the applicable Renewal Term, but the failure to so execute and deliver any such instrument shall not affect the determination of such Base Rent in accordance with this Section 8.

(b) Landlord and Tenant agree to, and hereby do: (i) waive any and all rights either of them at any time may have to revoke their agreement hereunder to submit to arbitration; (ii) consent to the entry of judgment in any court upon any award rendered in any arbitration held pursuant to this Section 8; (iii) acknowledge that any award rendered in any arbitration held pursuant to this Section 8, whether or not such award has been entered for judgment, shall be final and binding upon Landlord and Tenant.

9. Rent

9.1 During the Term of this Lease (but subject to the provisions of Section 1.8 of this Lease), Tenant shall pay to Landlord without prior notice or demand, except as otherwise expressly provided in this Lease, Base Rent in the amount specified in Section 1.7 and Exhibit C ("Base Rent"), payable in lawful money of the United States in advance on or before the first

(1st) day of each calendar month during the term beginning on the Rent Commencement Date. "Rent" includes Base Rent and any additional rent payable under this Lease, such as payments of Tenant's Pro Rata Share of Operating Costs.

9.2 Rent for any period during the term which is less than one (1) month shall be prorated based on the actual number of days in that month. Rent shall be paid to Landlord at the address specified in Section 1.9 or at such other place as Landlord may from time to time designate in writing.

10. Right of First Offer; Right of First Refusal

10.1 As used herein,

"Available" means, as to any space, that such space contains more than 5,000 rentable square feet, and is vacant and free of any present or future possessory right or option ("Existing Rights") existing as of the date of this Lease in favor of any third party, subject to the provisions of Section 10.2(f); provided, however, the space shall be deemed to be subject to any particular Existing Right only for so long as the holder of such Existing Right then has the right to exercise such Existing Right in accordance with its lease governing such Existing Right as the same exists on the date hereof. With respect to tenants occupying a space, Existing Rights shall include any renewal to the existing tenant, provided that such tenant has an express renewal right contained in its lease. Landlord, concurrently with the execution and delivery of this Lease, shall deliver to Tenant's real estate manager, (currently Matthew Harrison) and Tenant's internal real estate counsel (currently Steven Doshay), a schedule setting forth all of the Existing Rights, along with the expiration date of the lease of each tenant in the Building and the location of the space covered by such lease. At Tenant's request, made not more than once in any twelve (12) month period, Landlord shall promptly provide Tenant with an updated schedule of Existing Rights.

"ROFO Space" means any office space in the Building that is (A) leased to a third party as of the date of this Lease; or (B) any ROFR Space (as hereinafter defined) as of the date of this Lease, but not until such ROFR Space is initially leased to a third party. The parties agree that as hereafter used the terms "ROFO Space", "such ROFO Space" and "applicable ROFO Space", where the context so requires, shall refer to the particular portion of the entire ROFO Space that is set forth in the applicable ROFO Notice.

"ROFR Space" means any office space in the Building that (A) is vacant as of the date of this Lease and is not leased within twelve months from the date of this Lease; (B) was leased to Tenant pursuant to this Lease but that was surrendered to Landlord by Tenant's exercise of the Reduction Option or the Contraction Option and that is not leased within twelve (12) months after the date Tenant surrendered such space to Landlord; (C) is ROFO Space for which Tenant failed to timely give a ROFO Acceptance Notice and that is not leased for a period of twelve (12) months after the date Tenant's ROFO Acceptance Notice was due; or (D) is ROFR Space for which Tenant has failed to timely exercise its ROFR and that is not leased for six (6) months after the date ROFR acceptance was due. The parties agree that as hereafter used the terms "ROFR Space", "such ROFR Space" and "applicable ROFR Space", where the context so requires, shall refer to the particular portion of the entire ROFR Space that is set forth in the applicable Proposal.

10.2 (a) Provided that this Lease shall be in full force and effect, if as and when, from time to time during the Term, all or any portion of the ROFO Space becomes, or Landlord becomes aware that all or any portion of the ROFO Space will become, Available, then Landlord shall give Tenant notice (a "ROFO Notice") thereof, specifying (A) Landlord's good faith determination of the Fair Market Value (as defined in Section 8 of this Lease) for such ROFO Space ("Landlord's ROFO Determination"), (B) the date or estimated date that such ROFO Space has or shall become Available (the "Anticipated Availability Date"), which Anticipated Availability Date shall be not more than nine (9) months after the date of the ROFO Notice, and (C) a description of such ROFO Space. Promptly after the delivery of any ROFO Notice, Landlord shall give Tenant and its representatives reasonable access to the applicable ROFO Space for the purpose of inspecting the same and taking measurements, but subject to the rights of any occupant of such ROFO Space. Landlord may not give a ROFO Notice more than nine (9) months in advance of the Anticipated Availability Date. In the event that the ROFO Space consists of one or more entire floors of the Building or the balance of a floor already leased to Tenant, Landlord's ROFO Determination shall consist of two determinations of Fair Market Value: the first shall be Landlord's determination of Fair Market Value if Tenant elects to take delivery of the ROFO Space in its "as-is" condition, and the second shall be Landlord's determination of Fair Market Value if Tenant elects to have Landlord perform the work described in Section 15.2 of this Lease as if such ROFO Space were an ACM Floor which may or may not include Landlord performing the Tenant Improvement Work referred to therein, in order to make such ROFO Space ready for Tenant's use or occupancy.

(b) Provided that, on the date that Tenant exercises a ROFO Space Option (as hereinafter defined) and on the applicable ROFO Space Inclusion Date (as hereinafter defined), this Lease shall be in full force and effect, Tenant shall have a continuing option with respect to each portion of the ROFO Space covered by a ROFO Notice (a "ROFO Space Option"), exercisable by notice (a "ROFO Acceptance Notice") given to Landlord on or before the date that is forty-five (45) days after the giving of such ROFO Notice, to include such ROFO Space in the Premises for a term ending on the Expiration Date of this Lease with respect to the Block of Space in which such ROFO Space is located. Tenant shall notify Landlord in its ROFO Acceptance Notice whether Tenant accepts or disputes Landlord's ROFO Determination, and if Tenant disputes Landlord's ROFO Determination, the ROFO Acceptance Notice shall set forth Tenant's good faith determination of the Fair Market Value for such ROFO Space ("Tenant's ROFO Determination"). If the ROFO Space consists one or more entire floors of the Building or the balance of a floor of the Building already leased to Tenant such that Tenant leases the entire floor, then Tenant's ROFO Acceptance Notice shall also specify whether Tenant wants Landlord to perform the ACM Work described in Section 15.2 of this Lease as if such ROFO Space were an ACM Floor, which may or may not include Landlord performing the Tenant Improvement Work referred to therein. If Tenant fails to specify in its ROFO Acceptance Notice that it wants Landlord to perform ACM Work on the applicable ROFO Space, Tenant shall be deemed to have elected to have Landlord deliver the ROFO Space without performing the ACM Work. If Tenant elected to have Landlord perform the ACM Work and/or perform the Tenant Improvement Work on the ROFO Space, then Landlord shall perform such work pursuant to Section 15.2 and if Tenant shall have elected that Landlord perform only the ACM Work, Landlord shall provide to Tenant the $15.00 per rentable square foot Tenant Improvement Allowance and the $15.00 per rentable square foot Additional Allowance described in Section 15.1 for such ROFO Space.

(c) If Tenant timely delivers a ROFO Acceptance Notice, then, on the ROFO Space Inclusion Date, such ROFO Space shall become part of the Premises, upon all of the terms and conditions set forth in this Lease, except (i) the Base Rent for the ROFO Space shall be equal to the Fair Market Value as of the ROFO Space Inclusion Date, and (ii) Tenant's Pro Rata Share shall be increased to a percentage equal to Tenant's Pro Rata Share (as the same may have been previously increased or decreased) plus a fraction, the numerator of which is the number of rentable square feet in such ROFO Space (measured on the basis provided in this Lease) and the denominator of which is 515,070. As used herein, the "ROFO Space Inclusion Date" shall mean (i) the date on which Landlord delivers vacant and broom-clean possession of the applicable ROFO Space to Tenant, or (ii) if Tenant elects to have Landlord perform ACM Work or the ACM Work and Tenant Improvements in such ROFO Space, the date on which the ROFO Space is delivered to Tenant with the ACM Work or the ACM Work and Tenant Improvements in such ROFO Space substantially completed in accordance with Section 15.

(d) If in any ROFO Acceptance Notice Tenant disputes Landlord's determination of Fair Market Value, and Landlord and Tenant fail to agree as to the amount thereof within thirty (30) days after the giving of the ROFO Acceptance Notice, then the dispute shall be resolved by arbitration as set forth below. If the dispute shall not have been resolved on or before the applicable ROFO Space Inclusion Date, then pending such resolution, Tenant shall pay, as Base Rent for the applicable ROFO Space, an amount equal to the average of Landlord's ROFO Determination and Tenant's ROFO Determination, which amount shall be reconciled promptly after the determination of Fair Market Value. Any dispute as to Fair Market Value shall be determined as follows:

(A) A Baseball Arbitrator shall be selected and paid for jointly by Landlord and Tenant. If Landlord and Tenant are unable to agree upon the Baseball Arbitrator, then the same shall be designated by the AAA. The Baseball Arbitrator selected by the parties or designated by the AAA shall not have been employed by Landlord or Tenant during the previous five year period and shall have at least ten years experience in the appraisal of office space in the Lake Merritt submarket in the Bay Area comparable in size, location and quality to the particular ROFO Space. The Baseball Arbitrator shall determine which of Landlord's ROFO Determination and Tenant's ROFO Determination more closely represents the Fair Market Value for the ROFO Space, taking into account the definition of Fair Market Value, as set forth in this Lease. The Baseball Arbitrator may not select any other rental value for the applicable ROFO Space. The determination of the Baseball Arbitrator shall be binding upon Landlord and Tenant and shall serve as the basis for the Base Rent payable for the applicable ROFO Space. After a determination has been made of the Fair Market Value, the parties shall execute and deliver an instrument setting forth the Base Rent for the applicable ROFO Space, but the failure to so execute and deliver any such instrument shall not affect the determination of such Base Rent in accordance with this Section 10.

(B) Landlord and Tenant agree to, and hereby do: (i) waive any and all rights either of them at any time may have to revoke their agreement hereunder to submit to arbitration; (ii) consent to the entry of judgment in any court upon any award rendered in any arbitration held pursuant to this Section 10; (iii) acknowledge that any award rendered in any arbitration held pursuant to this Section 10, whether or not such award has been entered for judgment, shall be final and binding upon Landlord and Tenant.

(e) Landlord shall use reasonable efforts to deliver to Tenant the ROFO Space by the Outside ROFO Delivery Date (as hereinafter defined). If Landlord is unable to deliver possession of any such ROFO Space to Tenant for any reason on or before the applicable Outside ROFO Delivery Date, the applicable ROFO Space Inclusion Date shall be the date on which Landlord is able to so deliver possession, and Landlord shall have no liability to Tenant therefor and this Lease shall not in any way be impaired. If an existing tenant of the ROFO Space holds over, Landlord shall use commercially reasonable efforts, which shall include the commencement of an eviction action against such holdover tenant, to obtain possession of such ROFO Space. Notwithstanding the foregoing, if Landlord is unable to deliver possession of such ROFO Space to Tenant within 180 days after the Outside ROFO Delivery Date, Tenant, upon notice to Landlord given at any time after the expiration of such 180 day period (unless the ROFO Space Inclusion Date shall have occurred prior to the giving of such notice), may withdraw its ROFO Acceptance Notice and such ROFO Space shall not become part of the Premises. As used herein, the Outside ROFO Delivery Date shall mean (i) the Anticipated Availability Date, if Tenant elects not to have Landlord perform any ACM Work on such ROFO Space, (ii) six (6) months after the Anticipated Availability Date, if Tenant elects to have Landlord have Landlord perform the ACM Work only on such ROFO Space, or (iii) two (2) months after the date for completion shown on the Schedule approved by the parties pursuant to Section 15.5(b) if Tenant elects to have Landlord perform the ACM Work and Tenant Improvements on such ROFO Space.

(f) If Tenant fails timely to give a ROFO Acceptance Notice, then, subject to Tenant's continuing ROFO Space Option on such ROFO Space when it again becomes Available, Landlord may enter into one or more leases of the applicable ROFO Space (or any portion thereof) with third parties on such terms and conditions (including any renewal or expansion options which shall be superior to Tenant's continuing ROFO Space Option) as Landlord shall determine for a period of twelve (12) months, after which any unleased portion of the ROFO Space shall become ROFR Space, as set forth in Section 10.1.

(g) Promptly after the occurrence of a ROFO Space Inclusion Date, Landlord and Tenant shall confirm the occurrence thereof and the inclusion of the applicable ROFO Space in the Premises by executing an instrument reasonably satisfactory to Landlord and Tenant; provided that failure by Landlord or Tenant to execute such instrument shall not affect the inclusion of the applicable ROFO Space in the Premises in accordance with this Section 10.

10.3 (a) If Landlord shall receive a written proposal from a bona fide third party to lease any ROFR Space which offer Landlord desires to accept (the "Proposal"), Landlord shall promptly send a copy of the Proposal to Tenant. Tenant shall have the first right (the "ROFR Space Option") to be exercised within ten (10) business days after receipt of the Proposal to notify Landlord in writing that Tenant elects to lease all, but not less than all of the ROFR Space identified in the Proposal on the same terms and conditions contained in the Proposal, except as set forth below.

(b) If Tenant duly exercises the ROFR to lease the ROFR Space identified in the Proposal on the same terms and conditions as contained therein:

(i) Landlord shall deliver the ROFR Space to Tenant on or before the date set forth in the Proposal for delivery thereof (the "ROFR Space Commencement Date").

(ii) The expiration of the term of this Lease with respect to the ROFR Space shall occur simultaneously with the Expiration Date of this Lease with respect to the Block of Space specified by Tenant in its election notice to Landlord and if Tenant fails to specify such Expiration Date, it shall be deemed that Tenant elected the Expiration Date furthest from the date of Tenant's notice to Landlord.

(iii) The ROFR Space shall be included in the Premises effective as of the applicable ROFR Space Commencement Date on the same terms, covenants and conditions as are contained in this Lease, with the following exceptions and modifications:

(A) The Rentable Area of the Premises shall be increased by the Rentable Area of the ROFR Space;

(B) Tenant's Pro Rata Share shall be increased to reflect the Rentable Area of the ROFR Space; and

(C) Base Rent with respect to the ROFR Space shall be equal to the amount thereof set forth in the Proposal and shall commence on the date specified in the Proposal;

(iv) Tenant shall accept possession from Landlord of any ROFR Space in the condition described in the Proposal, ordinary wear and tear and damage from fire, other casualty or condemnation excepted. Landlord agrees that Landlord shall have the same obligations to repair any portions of the ROFR Space damaged by fire, casualty or condemnation as Landlord would have had to repair if such damaged portions were included in the Premises on the date of such fire, casualty or condemnation.

(v) Tenant shall be entitled to any concessions with respect to the ROFR Space if and to the extent contained in the Proposal (rent abatement, improvement allowances, commissions), equitably adjusted to take into account the term contained in the Proposal compared to the Term of the ROFR Space pursuant to this Lease.

(vi) Within thirty (30) days following written request by either Landlord or Tenant following the exercise by Tenant of the ROFR, Landlord and Tenant shall enter into an amendment of this Lease confirming the terms, conditions and provisions applicable to the ROFR Space as determined in accordance herewith; provided that the failure to do so shall not affect Tenant's leasing of the ROFR Space or constitute or give rise to a Default hereunder.

(vii) If Tenant does not timely exercise the ROFR with respect to any ROFR Space under this Section, Landlord shall thereafter have the right to enter into a lease of the ROFR Space with the party that submitted the Proposal on the terms and conditions contained in the Proposal and on such other terms and conditions (including

renewal options for such ROFR Space which shall be superior to Tenant's continuing ROFO Space Option) as Landlord shall determine so long as the same are not inconsistent with the Proposal. In the event Landlord fails to enter into a lease with such party within six (6) months after the date of the Proposal, the ROFR Space described in the Proposal shall again become subject to Tenant's ROFR hereunder.

(viii) Notwithstanding anything to the contrary contained herein, as long as Landlord has not granted the occupant of such space or any other third party any rights which conflict with Tenant's rights under this Section 10.3, Landlord shall not be deemed in default under this Lease, if it is unable to deliver any ROFR Space on the scheduled delivery date due solely to the failure of any occupant of such space to have vacated it by such date; provided, that, if any such delay continues for more than one hundred eighty (180) days, Tenant shall have the right to rescind the exercise of its ROFR with respect to such ROFR Space by notice delivered to Landlord at any time thereafter but prior to delivery of such space. Landlord will use all reasonable efforts, including the prompt commencement and diligent prosecution of an eviction action, to regain possession of such space as promptly as reasonably possible. In no event shall Tenant be required to accept delivery of less than the full amount of any ROFR Space that it has elected to lease under this Section 10.3.

10.4 As provided in Section 6.2, this Section 10 shall be applicable as of the date of this Lease and any exercise by Tenant of a ROFO Space Option or a ROFR Space Option (as hereinafter defined), whether before or after the Commencement Date, shall be governed by this Section 10.

11. Real Property Taxes

11.1 "Real Property Tax", as used in this Lease, shall include all real property taxes on the Building and the Site, general and special assessments, license fees, or any tax imposed in substitution, partially or totally, for any tax previously included within the definition of Real Property Tax. Tenant's obligation to pay its share of assessments as provided in this Section shall be calculated on the basis of the amount due if Landlord allows the assessment to go to bond and the assessment is to be paid in installments, even if Landlord pays the assessment in full. Real Property Tax shall be reduced by any net tax incentives or abatements received by Landlord with respect to the Building and/or the Site.

11.2 Notwithstanding Section 11.1, Real Property Taxes shall not include any of the following: Landlord's federal, state, or local income, franchise, inheritance or estate taxes; transfer taxes, or other taxes in the nature of income taxes; late payment charges or other penalties; taxes imposed as a result of Landlord's ownership of any real property other than the Site; increases in Real Property Taxes (whether the increases result from increased rate and/or valuation attributable to additional improvements) attributable to additional improvements to the Building that are constructed for the sole benefit of another tenant of the Building.

11.3 Landlord represents and warrants to Tenant that the Building is separately assessed.

11.4 Landlord shall provide Tenant with a copy of each Real Property Tax statement from the taxing authority promptly after Landlord's receipt thereof. Tenant shall pay Landlord its Pro Rata Share of Real Property Taxes in excess of the Base Year as part of Operating Costs as specified in Section 12, Operating Costs. Real Property Taxes shall not include amounts assessed for periods prior to or after the Term of this Lease.

11.5 Notwithstanding any provision to the contrary contained in this Lease, Tenant shall not be liable for increases in Real Property Taxes that result from reassessment caused by any changes in ownership of the Building and/or the Site or other improvements during the first two years of the Term, or due to improvements made by other tenants in the Building or due to an expansion of or addition to the Building. For purposes of this Lease, "change in ownership" has the same definition as in California Revenue and Taxation Code, Sections 60 through 62, or any amendments or successor statutes to those Sections.

12. Operating Costs

12.1 (a) "Operating Costs" shall mean all direct costs of operation and maintenance of the Building, including janitorial, maintenance, security guard and other service contracts; the cost of ACM air sampling, testing and monitoring for the Building; charges for heat, ventilation and air conditioning, light, power, water, sewer and waste disposal and other utilities furnished by Landlord and not furnished by Tenant or any other tenant or not otherwise billed directly to Tenant or to other tenants by Landlord; Real Property Tax (as defined in Section 11, Real Property Taxes); materials, supplies, equipment; maintenance and repairs; insurance premiums related to the operation and maintenance of the Building; license, permit and inspection fees; management fees, wages, salaries, and payroll of personnel ("Management Personnel") engaged in the direct management, operation and maintenance of the Building, excluding Landlord's owners or officers and any employees above the grade of Building manager, in an amount not to exceed three percent (3%) of Operating Costs (excluding management fees, and wages, salaries and payroll of Management Personnel and the cost of electricity separately metered to any premises); the then Fair Market Value of any property manager's office in the Building up to 2,500 rentable square feet with rents not greater than rents charged for the same size space in the Building located on a floor not higher than the fifth (5^{th}) floor of the Building; the amortized cost of improvements or equipment (amortized over their useful lives in accordance with GAAP (as hereinafter defined)) which are capital in nature and which (x) are intended to and have a likely result of reducing other elements of Operating Costs for the Building, or (y) are required by any Laws (as hereinafter defined) enacted after the date of this Lease (except for such costs which are stated elsewhere in this Lease to be the sole responsibility of Landlord and not recoverable as Operating Costs, or as the sole responsibility of other parties, including other tenants, and specifically excluding any ACM (as hereinafter defined) abatement, or (z) replace any worn out or obsolete Building systems, fixtures or equipment.

(b) Operating Costs shall not include any of the following: (A) depreciation and amortization of the Building; (B) costs, including permit, license or inspection costs, incurred with respect to Tenant Improvements or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant or occupied space for occupants or prospective occupants of the Building; (C) real estate brokers' commissions and fees; (D) wages, salaries and

other expenses reimbursable to Landlord, (E) benefits and other compensation of any personnel above the grade of Building manager (including, without limitation, Landlord's owners and officers) and Landlord's general overhead and administrative expenses; (F) Landlord's corporate overhead, including without limitation, the cost of Landlord's general corporate accounting and the cost of preparation of Landlord's income tax or information returns; (G) legal fees for suits or actions which do not directly benefit all tenants in the Building; (H) legal, accounting or other professional fees incurred in connection with negotiating, preparing or enforcing leases or lease terms, or amendments of leases; (I) legal costs incurred in connection with the development, construction, alteration or improvement of the Building, or legal, auditing, accounting or other professional fees not allocated to the operation or management of the Building; (J) costs incurred due to violations by Landlord, or by any tenant (including Tenant) in the Building, of the terms and conditions of any lease, and penalties or interest for late payment of any obligation of Landlord; (K) costs in connection with terminations of leases or extensions of leases; (L) expenditures that would be required to be treated as capital improvements and replacements (including, without limitation, costs of capital equipment and tools) under generally accepted accounting principles ("GAAP") except to the extent otherwise specifically permitted to be included as Operating Costs in this Lease; (M) costs for repairs and other work due to a casualty, and repairs or improvements paid for from the proceeds of insurance (or which would have been paid from the proceeds of insurance required to be carried by Landlord under this Lease if Landlord has failed to carry such insurance, or which would have been paid from the proceeds of insurance, but for deductibles under policies carried by Landlord under this Lease in excess of those Landlord is permitted to carry under this Lease), or paid for directly by Tenant, any other tenant(s) of the Building or any third party; (N) amounts received by Landlord through proceeds of insurance to the extent they are compensation for sums previously included in Operating Costs; (O) costs of repairs or replacements incurred by reason of eminent domain; (P) costs for repairs or improvements made for the benefit solely of tenants of the Building other than Tenant; (Q) ground lease rental and other charges payable under ground or underlying leases; (R) any tenant improvement allowance given to any tenant (including Tenant) whether given by contribution or credit against Base Rent or otherwise, and any abatements or credits to Base Rent or additional Rent; (S) the costs incurred in performing work or furnishing services for any tenant (including Tenant) in the Building, whether at such tenant's or Landlord's expense, to the extent that such work or service is in excess of any work or service that Landlord is obligated to furnish to tenants in the Building generally, (T) any rental concessions to, or lease buy-outs of, Tenant or any other tenant in the Building; (U) interest, including interest on debt, debt service or amortization payments on any mortgage or deed of trust encumbering the Building and any financing and refinancing costs with respect thereto; (V) the cost for services or other benefits, including utility charges (including, without limitation, water, electricity, power, gas, sewer, waste disposal, communication and cable television facilities, heating, cooling, lighting and ventilation) for which Landlord is entitled to be reimbursed by Tenant or other tenants of the Building pursuant to any other provision of this Lease, or for which Tenant or any other tenant of the Building is charged directly by any local public service company; (W) any expense for which Landlord is reimbursed by any tenant (including Tenant) as an additional charge in excess of Base Rent; (X) costs incurred to clean up, contain, encapsulate, abate, remove, dispose of, or otherwise remedy hazardous materials or ACM on, in, at, under or from the Building or the Site; (Y) costs incurred for permanent and temporary works of art and decorations, (Z) Landlord's income taxes and franchise, gains or estate taxes imposed upon the income of Landlord; (AA)

costs incurred with respect to the creation of a mortgage, deed of trust or a superior lease or in connection with a sale of the Building or of the entity comprising Landlord or any interest therein, including, without limitation, survey, legal fees and disbursements, transfer taxes or stamps and appraisals, engineering and inspection reports associated with the contemplated sale; (BB) any costs and compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord for a profit; (CC) costs incurred with respect to any specialty use or service in the Building which is operated by Landlord and is not available for use by Tenant or its employees; (DD) any costs expressly to be excluded as Operating Costs under any other provision of this Lease; (EE) the costs, expenses and fees of any asset manager or investment advisor representing Landlord or any partner or any other constituent member of Landlord; (FF) costs arising from Landlord's charitable or political contributions and real estate association dues and licensing fees; (GG) any amounts payable by Landlord by way of indemnity or for damages or which constitute a fine, interest, or penalty, including interest or penalties for any late payments of Operating Costs (including Real Property Taxes); (HH) any improvement installed or work performed or any other cost or expense incurred by Landlord in order to comply with the requirements for the obtaining or renewal of a certificate of occupancy (or equivalent) for the Building or any space therein; (II) the cost of overtime or other expense to Landlord in curing its defaults; (JJ) the cost of any repairs, alterations, additions, improvements or replacements made to rectify, remedy or correct any structural or other defect in the original design, construction materials, installations or workmanship of the Building; (KK) expenses incurred due to damages and repairs necessitated by the negligence or willful misconduct of Landlord or Landlord's employees, contractors or agents; (LL) amounts paid to Landlord or to subsidiaries or affiliates of Landlord for services in the Building to the extent the same would exceed the cost of such services rendered by unaffiliated third parties on a competitive basis; (MM) rentals and other related expenses incurred in leasing air conditioning systems, elevators, or other equipment ordinarily considered to be of a capital nature; (NN) all advertising and promotional expenditures and purchasing or construction costs of signs in or on the Building; (OO) costs of compliance with Laws (as hereinafter defined) in existence as of the date of this Lease; (PP) the costs associated with converting Building Systems away from the use of chloro-fluorocarbons; (QQ) expenses attributable solely to storage space in the Building; (RR) the Operating Costs incurred by Landlord relating solely to retail stores in the Building (if any); (SS) payment of damages, attorneys' fees and any other amounts to any person seeking recovery on account of the negligence or other torts (including any tort claims relating to ACM) of Landlord or its contractors; (TT) rental value or rental for any property manager's offices in the Building, except to the extent expressly permitted in Section 12.1(a); (UU) any fee payable to any operator of a garage or parking facility located in the Building or on the Site or which provides parking for the Building; and (VV) any cost to repair damage as a result of earthquakes and related aftershocks not covered by insurance, provided that the cost of maintenance, cleanup and protective measures that are necessitated by earthquakes and related aftershocks not covered by insurance may be included in Operating Costs except to the extent such costs are stated elsewhere in this Lease to be the sole responsibility of Landlord and not recoverable as Operating Costs. In no event shall Operating Costs exceed one hundred percent (100%) of the actual costs incurred by Landlord.

(c) Operating Costs shall be net only and for that purpose shall be deemed reduced by the amount of all reimbursements, recoupments, payments, discounts, credits, reductions, allowances or the like actually received by Landlord in connection with Operating

Costs; provided, however, that Landlord may include in Operating Costs the reasonable and actual costs and expenses, if any, incurred by Landlord in obtaining such reimbursements, recoupments, payments, discounts, credits, reductions, allowances or the like. In addition, if in any calendar year following the Base Year, a new Operating Cost category (such as, by way of example only and without limitation, earthquake insurance or concierge services if not included in Operating Costs for the Base Year and, for such purpose, a higher amount of insurance coverage shall be deemed to be a new category), is included in Operating Costs which was not included in the Operating Costs during the Base Year, then the cost of such new item shall be added to the Operating Costs for the Base Year for purposes of determining the amount payable by Tenant under this Section 12 for such calendar year, and during each subsequent calendar year, the same amount shall continue to be included in the computation of Operating Costs for the Base Year, resulting in Operating Costs for each such calendar year including (as to such category of Operating Costs) only the increase in the cost of such new Operating Cost category over the Base Year, as so adjusted. However, if in any calendar year thereafter, such new category item is not included in Operating Costs, then no such addition shall be made to Operating Costs for the Base Year. Conversely, when a category of Operating Costs that was originally included in the Operating Costs during the Base Year is, in any calendar year, no longer included in Operating Costs, then the cost of such item shall be deleted from the calculation of Operating Costs during the Base Year for purposes of determining the amounts payable by Tenant under this Section 12 for such calendar year. The same amount shall continue to be deleted from the calculation of Operating Costs for the Base Year for each calendar year thereafter that the Operating Costs category is so not included. However, if such category of Operating Costs is again included in the Operating Costs for any calendar year, then the amount of any Operating Cost category originally included in the Operating Costs for the Base Year shall again be added back to the Operating Costs for the Base Year.

12.2 Prior to each calendar year, Landlord may reasonably estimate Tenant's Pro Rata Share of Operating Costs due for each calendar year and collect from Tenant on a monthly basis, Tenant's estimated Pro Rata Share of Operating Costs, provided that Landlord's estimate shall not exceed 104% of the previous calendar year's actual Operating Costs, except to the extent that expenses which are uncontrollable cause such estimate to exceed such cap. Landlord may periodically revise the estimate to reflect changed circumstances (but in no event more often than once per annum), and Tenant shall make subsequent Operating Cost payments based upon the revised estimate subject to the annual cap on estimates referred to in the preceding sentence. In the event that Landlord fails to deliver an estimate of Tenant's Pro Rata Share of Operating Costs prior to the beginning of any year, Tenant shall continue making payments based on the previous estimate until the new estimate is delivered to Tenant. Within one hundred twenty (120) days after the end of each year, Landlord shall provide Tenant with a statement of actual Operating Costs, which shall be prepared in accordance with GAAP on a consistent basis and provide supporting documentation, certified by Landlord's independent certified public accountant and in reasonable detail, divided into at least the categories specified in Exhibit O annexed hereto. If the statement indicates that Tenant has made insufficient payments to satisfy Tenant's Pro Rata Share of Operating Costs for the previous year, Tenant shall pay any deficiency to Landlord within thirty (30) days after receipt of Landlord's statement. Notwithstanding any provision to the contrary contained in this Lease, Landlord's failure to deliver to Tenant Landlord's statement of actual Operating Costs within one year after the end of any calendar year for which a deficiency is due shall release Tenant from the obligation to pay the deficiency provided for in

this Section 12.2. Any excess payments indicated by the statement shall be credited to Tenant against future installments of Rent or, at Landlord's option, returned to Tenant within thirty (30) days after delivery of the annual statement.

12.3 Landlord shall keep at the Building or its corporate offices in Hollywood, California, full, accurate, and separate books of account and all supporting documents covering Landlord's Operating Costs; provided, however, that if such books of account and supporting documents covering Landlord's Operating Costs are not kept at the Building, Landlord shall deliver full, accurate, and complete copies of the same electronically to Tenant for review by Tenant and its agents. The books of account and all supporting documents shall be retained by Landlord as set forth in the preceding sentence for at least four (4) years after the expiration of each calendar year. Tenant and its agents shall have the right at all reasonable times during the Term on thirty (30) days' prior notice to inspect or audit the books of account and supporting documents. Upon request by Tenant, Landlord will provide supporting documents.

12.4 Within one year after receipt of the statement of Operating Costs (the "Review Period"), including the statement of Base Year Operating Costs, Tenant, its authorized agents or a certified public accounting firm selected by it may, upon ten (10) days' prior notice, inspect the books of Landlord during business hours to verify information in the statement, provided, however, that Tenant may inspect the books of Landlord to verify the Base Year Operating Costs at the same that that Tenant first inspects the books of Landlord to verify any Operating Cost statement. If Tenant disputes the accuracy of the Operating Costs statement, then Tenant may request an audit to be conducted at Tenant's expense by a certified public accountant of Tenant's selection or Tenant's employee or agent ("Tenant's CPA") on a contingent fee or non-contingent fee basis. As a condition precedent to reviewing Landlord's books, Tenant and Tenant's CPA shall, at Landlord's request, execute a commercially reasonable confidentiality agreement, substantially in the form annexed to this Agreement as Exhibit V. Tenant shall have no right to contest, review or audit such statement if an Event of Default is continuing, or if Tenant fails to give such written notice during the Review Period. Landlord may elect to contest the conclusion of Tenant's CPA by giving a written contest notice (the "Contest Notice") to Tenant within sixty (60) days after receipt of the audit, such Contest Notice containing the name of a firm of certified public accountants appointed by Landlord ("Landlord's CPA"). Landlord's CPA and Tenant's CPA shall meet and confer within 30 days after the Contest Notice is given in an attempt to agree on any disputed items. If Landlord's CPA and Tenant's CPA are unable to agree on all disputed items within 45 days after the Contest Notice, then each of Landlord's CPA and Tenant's CPA shall propose and deliver to each other in writing an amount to be paid by Tenant to Landlord or Landlord to Tenant relating to the Operating Costs being audited. Tenant's CPA and Landlord's CPA shall agree on a third CPA experienced in real estate accounting unaffiliated with Landlord, Tenant and their respective CPA's and who has not worked for Landlord, Tenant or their respective CPA's in the two (2) years preceding the date of the audit. Such third CPA (the "Deciding CPA") shall meet for one day or less with Landlord's CPA and Tenant's CPA within fifteen (15) days after the appointment of such Deciding CPA, and at the end of such meeting the Deciding CPA shall determine the proper amount of Operating Costs, and such decision shall be final, binding and nonappealable. Landlord shall pay for Landlord's CPA, Tenant shall pay for Tenant's CPA, and the cost of the Deciding CPA shall be divided equally among the parties No books and records may be removed from Landlord's office, but Landlord shall permit copies to be made at Tenant's expense. Notwithstanding the foregoing, if it is determined by agreement of

Landlord and Tenant or otherwise that Operating Costs have been overstated by (x) four percent (4%) or more, if Tenant's CPA was hired on a contingent fee basis, or (y) three percent (3%) or more, if Tenant's CPA was hired on a non-contingent fee basis, then, in either such case, Landlord shall pay for the reasonable cost of Tenant's CPA and the Deciding CPA and the cost of the audit conducted by Tenant. If Landlord shall fail to reimburse Tenant for such costs or the amount of costs determined to be overstated within thirty (30) days after delivery of Tenant's demand therefor, accompanied by reasonable supporting documentation, and such failure continues for five (5) Business Days after a second notice from Tenant, Tenant may offset or credit such amount against Base Rent, provided that in any month Tenant shall not be entitled to offset more than fifty percent (50%) of the Base Rent due for that month.

12.5 (a) Adjustments shall be made to the Operating Costs for the Base Year to reflect the costs of service contracts which do not take effect until a later date due to warranties or any similar contractual arrangements. Base Year Operating Costs shall be adjusted to reflect as nearly as possible the Operating Costs that would be incurred in a normal calendar year. If any tenant shall provide its own cleaning or other services which would otherwise form a portion of Operating Costs (so that the cost thereof is reflected in such tenant's basic rent), then Operating Costs for the Base Year shall equitably be adjusted to reflect Operating Costs as though Landlord had provided the services.

(b) Notwithstanding anything to the contrary set forth herein, for any calendar year (including the Base Year) in which less than ninety-five percent (95%) of the rentable space in the Building is leased and occupied during all or a portion of the calendar year or Base Year all "Variable Components", as that term is defined in this Section, below, of Operating Costs for such calendar year or the Base Year, or portion thereof, shall be grossed-up, employing sound accounting and property management principles, to the amount such Variable Components would have been in the event the Building had been ninety-five percent (95%) leased and occupied during all or a portion of the calendar year (including the Base Year), and the adjusted amount of the Variable Components shall be used in determining Operating Costs for such calendar year or the Base Year. Such adjustment, however, shall not result in Landlord receiving from Tenant and other tenants in connection with the Variable Components more than one hundred percent (100%) of the cost of such Variable Components. "Variable Components" shall be those components that vary based upon occupancy levels and shall specifically exclude "Fixed Costs." The term "Fixed Costs" means (a) Real Property Taxes charged against all portions of the Building other than Real Property Taxes charged against Tenant Improvements (which Tenant Improvements do not include base Building improvements), (b) premiums incurred by Landlord for liability insurance and property damage insurance relating to Landlord's ownership and/or operation of the Building, (c) landscaping costs relating to the Building, (d) costs, including janitorial and utility costs, relating to portions of the Common Areas located outside the Building and the portions of the Common Areas locating within the Building, which Common Areas are not located on floors of the Building above the lobby level of the Building, and (e) exterior window washing costs.

12.6 If the Term begins on a date other than the first day of January, or if the Term ends on a date other than the last day of December, the actual Operating Costs for the year in which the Commencement Date or the Expiration Date occurs, as the case may be, and Tenant's Pro Rata Share of increases in Operating Costs for such year shall be represented by a fraction,

the numerator of which shall be the number of days during such fractional year falling within the Term, and the denominator of which is 365 (or 366, in the case of a leap year). The provisions of this Section 12.7 shall survive the Expiration Date or any sooner termination provided for in this Lease.

13. **Personal Property Taxes**

Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment, and all other personal property of Tenant contained in the Premises or elsewhere. Tenant's trade fixtures, furnishings, equipment, and all other personal property shall be assessed and billed separately from the real property of Landlord. If Tenant's personal property is assessed with Landlord's real property, Tenant shall pay to Landlord the taxes attributable to Tenant's personal property within thirty (30) days after receipt of a written statement in reasonable detail setting forth the amount of such taxes and evidence demonstrating that Tenant's personal property is assessed with Landlord's real property.

14. **Right to Contest Taxes**

14.1 At Tenant's request, Landlord shall, at Tenant's expense, contest the amount or validity of any Real Property Taxes by appropriate proceedings. After written request (the "Tax Notice") delivered to Landlord by Tenant, Landlord shall, at Landlord's option, either (i) diligently pursue claims with Tenant for reductions in the Real Property Taxes, or (ii) allow Tenant to pursue such claims with Landlord's concurrence, in the name of Landlord. If Landlord agrees to pursue such claims or concurs in the decision to pursue such claims but elects to have them pursued by Tenant, the cost of such proceedings shall be paid by Landlord and included in the Real Property Taxes in the year such expenses are paid. Tenant may give a Tax Notice prior to or after the issuance of the actual tax bill by the taxing authority or receipt by Tenant of a billing from Landlord for Tenant's Pro Rata Share thereof. If Landlord is pursuing a reduction in Real Property Taxes, Landlord shall give Tenant at least ten (10) days prior written notice of any meeting with the tax assessor's office to discuss Real Property Tax assessments and Tenant may elect to attend such meeting. If Landlord does not concur in Tenant's decision to contest the amount or validity of any Real Property Taxes, and Tenant causes an increase in Real Property Taxes by prosecuting such contest, Tenant shall be responsible for any claims, losses, liabilities, costs and expenses incurred by Landlord as the result of such protest, including the amount of any increase in Real Property Taxes.

14.2 In the event it is determined that taxes have been overpaid or that the taxpayer is entitled to a reimbursement or retroactive decrease, then Tenant shall be entitled to receive a refund of any such taxes overpaid or otherwise credited.

15. **Tenant Improvements; ACM Abatement.**

Pursuant to and in accordance with this Section 15, Tenant shall have the right to (i) perform its Tenant Improvements without causing Landlord to perform the ACM Work described in Section 15.2, or (ii) cause Landlord to perform the ACM Work described in Section 15.2, at Landlord's expense, and the Tenant Improvement Work described in Section 15.3, or

(iii) cause Landlord to perform only the ACM Work described in Section 15.2, at Landlord's expense, in which event Tenant shall perform its Tenant Improvements.

15.1 Tenant Improvement Allowance. (a) In consideration of Tenant's performance of Tenant Improvements to be made to any portion of the Premises (which may include ROFO Space if Tenant elects to have Landlord perform the ACM Work on such ROFO Space in accordance with Section 10.2) Landlord shall pay a tenant improvement allowance (the "Tenant Improvement Allowance") equal to up to fifteen dollars ($15) per rentable square foot of the Premises, as such rentable square footage is set forth in Exhibit C, whether Tenant performs its Tenant Improvements before or after the Commencement Date. Subject to the other terms of this Section 15, and whether Tenant applies for the Tenant Improvement Allowance before or after the Commencement Date, the Tenant Improvement Allowance payable to Tenant under this Section 15.1(a) may be used and/or reallocated by Tenant to any portion of the Premises.

(b) If Tenant shall give the ACM Notice, then after Landlord has completed the ACM Work, Tenant may perform Tenant Improvements and in addition to the Tenant Improvement Allowance, Landlord shall pay an additional improvement allowance (the "Additional Allowance") in the amount of up to fifteen dollars ($15) per rentable square foot of the Premises in which the ACM Work is performed (which may include ROFO Space if Tenant elects to have Landlord perform the ACM Work on such ROFO Space in accordance with Section 10.2), as such rentable square footage is set forth in Exhibit C (for a total improvement allowance of up to $30.00 per rentable square foot). The Additional Allowance shall only be used by Tenant to pay for the cost of Tenant Improvements in that portion of the Premises in which the ACM Work is performed, and may not be used or reallocated to any other portion of the Premises. Tenant may draw the Tenant Improvement Allowance and the Additional Allowance before expending any of Tenant's funds.

(c) The Tenant Improvement Allowance and Additional Allowance may be used solely to pay for Tenant's actual costs of performing or installing the Tenant Improvements. For purposes of this Article 15, actual costs of performing or installing Tenant Improvements shall include both so-called "hard" construction costs and so-called "soft" costs. Hard costs shall include, without limitation, the cost of alterations, painting, carpeting, wall covering, telephone systems, data systems, computer systems and cabling and, subject to the limitation in the following sentence, furniture and fixtures. In no event shall more than $4.50 per square foot of the Tenant Improvement Allowance be used to pay for the cost of furniture or fixtures of Tenant. In no event shall any portion of the Additional Allowance be used to pay for the cost of furniture or fixtures of Tenant. Soft costs shall include, without limitation, the cost of architectural, engineering, space planning, permits and moving costs.

(d) Provided that there shall not then be existing an Event of Default under the provisions of this Lease, or, if Tenant is making application for payment prior to the Commencement Date of this Lease, under the Existing Lease, Landlord shall disburse the Tenant Improvement Allowance or Additional Allowance to pay for such costs by paying the contractors, suppliers, architects or consultants designated by Tenant or by reimbursing Tenant (at Tenant's option) from time to time (but not more than monthly) during the progress of such Tenant Improvements within thirty (30) days after receipt from Tenant of the following documentation therefor:

(i) Tenant's application for disbursement of the Tenant Improvement Allowance and/or the Additional Allowance, as applicable, which shall be accompanied by reasonably detailed supporting documentation demonstrating the actual cost of performing and installing the applicable Tenant Improvements; and

(ii) a certification of any architect supervising the Tenant Improvement Work, stating that the Tenant Improvement Work for which Tenant is applying for payment has been completed substantially in accordance with the plans and specifications therefor that have been approved by Landlord in accordance with Exhibit R; and

(iii) properly executed conditional lien waivers in form complying with California Civil Code Section 3262(d)(1) from the general contractor, the mechanical, electrical and plumbing contractors, and all other contractors and subcontractors performing any part of such Tenant Improvement Work where the cost of such contractor's or subcontractor's work exceeds $25,000.

Each disbursement of the Tenant Improvement Allowance or Additional Allowance for hard costs shall be subject to retainage of ten percent (10%) of the amount of such requested disbursement, which amount shall not be duplicative of any retainage to which Tenant is entitled pursuant to the terms of its agreement with its contractor. If Tenant's agreement with its contractor shall permit Tenant to retain any portion of the sums due such contractor, Tenant's application to Landlord for disbursement shall reflect such retainage, and Landlord shall disburse the amount requested without withholding a sum in excess of ten percent (10%). By way of example only, if Tenant shall be entitled to ten percent (10%) retainage under its agreement with its contractor, and if such contractor shall have completed $100 worth of work and be applying for the same, then Tenant shall pay $90 to its contractor and Landlord shall disburse $90 to Tenant. If, on the other hand, Tenant shall be entitled to four percent (4%) retainage under its agreement with its contractor, and if such contractor shall have completed $100 worth of work and be applying for the same, then Tenant shall pay $96 to its contractor and Landlord shall disburse $90 to Tenant. Any retainage held by Landlord hereunder shall be released to Tenant within thirty (30) days after Landlord's receipt of the items described in Section 15.1(e). If there shall be existing an Event of Default at the time Tenant makes application for payment under this Section 15.1, Landlord shall advise Tenant and if Tenant shall cure the same, Tenant shall have the right to reapply to Landlord for payments due Tenant under this Section 15.1. If Landlord fails to pay the Tenant Improvement Allowance and/or the Additional Allowance, as applicable, within the thirty (30) day period set forth above, and such failure continues for five (5) days after a second notice from Tenant, Tenant, upon notice to Landlord, may offset any such unpaid amounts (together with interest at the Applicable Rate per annum calculated from the date such sum was due until the same shall have been applied) against the next installments of Base Rent payable under this Lease or the Existing Lease, provided that in any month Tenant shall not be entitled to offset more than fifty percent (50%) of the Base Rent due for that month. "Applicable Rate" shall mean the interest rate per annum equal to the lesser of (i) two percent (2%) above the highest prime rate of interest of United States money center banks, as published by the Wall Street Journal or any successor publication, and (ii) the maximum rate permitted under federal law or under the laws of the State of California. Any portion of the Tenant Improvement

Allowance or the Additional Allowance that is not disbursed to Tenant prior to the expiration of the Lease Term shall belong to Landlord.

(e) Within ninety (90) days (except as otherwise noted below) after the final completion of any Tenant Improvements, Tenant shall deliver to Landlord:

(i) Reproducible "as-built" plans and specifications for such Tenant Improvements;

(ii) certification of any architect supervising the Tenant Improvement Work, stating that the Tenant Improvement Work has been completed substantially in accordance with the plans and specifications therefor that have been approved by Landlord;

(iii) A copy of a recorded, valid notice of completion complying with California Civil Code Section 3093, within thirty (30) days after the final completion of any Tenant Improvements;

(iv) Copies of signed-off permits or a stamped set of final approved plans evidencing governmental approval of the completion of the Tenant Improvement Work, final permit sign off or other evidence of such governmental approval; and

(v) Properly executed unconditional final lien waivers in form complying with California Civil Code Section 3262(d)(4) from the general contractor, the mechanical, electrical and plumbing contractors, and all other contractors and subcontractors performing any part of such Tenant Improvement Work where the cost of such contractor's or subcontractor's work exceeds $25,000.

15.2 ACM Work. Landlord, upon receipt of Tenant's notice (an "ACM Notice") and at Landlord's sole expense, shall (i) abate, in accordance with all Laws, any asbestos or asbestos-containing materials (collectively, "ACM") in the Premises (including, without limitation, in the elevator lobbies, restrooms and in any other parts of any floor leased to Tenant that Tenant has the right to access (other than Common Areas) during the Term, such as shaftways), and (ii) perform all work necessary to put the ACM Floor in "Warm Shell" condition (as hereinafter defined; the work described in clauses (i) and (ii) being collectively referred to in this Lease as the "ACM Work"). Such election by Tenant may be made as specified in the ACM Notice (any such floor specified in the ACM Notice being referred to as an "ACM Floor"), provided that in no event may Tenant deliver an ACM Notice for any floor that is not fully leased by Tenant (subject to the provisions of Section 10.2). An ACM Notice may include multiple floors, but the ACM Work on such floors shall be staggered so that the Construction Period (as hereinafter defined) for one floor does not overlap the Construction Period for any other floor, and if multiple floors are designated, Tenant shall specify the order in which Landlord shall perform ACM Work on such floors. The ACM Notice shall also specify the date (the "Turnover Date") upon which Tenant shall turn over the ACM Floor to Landlord to perform the foregoing work, which date shall not be less than nine (9) months after the date the ACM Notice is given to Landlord. "Warm Shell" condition shall mean that (x) all of such ACM abatement (including the removal of asbestos-containing fireproofing from accessible and

exposed structures and installation of new fireproofing thereon) shall have been completed by Landlord, Landlord shall have received and delivered copies to Tenant of all required sign-offs or certificates from governmental or public authorities with respect to such work and Landlord shall have provided Tenant with an air-sampling report confirming that the air on the ACM Floor is in compliance with all Laws regulating the levels of airborne ACM for preoccupancy of office space after the abatement of ACM and (y) Landlord shall have performed the work listed on Exhibit S in accordance with all Laws on the ACM Floor.

15.3 ACM/Tenant Improvement Notice. Landlord, upon receipt of Tenant's notice (an "ACM/Tenant Improvement Work Notice") and at Landlord's sole expense, shall perform the ACM Work described in Section 15.2 and, subject to the provisions of this Section 15.3, shall upon completion of such ACM Work for any ACM Floor, in lieu of providing the Tenant Improvement Allowance and Additional Allowance for such ACM Floor described in Sections 15.1 and 15.2, and instead of Tenant performing Tenant Improvements with respect to the ACM Floor, Landlord shall furnish, install and perform in such ACM Floor all of the work (the "Tenant Improvement Work") for such ACM Floor shown in plans and specifications to be prepared by Tenant and approved by Landlord in accordance with Exhibit R. Within five (5) Business Days after approval of such plans and specifications, Landlord shall submit for written bids such plans and specifications to at least three general contractors reasonably approved by Tenant. All such bids shall be sealed and opened only in the presence of Landlord and Tenant unless otherwise instructed by Tenant, Landlord shall engage the lowest qualified bidder to perform the Tenant Improvement Work. Once the plans for the Tenant Improvement Work have been approved by Landlord, Tenant shall make no changes or modifications to the plans without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion if such change or notification would delay the completion of the Tenant Improvements unless Tenant agrees that it will bear such delay. Unless specifically noted to the contrary on the Plans, the Tenant Improvements shall be constructed using Building standard specifications and materials as determined by Landlord. Landlord shall be responsible to pay all hard and soft costs of the Tenant Improvement Work, up to the sum of thirty ($30) dollars per rentable square foot of the applicable ACM Floor and Tenant shall be responsible for the cost of the Tenant Improvement Work in excess of such amount (the "Overage"). Prior to commencing the Tenant Improvement Work, Landlord will deliver to deliver to Tenant a good faith estimate of the Overage and obtain Tenant's written approval to proceed with such work. After Landlord shall have paid the sum of $30.00 per rentable square foot for the Tenant Improvements it is performing, Tenant shall reimburse Landlord for the Overage on a monthly basis during the progress of the Tenant Improvements Work within thirty (30) days after Landlord shall have made a payment of any portion of Overage to such general contractor and requested such reimbursement from Tenant, which request shall be accompanied by reasonably detailed supporting documentation similar to documentation required by Tenant in Section 15.1 in order to obtain payment of the Tenant Improvement Allowance and the Additional Allowance. Landlord shall, within thirty (30) days following completion of the Tenant Improvements, submit to Tenant a statement, prepared and certified by Landlord or an authorized agent thereof ("Landlord's Statement of Costs"), setting forth Landlord's actual cost for designing and constructing the Tenant Improvements, which shall be accompanied by reasonably detailed supporting documentation. If Landlord's Statement of Costs shall indicate that Tenant has overpaid or underpaid the Overage, Tenant shall pay any deficiency or Landlord shall return any overpayment within thirty (30) days after Tenant's receipt of Landlord's Statement of Costs.

15.4 Rent Abatement. During the Construction Period (as hereinafter defined), the Base Rent and Tenant's obligation to pay Operating Costs and Real Property Taxes shall abate with respect to the portions of the Premises affected by the ACM Work or Tenant Improvements performed by Landlord. Landlord and Tenant, upon the request of either party, shall execute and deliver an agreement memorializing such dates but their failure to enter into such agreement shall not affect the validity of such dates. If Landlord and Tenant disagree as to the amount of such abatement, then such dispute shall be resolved by expedited arbitration pursuant to Section 56 of this Lease. "Construction Period" shall mean, (i) with respect to any portion of the Premises in which Landlord is performing both the ACM Work and the Tenant Improvements, the period commencing on the later of the Turnover Date or the date on which Tenant actually moves out of such portion of the Premises in contemplation of the performance by Landlord of the ACM Work and the Tenant Improvements and shall end on the date that is sixty (60) days after the applicable Completion Date (as such term is defined in Section 15.5), and (ii) with respect to any portion of the Premises in which Landlord is performing only the ACM Work and Tenant is performing the Tenant Improvements, the period commencing on the later of the Turnover Date or the date on which Tenant actually moves out of such portion of the Premises in contemplation of the performance of the ACM Work by Landlord and shall end on the date that is the earlier to occur of (x) one hundred fifty (150) days after the applicable Completion Date, and (y) the date on which Tenant shall first occupy such portion of the Premises for the normal conduct of Tenant's business.

15.5 Completion Date. (a) Landlord shall notify Tenant at least ten (10) Business Days prior to the date (the "Completion Date") on which Landlord anticipates the completion of the ACM Work (if Landlord is not performing the Tenant Improvement Work) or of the Tenant Improvement Work (if Landlord is performing the same) on an ACM Floor and the delivery of possession of the ACM Floor to Tenant. The Completion Date shall be deemed to have occurred upon the occurrence of all of the following: (1) the delivery of exclusive possession of the ACM Floor to Tenant; (2) Tenant has full access to the ACM Floor, including, without limitation, elevator access; (3) Landlord has provided all services it is required to provide under this Lease and all Building Systems serving the ACM Floor are in proper working order and serve the ACM Floor; (4) if Landlord is performing the Tenant Improvement Work, the Tenant Improvement Work has been substantially completed other than minor or insubstantial "punchlist items" which do not adversely affect (except in a de minimis manner) Tenant's ability to conduct its normal business operations in the ACM Floor (and which punchlist items Landlord shall correct or complete within thirty (30) days thereafter, except that Landlord shall have a longer period to correct or complete any punchlist items that cannot reasonably be corrected or complete within such thirty (30) day period); and (5) if Landlord is performing the Tenant Improvement Work, Landlord has provided Tenant with a valid certificate of occupancy (or its equivalent) issued by the applicable governmental authority, a certification of the supervising architect stating that the Tenant Improvement Work has been completed substantially in accordance with the plans and specifications therefor, or other evidence that Tenant is permitted to lawfully to occupy the ACM Floor for the normal conduct of its business.

(b) Prior to Landlord commencing the ACM Work and, if applicable, the Tenant Improvement Work, Landlord and Tenant shall agree on a mutually acceptable schedule (the "Schedule") for the completion of ACM Work and, if applicable, the Tenant Improvement Work. If the Completion Date has not occurred by the date which is (A) six (6) months after the

later of the Turnover Date or Tenant shall have delivered possession of an ACM Floor to Landlord for the performance of the ACM Work only or (B) two (2) months after the date shown on the Schedule for completion of the ACM Work and the Tenant Improvements Work (as the case may be, the "Outside Completion Date") for any reason other than a Force Majeure Delay or a Tenant Delay (as defined in Exhibit R), then Tenant shall be entitled to a credit against the Base Rent payable under this Lease or the Existing Lease, equal to one (1) day of Base Rent that would, but for the fact the Base Rent is abated during the Construction Period, be payable for the ACM Floor for each day that the Completion Date fails to occur after the Outside Completion Date. In addition, if the Completion Date has not occurred by the date which is two (2) months after the Outside Completion Date for any reason other than Force Majeure or Tenant Delay, then Tenant shall be entitled to a credit against the Base Rent payable under this Lease or the Existing Lease, equal to two (2) days of Base Rent that would, but for the fact the Base Rent is abated during the Construction Period, be payable for the ACM Floor for each day that the Completion Date fails to occur after the date that is two (2) months after the Outside Completion Date. Such credit against Base Rent shall commence upon the Completion Date for the applicable ACM Floor. Finally, if the Completion Date fails to occur within one year after the Outside Completion Date for any reason other than Force Majeure or Tenant Delay, Tenant, upon notice to Landlord, may terminate this Lease with respect to the ACM Floor at any time thereafter (but prior to the occurrence of the Completion Date). In the event of such termination, this Lease shall terminate with respect to the ACM Floor as if such termination date were the Expiration Date and neither party shall have any obligations to the other with respect to such ACM Floor, except that Landlord shall reimburse Tenant for (x) any amounts paid by Tenant to Landlord or the general contractor toward the Overage for such Tenant Improvement Work on the ACM Floor and (y) any other unreimbursed expenses incurred by Tenant with respect to the Tenant Improvements on such ACM Floor, including, without limitation, the cost of architectural, engineering, space planning or other consultants' fees and disbursements, permits and the cost of telephone systems, computer systems and cabling, furniture. Notwithstanding the foregoing, in the event that Tenant does not elect to exercise its right under this Section 15.5(b) to terminate this Lease with respect to an ACM Floor, Tenant shall receive no further credit against Base Rent from and after the first anniversary of the Outside Completion Date. In other words, Tenant shall be entitled to a maximum credit of twenty two (22) months of Base Rent (two months at one-for-one and ten months at two-for-one) for a given ACM Floor under the terms this Section 15.5(b).

15.6 Tenant's Work. Any Tenant Improvements constructed by Tenant shall be performed in accordance with the terms and conditions set forth in Exhibit R. Notwithstanding any provisions to the contrary contained in this Lease, including Exhibit R, Tenant may perform Tenant Improvements and move into or out of the Premises during Operating Hours, provided that Tenant does not disturb other occupants of the Building.

15.7 Performance of Work Prior to Commencement Date. As provided in Section 6.2, (i) if Tenant performs Tenant Improvements prior to the Commencement Date, such performance and all applications for payment of the Tenant Improvement Allowance shall be governed by, and pursuant to, the provisions of this Lease, and not the Existing Lease, or (ii) if Tenant gives the ACM Notice or the ACM/Tenant Improvement Work Notice prior to the Commencement Date, the performance of such work by Landlord shall be governed by, and

pursuant to, the provisions of this Lease, and not the Existing Lease, notwithstanding in either case, that the Commencement Date has not then occurred and the Existing Lease is then in effect.

15.8 Low Rise Premises. Tenant shall not be entitled to receive any Tenant Improvement Allowance or give an ACM Notice or an ACM/Tenant Improvement Work Notice with respect to any floor comprising the Low Rise Premises unless and until either (i) Tenant shall have waived in writing its Reduction Option with respect to such floor or floors or (ii) Tenant's Reduction Option shall have lapsed with respect to such floor or floors without Tenant having exercised its Reduction Option with respect to such floor(s).

16. **Antennae**

16.1 Tenant, at its cost but without payment of a fee to Landlord, may place, construct, and maintain on the Building roof one (1) television antennae and one (1) amateur radio antennae (for emergency use), all referred to as "antennae systems", subject to the following: (i) the right of Landlord to approve (not to be unreasonably withheld, conditioned or delayed) Tenant's plans and specifications therefor and to designate the contractor for any roof penetrations; (ii) compliance with the conditions of any roof bond or warranty maintained by Landlord on the roof of the Building; (iii) Landlord's reasonable right to designate the location of the antennae systems, provided such location enables Tenant to have reception; (iv) the size of the antennae systems shall be subject to Landlord's reasonable approval; (v) the antennae systems shall be solely for Tenant's own use for security and communications purposes; (vi) Tenant shall pay for all costs of the utilities incurred in connection with the operation, repair and maintenance of the antennae systems; (vii) the installation, use and maintenance and repair of the antennae systems shall not interfere with any other tenant or occupant in the Building, including without limitation radio or microwave interference or television reception interference with any installations in place as of the date Tenant installs its antennae systems; and (viii) Tenant shall erect any screening reasonably required for the antennae systems by Landlord, such screening to be consistent with existing Building materials. Tenant shall be responsible for the repair of any damage to any portion of the Premises and the Building caused by Tenant's installation, use or removal of the antennae systems. The antennae systems shall remain the exclusive property of Tenant and Tenant shall remove the same at the expiration or earlier termination of the term of the Lease. Landlord has made no warranty or representation that the antennae systems are permissible under any applicable Laws and Tenant assumes all liability and risk in obtaining all permits and approvals necessary for the installation and use of the antennae systems. In addition, Tenant, at its cost but without payment of a fee to Landlord, may have reasonable and non-exclusive access to, and use of, the shafts, risers, telephone closets, mechanical equipment rooms and all points of entry into the Building as reasonably designated by Landlord for Tenant's installation, removal, replacement, repair, maintenance and operation therein, of lines, cables and other installations for telecommunications, computers and emergency power requirements. No other tenants in the Building shall have access to the telecommunications closets in the Premises, except on a supervised and intermittent basis to the extent required to install cabling.

16.2 Any antennae system must comply with all applicable Laws. Tenant shall obtain all governmental permits or approvals required for the installation or construction of the antennae system. Landlord will cooperate with and assist Tenant in obtaining all necessary governmental permits and approvals.

16.3 In any case under this Article 16 where Landlord's approval is required, Landlord shall give or withhold such approval within ten (10) Business Days after Tenant's submission of all material required under this Article 16. Tenant may send Landlord a notice simultaneously with Tenant's submission to Landlord of Tenant's plans and specifications, which notice shall refer to this Section 16.3 and state the following in bold capital letters: "**IF LANDLORD FAILS TO RESPOND TO THIS REQUEST FOR APPROVAL WITHIN TEN (10) BUSINESS DAYS AFTER SUBMISSION THEREOF TO LANDLORD, TENANT MAY SEND A SECOND (2ND) NOTICE TO LANDLORD FOR APPROVAL, AND IF LANDLORD SHALL FAIL TO RESPOND TO SUCH SECOND (2ND) NOTICE, LANDLORD'S APPROVAL SHALL BE DEEMED GRANTED IN ACCORDANCE WITH SECTION 16.3 OF THE LEASE.**" If Landlord shall fail to respond to Tenant's request for such approval within said ten (10) Business Day period, then, provided that Tenant shall have submitted to Landlord a second (2nd) notice following the expiration of such ten (10) Business Day period, stating the following in bold capital letters: "**IF LANDLORD FAILS TO RESPOND TO THIS REQUEST FOR APPROVAL WITHIN FIVE (5) BUSINESS DAYS, THEN LANDLORD'S APPROVAL SHALL BE DEEMED GRANTED IN ACCORDANCE WITH SECTION 16.3 OF THE LEASE,**" and if Landlord continues to fail to respond to the request for such approval, then after the expiration of such additional five (5) Business Day period, Landlord's consent to Tenant's submission shall be deemed to have been given.

16.4 As provided in Section 6.2, this Section 16 shall be applicable as of the date of this Lease and Tenant's antenna rights shall be governed by this Lease, notwithstanding that the Commencement Date under this Lease may not have occurred.

17. Parking

17.1 Landlord (or its predecessor-in-interest) has entered into parking leases (the "Parking Leases") with the owners of the parking facilities (the "Parking Facilities") commonly known as Kaiser Center Garage (300 Lakeside), Two Kaiser Plaza Lot and Labor Temple Lot, pursuant to which the owners of the Parking Facilities will make parking spaces available to Landlord to provide its tenants with parking. Landlord shall provide Tenant with up to the number of Parking Spaces set forth in Basic Lease Terms. The Parking Facilities are shown on Exhibit E annexed to this Lease. To the extent available, the Parking Spaces will be located at the Parking Facilities in the following order of priority: First, to the Kaiser Center Garage, next to the Two Kaiser Plaza Lot, and finally, to the Labor Temple Lot. Tenant or its employees shall pay the operators of the Parking Facilities for the use of such Parking Spaces at the rate established by the operator of the Parking Facilities from time-to-time, as additional rent.

17.2 Tenant shall have no obligation to use all of the Parking Spaces allocated to Tenant under this Lease, but only to use such number of Parking Spaces, as Tenant's employees may elect to use on a month to month basis by arrangement with the operator of the Parking Facilities, provided, however, in the event that an owner of one of the Parking Facilities gives Landlord notice that it intends to exercise its right under the applicable Parking Lease to reduce the number of parking spaces available under the Parking Lease because Tenant is not using all of the Parking Spaces allocated to Tenant under this Lease, then, unless Tenant elects to take all of the allocated Parking Spaces, Landlord shall have the right to reduce the number of Parking

Spaces allocated to Tenant under this Lease to the actual number of Parking Spaces being used by Tenant and Tenant shall have no ongoing right to rent such stalls and Landlord shall not be obligated to provide any additional parking stalls except and to the extent then available on a month-to-month basis.

17.3 In the event that the owner of one of the Parking Facilities exercises its right under the applicable Parking Lease to reduce the number of parking spaces available to Landlord because of Tenant's or its employees' failure to pay the monthly parking fees, Landlord shall be allowed to reduce the number of Parking Spaces allocated to Tenant under this Lease to the actual number of Parking Spaces paid for by Tenant or its employees and Landlord shall not be obligated to return the balance of the Parking Spaces unless such Parking Spaces are made available by the owner of the Parking Facilities. Notwithstanding anything to the contrary contained herein, failure by Tenant or Tenant's employees to pay for Parking Spaces shall not constitute a default under this Lease.

17.4 Except at the direction of Landlord, or with the prior written consent of Landlord (which consent Landlord may withhold or withdraw in its sole discretion), Tenant and any subtenant of the Premises (and their respective employees and contractors) shall not contract with any third party for the use of parking spaces within the Parking Facilities, except that Tenant may sublease an allocable share of Tenant's Parking Spaces in connection with a permitted sublease under this Lease.

17.5 In the event that one or more owners of the Parking Facilities exercises its right to relocate parking under the Parking Leases from the Parking Facilities, Landlord shall have the right to relocate the Parking Spaces allocated to Tenant provided such replacement Parking Spaces are of similar nature and quality and within similar proximity to the Building and Tenant's use thereof shall be governed by the terms of this Section 17.

17.6 If Tenant fails to observe the Parking Facilities rules and regulations (as the same may be promulgated and/or amended from time to time), and such failure continues beyond the applicable cure period, Landlord may treat any such failure as a default under this Lease.

17.7 If all or any portion of the Parking Facilities shall be damaged or rendered unusable by fire or other casualty or by any taking pursuant to eminent domain proceedings (or a conveyance in lieu thereof), and as a result thereof Landlord is unable to make available to Tenant the Parking Spaces to which Tenant is entitled to at the time under this Lease, then the number of cars which Tenant shall be entitled to park in the Parking Facilities shall be reduced after the casualty or condemnation in question in proportion to the total reduction in parking made available to Landlord, except that Landlord shall be obligated to use commercially reasonable and diligent efforts to obtain substitute parking of similar nature and quality and within similar proximity to the Building.

17.8 Landlord shall use reasonable good faith efforts to cause the owners of the Parking Facilities to perform their obligations under the Parking Leases to keep the Parking Facilities in good condition and repair.

17.9 As provided in Section 6.2, this Section 17 shall be applicable as of the date of this Lease and Tenant's antenna rights shall be governed by this Lease, notwithstanding that the Commencement Date under this Lease may not have occurred.

18. Condition of Premises and Building

18.1 Except as otherwise provided in this Lease, Tenant accepts the Premises, the Common Areas and the Building in their "as-is, where-is" condition. As a material inducement to Tenant to enter into this Lease, Landlord represents and warrants that, except as disclosed to Tenant, Landlord has not received any notice of, and, other than with respect to ACM, has no knowledge or information of, the existence on the Premises, Building, Site or any portion thereof, of any substance, material, or waste that is considered hazardous or toxic or that is regulated by the Federal Clean Air Act and Federal Clean Water Act under any federal, state, or local act, ordinance, rule, or regulation, including without limitation, asbestos, PCB, and lead or substances adverse to indoor air quality or any regulations or amendments thereunder ("Hazardous Material").

18.2 If Hazardous Material is found on or about the Premises or Building or any portion thereof (regardless of whether any Hazardous Materials were disclosed by Landlord to Tenant), Landlord will, notwithstanding any other provision of the Lease, indemnify and hold harmless (and defend with counsel reasonably acceptable to Tenant) Tenant from and against any and all costs, liabilities, response costs and expenses (including all litigation costs, expert witness fees and reasonable attorneys' fees) (i) arising out of the inaccuracy or incompleteness of any representation or warranty made by Landlord with respect to Hazardous Materials under this Lease or (ii) arising out of any claim or lawsuit brought or threatened, settlement reached, or governmental order, relating to the presence, disposal, release, or threatened release of any Hazardous Material on, from or under the Premises, Building or Site caused by (1) Landlord or its agents or contractors, or (2) work by other tenants of the Building that has been expressly authorized by Landlord. Without limiting the generality of the foregoing, Landlord's duty to indemnify, hold harmless and defend shall apply if such presence, disposal, release or threatened release of any Hazardous Material is or was attributable to Landlord's activities or to the activities of its agents or contractors or to work or other activities of other tenants in the Building that was expressly authorized by Landlord, whether such activities occurred prior to or during the time of Landlord's ownership of the Premises, Building, or Site. This duty to indemnify, hold harmless, and defend shall not apply with respect to any Hazardous Material that was first released into the environment by Tenant or its employees, agents or contractors (the "Tenant Parties"). This duty to indemnify, hold harmless and defend shall be in addition to any such other obligations or liabilities Landlord may have to Tenant at common law or otherwise, and shall survive the expiration or termination of this Lease.

18.3 Without limiting the generality of Section 19, Tenant covenants and agrees that Tenant and the Tenant Parties shall not bring into, maintain upon, or use in or about the Site, or transport to or from the Site, any Hazardous Materials, nor shall Tenant or the Tenant Parties release or dispose of any Hazardous Materials in, on, under or about the Site in violation of any Law. Landlord shall have the right on at least twenty four (24) hours prior notice to Tenant to enter and inspect the Premises during Operating Hours to verify Tenant's compliance with, or violations of, the provisions of this Section 18. Furthermore, Landlord may conduct such

investigations and tests as Landlord or Landlord's Lender may require, provided that the same shall not interfere with the conduct of Tenant's business and that Landlord restores the Premises to their condition that existed immediately before such investigations and tests. If as a result of such inspections or tests, Tenant is found to be in breach of the provisions of this Section 18, Tenant, in addition to its other obligations set forth in this Section 18, shall promptly reimburse Landlord for all costs incurred in connection with such test or inspection.

18.4 Tenant shall furnish to Landlord copies of all written notices, claims, reports, complaints, warnings, asserted violations, documents or other communications received or delivered by Tenant, as soon as possible and in any event within five (5) Business Days after such receipt or delivery, with respect to any actual or alleged use, disposal or transportation of Hazardous Materials in or about the Premises or Site.

18.5 If Hazardous Material that was first released into the environment by Tenant or the Tenant Parties is found on or about the Premises or Building or any portion thereof (regardless of whether any Hazardous Materials were disclosed by Landlord to Tenant), Tenant will, notwithstanding any other provision of the Lease, indemnify and hold harmless (and defend with counsel acceptable to Landlord) Landlord from and against any and all costs, liabilities, response costs, and expenses (including all litigation costs, expert witness fees and reasonable attorneys' fees) arising out of any claim or lawsuit brought or threatened, settlement reached, or governmental order, relating to the such Hazardous Material released on, from, or under the Premises, Building, or Site. This duty to indemnify, hold harmless, and defend shall be in addition to any such other obligations or liabilities Tenant may have to Landlord at common law or otherwise, and shall survive the expiration or termination of this Lease. Tenant's obligations hereunder shall include, without limitation, all costs of any required or necessary testing, investigation, studies, reports, repair, clean-up, detoxification or decontamination of the Premises Building and/or Site, and the preparation and implementation of any closure, removal, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the Term.

19. Compliance With Laws

Tenant shall not use the Premises for any purpose that is prohibited by any law, statute, ordinance or governmental rule or regulation now in force, or that may be enacted or promulgated in the future. Tenant shall, at its expense, comply with all laws, statutes, ordinances, rules, regulations, or requirements of any duly constituted governmental or public authority now in force and with the requirements of any board of fire underwriters or other similar body now or hereafter constituted (collectively "Laws") relating to the operation of Tenant's business at the Premises; provided that Tenant shall not be required to comply with any laws requiring any alterations, structural modifications, seismic upgrades, removal, remediation, or other actions with respect to Hazardous Material (unless caused by Tenant), capital repairs or capital expenditures to the Premises, Building, or Site, unless the same are triggered by Tenant's particular use of the Premises (as opposed to mere office use) or Tenant Improvements or other alterations, additions or improvements constructed by or on behalf of Tenant. Landlord, at its expense and without reimbursement as an Operating Cost (except to the extent specifically permitted in Section 12.1), shall cause (1) the Premises and Common Areas to comply with the requirements of the Americans with Disabilities Act of 1990, as amended ("ADA") or other laws

relating to handicapped access, except that Tenant shall comply with ADA requirements within the Premises resulting from Tenant's alterations, additions or improvements; and (2) the Building to comply with all Laws requiring: capital repairs or improvements; structural modifications; seismic or life safety additions, improvements or upgrades; the removal, remediation and other actions related to Hazardous Materials, except to the extent that such Hazardous Materials have been first released into the environment by Tenant and except to the extent the need for such compliance is triggered by Tenant's particular use of the Premises (as opposed to mere office use) or Tenant Improvements or other alterations, additions or improvements constructed by or on behalf of Tenant. Notwithstanding the foregoing, in no event shall Landlord be deemed to be in breach of its obligation to cause the Premises and Common Areas to so comply with Laws unless such failure to comply would (i) prohibit Tenant from obtaining or maintaining a certificate of occupancy or final permit sign off or other government approval permitting lawful occupancy by Tenant for the Premises, (ii) adversely affect the safety of Tenant or Tenant's employees or create a significant health hazard for Tenant or Tenant's employees, (iii) otherwise adversely interfere (by more than a *de minimis* amount) with or affect Tenant's use of the Premises, or (iv) prohibit Tenant from obtaining or maintaining a building permit to make alterations to the Premises.

20. **Utilities and Services; Rent Abatement**

20.1 Landlord shall, at its expense, operate the Building and the Site in a first-class manner consistent with first-class office buildings, and shall furnish the following services to the Premises: elevator service permitting twenty four (24) hour access to the Premises, seven (7) days per week, with at least two (2) elevators serving each of the Low Rise Premises, Mid Rise Premises and High Rise Premises operating at all times and, in any event, complying with the Building elevator performance specifications set forth in Exhibit U; electricity for customary lighting and commercially reasonable business machines and such additional electrical requirements as Tenant may require for its use, but in any event at least six (6) watts per rentable square foot of the Premises, on a demand load basis; lighting replacement for all lights located within the Premises and Common Areas; customary and reasonable life safety and security system, including security equipment, procedures and systems, and security guard service as specified in Section 20.10; during Operating Hours, heat, ventilation and air conditioning ("HVAC") required for the comfortable use and occupancy of the Premises and, in any event, meeting the performance specifications set forth in Exhibit Q; and at all times, water and sewer service to the Premises, including to the restrooms, and to the extent consistent with other first-class office buildings in the area in which the Building is located, all subject to any applicable policies or regulations adopted by any utility or governmental agency. Landlord also shall maintain and keep lighted at all times the common stairs, entries and restrooms in the Building and the Common Areas generally.

20.2 Operating Hours are specified in Section 1.17. Access to the Building and Parking Facilities shall be available to Tenant, Tenant's employees, and invitees all hours of each day of the week, provided that Landlord shall install key-card or similar systems to limit access outside of Operating Hours. Notwithstanding the foregoing, Tenant shall have the right, at its expense, to install a key-card system in the Building that is compatible with Landlord's system to enable Tenant and its employees and invitees to use one card to gain access to the Building and to the Premises and, in such event, Landlord shall not require Tenant or its employees or invitees

to use Landlord's key-card. If Tenant requires extended hours of HVAC services beyond Operating Hours (as the same may be established pursuant to Section 1.17), Landlord shall provide such services at its actual out of pocket cost on a marginal basis, without markup for profit or overhead, to the Premises and to the Common Areas generally; provided, however, that the charge to Tenant therefor shall not exceed (x) $250.00 per hour per floor for HVAC services or (y) $75.00 per hour per floor for ventilation only; and provided further, however, that Tenant shall only be required to pay such charges for the specific floor or floors on which Tenant has requested such services.

20.3 Landlord shall not be liable for failure to furnish utilities or other services to the Premises when such failure is caused by casualties, accidents, breakage, repairs, strikes, lockouts or other labor disturbances of any character, or other events beyond the reasonable control of Landlord and not caused by the act or omission of Landlord, but in case of such failure, Landlord will take all reasonable steps to restore the interrupted utilities and services as soon as possible. Notwithstanding any other provision of this Lease, in the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof as the result of the unavailability of any utility or service to be provided to the Premises under this Section 20 where such unavailability is due to (i) the negligence or willful misconduct of Landlord or its agents or contractors, or (ii) Landlord's failure to repair or maintain where Landlord is required by this Lease to repair or maintain, or (iii) Landlord's act of repairing or maintaining, or (iv) a default by Landlord in the performance of its obligations to provide the services required to be provided by this Lease to the Premises or to Tenant (including access to the Premises) for more than two (2) consecutive Business Days (or seven (7) consecutive days if the unavailability of any utility or service results from reasons other than those described in clauses (i) to (iv) above, including occurrences outside of the Building and the control of Landlord), then Tenant shall give Landlord prompt notice of the same and Base Rent and Operating Costs, and other recurrent charges payable under this Lease shall abate for such time as Tenant continues to be prevented from using, and does not use, the Premises or portion thereof in proportion that the rentable area of the Premises that the Tenant is prevented from using, and does not use, bears to the total rentable area of the Premises. Such right to abate Base Rent and Operating Costs, and other recurrent charges payable under this Lease shall be Tenant's sole and exclusive remedy at law or in equity. Notwithstanding anything to the contrary in this Section 20, if the Premises are rendered unusable in whole or in part due to a casualty or an exercise of eminent domain, the provisions of Sections 35 or 36 of the Lease, as the case may be, shall control.

20.4 On Business Days, Landlord shall provide cleaning and janitorial services in and about the Building and Premises as specified in Exhibit J and in accordance with standards in first-class office buildings in Oakland, California. If Tenant elects to provide its own janitorial service, Tenant shall notify Landlord and the costs of janitorial services shall not be included as an Operating Cost for the Base Year and any subsequent year and the Base Rent shall be reduced by an amount equal to Landlord's cost to provide such service as of the date of this Lease.

20.5 Tenant shall pay all charges for utilities or other systems which are separately metered to the Premises. Charges for separately metered utilities or other systems shall not be included as an Operating Cost.

20.6 Landlord shall institute and maintain equipment and procedures to monitor the proper operation of all equipment located in the telephone equipment rooms servicing the Premises (including HVAC equipment) so that, upon the failure of any such equipment, an alarm will so notify Building security and the Building engineer. Tenant shall coordinate with Landlord a protocol of actions to be taken upon the occurrence of any such event.

20.7 Landlord acknowledges that communication terminal rooms containing Tenant's equipment are presently located in Common Areas in portions of the Building. Landlord shall use good faith, commercially reasonable efforts to conduct its leasing program in the Building to enable such equipment to remain where presently located. However, if despite the exercise of such good faith, commercially reasonable efforts, Landlord must relocate such rooms and equipment to enable Landlord to lease space to third party tenants, then Landlord shall so notify Tenant and, after consultation with Tenant to coordinate such work (which shall be done on an overtime basis with as minimal interference to the conduct of Tenant's business as practicable), Landlord, at its expense, may relocate such rooms and reinstall such equipment to other locations in the Building reasonably acceptable to Tenant. Tenant, at its option, may relocate its equipment in such rooms to the Premises, at Tenant's expense.

20.8 At all times during the Term, Landlord, at its expense (subject to reimbursement as part of Operating Costs), shall maintain security guard service 24 hours per day, 7 days per week, with a security desk located in the ground floor lobby of the Building. Such security shall be determined by Landlord in its good faith judgment from time to time, provided that during Operating Hours such security shall include the presence of at least two persons with one security guard at the first floor security desk at all times. Notwithstanding the provision of such services, Tenant acknowledges that Landlord does not guarantee absolute security to Tenant or its employees. Tenant, at its own cost, may provide any additional security services required for the Premises which shall not interfere with Building life-safety and other mechanical and utility systems. Tenant shall have the right, at Tenant's cost, to interface its security systems with the Building's security panel. Any security guards retained by Tenant shall have the right to patrol the Common Areas of the Building, including the grounds outside the Building, provided that such guards shall not be permitted to carry firearms.

20.9 Until the fifth anniversary of the date of this Lease, Landlord shall be obligated to maintain, at its sole cost and expense (subject to reimbursement as part of Operating Costs as provided in Section 12.1(a)), an on-site property management office in the Building staffed during Operating Hours, at least by a (i) property manager, (ii) an assistant property manager, (iii) a property administrator (or receptionist) and (iv) a chief engineer.

20.10 Tenant may, at its option and expense, install new Building standard window coverings in the Premises.

21. Maintenance and Repair

21.1 During the term of this Lease, Tenant shall, at Tenant's expense, maintain the Premises in a neat and orderly condition, ordinary wear and tear and damage from any casualty excepted. The cost of repairing damage to other parts of the Building caused by Tenant or the Tenant Parties, or the failure of Tenant or the Tenant Parties to comply with this Lease, shall be

paid by Tenant within thirty (30) days of receipt by Tenant of written request therefor and copies of invoices in connection therewith (subject to the waiver of subrogation contained in this Lease). Landlord may make any repairs which are not made by Tenant after ten (10) days prior notice (provided no notice shall be required in the case of an emergency), and charge Tenant for the actual cost thereof (without an administrative charge, profit or overhead), together with interest thereon at the Applicable Rate.

21.2 Landlord, at its expense, subject to reimbursement to the extent such expenses are Operating Costs under Section 12, shall, in a manner consistent with first-class office buildings: repair and maintain the exterior of the Building, including without limitation, the roof, floors, structural portions of the Building, including exterior walls (including painting), foundations, exterior glass (including the windows bounding the Premises), exterior drainage systems, all exterior walkways and Common Areas, landscaped areas surrounding the Building, private roads and other avenues of ingress and egress, interior and exterior structural portions of the Premises, windows, the Building heating, ventilating and air conditioning systems, plumbing, electrical and lighting systems, fire and life safety systems, and fixtures and all other mechanical portions of the Premises and Building (but not any systems installed by Tenant or Landlord to exclusively serve the Premises).

21.3 In addition to Landlord's repair obligations pursuant to Articles 36 and 37, Landlord shall repair the Premises if they are damaged by: (1) the negligence or willful misconduct of Landlord, its employees, agents, contractors or authorized representatives; or (2) Landlord's failure to perform its obligations under this Section 21. All repairs which Landlord is required to make shall be prosecuted diligently, continuously, and as speedily as possible and done in such manner as to minimize interference with the conduct of Tenant's business. Landlord shall not leave any equipment, tools or parts in the Premises overnight.

21.4 (a) If Landlord shall fail to perform any repairs or services required under the terms of this Lease, and if Tenant shall give Landlord notice of such failure, Landlord shall promptly commence to effect the same and continuously pursue them to completion with reasonable diligence. If Tenant provides notice to Landlord of Landlord's failure to conduct repairs required to be performed by Landlord under this Section 21, which failure materially and adversely affects the conduct of Tenant's use of or access to the Premises, and Landlord fails to commence corrective action within a reasonable period of time, given the circumstances, after the receipt of such notice, but in any event not later than seven (7) Business Days after receipt of such notice for non-emergencies and as soon as reasonably possible in the case of emergencies, then Tenant may deliver an additional notice to Landlord specifying the required repair. If Landlord has not commenced the required repair within three (3) Business Days after Tenant's additional notice and thereafter diligently and continuously pursued such repair to completion, Tenant shall have the right to conduct such repair, and Tenant thereafter shall be entitled to prompt reimbursement by Landlord of Tenant's reasonable costs and expenses in taking such action. Promptly following completion of any work taken by Tenant pursuant to the provisions of this Section 21.4, Tenant shall deliver a detailed invoice of the work completed, the materials used and the costs relating thereto and Landlord shall pay the same within thirty (30) days after receipt. If Landlord fails to reimburse Tenant for such costs within twenty days after receipt of Tenant's detailed invoice, and such failure continues for ten (10) days after a second notice from Tenant, without limiting Tenant's other rights and remedies under the Lease, Tenant shall be

entitled to offset up to $500,000.00 of such amount as a credit against the next installments of Base Rent payable under the Lease (together with interest at the Applicable Rate), provided that in any month Tenant shall not be entitled to offset more than fifty percent (50%) of the Base Rent due for that month, but nothing contained in this Section 21.4(a) shall be deemed to limit Tenant's right to seek reimbursement for such costs by means other than by offset against Base Rent. The term "emergency" or "emergencies" means those situations which, in Tenant's good faith judgment, represent an imminent threat to the life, health, safety of Tenant or Tenant's employees or invitees of such significance that immediate steps are necessary to remove the threat.

(b) Except as set forth in this Section 21, Tenant waives all rights to make repairs to the Premises at the expense of Landlord, or to offset the cost thereof from Rent.

21.5 Landlord shall use its commercially reasonable efforts to make any repairs, additions, or alterations required or permitted by this Lease to be made to, about, or affecting the Premises or adjoining premises, during non-business hours and with as little interference to Tenant as practicable, and Landlord shall promptly restore the Premises following any such work or activity. Notwithstanding any other provision of this Lease, in the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof as the result of any repair, maintenance or alteration to the Premises or the Building, including, without limitation, Common Areas or other portions of the Building performed by Landlord (unless the same is required due to the actions or omissions of Tenant or any of the Tenant Parties) which interferes with Tenant's ability to operate its normal business from the Premises to a degree that it is not reasonable for Tenant to operate from the Premises for more than two (2) consecutive Business Days, then Tenant shall give Landlord prompt notice of the same and Base Rent and Operating Costs, and other recurrent charges payable under this Lease shall abate for such time as Tenant continues to be prevented from using, and does not use, the Premises or portion thereof in proportion that the rentable area of the Premises that the Tenant is prevented from using, and does not use, bears to the total rentable area of the Premises. Such right to abate Base Rent and Operating Costs, and other recurrent charges payable under this Lease shall be Tenant's sole and exclusive remedy at law or in equity. Notwithstanding anything to the contrary in this Section 21, (a) if the Premises are rendered unusable in whole or in part due to a casualty or an exercise of eminent domain, the provisions of Sections 35 or 36 of the Lease, as the case may be, shall control, and (b) such right to Rent abatement shall not apply to the ACM Work or Tenant Improvement Work to be performed by Landlord pursuant to Section 15, which shall be governed by Section 15.

21.6 Except as otherwise provided, upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises in good, neat and orderly condition, ordinary wear and tear and damage by casualty, acts of God, or the elements and taking by condemnation excepted, and shall remove its personal property, trade fixtures and equipment (including its data/telecom infrastructure). Tenant shall have no obligation to remove any Alterations or leasehold improvements in the Premises or to restore them to any particular condition except as otherwise provided in this Lease.

21.7 Except as otherwise required by Laws, Landlord shall maintain exterior lighting on the Building that is at least equivalent to the lighting in place as of the date of this Lease.

22. **Alterations and Modifications**

22.1 Tenant shall not make any improvement, alteration or modification ("Alteration(s)") to the Premises that (a) is visible from outside the Premises, (b) affects the structural, electrical, plumbing, mechanical or life safety systems of the Building, or (c) that would involve or cause the release of asbestos-containing materials, without Landlord's prior written consent. Landlord's consent shall not be unreasonably withheld, conditioned or delayed if the proposed Alteration is consistent with Tenant's permitted use under this Lease and does not adversely affect the proper functioning of the structural, electrical, plumbing, mechanical or life safety systems of the Building. If Tenant requests Landlord's approval and Landlord fails to respond to Tenant's request within twenty (20) Business Days after Landlord's receipt of plans and specifications for the proposed Alteration (except as otherwise set forth in Exhibit R), Tenant may deliver a second request to Landlord requesting approval of the proposed Alteration. If Landlord fails to respond to Tenant's second notice within five (5) Business Days, Tenant's request for approval shall be deemed to have been given. All Alterations shall be constructed in accordance with the plans and specifications approved by Landlord. All Alterations installed by Tenant shall be the property of Landlord on the expiration or termination of this Lease, and at the expiration or earlier termination of this Lease, shall remain upon and be surrendered with the Premises; provided that Landlord reserves the right to require Tenant to remove any Alterations that are not generally customary for the Use in other first class office buildings in Oakland, California and that are unusually expensive to demolish or remove (such Alterations, "Specialty Alterations"). At the time Tenant delivers Tenant's plans and specifications to Landlord, if Landlord shall approve such plans and specifications, Landlord shall, at the time it gives such approval, notify Tenant of those Alterations which shall constitute Specialty Alterations under this Lease and whether Tenant will be required to remove the same upon expiration or earlier termination of the Term. If Landlord shall fail to so notify Tenant, then Tenant shall have no obligation to remove or restore any such Alterations, whether or not such Alterations shall be Specialty Alterations, upon expiration or earlier termination of the Term. Any dispute arising between Landlord and Tenant as to whether any particular Alteration shall be a Specialty Alteration shall be determined by expedited arbitration pursuant to Section 56 of this Lease. All Alterations and modifications shall be done in a good and workmanlike manner, and diligently prosecuted to completion. All Alterations, including Tenant Improvements paid for with Tenant Improvement Allowance or the Additional Allowance or any work allowance paid in respect of ROFO Space or ROFR Space shall be deemed to be owned by Landlord for purposes of income taxes, and Landlord shall have the right to depreciate the cost of same. Landlord, at Tenant's cost, shall cooperate with Tenant in securing building or other permits or authorizations required from time to time for any work permitted under this Lease. If Tenant is not able to obtain a building permit, final permit sign off or any certificate of occupancy or similar document to enable Tenant to make its Alterations, including, without limitation, the Tenant Improvements, or to legally occupy the Premises due to any violation of Law noted against the Building or the Site other than violations triggered by the acts of Tenant or violations that Tenant is obligated to remove pursuant to Section 19, (i) Landlord shall promptly take all necessary steps to cause such violation to be removed, and (ii) if such violation continues for more than (x) two (2) consecutive Business Days after notice to Landlord, if Tenant has completed its Tenant Improvements or other Alterations and Tenant cannot lawfully reoccupy all or a portion of the Premises because of such violation, or (y) ninety (90) days after notice to Landlord, if Tenant cannot obtain a building permit or similar permits necessary to commence the performance of

any Alterations (other than the Tenant Improvements pursuant to Article 15), or (z) thirty (30) days after notice to Landlord, if Tenant cannot obtain a building permit or similar permits necessary to commence the Tenant Improvements, then, in any such case, Base Rent and Operating Costs shall abate with respect to the portion of the Premises with respect to which Tenant cannot obtain a building permit or certificate of occupancy or equivalent.

22.2 Any Alterations made by Tenant shall comply with the following: (i) all work shall be in compliance with all Laws and any permits governing such work; (ii) any work not acceptable to any governmental authority or agency having jurisdiction over such work shall be promptly corrected by Tenant at Tenant's expense; (iii) Tenant shall not install plumbing, mechanical, electrical wiring or fixtures, ceilings, partitions, or other Alterations which, in Landlord's reasonable judgment, may adversely affect the proper functioning of any of the Building systems or their performance (including, but not limited to, the heating, ventilating and air-conditioning systems); (iv) all work by Tenant shall be performed diligently and in a good workmanlike manner until completed and pursuant to any reasonable scheduling requirements imposed by Landlord, provided, however, that Tenant may perform Alterations during Operating Hours so long as such Alterations shall not disturb other occupants of the Building.

22.3 Notwithstanding any other provision of this Lease, at the expiration or termination of this Lease, Tenant may remove all trade fixtures and other items of Tenant's personal property, including, but not limited to, computer terminals and equipment, telephone, telecommunications, life safety and security equipment, custom cabinetry, lockers, signage, medical equipment, systems or modular furniture (e.g. Steelcase™ furniture, partitions) whether or not bolted or otherwise attached to the Premises, provided all resultant damage or injury to the Premises is repaired.

22.4 Landlord shall not charge Tenant a supervisory fee during the performance of Tenant Improvements, nor shall Landlord charge Tenant for the use of the Building freight elevator during the performance of such work or in moving from floor to floor of the Premises.

23. Liens

23.1 Tenant shall keep the Premises and the Building free of all liens resulting from or arising out of construction or other work done, materials furnished, or obligations incurred by or for Tenant. This obligation does not apply to Tenant Improvement Work to be constructed by Landlord or to any other work performed on the Premises by or for Landlord. Tenant agrees to indemnify and hold Landlord harmless from and to defend Landlord against any liabilities, liens, claims, demands, costs or expenses, including court costs and attorneys' fees, arising from Tenant's failure to pay its contractors for Tenant's construction of the Tenant Improvements or other Alterations performed by Tenant. Tenant shall give Landlord at least five (5) days notice prior to commencing any work in the Premises and Landlord shall have the right to post notices of nonresponsibility in or upon the Premises, as provided by law. If a mechanic's or other lien is filed against the Premises or the Building as a result of a claim arising through Tenant's own activities, Tenant shall cause such lien to be released of record within twenty (20) days after the same is filed. No action to remove a lien, as provided herein, shall affect Tenant's right to contest the legitimacy of the lien and seek appropriate legal remedies against the party placing such lien on the Premises or Building.

23.2 Landlord agrees to indemnify and hold Tenant harmless from and to defend Tenant against any liabilities, liens, claims, demands, costs or expenses, including court costs and attorneys' fees, arising from Landlord's failure to pay any contractors for Landlord's construction of the Tenant Improvement Work or other work performed by Landlord.

24. Assignment and Subletting

24.1 Except as expressly set forth herein, Tenant shall not, by operation of law or otherwise, assign, mortgage, pledge, encumber or otherwise transfer this Lease or any part hereof, or the interest of Tenant under this Lease, without the prior written consent of Landlord in each such instance, which consent shall not be unreasonably withheld, conditioned or delayed, provided that Landlord may withhold its consent in its sole discretion to any mortgage, pledge, encumbrance or transfer made for security purposes. Except as otherwise provided in this Section 24, the Premises or any part thereof shall not be sublet, occupied or used for any purpose by anyone other than Tenant, except with Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. With respect to any proposed assignment or subletting by Tenant, Tenant shall pay Landlord on demand, as additional Rent, Landlord's reasonable attorneys' fees in connection with such transaction, regardless of whether such transaction is consummated, in an aggregate amount not to exceed Three Thousand Dollars ($3,000.00).

24.2 (a) If Tenant is a corporation, limited liability company, partnership or similar entity, Landlord's consent shall not be required with respect to a subletting to, or the use of all or any portion of the Premises by, any corporation or limited liability company, partnership or similar entity which is an Affiliate (as hereinafter defined) of Tenant, provided that (A) on the date the sublease is entered into, Tenant shall not then be in default under this Lease beyond expiration of any applicable notice, grace or cure period, and (B) such subletting shall in no manner relieve Tenant of any of the obligations undertaken by it under this Lease. The term "Affiliate" shall mean any entity which controls or is controlled by or is under common control with Tenant, and the term "control" shall mean, in the case of a corporation, ownership or voting control, directly or indirectly, of more than fifty percent (50%) of all the voting stock, and in case of a joint venture, limited liability company, partnership or similar entity, ownership, directly or indirectly, of more than fifty percent (50%) of all the general or other partnership, membership (or similar) interests therein. An Affiliate shall also mean Kaiser Foundation Hospitals, The Permanente Medical Group, Inc., or Southern California Permanente Medical Group.

(b) If Tenant is a corporation, limited liability company, partnership or similar entity, Landlord's consent shall not be required with respect to an assignment of this Lease to (i) an Affiliate, or (ii) any entity (a "Successor Entity") into or with which Tenant may merge or be consolidated or which purchases all or substantially all of Tenant's assets, including this Lease, provided that (A) unless such assignment and assumption is by operation of law, an instrument, duly executed by the assignee, in which such assignee assumes observance and performance of, and agrees to be bound by, all of the terms, covenants and conditions of this Lease on Tenant's part to be performed and observed from and after the effective date of the assignment, shall have been delivered to Landlord not more than ten (10) days after the effective date of such assignment, (B) Tenant shall not then be in default under this Lease beyond expiration of any applicable notice, grace or cure period; (C) in the case of a merger where

Tenant is not the surviving entity, or a sale of all or substantially all of Tenant's assets, the Successor Entity has a tangible net worth of not less than One Billion Dollars ($1,000,000,000), determined in accordance with generally accepted accounting principles; and (D) such assignment or transfer shall in no manner relieve Tenant of any of the obligations undertaken by it under this Lease.

(c) The sale or other transfer of Tenant's stock, membership interests, partnership interests or other indicia of ownership shall not constitute an assignment of this Lease.

24.3 If Tenant desires to assign this Lease or sublet all or any part of the Premises in a transaction for which Landlord's consent is required, Tenant shall give Landlord written notice at least twenty (20) days in advance of the proposed effective date of any other proposed assignment or sublease, specifying (a) the name, current address, and business of the proposed assignee or subtenant, (b) in the case of a proposed sublease, the rentable square footage and location of the space within the Premises proposed to be so subleased, (c) the proposed effective date of the assignment or subletting (and, in the case of a subletting, the duration thereof), and (d) the proposed rent or consideration to be paid to Tenant by such assignee or subtenant. If available from the assignee or subtenant, Tenant shall promptly supply Landlord with such entity's financial statements as Landlord may reasonably request to enable Landlord to evaluate the proposed assignment or sublease. For assignments and sublettings other than those permitted by Section 24.2 hereof, Landlord shall have ten (10) Business Days following receipt of such notice within which to notify Tenant in writing that Landlord elects (i) in the case of a proposed sublet of all of the Premises or of any portion of the Premises for all or substantially all of balance of the Term of this Lease (i.e., the balance of the Term of this Lease, less some period of time not in excess of six (6) months), to terminate this Lease as to the space so affected as of the proposed effective date set forth in Tenant's notice, or in the case of a proposed assignment of this Lease, to terminate this Lease, and in either such event, as of the effective date of termination, Tenant shall be relieved of all further obligations hereunder as to such space, or under this Lease if this Lease shall have been terminated in the case of a proposed assignment, except for obligations with respect to such space or this Lease which expressly survive the termination hereof, or (ii) to permit Tenant to assign this Lease or sublet such space in accordance with Section 24.4, or (iii) to refuse to consent to Tenant's assignment or subleasing of such space, and to continue this Lease in full force and effect as to the entire Premises. If Landlord shall fail to notify Tenant in writing of such election within the aforesaid ten (10) Business Day period, time being of the essence with respect to Landlord's obligation to give such notice, and failure continues for five (5) Business Days after a second notice from Tenant to Landlord, Landlord shall be deemed to have elected option (ii) above. Tenant shall deliver to Landlord for Landlord's approval copies of all documents executed in connection with any assignment or subletting permitted under this Lease, to confirm that such documents require any assignee to assume performance of all prospective terms of this Lease to be performed by Tenant or any subtenant to use the subleased space as so not to cause a default under this Lease. Landlord shall notify Tenant of any objections to such documents within five (5) Business Days after receipt thereof.

24.4 With respect to any assignment of this Lease or subletting of all or any part of the Premises where Landlord's consent is required, Landlord shall not unreasonably withhold, delay

or condition its consent. So long as the following requirements are satisfied, Landlord's consent shall not be withheld to such transaction:

(a) The proposed assignee or subtenant is not a governmental authority or agency, an organization or person enjoying sovereign or diplomatic immunity, school, or any user that will attract a volume, frequency or type of visitor or employee to the Building which is not consistent with the standards of a first class office building and such use will not impose an excessive demand on or use of the facilities or services of the Building;

(b) The use of the Premises (or any portion proposed to be sublet) by the proposed assignee or subtenant will not violate any Law;

(c) In the case of a subletting of less than the entire Premises, the subletting would not require access to be provided through space leased or held for lease to another tenant or improvements to be made outside of the Premises, unless such issues are remedied by the terms of the sublease;

(d) In the case of an assignment, the proposed assignee has sufficient net worth for the proposed assignee to meet its obligations under this Lease, taking into account the fact that Tenant remains liable under this Lease; and

(e) There does not exist a default by Tenant under this Lease that is continuing beyond notice and any applicable grace or cure period.

24.5 Tenant shall pay to Landlord 50% of any Bonus Rent (as hereinafter defined) received by Tenant under any sublease or assignment. "Bonus Rent" shall mean any consideration received from an assignee and any rental received from a subtenant in excess of the Base Rent and Operating Costs payable by Tenant for the subleased space under this Lease for the same period (pro-rated on a rentable square foot basis), after Tenant shall have fully recouped the following expenses in connection with such transaction: market brokerage fees, free rent and tenant improvement allowances, the cost of work to prepare the Premises for the assignee or the subleased space for the subtenant, legal fees and disbursements, any costs or fees paid pursuant to Section 24.1 in connection with obtaining Landlord's consent and the then unamortized cost of Tenant's Improvements paid by Tenant, excluding the Tenant Improvement Allowance and, in portions of the Premises in which Tenant received the Additional Allowance, the Additional Allowance.

24.6 Any attempted assignment or sublease by Tenant in violation of the terms and provisions of this Section 24 shall be void and shall constitute a breach of this Lease. In no event shall any assignment, subletting or transfer, whether or not with Landlord's consent, relieve Tenant of its primary liability under this Lease for the entire Term, unless otherwise specifically agreed to by Landlord in writing, Tenant shall in no way be released from the full and complete performance of all the terms hereof.

24.7 If Landlord shall be entitled, pursuant to any lease with another tenant of the Building, to prohibit such other tenant from subletting any space in the Building or assigning its lease to Tenant by reason of the fact that Tenant is an occupant of the Building, Landlord will not exercise such right unless Landlord reasonably expects that ROFO Space comparable to the

space offered by such other tenant will become Available within the six (6) month period after receipt of such other tenant's request to assign its lease or sublet all or a portion of its premises. Any ROFO Space which Landlord expects will become Available shall be deemed comparable to the space offered by such other tenant if both spaces contain substantially the same RSF and are for substantially the same term. Within fifteen (15) days of Tenant's request therefor, Landlord agrees to give Tenant notice if any such ROFO Space will become Available. If no such ROFO Space is Available, then Landlord agrees that (i) Tenant shall have the right to enter a sublease or assignment transaction with such other tenant and (ii) Landlord shall not unreasonably withhold or delay its consent thereto.

25. **Holding Over**

If Tenant holds over in any portion of the Premises after the expiration or earlier termination of the Term without the express written consent of Landlord, such tenancy shall be at sufferance, at a rental rate equal to one hundred twenty-five percent (125%) of the Rent (the "Holdover Rent") in effect upon the date of such expiration or termination, and otherwise subject to the terms, covenants and conditions herein specified. In addition, if such holdover continues for more than one hundred eighty days (180) days after the expiration or earlier termination of the Term and Landlord has provided Tenant with notice that Landlord has leased all or a portion of the Premises to a new tenant (the "New Tenant"), Tenant shall be liable for (1) any payment or rent concession which Landlord may be required to make in order to induce such New Tenant not to terminate its lease by reason of the late delivery of its premises due to Tenant's holdover, and/or (2) if such New Tenant terminates its lease on account of Tenant's holdover, the loss of the benefit of the bargain and other damages incurred by Landlord by reason of such termination. Acceptance by Landlord of Rent after such expiration or earlier termination shall not constitute a holdover hereunder or result in a renewal. The foregoing provisions of this Section 25 are in addition to and do not affect Landlord's right of re-entry or any rights of Landlord hereunder or as otherwise available to Landlord as a matter of law nor shall the foregoing be construed as consent by Landlord to any holding over by Tenant. Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord upon the expiration or other termination of this Lease. Notwithstanding the foregoing, in the event that Tenant holds over in only a portion of the Premises constituting a full floor or a separately demised portion of a floor, Tenant shall not be required to pay Holdover Rent for those portions of the Premises that have been properly surrendered to Landlord (the "Surrendered Space") so long as the build-out or occupancy of the Surrendered Space is not delayed or otherwise affected by such holding over.

26. **Insurance**

26.1 During the Term of this Lease, Landlord shall, at Landlord's expense, obtain and keep in force a policy or policies of (1) commercial general liability insurance covering bodily injury and property damage with a combined single liability limit of not less than Five Million Dollars ($5,000,000), and (2) fire and extended coverage insurance, with vandalism, malicious mischief, and all-risk endorsements, for the full replacement value of the Building excluding the value of the Tenant Improvements and Alterations (without exclusions for terrorism insurance). All insurance under this Section 26 may be subject to reasonable and customary deductibles and shall be issued by insurers qualified to do business in the state in which the Premises are located. The limits of these insurance policies shall not limit the liability of Landlord under this Lease.

Landlord shall deliver to Tenant prior to the Commencement Date certificates of insurance and endorsements evidencing the existence and amounts of such insurance. No such policy shall name Tenant as an additional insured. Landlord may, but shall not be required to, carry earthquake insurance.

26.2 During the Term of the Lease, Tenant shall carry the following insurance at its own cost and expense:

(a) Policies of insurance covering all Tenant Improvements, Alterations and any and all of its personal property, in an amount not less than 100% of their actual replacement cost from time to time, providing protection against any peril included within the classification "special form" (formerly known as "all risk"), including fire, extended coverage, sprinkler damage (including earthquake sprinkler damage), vandalism and malicious mischief. The proceeds of such insurance shall be used for the repair or replacement of the property insured. The policy required under this Section 26.2(a) shall contain a loss payable endorsement (form 438BFU or an alternative acceptable to Landlord in its sole discretion) requiring all proceeds to be paid to Landlord or to a Lender designated by Landlord.

(b) ISO "occurrence form" commercial general liability insurance for injury to or death of any person in connection with the construction of improvements on the Premises and with Tenant's use of the Premises. Such insurance shall have limits of not less than $5,000,000 each occurrence for bodily injury or property damage; except that the limits of liability may be adjusted from time to time during the Term (but not more than once every three years) to such higher limits as Landlord may reasonably require under then current conditions, provided landlords of comparable first class office buildings in the vicinity of the Building are generally requiring such limits. Limits may be satisfied by primary and excess insurance as necessary.

(c) Tenant shall also carry such additional insurance as Landlord may require from time to time, but in no event in excess of the types and amounts of insurance being required by landlords of comparable first class office buildings in the area of the Building. Tenant's liability insurance may be carried under a blanket policy covering the Premises and other locations of Tenant so long as Tenant has excess/umbrella policies reasonably acceptable to Landlord.

26.3 All insurance required to be carried by Tenant hereunder shall be issued by insurance companies authorized to do business in the State of California and rated A:VIII or better in the most current issue of "Best's Key Rating Guide." Current, original certificates evidencing the existence and amounts of such insurance shall be delivered to Landlord by Tenant at least thirty (30) days prior to Tenant's taking occupancy of the Premises, and prior to the expiration of any policy required hereunder. All policies of commercial general liability insurance shall name Landlord, any designated Lender and the property manager as additional insureds by ISO endorsement form CG2011 (Additional Insured Managers or Lessors of Property). All insurance policies carried by Tenant shall bear an endorsement providing that the same shall not be subject to cancellation or reduction in coverage except after not less than thirty (30) days' written notice to Landlord and the other additional insureds, and an Accord 27 endorsement naming Landlord and the other additional insureds. It is agreed that all insurance

coverage maintained by Tenant under this Lease with respect to the Premises shall be primary and that any similar insurance maintained by Landlord or the other named additional insureds for its and/or their own protection shall be secondary or excess and not contributing insurance

26.4 So long as Tenant's tangible Net Worth (including, without limitation, those organizations commonly known as the Kaiser Permanente Medical Care Program, provided the same is an Affiliate of Tenant's) is at least Five Hundred Million Dollars ($500,000,000), Tenant shall be entitled to provide any of the insurance required by this Section 26 through alternative risk management programs, including self-insurance, and Landlord hereby consents thereto. No such risk management or self-insurance shall diminish the rights and privileges to which Landlord would otherwise have been entitled to under the terms of this Lease had there been a third party insurer, e.g. waiver of subrogation. Notwithstanding the foregoing, the terms of this Section 26.4 shall apply only to the originally named Tenant, Kaiser Foundation Health Plan, Inc., its Affiliates, and any Successor Entity.

26.5 If Tenant fails to maintain any insurance required by this Lease, Tenant shall be liable for any loss or cost resulting from such failure. Landlord may, but shall not be obligated to, provide for such insurance at Tenant's cost. This Section 26.5 shall not waive any of Landlord's other rights and remedies under this Lease.

27. Indemnity

27.1 Subject to Section 28, Tenant shall indemnify, defend (with counsel reasonably satisfactory to Landlord) and hold Landlord and Landlord's managing agent, employees, directors, officers, partners, members, managers and trustees (collectively, the "Landlord Parties") harmless from all liabilities, claims, demands, losses, costs, and expenses, including reasonable attorneys' fees, which arise out of injuries to any person or property damage occurring on the Premises or the Building arising out of or in connection with (i) the negligence or willful misconduct of Tenant and the other Tenant Parties, (ii) the use by Tenant and the Tenant Parties of the Premises, (iii) the conduct of Tenant's business, any activity, work or things done, permitted or suffered by Tenant in or about the Premises or the Site, or (iv) the breach by Tenant or the Tenant Parties of any of the terms and conditions of this Lease, except to the extent caused by the negligence or willful misconduct of the Landlord Parties.

27.2 Subject to Section 28, Landlord will indemnify, defend and hold Tenant, its officers, directors, partners, members, managers, trustees, and employees (collectively, the "Tenant Parties") harmless from and against any and all liabilities, claims, demands, losses, costs and expenses, including reasonable attorneys' fees which arise out of injuries to any person or property damage occurring on the Premises or the Building arising from may suffer or incur arising out of or in connection with (i) the use, operation or maintenance of the Common Areas by Landlord or the Landlord Parties, (ii) the negligence or willful misconduct of Landlord or the Landlord Parties, or (iii) the breach by Landlord of any of the terms and conditions of this Lease, except to the extent caused by the negligence or willful misconduct of Tenant or the Tenant Parties.

28. **Waiver of Claims and of Subrogation**

(a) Landlord releases Tenant from and shall cause its insurers to waive as against Tenant all claims and demands for damage, loss, or injury to the Premises, or to furnishings, business machines, equipment, and other property in and upon the Premises and the Building, which damage results from fire and other perils, events or happenings to the extent of the property insurance coverage required under this Lease.

(b) Tenant releases Landlord from and shall cause its insurers to waive as against Landlord all claims and demands for damage, loss, or injury to the Building and Landlord's property in the Building, which damage results from fire and other perils, events or happenings to the extent of the property insurance coverage required under this Lease.

29. **Entry by Landlord**

Landlord may enter the Premises, except for Tenant's security areas, at all reasonable times, and upon reasonable prior notice, which shall be not less than 24 hours (except in the case of emergency), to: (a) perform maintenance or repairs required by this Lease; (b) post notices to protect Landlord's rights; (c) show the Premises to prospective purchasers, lenders, or tenants during the last nine (9) months of the Term or any extension thereof; (d) determine whether Tenant is complying with all Tenant's obligations hereunder, and (e) supply janitorial service and any other service to be provided by Landlord to Tenant hereunder. Landlord entry under this Section 29 shall be made with reasonable efforts to minimize interference with Tenant's use of the Premises and the conduct of its business. Landlord shall at all times have a key to all doors providing entry to the Premises, but excluding Tenant's security areas (as to which Tenant shall provide Landlord with prompt supervised access). Landlord shall have the right to use any and all means that Landlord may deem proper to open any doors to or within the Premises in the event of an emergency, without liability to Tenant except for any failure by Landlord to exercise due care for Tenant's property under the circumstances. Landlord will, in connection with any entry by Landlord into any security areas, abide by such reasonable rules, regulations and procedures as Tenant may from time to time establish with respect to entry, including limitation as to time of entry, purpose of entry, and controls by Tenant with respect to the conduct of such entry (including accompaniment by designated representatives of Tenant), provided, however, that Tenant hereby waives any liability of Landlord or right to abatement of Rent resulting from Landlord's inability to gain access to any security areas of the Premises.

30. **Quiet Enjoyment**

Tenant, by paying Rent and performing all terms and conditions of this Lease, shall peaceably and quietly have, hold, and enjoy the Premises with all appurtenances thereto for the Term of this Lease and any extensions thereof, without any manner of hindrance of or interference with its quiet possession, enjoyment, or use by Landlord or any other party claiming under or through Landlord.

31. **Nondisturbance and Subordination**

31.1 Landlord represents that, other than Landlord, the only lenders or ground lessors having an interest in the Premises, the Building or the Site are specified in Exhibit B and that there are no other liens or encumbrances on the Site, the Building, or the Premises.

31.2 Subject to the provisions of Sections 31.3 and 31.4, this Lease and the rights of Tenant hereunder shall be and are hereby made subject and subordinate at all times to any mortgage, deed of trust or similar encumbrance ("Mortgage") now or hereafter existing, and to all advances made or hereafter to be made against or to protect the security thereof. If requested by Landlord, Tenant agrees to execute and deliver to Landlord, within twenty (20) Business Days after written demand therefor, an agreement in form and substance reasonably acceptable to Tenant confirming the subordination of this Lease to any Mortgage. Any failure or refusal of Tenant to execute such an agreement within twenty (20) Business Days shall constitute a default. However, no such additional agreement shall be necessary to effectuate such subordination.

31.3 In the event of the foreclosure of any Mortgage, Tenant, shall attorn to and recognize the successor as Landlord under this Lease, and lender or its designee or purchaser at a foreclosure sale shall recognize Tenant under the then existing terms of this Lease. Tenant hereby waives its right, if any, to elect to terminate this Lease or to surrender possession of the Premises in the event of any Mortgage termination or foreclosure. Tenant also agrees that the holder of any Mortgage may, at its option, unilaterally elect to fully subordinate its Mortgage to this Lease.

31.4 Concurrently with the execution and delivery of this Lease, Landlord shall obtain and deliver to Tenant an executed and acknowledged Subordination, Non-Disturbance and Attornment Agreement in form and substance acceptable to Tenant in Tenant's sole discretion (the "NDA") from Metropolitan Life Insurance Company, the holder of the Mortgage which, as of the date hereof, is the sole superior interest to the lien of this Lease.

31.5 Notwithstanding the provisions of Section 31.2, Landlord shall cause any future lender or ground lessor, as a condition precedent to the subordination of this Lease to such lender's Mortgage or to such lessor's ground lease, to execute, acknowledge and deliver to Tenant a recordable NDA in form and substance reasonably acceptable to Tenant, which Tenant shall execute and deliver to any future lender or ground lessor within twenty (20) Business Days after written demand therefor.

31.6 In the event that any Lender or its respective successor in title shall succeed to the interest of Landlord hereunder, the liability of the Lender or successor shall exist only so long as it is the owner of the Building. No Base Rent or any other Rent charge shall be paid more than 30 days prior to the due date thereof, and payments made in violation of this provision shall be a nullity as against any Lender, except to the extent that those payments are actually received by the Lender.

32. **Transfer of Landlord's Interest**

If Landlord sells or conveys its interest in the Premises or the Building, this Lease shall not be affected by any such sale and Tenant shall attorn to any purchaser or assignee. Landlord

shall be relieved from and after the date specified in any notice of transfer of all obligations and liabilities accruing thereafter on the part of Landlord. This Section 32 is contingent upon the assumption by such purchaser or transferee of all of Landlord's obligations under this Lease and Landlord's delivery of all funds in which Tenant has an interest to the transferee and does not apply to a transfer for security purposes only.

33. **Estoppel Certificate**

Landlord or Tenant, as the case may be, shall from time to time within twenty-five (25) days after receipt of request from the other party, execute, acknowledge, and deliver to such party a statement in writing, substantially in the form attached as Exhibit I, certifying that: (a) this Lease is unmodified and in full force and effect (or, if modified, stating the date and nature of such modification and certifying that this Lease, as so modified, is in full force and effect); (b) the date to which the Rent and other sums payable under this Lease, have been paid; and (c) acknowledging that there are not, to the knowledge of the party delivering the certificate, any uncured defaults on the part of the other party, or specifying such defaults if any are claimed. Any such statement may be relied upon by the party requesting the certificate and by any prospective purchaser or Lender of the Building or the Premises and by any sublessee of the Premises (or portion thereof) or any assignee of this Lease. If the party being requested to sign such statement shall not have executed, acknowledged and delivered the same to the requesting party within such twenty-five (25) day period, the requesting party may send a second request for such statement, and if the party being requested to provide the statement shall not have responded within five (5) days after such second request, the contents of the statement presented to such party shall be deemed true and such failure shall also be deemed a default under this Lease (without additional time, despite any other provision of this Lease).

34. **Default**

34.1 Any of the following shall constitute an Event of Default under this Lease by Tenant:

(a) Tenant's failure to pay Rent or to make any payment of money required under this Lease within seven (7) Business Days after Tenant's receipt of written notice from Landlord specifying such failure;

(b) Tenant's failure to observe and perform any other provision of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant, except that if the nature of the default is such that the same cannot be reasonably be cured within thirty (30) days, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion.

Any notice given pursuant to this Section 34.1 is in lieu of any written notice required by statute or law, including any notice required under Sections 1161 and 1161.1 of the California Code of Civil Procedure (or any similar or successor law), and Tenant waives (to the fullest extent permitted by law) the giving of any notice other than that provided for in this Section 34.1. To

the extent the foregoing is not permitted by law, any notice under this Section 34.1 shall run concurrently with, and not in addition to, any similar time periods prescribed by applicable law.

34.2 In the event of any failure by Landlord to perform any of Landlord's obligations under this Lease, Tenant will give Landlord written notice specifying such default with particularity, and Landlord shall thereupon have thirty (30) days in which to cure any such default; provided, however, that if the nature of the Landlord's default is such that more than thirty (30) days are required for its cure, then Landlord shall not be deemed to be in default if Landlord commences such cure within the thirty (30) day period and thereafter diligently prosecutes such cure to completion. Tenant shall give any mortgagee a copy, by certified mail, of any notice of default served upon Landlord, provided that Tenant previously has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise), of the address of such mortgagee. If Landlord fails to cure such default within the time provided in this Lease, any such mortgagee shall have an additional forty-five (45) days within which to cure such default by Landlord, or if such default cannot be cured within that time, then such additional time as may be necessary if within that forty-five (45) day period the mortgagee has commenced and is pursuing the remedies necessary to cure such default (including but not limited to commencement of foreclosure proceedings, if necessary to effect such cure), but in no event more than 150 days from the default, provided that within thirty (30) days after Tenant shall have given such notice to mortgagee, accompanied by a statement **IN BOLD CAPITAL LETTERS THAT MORTGAGEE MUST INFORM TENANT IN WRITING WITHIN THIRTY (30) DAYS IF MORTGAGEE INTENDS TO CURE SUCH DEFAULT,** mortgagee shall have notified Tenant that mortgagee intends to cure the same. Notwithstanding the foregoing, nothing in this Section 34.2 shall be interpreted to require Tenant to wait for the expiration of such periods prior to exercising any right to arbitrate pursuant to Article 56 of this Lease or any right to rent abatement, self-help, deemed consent, reimbursement or rent offset expressly specified elsewhere in this Lease that arises due to failure by Landlord to perform any of Landlord's obligations under this Lease, provided that Tenant's exercise of any of such rights is in accordance with, and subject to the terms of, the provision that expressly provides such right. In the event that Landlord (or such mortgagee) fails to cure such default within the aforementioned cure periods, and if the nature of Landlord's default is such that Tenant would be entitled under California law to terminate this Lease, Tenant shall not exercise any such right to terminate this Lease while such remedies are being so pursued. Unless and until Landlord (or such mortgagee) fails to so cure any default within the cure periods set forth in this Section 34.2, Tenant shall not have any remedy or cause of action by reason thereof except as otherwise specified in this Lease. Except as expressly set forth in, and limited by, the terms of this Lease, Tenant hereby waives and relinquishes any and all rights which Tenant may have to terminate this Lease, to exercise self-help or to withhold Rent for any reason whatever, including without limitation on account of any default by Landlord of its obligations under this Lease, and any damage to, or condemnation, destruction or state of disrepair of, the Premises (specifically including but not limited to, those rights under California Civil Code Sections 1932, 1933(4), 1941, 1941.1 and 1942).

35. Landlord Remedies On Default

If an Event of Default occurs and is continuing, in addition to any other remedies available to Landlord herein or at law or in equity, Landlord shall have the option to:

35.1 Maintain this Lease in full effect and recover the Rent and other monetary charges as they become due, without terminating Tenant's right to possession, as set forth in Section 1951.4 of the California Civil Code or any other applicable code section. Acts of maintenance, preservation or efforts to lease the Premises, or the appointment of receiver upon application of Landlord to protect Landlord's interest under this Lease, shall not constitute an election to terminate Tenant's right to possession in the absence of written notice to the contrary. If Landlord elects not to terminate this Lease, Landlord may attempt to relet the Premises at such Rent and upon such conditions and for such a term and to do all acts necessary to relet the Premises, including removal of all persons and property from the Premises, without being deemed to have elected to terminate this Lease; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. If any such reletting occurs, this Lease shall terminate automatically at the time the new tenant takes possession of the Premises.

35.2 Terminate this Lease by any lawful means, in which case this Lease shall terminate and Tenant shall surrender possession of the Premises to Landlord and Landlord shall have all the rights and remedies of a landlord provided by Section 1951.2 of the California Civil Code or any successor code section. If Landlord elects to terminate this Lease, then Landlord may recover from Tenant:

35.2.1 The worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus

35.2.2 The worth at the time of award of the amount by which any unpaid Rent which had been earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

35.2.3 The worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

35.2.4 Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom, including, without limitation, any costs or expenses incurred by Landlord in maintaining or preserving the Premises after such Event of Default, recovering possession of the Premises, expenses of reletting the Premises to a new tenant, (including necessary renovations, alterations and improvements to the Premises, and leasing commissions incurred), and all attorneys' and other professional and paraprofessional fees and other costs and expenses incurred in good faith in connection with any of the foregoing.

35.2.5 As used in Sections 35.2.1 and 35.2.2, the "worth at the time of the award" is computed by allowing interest at the lawful rate. As used in Section 35.2.3, the "worth at the time of the award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank for the region in which the Building is located at the time of award plus one percent (1%).

35.2.6 The term "Rent" as used in this Section shall be deemed to mean the scheduled Rent and all other sums required to be paid by Tenant pursuant to the terms of this Lease.

36. Damage or Destruction

36.1 Except as otherwise provided in this Section 36, if the Premises or Building are partially destroyed or damaged by fire or other casualty, rendering the Premises totally or partially inaccessible or unusable, Landlord shall promptly restore the shell and core of the Premises and the Building to substantially the same condition as they were in immediately before the destruction, including modifications required to comply with then effective building codes and other applicable laws and regulations, and such destruction shall not result in a termination of this Lease. If any part of the Premises is rendered untenantable by reason of damage, then the Base Rent and Operating Costs payable by Tenant shall abate in proportion to the rentable area of the Premises rendered untenantable until the earlier of (i) the date that is one hundred fifty (150) days after the date when Landlord completes such restoration and affords to Tenant access to the Premises with all services required to be provided under this Lease being provided to the Premises and (ii) the date when Tenant first occupies such area for the normal conduct of its business.

36.2 Notwithstanding Section 36.1, this Lease may be terminated by Landlord in any of the following situations, provided that Landlord has also terminated all of the other leases for space located above the ground floor of the Building:

(a) If the Building must be demolished as a result of damage by fire or other casualty or if the Estimated Repair Period (as defined below) exceeds three hundred sixty-five (365) days from the date of damage; or

(b) If all available insurance proceeds (or the amount of insurance proceeds that would have been available had Landlord maintained the insurance required of Landlord by this Lease), plus applicable deductibles, are less than the cost of restoration; or

(c) If existing laws do not permit the Premises to be restored to substantially the same condition as they were in immediately before the destruction.

Any such election to terminate this Lease shall be exercised by notice from Landlord to Tenant served within ninety (90) days after the date of the damage, time being of the essence. The notice shall specify the date of termination, which shall be at least thirty (30) days after notice is given. In the event Landlord gives such notice of termination, this Lease shall terminate as of the date specified, and all Rent (to the extent not otherwise abated) shall be prorated as of the later of the date of termination or Tenant's vacation of the Premises and both parties shall thereafter be released of all obligations under the Lease, except those which survive the Expiration or earlier termination of this Lease.

36.3 If the Premises or any portion thereof are rendered unusable for the conduct of Tenant's business by reason of a fire or other casualty, Landlord shall obtain from a licensed reputable independent contractor and deliver to Tenant a reasonable estimate of the time required for repair as soon as practicable (such estimate is hereinafter referred to as the "Estimated Repair

Period"). This Lease may be terminated by Tenant following a casualty in the following situations: (i) if the Estimated Repair Period exceeds three hundred sixty-five (365) days from the date of damage and Tenant gives notice of its election to terminate within sixty (60) days after receipt of Landlord's estimate, such cancellation to be effective thirty (30) days after such notice of cancellation is given; or (ii) the repair or restoration work is not actually completed by the later of (subject to Force Majeure Delays) (a) three hundred sixty-five (365) days from the date of damage or (b) the expiration of the Estimated Repair Period, and such failure continues for an additional thirty (30) days after the expiration of such period and notice from Tenant, such cancellation to be effective at the end of such thirty (30) day period. Further, if less than the entire Premises shall have been damaged by reason of a fire or other casualty, but a substantial portion thereof has been so damaged such that Tenant cannot reasonably conduct its business in the undamaged portion, if, with respect to the damaged portion, the Estimated Repair Period will exceed three-hundred sixty-five (365) days from the date of damage or if the time period described in clause (ii) of the preceding sentence shall have been exceeded, Tenant shall have the right to terminate this Lease with respect to the entire Premises.

36.4 If the Lease is terminated under this Section 36, (a) Landlord shall, within thirty (30) days after the termination date, refund to Tenant the prorated Base Rent and Operating Costs for the remainder of the month in which the destruction occurred, any prepaid Base Rent and Operating Costs, and all other monies advanced by Tenant, and (b) Tenant shall be entitled to keep for its own benefit all insurance proceeds maintained by Tenant on all tenant or leasehold improvements and personal property.

36.5 Notwithstanding anything to the contrary contained in this Section 36, Landlord shall not be obligated to repair, reconstruct or restore the Premises or Building when the damage or destruction occurs during the last twelve (12) months of the Term of this Lease and the time to repair such damage is in excess of sixty (60) days. In such event, each Landlord and Tenant shall have the option to terminate the Lease by giving written notice to the other within thirty (30) days after the date of damage, in which event all Rent (to the extent not otherwise abated) shall be prorated as of the later of the date of termination or Tenant's vacation of the Premises and both parties shall thereafter be relieved of all obligations under the Lease except for those which survive the Expiration Date or earlier termination of the Lease.

36.6 If Landlord is required or elects to restore the Premises as provided in this Section 36, Landlord shall, at its expense, restore the structural elements and the shell of the Premises at Landlord's expense, and the repair and restoration of the Tenant Improvements, any Alterations and Tenant's trade fixtures and other personal property shall be the sole obligation of Tenant. Tenant shall commence restoration of the Tenant Improvements (or the installation of comparable Alterations) promptly upon delivery to it of possession of the Premises and shall diligently prosecute any such work and installation to the extent necessary to prepare the Premises for Tenant's conduct of business therein.

36.7 If Tenant shall have the right to elect to terminate this Lease in accordance with Section 36.3, Tenant, in lieu of terminating this Lease with respect to the entire Premises, may terminate this Lease as to one or more full, contiguous floors affected by the Casualty (except in the event that Tenant leases only a portion of a floor, in which case Tenant may terminate this Lease with respect to such partial floor).

36.8 Landlord and Tenant hereby waive the provisions of California Civil Code Sections 1932(2) and 1933(4) or any successor statute relating to termination of leases when the thing leased is destroyed, and agree that such event shall be governed by the terms of this Lease.

37. Condemnation

37.1 If any substantial part of the Building shall be taken for public or quasi-public use by the right of eminent domain, or if the same is transferred by agreement in connection with such public or quasi-public use or under threat of eminent domain (collectively, a "Taking"), Landlord shall have the option, exercisable within thirty (30) days after the effective date of the Taking, to terminate this Lease as of the date possession is acquired by the condemning authority, as long as Landlord also terminates all of the other leases for space located above the ground floor of the Building. Tenant may terminate this Lease by reason of a Taking if, and only if, (a) there is a Taking of all or a portion of the Premises or of the Building and the area remaining cannot be reasonably used by Tenant without frustrating or impeding Tenant's intended use of the Premises in Tenant's reasonable judgment, or (b) there is a Taking which materially reduces the total number of parking spaces available to Tenant at the Parking Facilities, unless Landlord provides mutually acceptable replacement parking for the spaces lost in the Taking. Tenant shall have no right to terminate this Lease following any Taking except as set forth in the preceding sentence. Tenant hereby waives the benefit of California Code of Civil Procedure Section 1265.130 and any successor statute or other statute of similar import, it being the intent of the parties hereto that the terms of this Lease shall govern in the event of any Taking. If neither Tenant nor Landlord exercises their respective right to terminate this Lease following a Taking, then this Lease shall remain in full force and effect, except that Tenant's Base Rent, Operating Costs and other charges under this Lease based on the square footage of the Premises shall be reduced proportionately (based on the rentable square footage of the area rendered unusable by the Taking).

37.2 If either Landlord or Tenant shall give a termination notice as aforesaid by which this Lease shall be terminated with respect to the entire Premises, then this Lease and the term and estate granted hereby shall terminate as of the date of such notice and all Rent shall be prorated and paid as of such termination date. In the event of a taking of the Premises which does not result in the termination of this Lease in its entirety, (i) the term and estate hereby granted with respect to the taken part of the Premises shall terminate as of the date of taking of possession by the condemning authority and all Rent shall be appropriately abated for the period from such date to the Expiration Date, (ii) Landlord shall with reasonable diligence restore the remaining portion of the Premises (including Tenant's Improvements) as nearly as practicable to its condition prior to such taking and (iii) the Base Rent and Tenant's Pro Rata Share shall be reduced and, to the extent appropriate in the year of the taking, the Operating Costs shall be equitably adjusted in the proportion that the rentable area of the remaining Premises bears to the total (as such rentable area is determined after the taking) of the Premises.

37.3 In the event of any Taking of all or a part of the Building, Landlord shall be entitled to receive the entire award in the condemnation proceedings, and Tenant hereby assigns to Landlord, any and all right, title and interest of Tenant in or to any such award, and Tenant shall be entitled to receive no part of such award. Despite the foregoing, to the extent the same does not reduce the amount of the award payable to Landlord, Tenant shall be entitled to receive

the part of the award attributable to or prosecute a direct claim against the condemning authority, if necessary, for: (a) Tenant's loss of business; (b) the cost of Alterations or Tenant Improvements paid for by Tenant in excess of any Tenant Improvement Allowance or other amounts paid by Landlord; (c) the cost of removal of trade fixtures, furniture and other personal property belonging to Tenant; (d) relocation costs; and (e) compensation for loss of goodwill.

37.4 In the event of a taking of the Premises or any part thereof for temporary use, (i) this Lease shall be and remain unaffected thereby and Rent shall not abate, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking which is within the Term. For purposes of this Section 37.3, a temporary taking shall be defined as a taking for a period of twelve (12) months or less.

38. Attorneys' Fees and Costs

If either party commences an action or proceeding to determine or enforce its rights under this Lease, the prevailing party shall be entitled to recover from the losing party all expenses reasonably incurred, including court costs, reasonable attorneys' and accountant's fees and costs of suit as determined by the court.

39. Remedies Cumulative

All remedies of Landlord and Tenant under this Lease are cumulative.

40. Consequential Damages

Notwithstanding anything to the contrary contained in this Lease, nothing contained in this Lease shall impose any obligation on Tenant or Landlord to be responsible or liable for, and each hereby releases the other from, all liabilities for consequential damage, except for holdover damages as provided in Section 25 hereof.

41. Memorandum of Lease

If requested by Tenant at any time after the execution and delivery of this Lease, Landlord shall execute and deliver to Tenant a short form or memorandum of this Lease, which shall set forth the ROFO Space Option, the ROFR Space Option and the Renewal Options, in the form attached hereto as Exhibit F-1 suitable for recording in the Office of the County Recorder of the County in which the Building is located. As a condition precedent to Landlord's obligation to execute a short form or memorandum of this Lease, Tenant's shall provide an executed discharge of such memorandum, suitable for recording in the form attached hereto as Exhibit F-2. Such discharge instrument shall have no force or effect, and Landlord agrees not to record the same, until the expiration or earlier termination of the Lease. Landlord and Tenant further agree that, in the event the provisions of this Lease summarized in the short form or memorandum are amended, upon the request of either party, Landlord and Tenant shall execute, acknowledge and deliver to the other a memorandum of any amendment to this Lease. Tenant may, at Tenant's sole cost and expense, record such memorandum or amendment to this Lease. Landlord and Tenant agree to execute any other documents as may be reasonably necessary to record any such memorandum of lease or any memorandum of amendment.

42. **Brokers**

Landlord shall pay all brokerage fees or commissions arising from this Lease ("Commissions") which are payable to the Brokers named in Section 1.16, as set forth in separate agreements between Landlord and said Brokers. Landlord has informed Tenant that Landlord has agreed to pay, and the Brokers have agreed to accept, Commissions only with respect to the initial term of this Lease. Landlord and Tenant represent and warrant that neither party has had any dealings with any real estate broker or agent in connection with the negotiation of this Lease except for the Brokers specifically named in Section 1.16. Tenant and Landlord agree to indemnify, defend and hold the other party harmless from and against all claims, demands, causes of action, liabilities and expenses (including reasonable attorneys' fees) arising from any breach of the representations, warranties and agreements set forth in this Section 42 and Landlord shall indemnify, defend and hold Tenant harmless from and against all claims, demands, causes of action, liabilities and expenses (including reasonable attorneys' fees) arising from any claim by the Brokers against Tenant for that portion of the Commissions due to Tenant's Broker under the Commission Agreement (as hereinafter defined).

Landlord shall pay the commission due Tenant's Broker in accordance with Landlord's separate agreement (the "Commission Agreement") with Tenant's Broker in certain installments as specified in the Commission Agreement. In the event Landlord fails to pay when due any installment of the commission due Tenant's Broker, Tenant or Tenant's Broker may give Landlord notice of such failure(the "Initial Commission Notice"). In the event that Landlord fails to pay any such installment of the commission due to Tenant's broker within thirty (30) days after the delivery of the Initial Commission Notice to Landlord, Tenant or Tenant's Broker may give Landlord a second notice (the "Second Commission Notice") (which Second Commission Notice shall specify in bold and capitalized lettering or 14-point font that if Landlord fails to pay such commission to Tenant's Broker within five (5) Business Days after the Second Commission Notice shall have been given to Landlord, then Tenant shall be entitled to pay to Tenant's Broker the installment of the commission then due) and if Landlord fails to pay such commission to Tenant's Broker within five (5) Business Days after the Second Commission Notice shall have been given to Landlord, then Tenant shall be entitled to pay to Tenant's Broker the installment of the commission then due. Landlord shall reimburse Tenant the commission paid to Tenant's Broker within five (5) days after notice to Landlord that Tenant has paid Tenant's Broker, and if Landlord shall fail so to reimburse Tenant within such period, then Tenant may thereafter offset the amount of such commission, with interest thereon at the Applicable Rate from the date Tenant shall have paid the same to Tenant's Broker to the date such commission shall have been recovered by Tenant, against Tenant's next monthly installment(s) of Base Rent under this Lease and the Existing Lease until such amounts are fully recovered by Tenant. This Article 42 shall be applicable upon the execution and delivery of this Lease.

43. **Notices**

All notices or demands to be given by either party to the other shall be in writing and shall be deemed sufficiently given either when delivered in person (with receipt acknowledged) or three (3) days after being sent by certified mail, return receipt requested, postage prepaid, or when delivered by a nationally recognized courier company that provides signature verification

of delivery to recipient, to the respective parties at the addresses provided in Section 1.15 of this Lease. The address to which any notice or demand may be given to either party may be changed from time to time by written notice to the other. Notices for a party may be given by counsel to such party.

44. **Reasonableness**

The parties shall at all times act prudently, fairly, equitably, reasonably, promptly and in good faith in dealing with one another under this Lease and shall not in bad faith withhold or delay any consents, approvals, authorizations, exercises of discretion, exercises of judgment or the like provided in this Lease.

45. **Nondiscrimination and Medicare**

Landlord recognizes that, as a government contractor, Tenant is subject to various federal laws, executive orders and regulations regarding equal opportunity and affirmative action which may also be applicable to subcontractors. Landlord, therefore, agrees that all applicable equal opportunity and affirmative action clauses shall be incorporated herein as required by federal laws, executive orders, and regulations, which include the following: (a) the nondiscrimination and affirmative action clauses contained in: Executive Order 11246, as amended, relative to equal opportunity for all persons without regard to race, color, religion, sex or national origin; the Vocational Rehabilitation Act of 1973, as amended, relative to the employment of qualified handicapped individuals without discrimination based upon their physical or mental handicaps; the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended, relative to the employment of disabled veterans and veterans of the Vietnam Era, and the implementing rules and regulations prescribed by the Secretary of Labor in Title 41, Part 60 of the Code of Federal Regulations (CFR); (b) the utilization of small and minority business concerns clauses contained in: the Small Business Act, as amended; Executive Order 11625; and the Federal Acquisition Regulation (FAR) at 48 CFR Chapter 1, Part 19, Subchapter D, and Part 52, Subchapter H, relative to the utilization of minority business enterprises, small business concerns, and small business concerns owned and controlled by socially and economically disadvantaged individuals, in the performance of contracts awarded by federal agencies; and (c) the utilization of labor surplus area concerns clauses contained in: the Small Business Act, as amended; Executive Order 12073; 20 CFR Part 654, Subpart A; and the FAR at 48 CFR Chapter 1, Part 20 of Subchapter D and Part 52 of Subchapter H, relative to the utilization of labor surplus area concerns in the performance of government contracts. If this Lease is determined to be subject to the provisions of Section 952 of P.L. 96-499, which governs access to books and records of subcontractors of services to Medicare providers where the cost or value of such services under this Lease exceeds $10,000.00 over a 12-month period, then Landlord agrees to permit representatives of the Secretary of the Department of Health and Human Services and of the Comptroller General to have access to this Lease and the books, documents, and records of Landlord, as necessary to verify the costs of this Lease, in accordance with the criteria and procedures contained in applicable Federal regulations.

46. **Waiver**

No covenant, term, or condition of this Lease may be waived except by written consent of the party against whom the waiver is claimed and the waiver of any term, covenant, or condition of this Lease shall not be deemed a waiver of any subsequent breach of the same or any other term, covenant, or condition of this Lease.

47. **Days**

As used in this Lease, the term "day" shall mean calendar day unless specifically indicated otherwise. The term "Business Day" or "Business Days" shall mean Monday to Friday, except the Building Holidays listed in Exhibit L.

48. **Binding on Successors**

Except as otherwise provided, this Lease is binding on, and will inure to the benefit of, the respective successors and assigns of Landlord and Tenant.

49. **Rules of Construction**

This Lease is to be construed as a whole, according to its fair meaning, and not strictly for or against either Tenant or Landlord and notwithstanding which party may have drafted this Lease. The Section headings are for convenience only and are not a part of this Lease and do not limit or amplify its provisions. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall not affect the validity of any other provision hereof.

50. **Applicable Law**

The existence, validity, and construction of this Lease shall be determined in accordance with the laws of the State of California without reference to its conflicts of laws or principles; provided, that (i) any provision which may be held invalid shall be ineffective only to the extent of such invalidity and shall not invalidate any of the remaining provisions, (ii) this Lease shall not be construed as creating either a partnership, joint venture, an agency or an employment relationship between the parties, and (iii) the failure of any party to insist at any time upon the strict performance of any provision or to act upon any right or remedy available to such party, whether under this Lease or as a matter of law, shall not be interpreted as a waiver or a relinquishment of any such right or remedy unless specifically expressed in writing, signed by such party and neither the receipt, acceptance nor application of any payment shall, without more, constitute such a writing.

51. **Counterparts**

This Lease may be executed in several counterparts and all such executed counterparts shall constitute one agreement binding on all of the parties in spite of the fact that all of the parties have not signed the same counterpart.

52. **Headings and Gender**

The Section headings are for convenience only and shall have no legal significance. The masculine, feminine or neuter gender, and the singular or plural number, shall be deemed to include the others whenever the context so indicates or requires. The term "including" shall be deemed to mean "including, but not by way of limitation,".

53. **Representations of Authority**

The execution, delivery and performance of this Lease by Landlord and Tenant have been duly and validly authorized by all necessary action and proceedings, and no further action or authorization is necessary on the part of either Landlord or Tenant in order to consummate the transactions contemplated herein.

54. **Submission of Lease**

The submission of this Lease by Tenant to Landlord shall not constitute an offer to lease. Nothing in this Lease shall be binding upon Tenant or Landlord until Landlord and Tenant have each executed and delivered this Lease.

55. **Cumulative Remedies**

Except as may otherwise be provided in Section 56, the various rights, options, elections, powers and remedies contained in this Lease shall be construed as cumulative, and no one of them shall be exclusive of any of the others or of any other legal or equitable remedy which either party might otherwise have in the event of a breach or default in the terms of this Lease. The exercise of one right or remedy by such party shall not impair its right to any other right or remedy until all obligations imposed on the other party have been fully performed.

56. **Certain Remedies; Arbitration.**

(a) All disputes relating to this Lease or the relationship of Landlord and Tenant under this Lease shall be resolved by arbitration in accordance with this Section 56, except for (i) Events of Default and the exercise of remedies resulting therefrom, which shall be determined by litigation, and (ii) a claim by Tenant of constructive eviction or other claims by Tenant that Landlord has breached this Lease and, as a result thereof, Tenant is entitled to terminate this Lease, which shall be determined by litigation.

(b) Except with respect to disputes over any Operating Costs, such dispute or question shall be determined in accordance with the following procedures:

(i) The party desiring arbitration shall appoint a disinterested person as arbitrator on its behalf and shall give notice thereof to the other party who shall, within twenty (20) days thereafter, appoint a second disinterested person as arbitrator on its behalf and give written notice thereof to the first party. The two arbitrators thus appointed shall together appoint a third disinterested person within twenty (20) days after the appointment of the second arbitrator, and said three arbitrators shall as promptly as possible determine the matter which is the subject of the arbitration. The concurrence of

any two of said arbitrators shall be binding upon Landlord and Tenant or, in the event no two of the arbitrators shall render a concurrent determination, then the determination of the third arbitrator designated shall be binding upon Landlord and Tenant.

(ii) If any party who shall have a right pursuant to Section 56(b)(i) hereof to appoint an arbitrator shall fail or neglect to do so within the time permitted, then the other party (or if the two arbitrators appointed by the parties shall fail to appoint a third arbitrator when required hereunder, then either party) may apply to the American Arbitration Association to appoint such arbitrator.

(iii) Arbitration shall be conducted in the City of Oakland, in the County of Alameda, of the State of California, and to the extent applicable and consistent with this Section 56(b), shall be in accordance with the Commercial Arbitration Rules then in effect of the American Arbitration Association (or any successor body of similar function). The expenses of arbitration and the fees and disbursements of the third arbitrator shall be shared equally by Landlord and Tenant, and each party shall be responsible for the fees and disbursements of the arbitrator it appoints, its own attorneys and the expenses of its own proof.

(iv) Landlord and Tenant agree to, and hereby do: (i) waive any and all rights either of them at any time may have to revoke their agreement hereunder to submit to arbitration; (ii) consent to the entry of judgment in any court upon any award rendered in any arbitration held pursuant to this Article 56; (iii) acknowledge that any award rendered in any arbitration held pursuant to this Article 56, whether or not such award has been entered for judgment, shall be final and binding upon Landlord and Tenant.

(v) No arbitrators shall have any power to vary or modify any of the provisions of this Lease and their jurisdiction is hereby limited accordingly.

(vi) The two arbitrators to be selected by the parties shall be persons having at least ten (10) years' experience in the subject matter of the arbitration.

(c) Any dispute relating to uses permitted under Section 1.14 and Article 4 hereof, which relate to the use of the Premises or a portion thereof by a proposed assignee or subtenant, Landlord's denial of its consent to a proposed assignment or sublease pursuant to Section 24.4, Landlord's reasonableness relating to approvals of Tenant Improvements or Alterations, where Landlord has agreed to be reasonable, or any other dispute in this Lease expressly stated to be resolved by expedited arbitration (including any disputes under Sections 15.2 and 24 of this Lease), may be determined, at Landlord's or Tenant's option, under the expedited provisions of the Commercial Dispute Resolution Procedures of the American Arbitration Association (presently rules E 1 through E 10) in lieu of the procedures set forth in Section 56(b) hereof.

57. **Complete Agreement**

This Lease and the attached exhibits contain the entire agreement between the parties and supersede all prior agreements or understandings between the parties (other than the Existing Lease) and may not be amended except by a written agreement signed by the parties.

58. **Intentionally Deleted.**

59. **Measurement of Space**

With respect to any space in the Building where the rentable square foot area is not specified in this Lease or in any Exhibit to this Lease, if such space is required to be measured pursuant to this Lease or if the parties need to determine the rentable area or rentable square footage of such space, then the rentable square footage shall be as determined pursuant to the same methodology used to determine the rentable square footage specified in Exhibits C and M. In no event shall there be any remeasurement of the Premises for a Renewal Term, or of any Contraction Space or ROFO Space or ROFR Space.

60. **Incentives**

Tenant shall be entitled to receive the full value of any governmental incentives and benefits in connection with its occupancy of the Building and/or Site.

61. **Counterclaim and Jury Trial; Judicial Reference**

In the event that Landlord commences any summary proceedings or action for non-payment of rent or other charges provided in this lease, Tenant shall not interpose any counterclaim of any nature or description in any such proceeding or action. To the full extent permitted under applicable Laws, Tenant and Landlord both waive a trial by jury of any and all issues arising in any action or proceeding between the parties hereto or their affiliates, under or connected with this lease, any of its provisions, or any transactions or agreements set forth herein or contemplated hereby (collectively, a "Dispute"). To the extent that the foregoing waiver of jury trial is unenforceable, the parties agree that any Disputes (other than unlawful detainer and other summary proceedings) arising our of or relating to this lease shall be resolved by a judicial reference pursuant to California Code of Civil Procedure § 638. The judicial referee appointed to decide the judicial reference proceeding shall be empowered to hear and resolve any or all issues in the proceeding, whether fact or law. If Landlord and Tenant are unable to agree upon a referee within ten (10) days of a written request to do so by either party, either party may thereafter seek to have a referee appointed by the court pursuant to the procedures set forth in California Code of Civil Procedure § 640.

62. **OFAC List Representations**

(a) As of the date of Tenant's execution of this Lease, Tenant hereby represents and warrants to Landlord that to the best of Tenant's actual knowledge without inquiry, neither Tenant nor any of its Affiliates is an entity or person: (A) that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order 13224 issued on September 24, 2001 ("EO 13224"); (B) whose name appears on the United States Treasury Department's Office of Foreign Assets Control ("OFAC") most current list of "Specifically Designated National and Blocked Persons" (which list may be published from time to time in various mediums including, but not limited to, the OFAC website, http:www.treas.gov/ofac/t11sdn.pdf); or (C) who commits, threatens to commit or supports "terrorism," as that term is defined in EO 13224.

(b) As of the date of Landlord's execution of this Lease, Landlord hereby represents and warrants to Tenant, that to the best of Landlord's actual knowledge without inquiry, neither Landlord nor any of its Affiliates is an entity or person: (A) that is listed in the annex to, or is otherwise subject to the provisions of EO 13224; (B) whose name appears on the OFAC most current list of "Specifically Designated National and Blocked Persons" (which list may be published from time to time in various mediums including, but not limited to the OFAC website, http:www.treas.gov/ofac/t11sdn.pdf); or (C) who commits, threatens to commit or supports "terrorism," as that term is defined in EO 13224.

63. **No Light And Air Easement**

Any diminution, restriction, or shutting off of light, or air, or view from the Premises, by any structure or improvement that may at any time be erected on the Building, Site and/or lands adjacent to or in the vicinity of the Building shall in no way affect this Lease, abate any Rent, or otherwise impose any cost, liability or obligation upon Landlord and shall not result in and/or constitute a breach of the covenant of quiet enjoyment and/or amount to a constructive eviction, provided that nothing contained in this Section 63 shall give Landlord the right to block, darken or cover any windows of the Premises, except for such temporary periods as may be necessary to make a repair to the Building permitted or required by this Lease to be made .

64. **Time of the Essence**

Time is of the essence of this Lease and each of the provisions hereof with respect to the time periods or dates by which Landlord or Tenant may or must perform any of its obligations under this Lease.

65. **Landlord's Liability**

65.1 Landlord or any successor in interest of Landlord (whether one or more individual(s), a partnership, a joint venture, a corporation, a trustee or other fiduciary, or the trust or other entity or organization for which any fiduciary acts) shall have no direct or personal liability with respect to any term or requirement of this Lease beyond Landlord's or its successor's interest in the Building and the Site, including the proceeds thereof from rents, conveyance or other transfer, insurance and condemnation awards. Tenant shall look solely to the estate of Landlord and its successor in the Building and the Site, including the proceeds thereof from rents, conveyance or other transfer, insurance and condemnation awards, for the satisfaction of any claim by Tenant against Landlord or the other Landlord Parties.

65.2 Tenant shall not be entitled to any damages because of Landlord's failure or refusal to consent or approve of any matter requested by Tenant, unless Landlord shall have been found by a court or an arbitrator to have acted in bad faith. Except where Landlord has acted in bad faith, Tenant's sole remedy shall be an action for specific performance or injunction or the arbitration described in Article 56.

66. **Premises Generator**

66.1 Generator. Tenant shall have the right, at its sole cost and expense, to install in the area shown hatched on Exhibit P annexed to this Lease one emergency generator or multiple

emergency generators, in either case, to serve the Premises only (the "Premises Generator"), and a fuel oil storage tank and transfer pumps for the Premises Generator. If the Premises Generator is comprised of multiple emergency generators, the size and capacity of such generators shall be limited by the space Landlord is making available to Tenant as shown hatched on Exhibit P. Tenant shall also have the right to install a transfer switch and all associated equipment in the Building switchboard room or such other location as determined by Landlord in its reasonable judgment for the purpose of tying in the Premises Generator. The Premises Generator, the fuel oil storage tank, transfer pumps, the transfer switch and all related equipment installed by Tenant are collectively referred to hereinafter as the "Premises Generator Equipment." Tenant may not remove the Premises Generator Equipment except to replace any component thereof as may be necessary or desirable, and after the Expiration Date, the Premises Generator Equipment shall belong to Landlord. During the Term, Tenant shall, at its sole cost, operate, repair, maintain, replace (if necessary) and test the Premises Generator Equipment. The type and means of installation of the Premises Generator Equipment shall be subject to Landlord's reasonable approval.

66.2 Installation. If Tenant installs the Premises Generator Equipment, Tenant hereby covenants and agrees that: (i) such installation shall be performed in accordance with all applicable Laws and with all of the provisions of this Lease, including, without limitation, Section 22, and shall not cause structural damage to the Building, (ii) any pad or structure reasonably required by Landlord and/or the City of Oakland to support or screen the Generator shall be installed and removed at Tenant's sole cost and expense, and (iii) Tenant shall promptly repair any damage caused to any portion of the Building by reason of such installation, including, without limitation, any repairs, restoration, maintenance, renewal or replacement thereof necessitated by or in any way caused by or relating to such installations.

66.3 Access. Tenant, its contractors, agents or employees shall have access to those portions of the Building outside the Premises in which the Premises Generator Equipment is located in order to install the Premises Generator Equipment, upon reasonable advance notice to Landlord and upon the following terms and conditions:

(a) Any damage to the Building or to the personal property of Landlord or any other tenant of the Building arising as a result of such access shall be repaired and restored, at Tenant's sole cost, to the condition existing prior to such access.

(b) Landlord shall have the right to assign a Building representative to be present for the duration of Tenant's access to such portions of the Building outside the Premises.

66.4 Use. Tenant may use the Premises Generator Equipment to provide backup electricity only for the Premises in case of an interruption or disruption of regular electric service to or within the Building.

66.5 Fees. Tenant shall not be obligated to pay any fee to Landlord for any additional space occupied by the Premises Generator.

66.6 UPS System. Tenant shall have the right to install in the Premises an uninterrupted power supply system.

67. **Rules and Regulations**

Tenant shall abide by and observe the rules and regulations attached to this Lease as Exhibit K. Tenant shall abide by and observe such other rules and regulations as may be promulgated from time to time by Landlord for the operation and maintenance of the Building, provided that the new rules or regulations are reasonable and not inconsistent with the provisions of this Lease. Any dispute relating to the reasonableness of a modification of or addition to the rules and regulations may be submitted by either Landlord or Tenant to arbitration in accordance with Section 56. Notwithstanding anything to the contrary contained herein, Tenant shall not be required to comply with any modified or additional rule and regulation if the reasonableness of such modified or additional rule and regulation has been submitted by either party to arbitration. To the extent any rules and regulations conflict with the provisions of this Lease, the provisions of this Lease shall govern. Landlord shall ensure that (i) the rules and regulations for the Building, applicable to all users and occupants of the Building, prohibit smoking by such users and occupants in the Building and (ii) designated smoking areas (if any) shall not be within twenty-five (25) feet of any entrances to the Building, operable windows or air intakes. Landlord shall not discriminate against Tenant in the enforcement of any rule or regulation.

68. **Changes to the Building**

68.1 Except as otherwise limited by the terms of this Lease, Landlord reserves the right, in its sole discretion, at any time to make permanent or temporary changes or replacements to the Building (other than the Premises), including but not limited to the Common Areas, provided any such change does not adversely affect the first-class nature of the Building or the Site, including, without limitation, the lobby of the Building and other Common Areas of the Building or the Site or access thereto. Without limiting the generality of the foregoing but subject to the other terms and conditions of this Lease, Landlord may convert space on the ground floor and the second floor of the Building to retail use. Landlord's activities may require the temporary alteration of means of ingress and egress to the Building or the Site and the installation of scaffolding and other temporary structures while the work is in progress, provided that Landlord shall at all times provide Tenant with reasonable and safe ingress and egress to the Building and the Premises. Such work shall be performed in a manner reasonably designed to minimize interference with Tenant's conduct of business from the Premises. None of the same shall be considered to be a constructive eviction of Tenant from the Premises, create any liability on the part of Landlord, or, except as otherwise provided in this Lease, give Tenant any right to rent abatement or otherwise alter the rights or obligations (including Rent) of Tenant under this Lease subject to Landlord's compliance with the foregoing.

68.2 Landlord shall not change the name or address by which the Building is known.

69. **Prohibited Uses**

69.1 From and after the date of this Lease and for so long as Tenant shall be in Occupancy (as hereinafter defined) of space in the Building, Landlord covenants and agrees that Landlord shall not enter into any lease that would permit any retail space in the Building to be used (a) by a Competitor (as hereinafter defined) of Tenant, and/or (b) for any of the uses listed

on Exhibit M (the "Prohibited Uses"), unless Landlord first obtains Tenant's consent, which consent may be withheld in Tenant's sole discretion.

69.2 From and after the date of this Lease and for so long as Tenant shall be in Occupancy of at least one hundred fifty thousand (150,000) rentable square feet in the Building, Landlord covenants and agrees that Landlord shall not enter into any lease with a Competitor of Tenant for any office or other non-retail space in the Building, unless Landlord first obtains Tenant's consent, which consent may be withheld in Tenant's sole discretion.

69.3 As used herein, (i) "Occupancy", when used with respect to a portion of the Premises, shall mean that such portion of the Premises shall not then be subleased to a third party which is not an Affiliate of Tenant's, and (ii) "Competitor of Tenant" shall mean any entity identified from time to time by Tenant in a notice to Landlord as being a competitor of Tenant, provided that in no event may Tenant have identified more than ten (10) such Competitors of Tenant at any one time. As of the date of this Lease, Tenant identifies each of the entities listed in Exhibit T annexed as a Competitor of Tenant. The rights granted under this Section 69 shall be personal to the originally named Tenant, its Affiliates and any Successor Entity.

70. **Signage**

70.1 Landlord shall, at its cost, maintain a directory in the lobby of the Building exclusively for the display of the names of tenants in the Building and their respective suite numbers. The directory shall also display Tenant's offices by major offices and categories. Tenant may also install directional and identifying signs in the interior of the Building.

70.2 Upon receiving Landlord's prior approval, which shall not be unreasonably conditioned, withheld or delayed, Tenant may, at Tenant's cost, paint, attach, or affix reasonable signs identifying Tenant using Tenant's standard corporate name and logo, to the exterior of the Building and to the entrances to the Building and the Premises, provided that Tenant's right to install and maintain exterior signage on the Building shall (a) be subject to Tenant obtaining all necessary governmental approvals, and (b) only apply so long as Tenant shall be in Occupancy of at least one hundred fifty thousand (150,000) rentable square feet in the Building.

70.3 For so long as Tenant shall be in Occupancy of any space in the Building, Landlord shall not place the name of any Competitor on any exterior signage on the Building, provided that this prohibition shall not prevent Landlord from erecting and maintaining one or more monument sign(s) that may list tenants of the Building (including tenants which are Competitors if Competitors are not prohibited by Section 69 of this Lease).

70.4 For so long as Tenant shall be in Occupancy of at least one hundred fifty thousand (150,000) rentable square feet in the Building, (a) Landlord shall not place any Building top or eyebrow signage on the Building, provided that this prohibition shall not prevent Landlord from erecting and maintaining customary storefront signage for any retail tenants of the Building not prohibited by Section 69, and (b) Tenant shall have the right to erect and maintain at its cost an outdoor plaza level monument sign ("Monument Sign"), subject to Landlord's approval and to any City of Oakland codes and restrictions imposed by covenants, conditions and restrictions governing the Site.

70.5 Any sign installed by Tenant or Landlord must comply with all applicable Laws. Tenant shall obtain all governmental permits or approvals required for the installation or construction of its signs. Landlord will cooperate with and assist Tenant in obtaining all necessary governmental permits and approvals. Tenant shall be responsible for the costs associated with installation, maintenance, removal and repair of Tenant's exterior and monument signs. If Tenant fails to remove any such sign(s) upon expiration or earlier termination of the Lease (or termination of Tenant's right to signage as provided above) and repair any damage caused by such removal, Landlord may do so at Tenant's sole cost and expense. Tenant agrees to reimburse Landlord within thirty (30) days after demand for all costs incurred by Landlord to effect any removal on Tenant's account, which amount will be deemed additional rent.

70.6 The rights granted under Sections 70.2 through 70.4, inclusive, shall be personal to the originally named Tenant, its Affiliates and any Successor Entity.

70.7 In any case under this Article 70 where Landlord's approval is required, Landlord shall give or withhold such approval within ten (10) Business Days after Tenant's submission of a request therefor. Tenant may send Landlord a notice simultaneously with Tenant's submission to Landlord of Tenant's signage designs and specifications, which notice shall refer to this Section 70.7 and state the following in bold capital letters: "**IF LANDLORD FAILS TO RESPOND TO THIS REQUEST FOR APPROVAL WITHIN TEN (10) BUSINESS DAYS AFTER SUBMISSION THEREOF TO LANDLORD, TENANT MAY SEND A SECOND (2ND) NOTICE TO LANDLORD FOR APPROVAL, AND IF LANDLORD SHALL FAIL TO RESPOND TO SUCH SECOND (2ND) NOTICE, LANDLORD'S APPROVAL SHALL BE DEEMED GRANTED IN ACCORDANCE WITH SECTION 70.7 OF THE LEASE.**" If Landlord shall fail to respond to Tenant's request for such approval within said ten (10) Business Day period, then, provided that Tenant shall have submitted to Landlord a second (2nd) notice following the expiration of such ten (10) Business Day period, stating the following in bold capital letters: "**IF LANDLORD FAILS TO RESPOND TO THIS REQUEST FOR APPROVAL WITHIN FIVE (5) BUSINESS DAYS, THEN LANDLORD'S APPROVAL SHALL BE DEEMED GRANTED IN ACCORDANCE WITH SECTION 70.7 OF THE LEASE**," and if Landlord continues to fail to respond to the request for such approval, then after the expiration of such additional five (5) Business Day period, Landlord's consent to Tenant's submission shall be deemed to have been given.

70.8 As provided in Section 6.2, this Section 70 shall be applicable as of the date of this Lease and Tenant's signage rights shall be governed by this Lease, notwithstanding that the Commencement Date under this Lease may not have occurred.

71. Nondiscrimination Covenant.

71.1 Tenant covenants by and for itself, and its successors and assigns, and all persons claiming under or through Tenant, and this Lease is made and accepted upon the condition that there shall be no discrimination against or segregation of any person or group of persons, on account of sex, marital status, religion, race, color, creed, national origin or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the Premises, nor shall Tenant, or any person claiming under or through Tenant, establish or permit any such practice or

practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the Premises.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year indicated.

AGREED:

Landlord:

CIM/OAKLAND 1 KAISER PLAZA, LP
a Delaware limited liability company

By: CIM/Oakland Office Properties, GP, LLC, its General Partner

By: _____
Name: Nicholas V. Morosoff
Title: Secretary

AGREED:

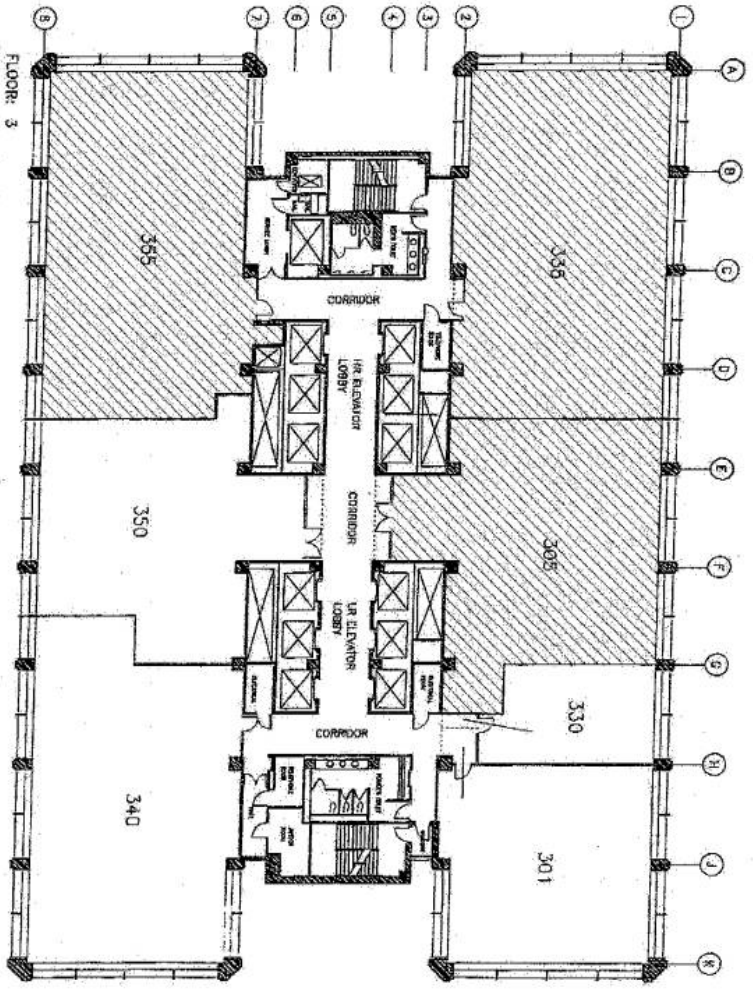
Tenant:

KAISER FOUNDATION HEALTH PLAN, INC., a California nonprofit public benefit corporation

By: _____
Name: George C. Halvorson
Title: Chairman and Chief Executive Officer

EXHIBIT A-1

THE PREMISES

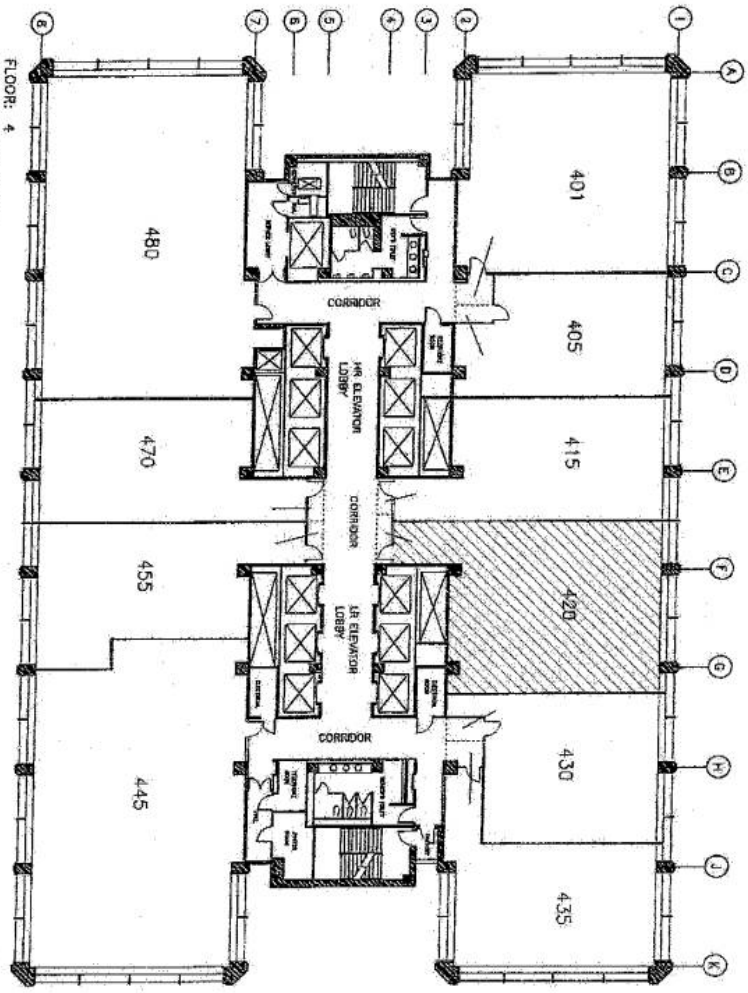


DISCLAIMER: Exhibit A is to show the approximate location of the Premises in the "Building" and is not meant to constitute an agreement, representation or warranty as to the construction of the Premises, the precise area thereof or the specific location of the "Common Areas" or the access ways to the Premises.

Approved by KP Legal on 7/3/09

EXHIBIT A-2

THE PREMISES



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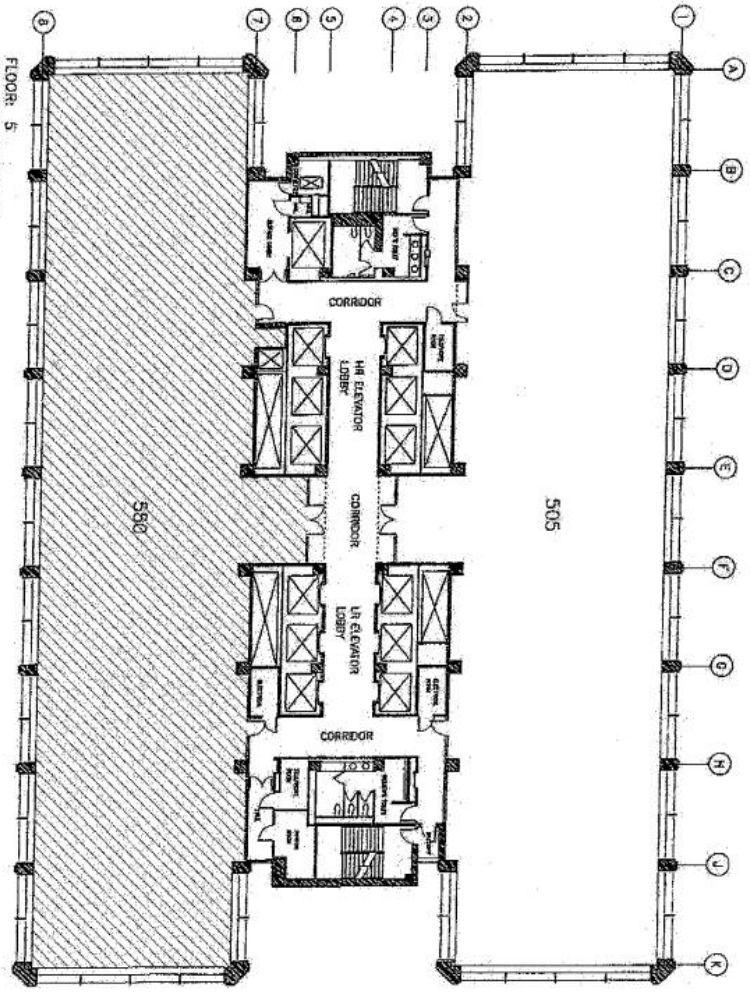
Approved by KP Legal on 7/3/09

EXHIBIT A-3

THE PREMISES



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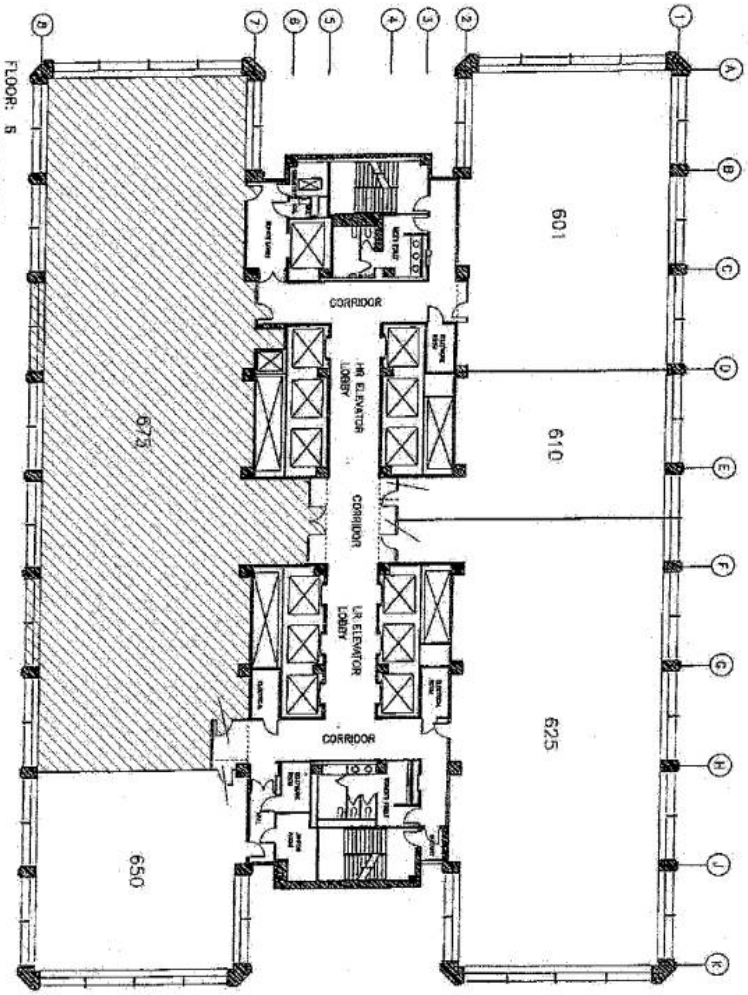
Approved by KP Legal on 7/3/09

EXHIBIT A-4

THE PREMISES



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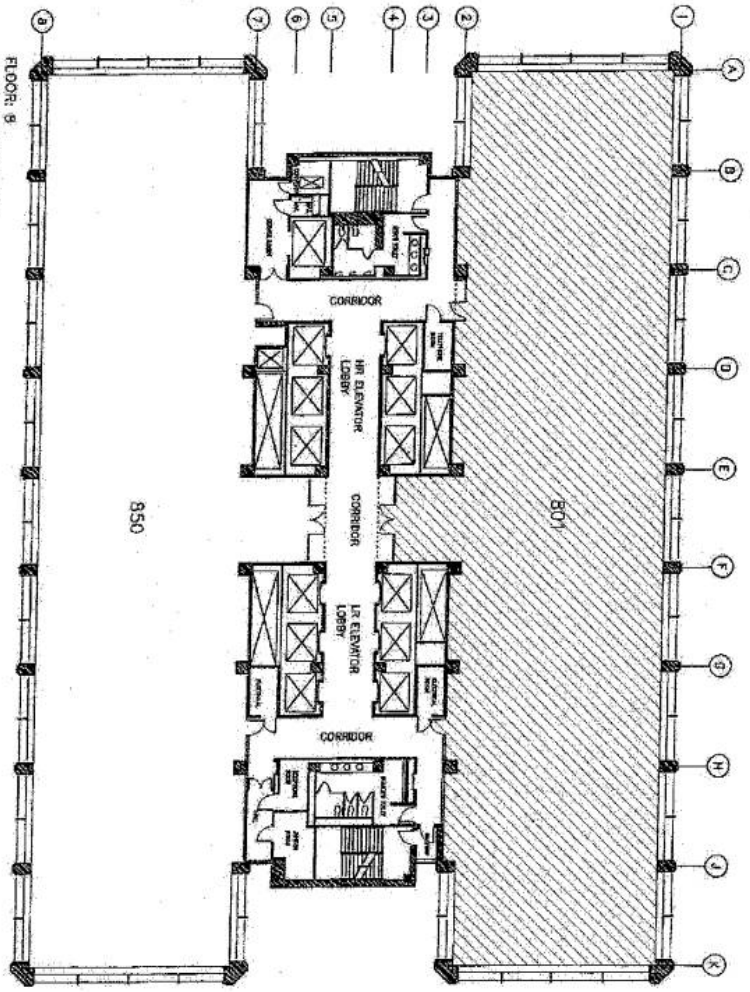
Approved by KP Legal on 7/3/09

EXHIBIT A-5

THE PREMISES



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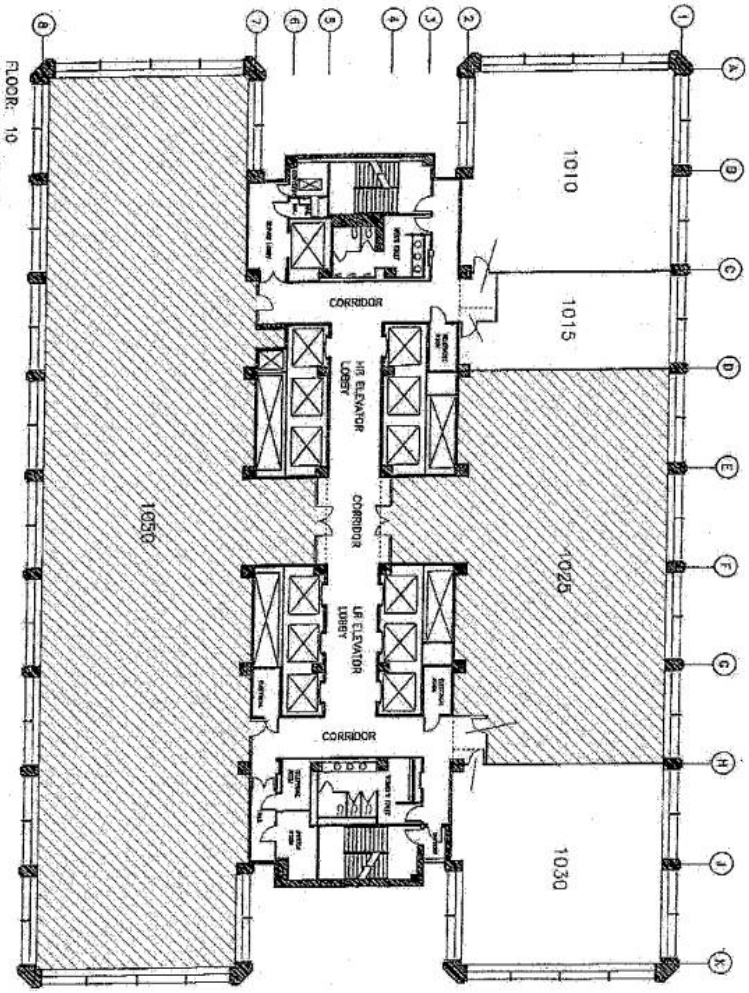
Approved by KP Legal on 7/3/09

EXHIBIT A-6

THE PREMISES



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Approved by KP Legal on 7/3/09

EXHIBIT A-7

THE PREMISES

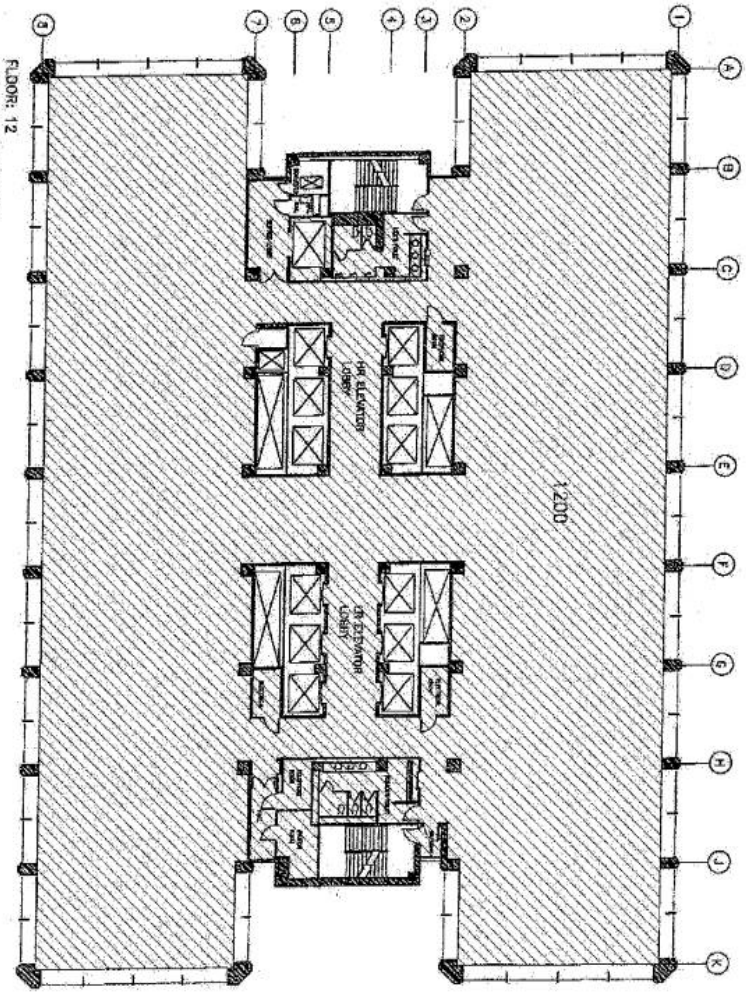

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EXHIBIT A-8

THE PREMISES

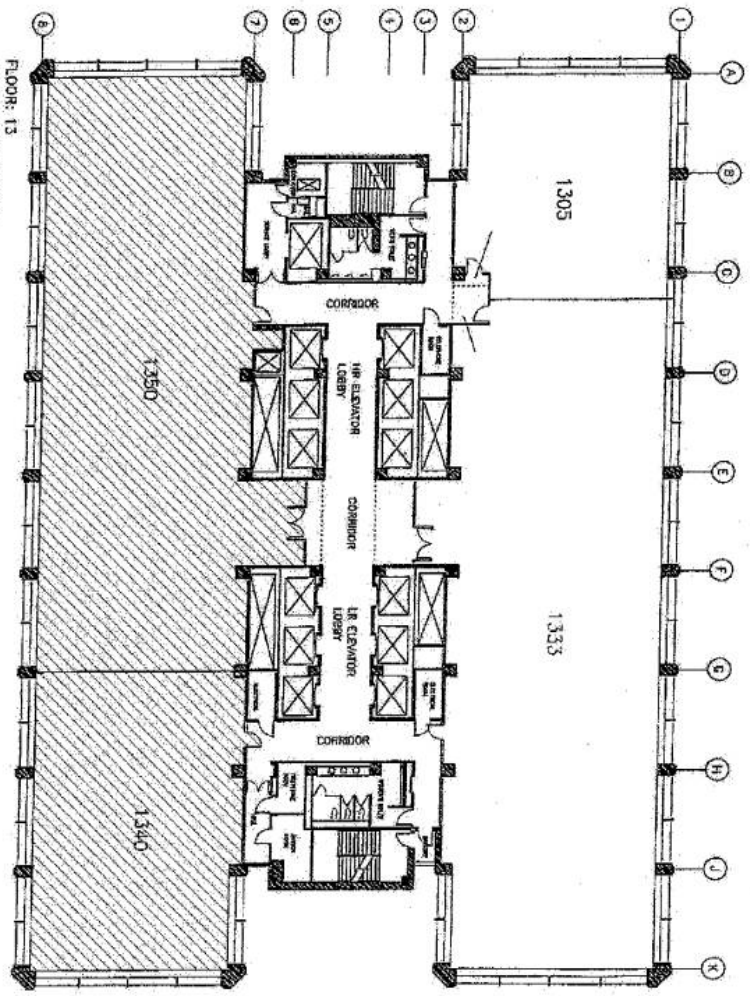

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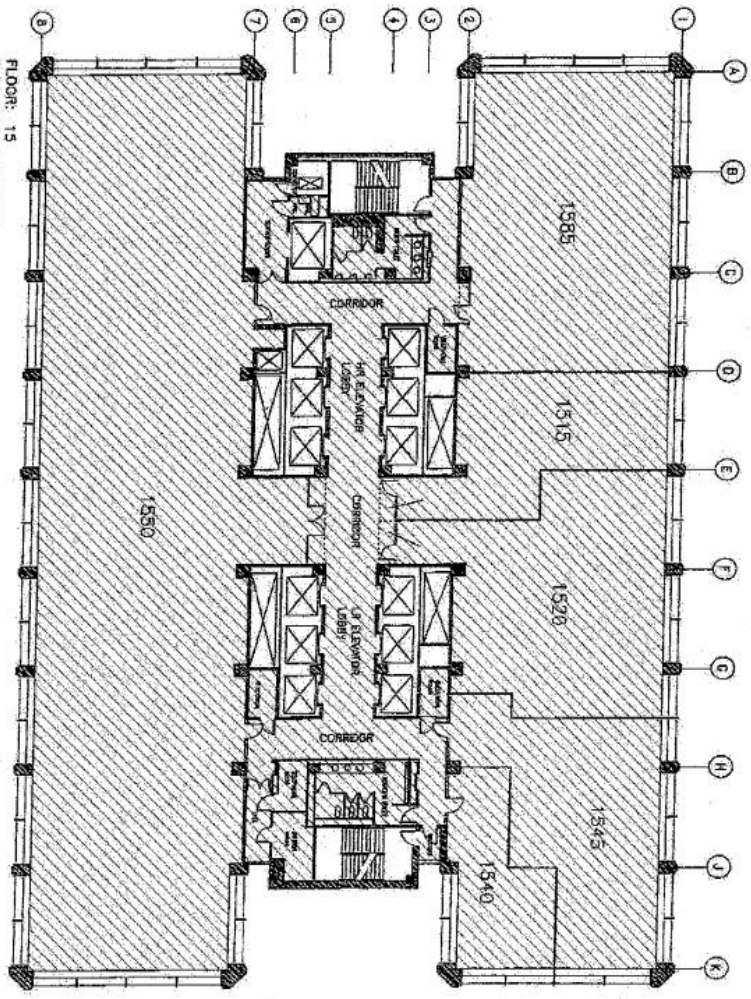
EXHIBIT A-9

THE PREMISES



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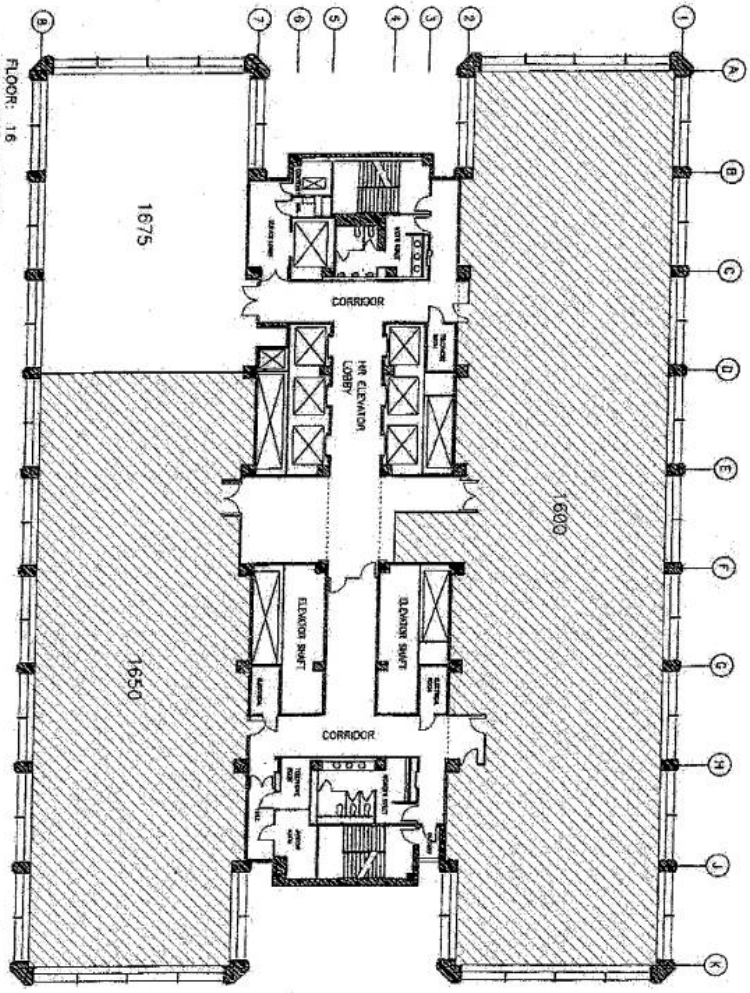
Approved by KP Legal on 7/3/09

EXHIBIT A-10

THE PREMISES



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Approved by KP Legal on 7/3/09

EXHIBIT A-11

THE PREMISES

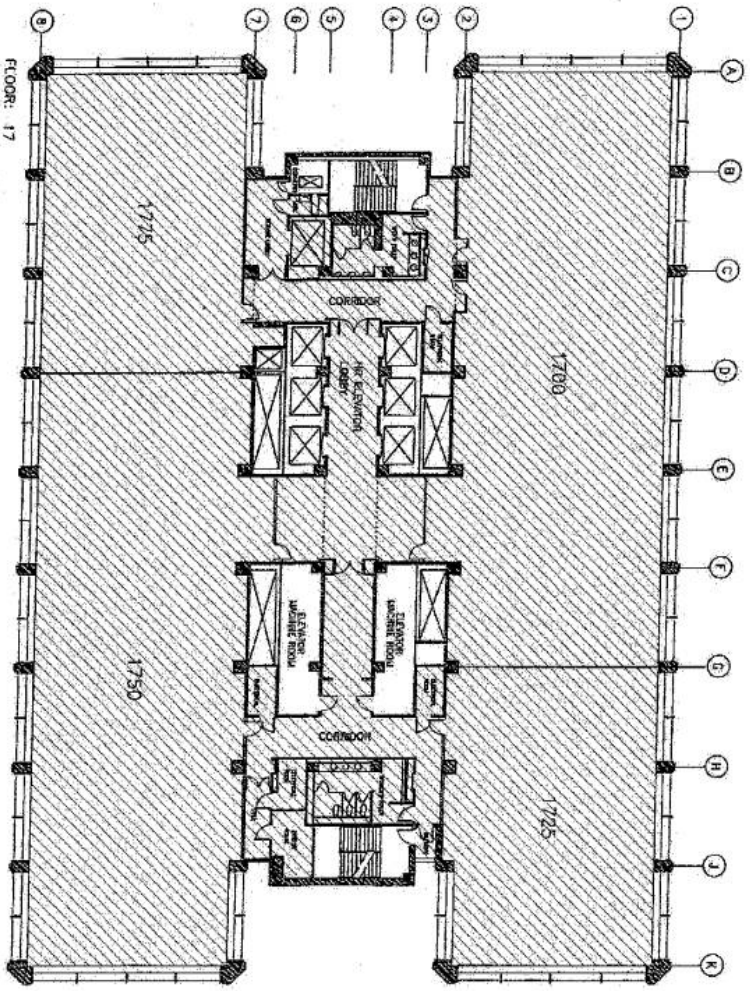

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EXHIBIT A-12

THE PREMISES

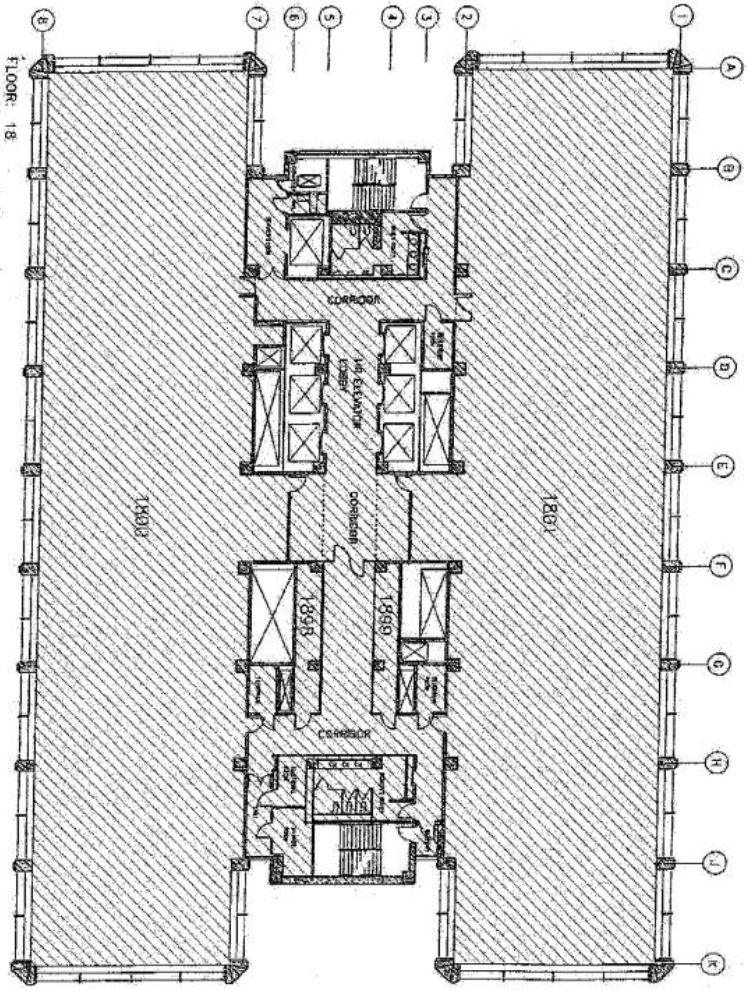

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EXHIBIT A-13

THE PREMISES

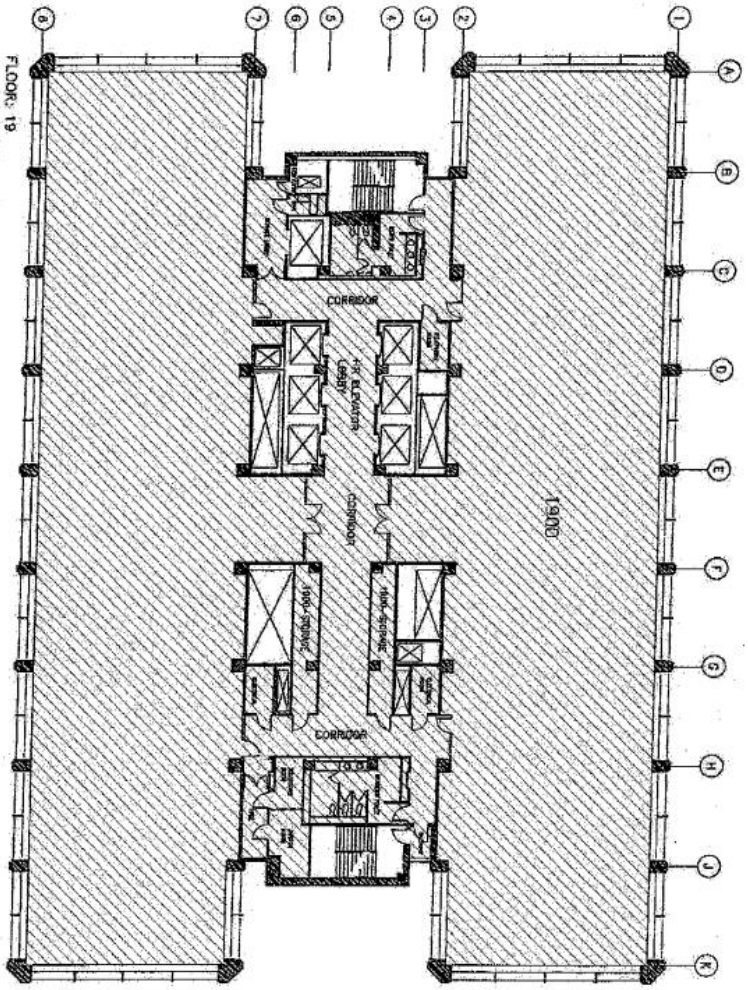

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EXHIBIT A-14

THE PREMISES

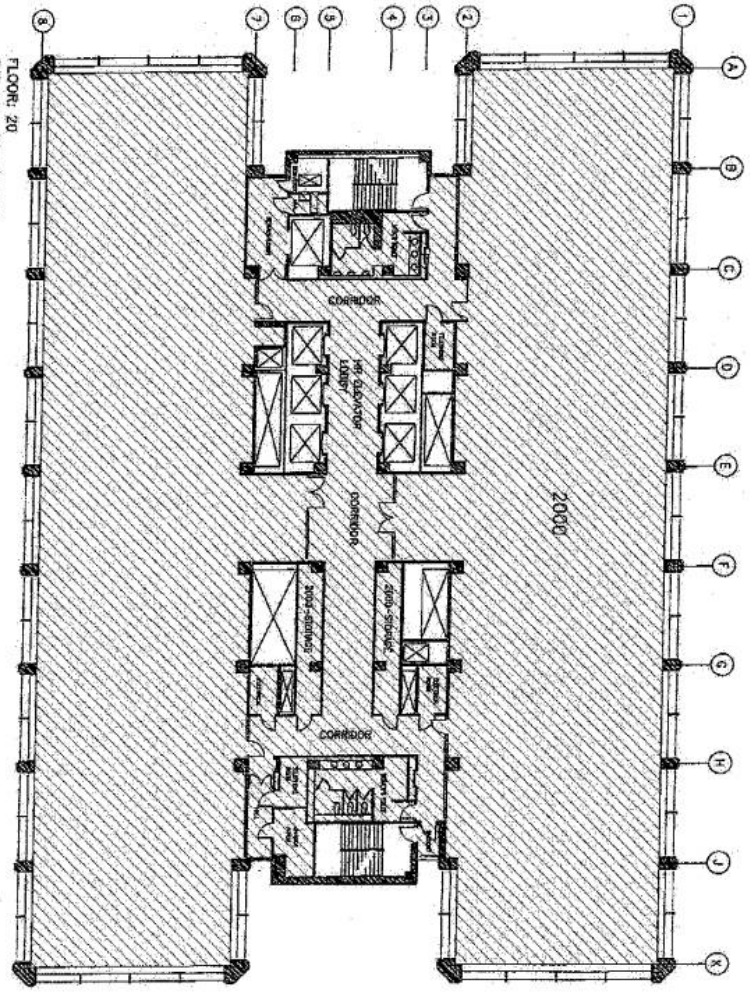

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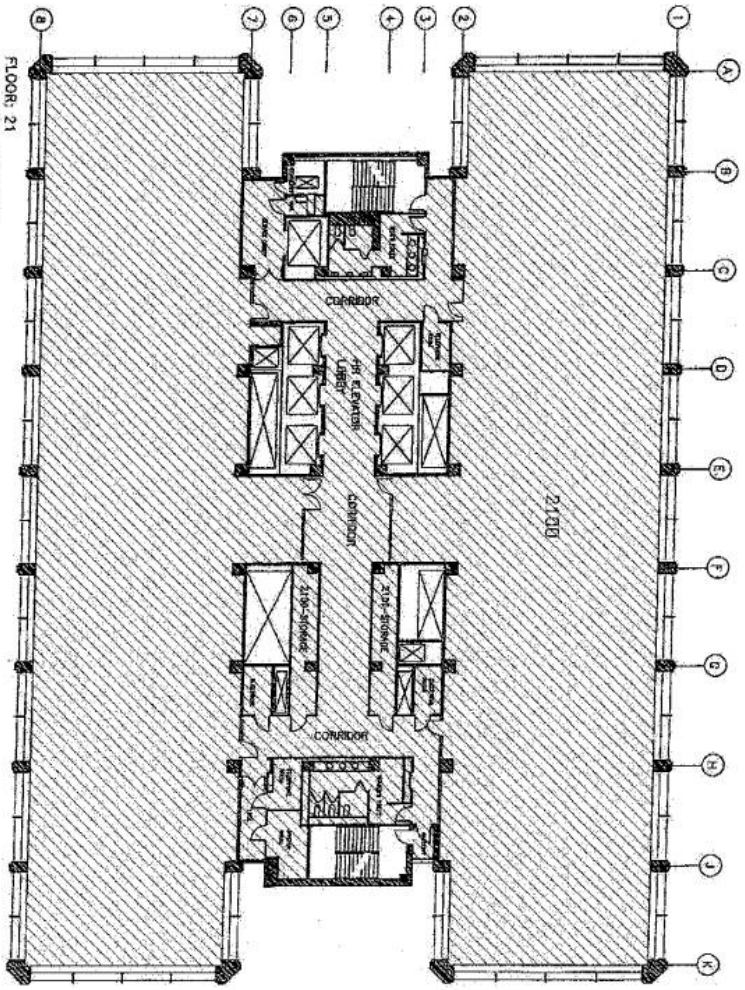
EXHIBIT A-15

THE PREMISES



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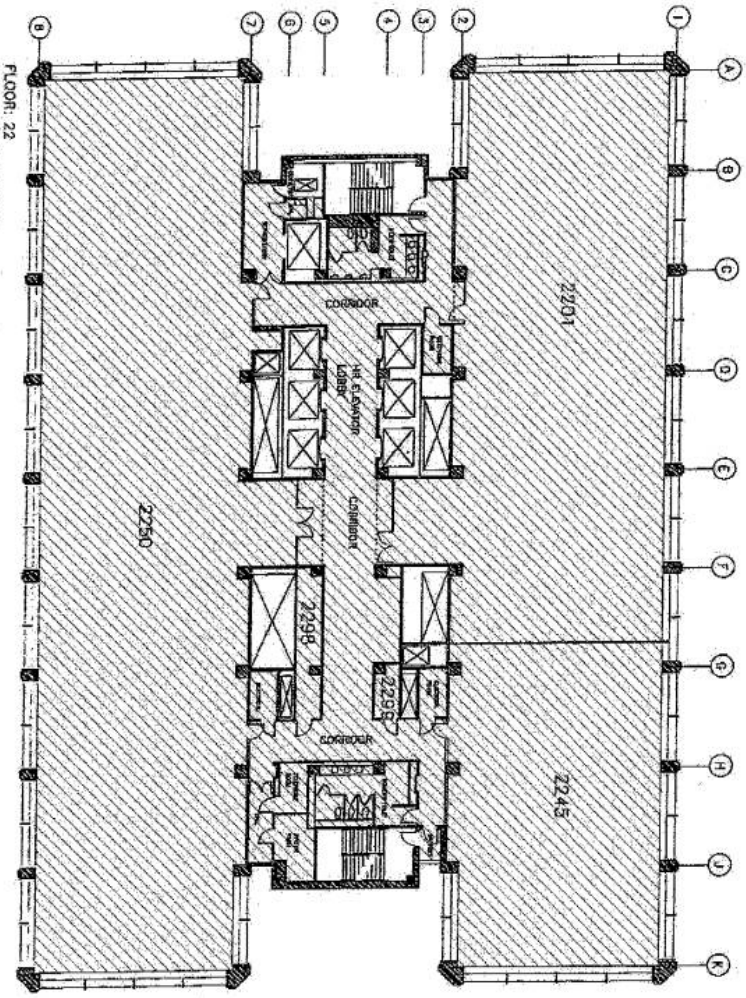
NY760349.12
211870-10003

Approved by KP Legal on 7/3/09

EXHIBIT A-16

THE PREMISES



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NY760349.12
211870-10003

Approved by KP Legal on 7/3/09

EXHIBIT A-17

THE PREMISES

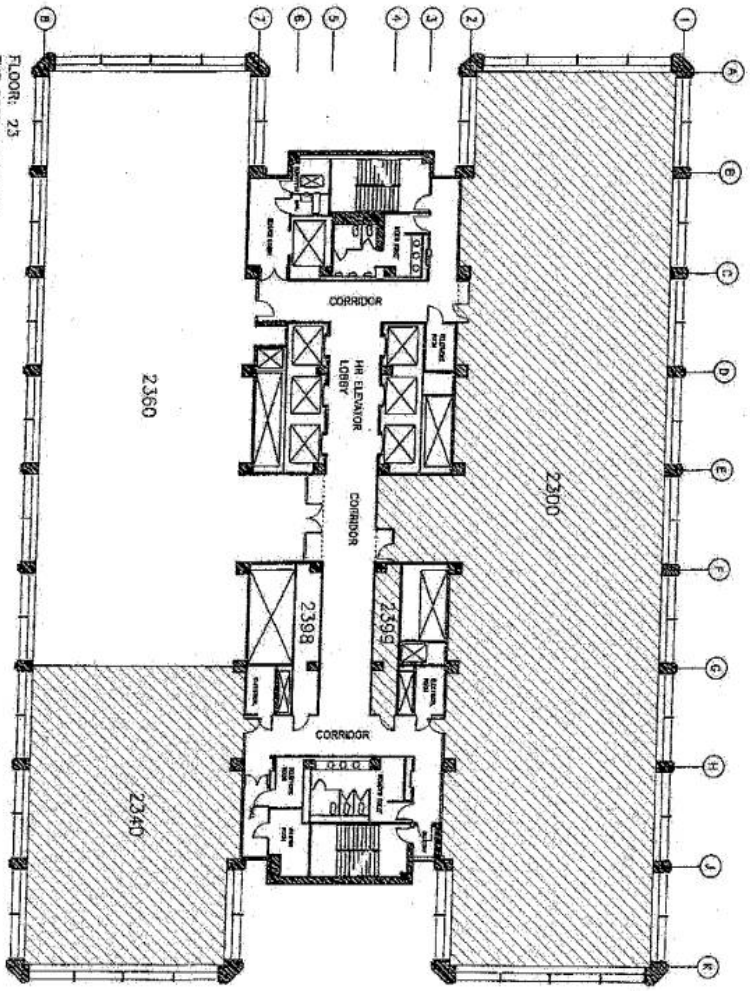

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EXHIBIT A-18

THE PREMISES

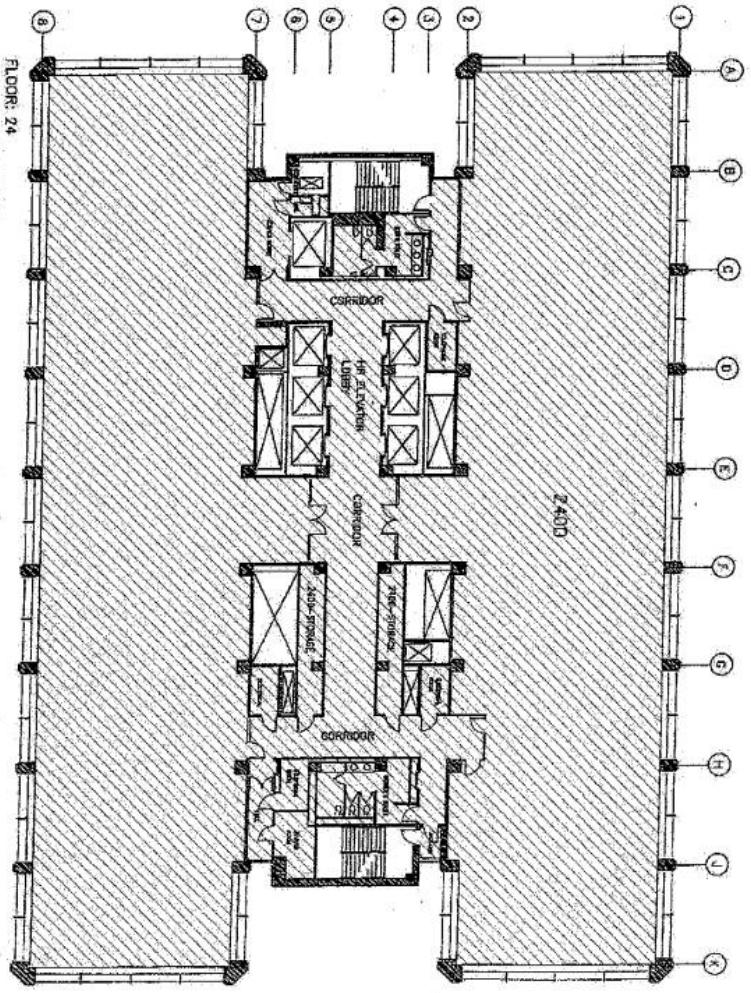

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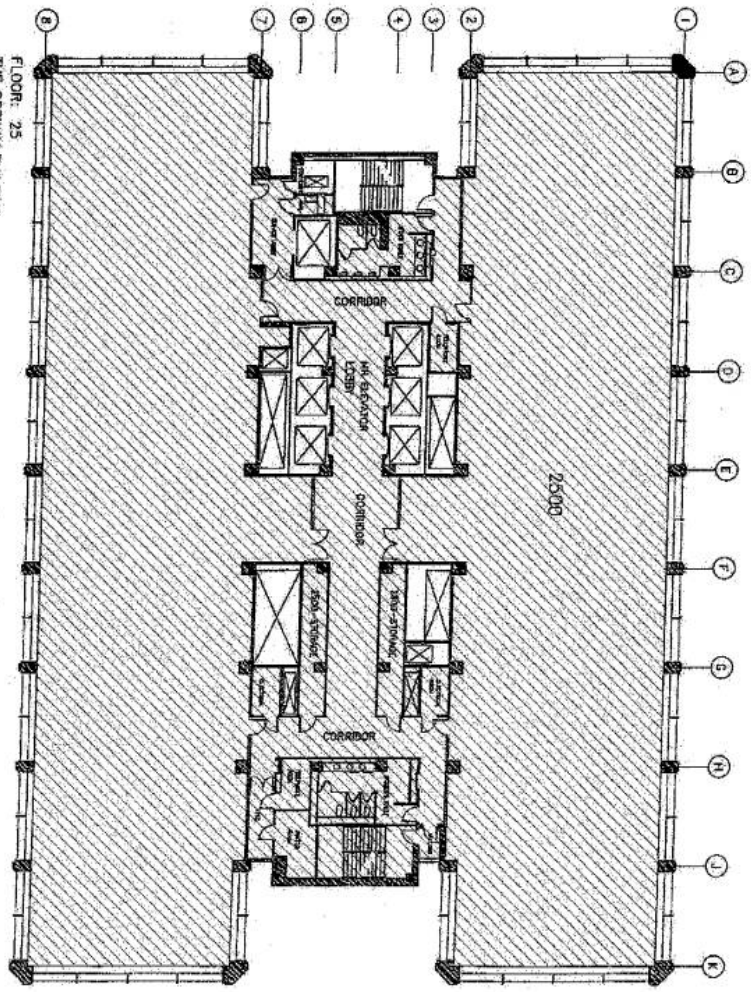
EXHIBIT A-19

THE PREMISES



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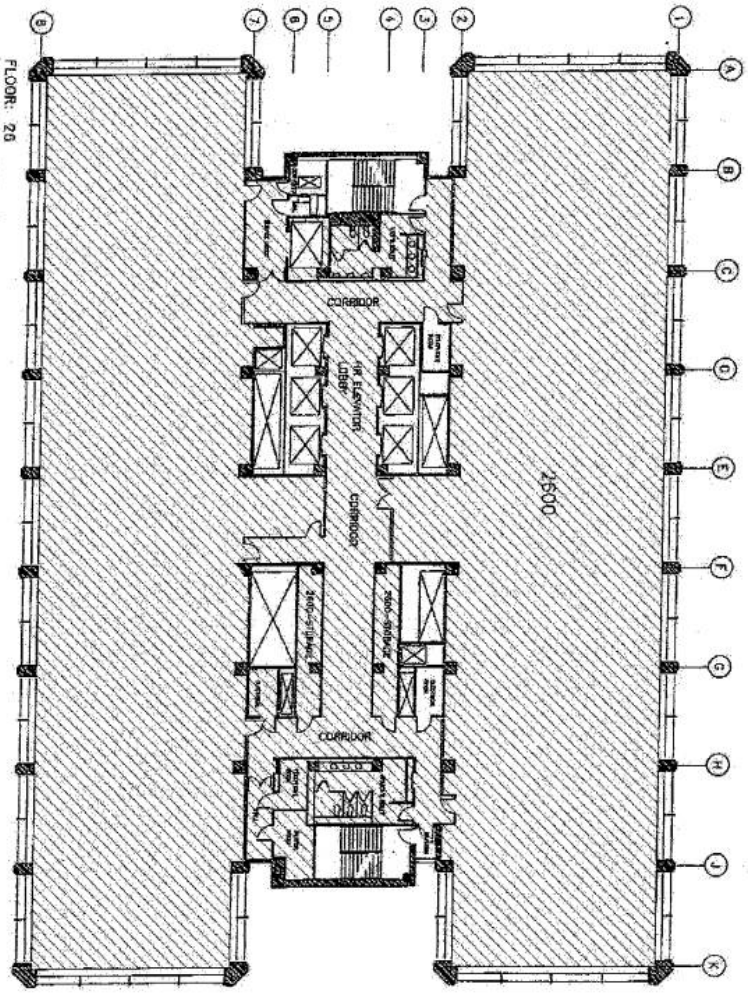
Approved by KP Legal on 7/3/09

EXHIBIT A-20

THE PREMISES



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Approved by KP Legal on 7/3/09

EXHIBIT A-21

THE PREMISES

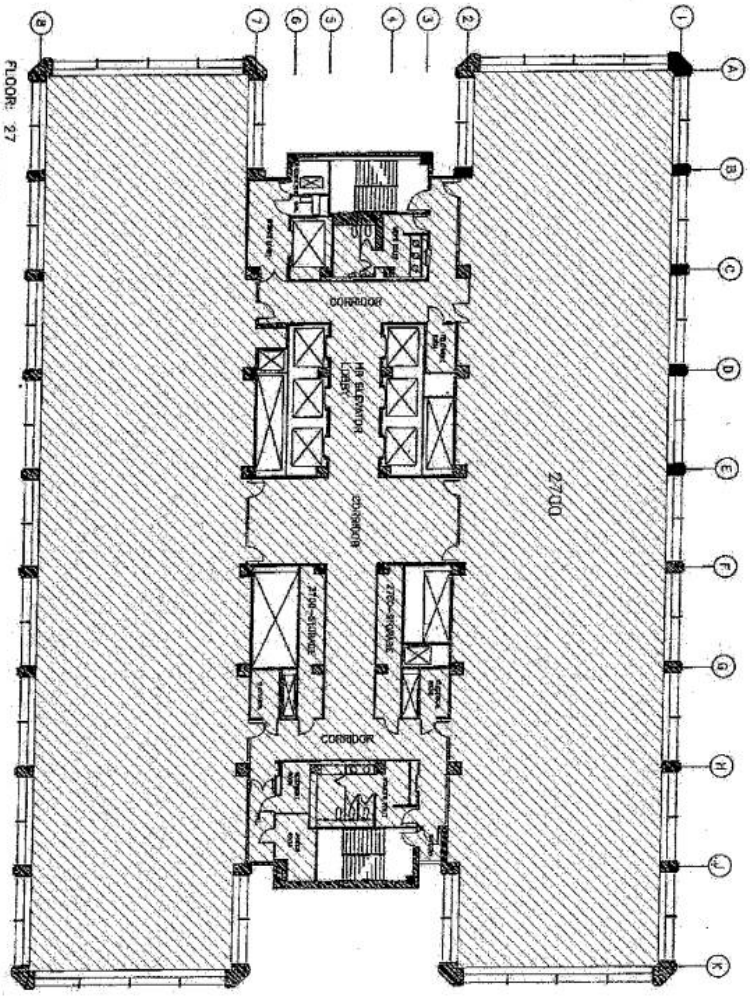

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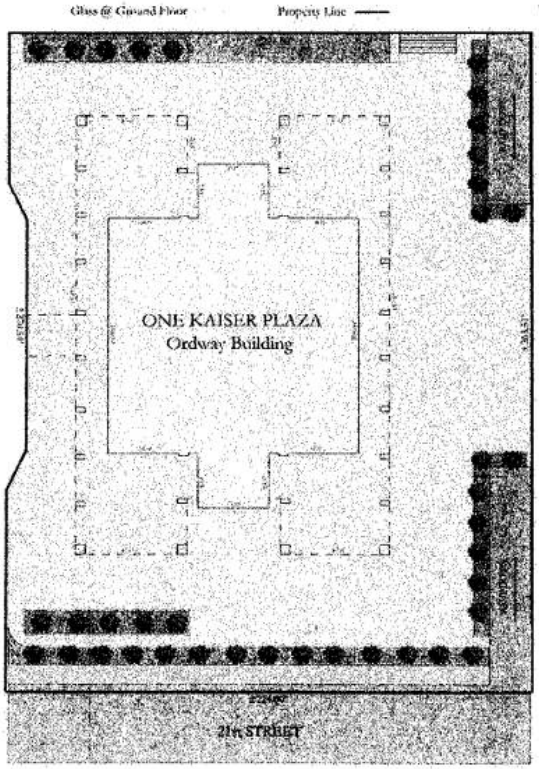
EXHIBIT A-22

SITE PLAN

THE ORDWAY - PROPERTY

Site Plan



55 LAZARD

CBRE

EXHIBIT A-23

LEGAL DESCRIPTION

REAL PROPERTY IN THE CITY OF OAKLAND, COUNTY OF ALAMEDA, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS;

PARCEL A:

BEGINNING AT THE INTERSECTION OF THE SOUTH LINE OF TWENTY- SECOND (22ND) STREET WITH THE EAST LINE OF KAISER PLAZA (FORMERLY VALDEZ STREET); THENCE FROM SAID POINT OF BEGINNING, ALONG SAID SOUTH LINE, SOUTH 76° 56' 58" EAST, 220.99 FEET; THENCE DEPARTING SAID SOUTH LINE, SOUTH 13° 02' 54" WEST, 262.00 FEET TO THE NORTH LINE OF TWENTY-FIRST (21ST) STREET; THENCE ALONG SAID NORTH LINE, NORTH 76° 56' 58" WEST, 210.00 FEET TO THE BEGINNING OF A TANGENT CURVE TO THE RIGHT; THENCE ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 11.00 FEET, CONCAVE TO THE NORTHEAST, THROUGH A CENTRAL ANGLE OF 90° 00' 00", AN ARC LENGTH OF 17.28 FEET, TO THE EAST LINE OF KAISER PLAZA (FORMERLY VALDEZ STREET); THENCE ALONG SAID EAST LINE, NORTH 13° 03' 02" EAST, 56.87 FEET; THENCE NORTH 39° 37' 39" EAST, 17.88 FEET; THENCE NORTH 13° 03' 02" EAST, 98.27 FEET; THENCE NORTH 13° 30' 09" WEST, 17.88 FEET; THENCE NORTH 13° 03' 02" EAST, 63.88 FEET TO THE POINT OF BEGINNING.

PARCEL B:

A NON-EXCLUSIVE EASEMENT, APPURTENANT TO PARCEL A HEREINABOVE, FOR THE SOLE PURPOSE OF PEDESTRIAN INGRESS AND EGRESS OVER, ALONG AND ACROSS A STRIP OF LAND HEREINAFTER DESCRIBED AND LYING WITHIN PARCEL 1 OF PARCEL MAP 6031, FILED MARCH 04, 1991, IN BOOK 196 OF PARCEL MAPS, PAGES 41-42, ALAMEDA COUNTY RECORDS, AS SUCH EASEMENT WAS GRANTED BY AHMANSON COMMERCIAL DEVELOPMENT COMPANY, A CALIFORNIA CORPORATION, TO ORDWAY ASSOCIATES, AN ILLINOIS PARTNERSHIP, BY INSTRUMENT DATED MARCH 6, 1992, RECORDED JULY 13, 1992, SERIES NO 92-225712, OFFICIAL RECORDS OF ALAMEDA COUNTY, STATE OF CALIFORNIA:

COMMENCING AT THE MOST NORTHEAST CORNER OF PARCEL 1 OF SAID PARCEL MAP 6031, THENCE ALONG THE NORTHERN BOUNDARY LINE OF SAID PARCEL (AND SOUTH LINE OF GRAND AVENUE), NORTH 76° 57' 48" WEST, 46.40 FEET TO THE TRUE POINT OF BEGINNING; THENCE SOUTH 13° 03' 02" WEST, 179.33 FEET, TO ANON-TANGENT CURVE, HAVING A RADIUS OF 25 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 142° 07' 14", A DISTANCE OF 62.01 FEET; THENCE LEAVING SAID CURVE, SOUTH 13° 03' 02" WEST, 28.86 FEET, TO THE SOUTHERN BOUNDARY LINE OF SAID PARCEL 1; THENCE ALONG SAID SOUTHERN LINE NORTH 76° 56' 58" WEST 6.00

FEET; THENCE NORTH 13° 03' 02" EAST, 24.50 FEET, TO A NON-TANGENT CURVE, HAVING A RADIUS OF 31.00 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 125° 47' 10", A DISTANCE OF 68.06 FEET; THENCE NORTH 13° 03' 02" EAST, 175.76 FEET TO SAID NORTHERN LINE; THENCE SOUTH 76° 57' 48" EAST, 6.00 FEET TO THE TRUE POINT OF BEGINNING.

APN: 008-0653-019-03

EXHIBIT B

SUPERIOR INTERESTS

1. General and special taxes and assessments for the fiscal year 2008-2009, a lien not yet due or payable.

2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code as a result of the transfer of title to the vestee named in Schedule A.

3. Resolution granting Kaiser Center Properties, a Partnership and owner of that certain real property located at 2150 Valdez Street and known as The Ordway Building, Oakland, a conditional revocable permit to encroach and occupy certain portions of the public sidewalk and street area on the Eastern Side of Valdez Street, between 21st Street and 22nd Street; and on the Northern side of 21st Street, approximately 206 feet Southeasterly from the Eastern property line of Valdez Street; and on the Southern side of 22nd Street, approximately 206 feet Southeasterly from the Eastern property line of Valdez Street, adjacent to said property, executed by City of Oakland, recorded April 29, 1970, Book/Reel 2607, Page/Image 452, Instrument No. 70-43970, Official Records.

4. Covenants, conditions, restrictions and easements in the document recorded December 30, 1983 as Instrument No. 83-244959 of Official Records, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

   The terms, provisions, covenants and conditions contained in that certain Easement Agreement, executed in reference to the above Covenants, Restrictions and Right of First Refusal Agreement, dated March 6, 1992, by and between Ahmanson Commercial Development Company, a California Corporation and Ordway Associates, an Illinois Partnership, recorded July 13, 1992, Instrument No. 92-225712, Official Records.

   A Partial Termination of Agreement dated May 20, 1998 by and between Kaiser Center Properties, a California partnership and Ordway Associates, an Illinois general partnership recorded May 21, 1998, Instrument No. 98170665, Official Records.

   Modification of Covenants, Restrictions and Right of First Refusal Agreement recorded December 5, 2003 as Instrument No. 2003-710022 of Official Records.

   (Affects: the land herein and other property)

5. A Deed of Trust to secure an original indebtedness of $49,500,000.00 recorded August 1, 2000 as Instrument No. 2000228199 of Official Records.

Dated:	July 28, 2000
Trustor:	Prentiss Properties Acquisition Partners, L.P., a Delaware limited partnership
Trustee:	Chicago Title Company
Beneficiary:	Metropolitan Life Insurance Company, a New York corporation

A document recorded January 5, 2006 as Instrument No. 2006003114 of Official Records, provides that the obligation secured by the deed of trust was assumed by Brandywine Ordway, LLC, a Delaware limited liability company.

A document entitled "Assignment of Leases" recorded August 1, 2000 as Instrument No. 2000228200 of Official Records, as additional security for the payment of the indebtedness secured by the deed of trust.

A document entitled "Collateral Assignment of Parking Leases" recorded August 1, 2000 as Instrument No. 2000228202 of Official Records, as additional security for the payment of the indebtedness secured by the deed of trust.

A document recorded October 8, 2008 as Instrument No. 2008-295376 of Official Records, provides that the obligation secured by the deed of trust was assumed by CIM/Oakland 1 Kaiser Plaza, LP, a Delaware limited partnership.

6. The fact that the land lies within the boundaries of the Central District Redevelopment Project Area, as disclosed by the document recorded December 3, 2007 as Instrument No. 2007409569 of Official Records.

7. The terms and provisions contained in the document entitled "Restrictive Covenant" recorded May 9, 2008 as Instrument No. 2008-153998 of Official Records.

8. Rights of tenants, as tenants only, without options to purchase, rights of first refusal, under the leases described in the rent roll provided to the Company, the names of the lessees to said leases being as follows:

T. Klein Associates, Inc.
American Express Financial
Eden Plaza Cafe
Aiken & Welch, Inc.
Brandywine Ordway LLC
Sitzman Morriss & Lavis
Endnal Real Estate, Inc.
Kaiser Foundation Health Plan
David I. Fischer
Sack Rosendin LLP
Accenture LLP
The Cambrian Group
The KPA Group
Wells Fargo Bank, N.A.
Akewic & LaPietra
Armstrong & Associates
Henderson Capital Partners
Swinerton, Inc.
Chicago Title Company
The Lakeside Group
Washington Mutual
Morgan Stanley & Co., Inc.
L. Randolph Harris & Bridget McInerney Harris
Medlin & Hargrave
AIS
Law Office of Michael Gardner
Hendricks & Partners
Rainin Group, Inc.
Robert J. Beles
James R. Moren
National Jury Project/West
Law Offices of Herman Trutner
Law Offices of Richard J. Baskin
Greene Construction
Dang & Trachuk
Roundstone Systems Corp.
Law Offices of Clarence L. Livingston Jr.
A.S.F. Electric

Approved by KP Legal on 7/3/09

EXHIBIT C

BASE RENT

Premises

High Rise Premises (Floors 24-27)

Period	Monthly Base Rent (Per RSF)	Annual Base Rent (Per RSF)	Annual Base Rent
3/1/2011 – 2/29/2012	$3.32	$39.84	$3,334,448.64
3/1/2012 – 2/28/2013	$3.42	$41.04	$3,434,883.84
3/1/2013 – 2/28/2014	$3.52	$42.24	$3,535,319.04
3/1/2014 – 2/28/2015	$3.63	$43.56	$3,645,797.76
3/1/2015 – 2/29/2016	$3.74	$44.88	$3,756,276.48
3/1/2016 – 2/28/2017	$3.85	$46.20	$3,866,755.20
3/1/2017 – 2/28/2018	$3.96	$47.52	$3,977,233.92

For purposes of this Lease, each full floor leased to Tenant in the High Rise Premises contains 20,924 rentable square feet ("RSF") for a total of 83,696 RSF.

Mid Rise Premises (Floors 15-23)

Period	Monthly Base Rent (Per RSF)	Annual Base Rent (Per RSF)	Annual Base Rent
3/1/2011 – 2/29/2012	$3.15	$37.80	$6,405,399.00
3/1/2012 – 2/28/2013	$3.24	$38.88	$6,588,410.40
3/1/2013 – 2/28/2014	$3.34	$40.08	$6,791,756.40
3/1/2014 – 2/28/2015	$3.44	$41.28	$6,995,102.40
3/1/2015 – 2/29/2016	$3.55	$42.60	$7,218,783.00

For purposes of this Lease, the floors (or portions thereof) leased to Tenant in the Mid Rise Premises contains the following rentable square feet:

Floor	RSF
15th floor	19,626
16th floor	16,484
17th floor	19,626
18th floor	9,806
18th floor	9,749
19th floor	19,841
20th floor	20,924
21st floor	20,924
22nd floor	16,069
22nd floor	3,473
23rd floor	12,933
Total:	169,455

Low Rise Premises

Period	Monthly Base Rent (Per RSF)	Annual Base Rent (Per RSF)	Annual Base Rent
3/1/2011 – 2/29/2012	$3.00	$36.00	$2,993,220.00
3/1/2012 – 2/28/2013	$3.09	$37.08	$3,083,016.60
3/1/2013 – 2/28/2014	$3.18	$38.16	$3,172,813.20
3/1/2014 – 2/28/2015	$3.28	$39.36	$3,272,587.20
3/1/2015 – 2/29/2016	$3.38	$40.56	$3,372,361.20

For purposes of this Lease, the floors (or portions thereof) leased to Tenant in the Low Rise Premises contain the following rentable square feet **(subject to final verification)**:

Floor	RSF
3rd floor	6,790
3rd floor	3,612
4th floor	1,976
5th floor	9,732
6th floor	7,648
8th floor	9,765
10th floor	14,158
12th floor	19,651
13th floor	3,193
13th floor	6,620
Total:	83,145

EXHIBIT D

CONFIRMATION OF LEASE TERMS

This Confirmation of Lease Terms is made as of _____, 20___, between _____, a _____ ("Landlord"), and **KAISER FOUNDATION HEALTH PLAN, INC.**, a California nonprofit public benefit corporation, ("Tenant") who agree as follows:

1. Landlord and Tenant entered into a Lease dated _____ ___, 2009 (the "Lease"), for the Premises described in Section 1.1 of the Lease (the "Premises").

2. Landlord and Tenant confirm the items marked below:

_____ a. The Commencement Date is March 1, 2011.

_____ b. For the Low Rise Premises, the Rent Commencement Date shall be the first day of the fifth (5th) month of the Term. For the balance of the Premises, the Rent Commencement Date shall be the Commencement Date.

_____ c. The Lease term will expire on February 29, 2016, except with respect to the 24th – 27th floors with respect to which the Lease term will expire on February 28, 2018, unless extended under the terms of the Lease.

_____ d. The Rentable Square Footage of the Premises contains 336,321 square feet. The Rentable Square Footage of the Building consists of 515,070 square feet.

AGREED:

CIM/OAKLAND 1 KAISER PLAZA, L.P.
a Delaware limited liability company

By:_____
Name:_____
Title:_____

AGREED:

KAISER FOUNDATION HEALTH PLAN, INC.,
a California nonprofit public benefit corporation

By:_____
Name:_____
Title:_____

EXHIBIT E

PARKING

1 Kaiser Plaza
Oakland, CA 94612

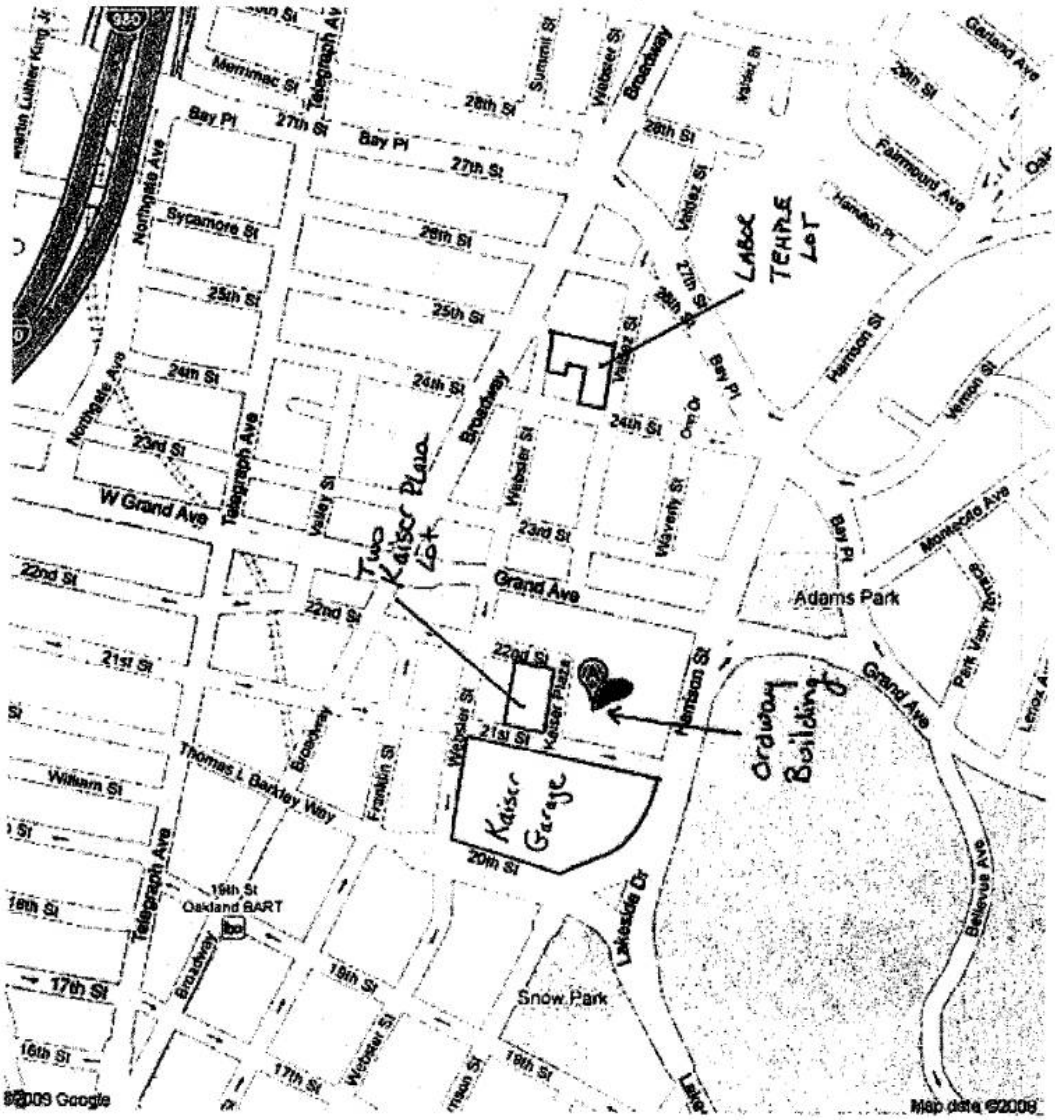


EXHIBIT F-1

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Loeb & Loeb LLP
345 Park Avenue
New York, New York 10154
Attention: Raymond A. Sanseverino, Esq.

MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum") is entered into as of June 29, 2009, by and between **CIM/OAKLAND 1 KAISER PLAZA, L.P.**, a Delaware limited liability company ("Landlord"), and **KAISER FOUNDATION HEALTH PLAN, INC.**, a California nonprofit public benefit corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease of even date herewith for three hundred forty-one thousand three hundred ninety-seven (341,397) rentable square feet of space (the "Premises") in the office building (the "Building") located at One Kaiser Plaza, Oakland, California 94612. A legal description of the property on which the Building is located is attached hereto as Exhibit A.

NOW, THEREFORE, in consideration of the facts hereinabove set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Demise of Premises. Landlord leases to Tenant, and Tenant leases from Landlord, subject to the terms and conditions set forth in the Lease, the Premises. The Commencement Date of the Lease is March 1, 2011, and the Term of the Lease shall continue (i) with respect to that portion of the Premises located on floor 24 through and including floor 27 of the Building, until February 28, 2018, and (ii) with respect to all other parts of the Premises, until February 29, 2016.

2. Option to Extend the Term. Landlord has granted to Tenant, subject to the terms and conditions set forth in the Lease, two (2) options of five (5) years each to extend the term of the Lease, provided each such option is exercised in writing at least twelve (12) months prior to the originally scheduled expiration date of the then current term, as applicable.

3. Option to Expand the Premises. Landlord has granted to Tenant, subject to the terms and conditions set forth in the Lease, a right of first offer and a right of first refusal to expand the Premises to include all leasable space within the Building.

4. Provisions Binding on Landlord. The provisions of the Lease to be performed by Landlord, whether affirmative or negative in nature, are intended to and shall bind Landlord and its successors and assigns, and shall inure to the benefit of Tenant and its successors and assigns.

5. Incorporation by Reference; No Modification of Lease. The terms and conditions of the Lease are incorporated herein by this reference. This Memorandum is prepared and recorded for the purpose of putting the public on notice of the Lease, and this Memorandum in no way modifies the terms and conditions of the Lease. In the event of any inconsistency between the terms and conditions of this Memorandum and the terms and conditions of the Lease, the terms and conditions of the Lease shall control.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum as of the day and year first set forth above.

Landlord:	Tenant:
CIM/OAKLAND 1 KAISER PLAZA L.P., a Delaware limited liability company	**KAISER FOUNDATION HEALTH PLAN, INC.,** a California nonprofit public benefit corporation
By:_____	**By:**_____
Name:_____	**Name:** George C. Halvorson
Title:_____	**Title:** Chairman and Chief Executive Officer

LANDLORD

Acknowledgement

State of California

County of _____

On _____, 2009, before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

TENANT

Acknowledgement

State of California

County of _____

On _____, 2009, before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

Exhibit A

Legal Description of the Property

REAL PROPERTY IN THE CITY OF OAKLAND, COUNTY OF ALAMEDA, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS;

PARCEL A:

BEGINNING AT THE INTERSECTION OF THE SOUTH LINE OF TWENTY- SECOND (22ND) STREET WITH THE EAST LINE OF KAISER PLAZA (FORMERLY VALDEZ STREET); THENCE FROM SAID POINT OF BEGINNING, ALONG SAID SOUTH LINE, SOUTH 76° 56' 58" EAST, 220.99 FEET; THENCE DEPARTING SAID SOUTH LINE, SOUTH 13° 02' 54" WEST, 262.00 FEET TO THE NORTH LINE OF TWENTY-FIRST (21ST) STREET; THENCE ALONG SAID NORTH LINE, NORTH 76° 56' 58" WEST, 210.00 FEET TO THE BEGINNING OF A TANGENT CURVE TO THE RIGHT; THENCE ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 11.00 FEET, CONCAVE TO THE NORTHEAST, THROUGH A CENTRAL ANGLE OF 90° 00' 00", AN ARC LENGTH OF 17.28 FEET, TO THE EAST LINE OF KAISER PLAZA (FORMERLY VALDEZ STREET); THENCE ALONG SAID EAST LINE, NORTH 13° 03' 02" EAST, 56.87 FEET; THENCE NORTH 39° 37' 39" EAST, 17.88 FEET; THENCE NORTH 13° 03' 02" EAST, 98.27 FEET; THENCE NORTH 13° 30' 09" WEST, 17.88 FEET; THENCE NORTH 13° 03' 02" EAST, 63.88 FEET TO THE POINT OF BEGINNING.

PARCEL B:

A NON-EXCLUSIVE EASEMENT, APPURTENANT TO PARCEL A HEREINABOVE, FOR THE SOLE PURPOSE OF PEDESTRIAN INGRESS AND EGRESS OVER, ALONG AND ACROSS A STRIP OF LAND HEREINAFTER DESCRIBED AND LYING WITHIN PARCEL 1 OF PARCEL MAP 6031, FILED MARCH 04, 1991, IN BOOK 196 OF PARCEL MAPS, PAGES 41-42, ALAMEDA COUNTY RECORDS, AS SUCH EASEMENT WAS GRANTED BY AHMANSON COMMERCIAL DEVELOPMENT COMPANY, A CALIFORNIA CORPORATION, TO ORDWAY ASSOCIATES, AN ILLINOIS PARTNERSHIP, BY INSTRUMENT DATED MARCH 6, 1992, RECORDED JULY 13, 1992, SERIES NO 92-225712, OFFICIAL RECORDS OF ALAMEDA COUNTY, STATE OF CALIFORNIA:

COMMENCING AT THE MOST NORTHEAST CORNER OF PARCEL 1 OF SAID PARCEL MAP 6031, THENCE ALONG THE NORTHERN BOUNDARY LINE OF SAID PARCEL (AND SOUTH LINE OF GRAND AVENUE), NORTH 76° 57' 48" WEST, 46.40 FEET TO THE TRUE POINT OF BEGINNING; THENCE SOUTH 13° 03' 02" WEST, 179.33 FEET, TO ANON-TANGENT CURVE, HAVING A RADIUS OF 25 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 142° 07' 14", A DISTANCE OF 62.01 FEET; THENCE LEAVING SAID CURVE, SOUTH 13° 03' 02" WEST, 28.86 FEET, TO THE SOUTHERN BOUNDARY LINE OF SAID PARCEL 1; THENCE ALONG SAID SOUTHERN LINE NORTH 76° 56' 58" WEST 6.00 FEET; THENCE NORTH 13° 03' 02" EAST, 24.50 FEET, TO A NON-TANGENT CURVE,

HAVING A RADIUS OF 31.00 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 125° 47' 10", A DISTANCE OF 68.06 FEET; THENCE NORTH 13° 03' 02" EAST, 175.76 FEET TO SAID NORTHERN LINE; THENCE SOUTH 76° 57' 48" EAST, 6.00 FEET TO THE TRUE POINT OF BEGINNING.

APN: 008-0653-019-03

EXHIBIT F-2

DISCHARGE OF MEMORANDUM OF LEASE

CIM/OAKLAND 1 KAISER PLAZA, L.P., Landlord

KAISER FOUNDATION HEALTH PLAN, INC., Tenant

County: Almeda
Block: _____
Lot: _____

RECORD AND RETURN TO:

FRAGNER SEIFERT PACE & WINOGRAD, LLP
300 S. Grand Avenue, 14th Floor
Los Angeles, California 90071

Attention: Terrence R. Pace, Esq.

DISCHARGE OF MEMORANDUM OF LEASE

NAME AND ADDRESS OF LANDLORD:	CIM/Oakland 1 Kaiser Plaza, L.P. 6922 Hollywood Blvd, 9th Floor Los Angeles, CA 90028 Attn: General Counsel
NAME AND ADDRESS OF TENANT:	Kaiser Foundation Health Plan, Inc. Real Estate Department 1800 Harrison, 25th Floor Oakland, CA 94612 Attn: Lease Administration
DATE OF EXECUTION OF LEASE:	As of June 29, 2009
DATE OF LEASE EXPIRATION /TERMINATION	_____, _____

MEMORANDUM:

This Discharge of Memorandum of Lease (this "Discharge") relates to that certain Memorandum of Lease between Landlord and Tenant, recorded with the Office of the Almeda County Clerk/Recorder on _____, as Document No. _____ (the "Memorandum").

DESCRIPTION OF LEASED PREMISES:

The leased premises consist of the premises leased to Tenant by Landlord at the building commonly known as The Ordway Building, having an address at One Kaiser Plaza, Oakland, California 94612 (the "Building"), a legal description of which is annexed hereto as Exhibit A, pursuant to that certain Lease Agreement made by and between Landlord and Tenant, dated as of June 29, 2009 (the "Lease").

DISCHARGE:

This Discharge shall constitute affirmative notice to whosoever it may concern that (i) the term of the Lease has expired or the Lease has been terminated in accordance with its terms. Without limiting the generality of the foregoing, Landlord and Tenant hereby agree that the Memorandum is hereby terminated and nullified and shall hereafter be of no further force or effect, and shall be deemed stricken and removed and shall be discharged from the real property records affecting the Building.

This Discharge shall be binding on, and inure to the benefit of Landlord, Tenant and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have duly executed this Discharge of Memorandum of Lease as of the day and year first set forth above.

Landlord:	Tenant:
CIM/OAKLAND 1 KAISER PLAZA L.P., a Delaware limited liability company	**KAISER FOUNDATION HEALTH PLAN, INC.**, a California nonprofit public benefit corporation
By:_____ **Name:**_____ **Title:**_____	**By:**_____ **Name:** George C. Halvorson **Title:** Chairman and Chief Executive Officer

LANDLORD

Acknowledgement

State of California

County of _____

On _____, 2009, before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

TENANT

Acknowledgement

State of California

County of _____

On _____, 2009, before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

Exhibit A

Legal Description of the Property

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BEGINNING AT THE INTERSECTION OF THE SOUTH LINE OF TWENTY- SECOND (22ND) STREET WITH THE EAST LINE OF KAISER PLAZA (FORMERLY VALDEZ STREET); THENCE FROM SAID POINT OF BEGINNING, ALONG SAID SOUTH LINE, SOUTH 76° 56' 58" EAST, 220.99 FEET; THENCE DEPARTING SAID SOUTH LINE, SOUTH 13° 02' 54" WEST, 262.00 FEET TO THE NORTH LINE OF TWENTY-FIRST (21ST) STREET; THENCE ALONG SAID NORTH LINE, NORTH 76° 56' 58" WEST, 210.00 FEET TO THE BEGINNING OF A TANGENT CURVE TO THE RIGHT; THENCE ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 11.00 FEET, CONCAVE TO THE NORTHEAST, THROUGH A CENTRAL ANGLE OF 90° 00' 00", AN ARC LENGTH OF 17.28 FEET, TO THE EAST LINE OF KAISER PLAZA (FORMERLY VALDEZ STREET); THENCE ALONG SAID EAST LINE, NORTH 13° 03' 02" EAST, 56.87 FEET; THENCE NORTH 39° 37' 39" EAST, 17.88 FEET; THENCE NORTH 13° 03' 02" EAST, 98.27 FEET; THENCE NORTH 13° 30' 09" WEST, 17.88 FEET; THENCE NORTH 13° 03' 02" EAST, 63.88 FEET TO THE POINT OF BEGINNING.

PARCEL B:

A NON-EXCLUSIVE EASEMENT, APPURTENANT TO PARCEL A HEREINABOVE, FOR THE SOLE PURPOSE OF PEDESTRIAN INGRESS AND EGRESS OVER, ALONG AND ACROSS A STRIP OF LAND HEREINAFTER DESCRIBED AND LYING WITHIN PARCEL 1 OF PARCEL MAP 6031, FILED MARCH 04, 1991, IN BOOK 196 OF PARCEL MAPS, PAGES 41-42, ALAMEDA COUNTY RECORDS, AS SUCH EASEMENT WAS GRANTED BY AHMANSON COMMERCIAL DEVELOPMENT COMPANY, A CALIFORNIA CORPORATION, TO ORDWAY ASSOCIATES, AN ILLINOIS PARTNERSHIP, BY INSTRUMENT DATED MARCH 6, 1992, RECORDED JULY 13, 1992, SERIES NO 92-225712, OFFICIAL RECORDS OF ALAMEDA COUNTY, STATE OF CALIFORNIA:

COMMENCING AT THE MOST NORTHEAST CORNER OF PARCEL 1 OF SAID PARCEL MAP 6031, THENCE ALONG THE NORTHERN BOUNDARY LINE OF SAID PARCEL (AND SOUTH LINE OF GRAND AVENUE), NORTH 76° 57' 48" WEST, 46.40 FEET TO THE TRUE POINT OF BEGINNING; THENCE SOUTH 13° 03' 02" WEST, 179.33 FEET, TO ANON-TANGENT CURVE, HAVING A RADIUS OF 25 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 142° 07' 14", A DISTANCE OF 62.01 FEET; THENCE LEAVING SAID CURVE, SOUTH 13° 03' 02" WEST, 28.86 FEET, TO THE SOUTHERN BOUNDARY LINE OF SAID PARCEL 1; THENCE ALONG SAID SOUTHERN LINE NORTH 76° 56' 58" WEST 6.00 FEET; THENCE NORTH 13° 03' 02" EAST, 24.50 FEET, TO A NON-TANGENT CURVE,

HAVING A RADIUS OF 31.00 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 125° 47' 10", A DISTANCE OF 68.06 FEET; THENCE NORTH 13° 03' 02" EAST, 175.76 FEET TO SAID NORTHERN LINE; THENCE SOUTH 76° 57' 48" EAST, 6.00 FEET TO THE TRUE POINT OF BEGINNING.

APN: 008-0653-019-03

EXHIBIT G

TENANT'S PRO RATA SHARE

Floor	Pro Rata Share
3	2.02%
4	0.38%
5	1.89%
6	1.48%
8	1.90%
10	2.75%
12	3.82%
13	1.91%
14	0.00%
15	3.81%
16	3.20%
17	3.81%
18	3.80%
19	3.85%
20	4.06%
21	4.06%
22	3.79%
23	2.51%
24	4.06%
25	4.06%
26	4.06%
27	4.06%

EXHIBIT H

INTENTIONALLY DELETED

EXHIBIT I

ESTOPPEL CERTIFICATE

Tenant:_____

Landlord: _____
Lease Dated:_____

Premises: _____, Suite _____
_____City, State _____

Security Deposit: _____Dollars ($_____)

_____("Tenant") and _____, a _____ ("Landlord") entered into a written Lease agreement dated _____, 20__ (the "Lease"), under which Tenant leased from Landlord the Premises located at _____, _____, [state, zip] and further described in Exhibit A to the Lease (the "Premises").

Tenant **[Landlord]** certifies that:

1. A correct copy of the Lease and all amendments and modifications to it are attached to this certificate as Exhibit 1.

2. The term of the Lease began on _____, 20__, and will expire on _____, 20__.

3. Tenant has no right or option to renew or extend the Lease, or to expand the Premises, except as set forth in the Lease and _____.

4. The address for notices to be sent to Tenant is set forth in the Lease.

5. The Lease is unmodified and in full force and effect, and there are no other agreements between Landlord and Tenant with respect to the Lease, the Premises, the Building or the Site except: _____.

6. Tenant has accepted possession of the Premises, and any improvements required by the terms of the Lease to be made by Landlord have been completed to the satisfaction of Tenant and all tenant improvement allowances owing to Tenant have been paid except: _____.

7. Tenant is now in sole possession of the entire Premises and Tenant has not granted any other person, partnership, corporation, or other entity any right to the possession or use of the Premises, except for _____.

8. Tenant has not assigned any of its interest in the Lease or sublet all or any portion of the Premises.

9. Base Rent and other amounts billed to Tenant under the Lease have been paid to the date of Tenant's execution of this certificate.

10. **[For certificate to be signed by Tenant:]** As of the date of this certificate and to the best of Tenant's knowledge, Landlord is not in default under any of the terms of the Lease. **[For certificate to be signed by Landlord :]** As of the date of this certificate, there is no Event of Default outstanding and, to the best of Landlord's knowledge, Tenant is not in default under any of the terms of this Lease.

11. Tenant has no right of offset under the Lease or against Rent or other charges due or to become due under the Lease except as specifically set forth in the Lease.

12. The amount of any security or other deposit returnable to Tenant pursuant to the Lease, if any, is set forth above.

13. No Rent or other amounts under the Lease have been paid by more than thirty (30) days prior to the date on which they are due under the Lease.

14. Tenant has no right or option to purchase the Premises, the Building, or the Site.

Tenant **[Landlord]** has executed this certificate as of _____, 20__.

TENANT [LANDLORD]:

BY: _____
NAME: _____
TITLE: _____

STATE OF CALIFORNIA)
:ss
COUNTY OF _____)

On this _____ day of _____, 20___, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me (or proved on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
NOTARY PUBLIC in and for said State

EXHIBIT J

MINIMUM JANITORIAL SERVICE

Janitorial Service shall include but shall not be limited to the following:

(a) Restrooms in Premises, nightly, Monday-Friday

1. Empty all receptacles--waste, sanitary napkins, ashtrays, etc.

2. All dispensers to be filled--toilet paper toilet seat covers, hand towels, soap, sanitary napkins, including Tenant's hand soap dispensers in breakrooms.

3. Clean all shelves, dispensers, sinks, mirrors, fixtures wiped dry.

4. Clean with disinfectant all toilet seats, bowls, urinals.

5. Floors to be swept and kept free of any paper scraps, ashes, etc., that might collect in corners, behind bowls, etc. Floors to be mopped with disinfectant.

6. Entry doors spot cleaned--free of finger marks.

(b) Vinyl Floors in Premises

1. Vacuum or dust and wet mop nightly, Monday-Friday.

2. Buff nightly, Monday-Friday, corridors only.

3. Remove old wax and newly wax every six (6) months for corridors and bathrooms, and once annually for other vinyl flooring.

(c) Medical Examination rooms: Clean sinks and mirrors, fixtures wiped dry.

(d) The cleaning and maintenance of Tenant eating facilities including the removal of refuse and garbage therefrom.

(e) The cleaning and maintenance of Tenant computer centers, including peripheral areas, and removal of waste paper therefrom.

(f) The cleaning and maintenance of special equipment areas, kitchen areas, private toilets and locker rooms, medical centers, and large scale duplicating rooms.

(g) The cleaning and maintenance in areas of special security such as storage units.

(h) The provision of consumable supplies for private toilet rooms.

EXHIBIT K

RULES AND REGULATIONS

Tenant shall abide by and observe the following rules and regulations. Tenant shall abide by and observe such other rules and regulations as may be promulgated from time to time by Landlord for the operation and maintenance of the Building, provided that the new rules or regulations are reasonable and not inconsistent with the provisions of the Lease. Any dispute relating to the reasonableness of a modification of or addition to the rules and regulations may be submitted by either Landlord or Tenant to arbitration in accordance with Section 56 of the Lease.

1. Sidewalks, entrances, passages, elevators, vestibules, stairways, corridors, halls, lobby and any other part of the Building shall not be obstructed or encumbered by any Tenant or used for any purpose other than ingress or egress to and from each tenant's premises. Landlord shall have the right to control and operate the Common Areas of the Building and exterior facilities furnished for common use of the tenants (such as the eating, smoking, and parking areas) in such a manner as Landlord deems appropriate.

2. No awnings or other projections shall be attached to the outside walls of the Building without the prior written consent of Landlord. All drapes, or window blinds, must be of a quality, type and design, color and attached in a manner approved by Landlord.

3. No showcases or other articles shall be put in front of or affixed to any part of the exterior of the Building, or placed in hallways or vestibules without prior written consent of Landlord.

4. Rest rooms and other plumbing fixtures shall not be used for any purposes other than those for which they were constructed and no debris, rubbish, rags or other substances shall be thrown therein. Only standard toilet tissue may be flushed in commodes. All damage resulting from any misuse of these fixtures shall be the responsibility of the tenant who, or whose employees, agents or licensees shall have caused same.

5. Except as permitted by the Lease, no tenant, without the prior consent of Landlord, shall mark, paint, drill into, bore, cut or string wires or in any way deface any part of the Premises or the Building of which they form a part except for the reasonable hanging of decorative or instructional materials on the walls of the Premises.

6. Tenants shall not construct or maintain, use or operate in any part of the Building any electrical device, wiring or other apparatus in connection with a loud speaker system or other sound/communication system which may be heard outside the Premises. Any such communication system to be installed within the Premises shall require prior written approval of Landlord.

7. No mopeds, skateboards, bicycles, scooters or other vehicles and no animals, fish, fish tanks, birds or other pets of any kind (other than service dogs) shall be brought into or kept in or about the Building, provided, however, that segway vehicles, wheelchairs and

other vehicles used by mobility challenged individuals shall be allowed to be brought into the Building and kept in a Tenant's premises.

8. No tenant shall cause or permit any unusual or objectionable odors to be produced upon or permeate from its premises.

9. No space in the Building shall be used for the manufacture of goods for sale in the ordinary course of business, or for sale at auction of merchandise, goods or property of any kind.

10. No tenant, or employees of tenant, shall make any unseemly or disturbing noises or disturb or interfere with the occupants of this or neighboring buildings or residences by voice, musical instrument, radio, talking machines, whistling, singing, or in any way. All passage through the Building's hallways, elevators, and main lobby shall be conducted in a quiet, business-like manner. Rollerblading and Rollerskating shall not be permitted in the Building or in the Common Areas.

11. No tenant shall throw anything out of the doors, windows, or down corridors or stairs of the Building.

12. Tenant shall not place, install or operate on the Premises or in any part of the Building, any engine, stove or machinery or conduct mechanical operations or cook thereon or therein (except for coffee machines, microwave ovens, toasters, space heaters, fans and/or vending machines), or place or use in or about the Premises or Building any explosives, gasoline, kerosene oil, acids, caustics or any other flammable, explosive, or hazardous material without prior written consent of Landlord.

13. No smoking is permitted in the Building including but not limited to the Premises, rest rooms, hallways, balconies, elevators, stairs, lobby, exit and entrances vestibules, sidewalks, parking lot area except for the designated exterior smoking area, which shall not be within twenty five (25) feet of the perimeter of the Building. All cigarette ashes and butts are to be deposited in the containers provided for same, and not disposed of on sidewalks, parking lot areas, or toilets within the Building's rest rooms.

14. Tenants are not to install any additional locks or bolts of any kind upon any door or window of the Building without prior written consent of Landlord. Each tenant must, upon the termination of tenancy, return to the Landlord all keys for the Premises, either furnished to or otherwise procured by such tenant, and all security access cards to the Building.

15. All doors to hallways and corridors shall be kept closed during business hours except as they may be used for ingress or egress.

16. Tenant shall not use the name of the Building in any way in connection with its business except as the address thereof. Landlord shall also have the right to prohibit any advertising by tenant, which, in its sole opinion, tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, tenant shall refrain from or discontinue such advertising.

17. Tenants must be responsible for all security access cards issued to them, and to secure the return of same from any employee terminating employment with them. Tenant shall pay to Landlord the actual out-of-pocket replacement cost of each lost security access card, without markup for profit or overhead. As of the date of this Lease, the actual replacement cost of a lost security access card is $25.00. No person/company other than Project tenants and/or their employees may have security access cards unless Landlord grants prior written approval.

18. All deliveries by vendors, couriers, clients, employees or visitors to the Building which involve the use of a hand cart, hand truck, or other heavy equipment or device must be made via the freight elevator and none of such carts, trucks, equipment or devices shall be allowed in the ground floor lobby of the Building. Tenant shall be responsible to Landlord for any loss or damage resulting from any deliveries made by or for tenant to the Building, subject to any waiver of subrogation contained in the Lease. Tenant shall procure and deliver a certificate of insurance from tenant's movers which certificate shall name Landlord as an additional insured.

19. Landlord reserves the right to inspect all freight to be brought into the Building, and to exclude from the Building all freight or other material which violates any of these rules and regulations.

20. Tenant will refer all contractors, contractor's representatives and installation technicians, rendering any service on or to the premises for tenant, to Landlord for Landlord's approval and supervision before performance of any contractual service or access to Building. This provision shall apply to all work performed in the Building including installation of telephones, telegraph equipment, electrical devices and attachments and installations of any nature affecting floors, walls, woodwork, trim, windows, ceilings, equipment or any other physical portion of the Building. Landlord reserves right to require that all agents of contractors/vendors sign in and out of the Building.

21. Landlord reserves the right to exclude from the Building at all times any person who is not known or does not properly identify himself to Landlord's management or security personnel.

22. Landlord may require, at its sole option, all persons entering the Buildings after 6 PM or before 7 AM, Monday through Friday and at any time on Holidays, Saturdays and Sundays, to register at the time they enter and at the time they leave the Building.

23. No space within the Building or in the Common Areas may be used at any time for the purpose of lodging, sleeping, or for any immoral or illegal purposes.

24. No employees or invitees of tenant shall use the hallways, stairs, lobby, or other Common Areas of the Building as lounging areas during "breaks" or during lunch periods.

25. No canvassing, soliciting or peddling is permitted in the Building or Common Areas by tenants, their employees, or other persons.

26. No mats, trash, or other objects shall be placed in the public corridors, hallways, stairs, or other Common Areas of the Building.

27. Tenant must place all recyclable items of cans, bottles, plastic and office recyclable paper in appropriate containers provided by Landlord in each tenant's space. Removal of these recyclable items will be by Landlord's janitorial personnel.

28. Intentionally omitted.

29. Drapes installed by tenant, which are visible from the exterior of the Building, must be cleaned by Tenant, at its own expense, when necessary.

30. No pictures, signage, advertising, decals, banners, etc. are permitted to be placed in or on windows in such a manner as they are visible from the exterior, without the prior written consent of Landlord.

31. Tenant or tenant's employees are prohibited at any time from eating or drinking in hallways, elevators, rest rooms, lobby or lobby vestibules.

32. Tenant shall be responsible to Landlord for any acts of vandalism performed in the Building by its employees or agents.

33. No tenant shall permit the visit to its Premises of persons in such numbers or under such conditions as to interfere with the use and enjoyment of the entrances, hallways, elevators, lobby or other public portions or facilities of the Building and exterior Common Areas by other tenants.

34. Landlord's employees shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord. Requests for such requirements must be submitted in writing to Landlord.

35. Tenant agrees that neither tenant nor its agents, employees, licensees or invitees will interfere in any manner with the maintenance of the heating, air conditioning and ventilation facilities and equipment.

36. Landlord will not be responsible for lost or stolen personal property, equipment, money or jewelry from tenant's area or Common Areas of the Building regardless of whether such loss occurs when area is locked against entry or not.

37. Landlord will not permit entrance to tenant's Premises by use of pass key controlled by Landlord, to any person at any time without written permission of tenant, except employees, contractors or service personnel supervised or employed by Landlord.

38. Tenant and its agents and employees shall observe and comply with the driving and parking signs and markers on the Building grounds and surrounding areas.

39. Tenant and its employees and agents shall not enter other separate tenants' hallways, restrooms or premises unless they have received prior approval from Landlord's management.

40. Tenant shall not use or permit the use of any portion of the Premises for outdoor storage.

EXHIBIT L

BUILDING HOLIDAYS

Presidents Day
Memorial Day
Independence Day
Labor Day
Thanksgiving
Christmas
New Year's Day

EXHIBIT M

PROHIBITED USES

"Prohibited Uses" shall mean any one or more of the following uses:

(a) a bar, pub, nightclub, music hall or disco serving alcohol without food service;

(b) a medical, dental, veterinary, chiropractic or physical or occupational therapy clinic or office

(c) a laboratory;

(d) a billiard or bingo parlor;

(e) a flea market;

(f) a fast food restaurant which is considered to serve unhealthy foods;

(g) massage parlor;

(h) a store selling primarily tobacco products;

(i) a funeral home;

(j) a facility for the sale of paraphernalia for use with illicit drugs;

(h) a facility for the sale or display of pornographic material;

(k) an off-track betting parlor;

(l) a skating rink;

(m) an arcade, pinball or computer game room;

(n) political campaign offices; or

(o) a tattoo parlor.

EXHIBIT N

INTENTIONALLY DELETED

EXHIBIT O

CATEGORIES OF OPERATING COSTS

1. Cleaning
2. General & Administrative
3. Insurance
4. Management Fees
5. Professional Fees
6. Repairs & Maintenance
7. Labor
8. Security
9. Electricity
10. Steam
11. Water & Sewer & Steam Condensate
12. Capital Expenditures (which are permitted to be passed on to tenants)
13. Payments to Affiliates

EXHIBIT P

PREMISES GENERATOR

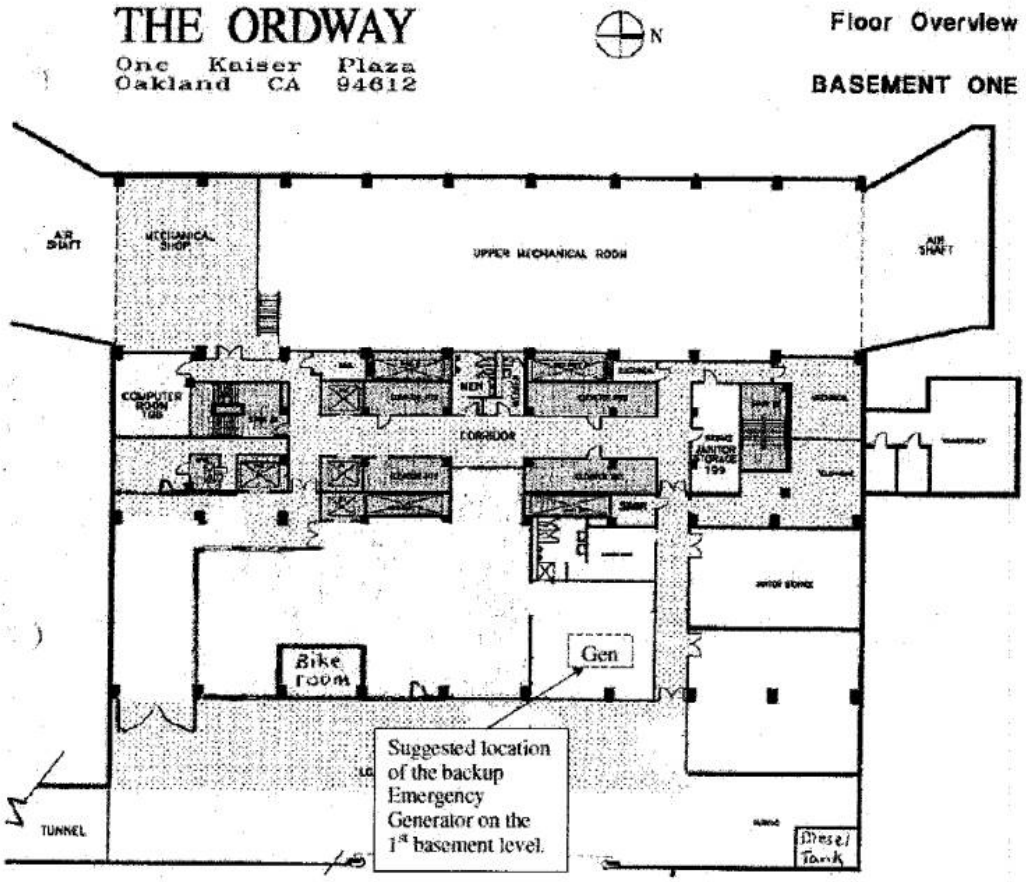

EXHIBIT Q

HVAC PERFORMANCE SPECIFICATIONS

The building is supplied by outside air that is either heated or cooled and sent to the corresponding zones. All fans are constant volume and here are some brief descriptions.

1. Supply Fans 1&2 supply conditioned air to all 4 sides of the building through the induction units on floors 3-26. Secondary chilled water provides the cooling through coils at the induction units that are controlled by unit thermostats.

2. Supply Fans 3&4 supply cooling at the fans and the air is sent to all the interior zones from floors 11-26. Heating is achieved by zone re-heats on the floors that are controlled by 2 zone thermostats on each side -- bayside and lakeside.

3. Supply Fan 5 supplies cooling at the fan and the air is sent to all the interior zones from floors 3-10. Heating is achieved by zone re-heats on the floors that are controlled by 2 zone thermostats on each side – bayside and lakeside.

4. Supply Fan 6 is a dual duct system which provides both heating and cooling to individual zones on the 27th floor only. Mixing boxes are controlled by thermostats in the offices.

5. Supply Fan 7 supplies air to the 2nd floor induction units only and it has 4 separate zones. Heating is supplied to each zone when needed and the cooling is provided by the secondary chilled water coils at each unit controlled by the unit's thermostat.

6. Supply Fan 8 supplies cooling at the fan and the air is sent to the 2nd floor interiors only. Heating is achieved by the re-heat units controlled by zone thermostats.

7. Supply Fan 9 supplies air to the bridge only. Heating and cooling is achieved at the fan units above the ceiling.

8. Supply Fan 10 supplies conditioned air to the 1st floor only.

9. Supply Fan 11 supplies conditioned air to the 2 basement floors

All fans have return fans that draw off the ceiling plenums except SF7 and SF9.

Heating is provided through hot water that is heated by any of the 3 – 350 hp each Cleaver-Brooks natural gas boilers and is sent by circulating pumps to the associated fans and re-heat coils on the floors.

Cooling is provided by any of the 3 centrifugal chillers on the roof. 2- Carrier 850 ton and 1 York 675 ton units. Each chiller has associated chilled water and condenser water pumps. A 300

ton Plate/Frame heat exchanger provides cooling when temperatures are below 63 degrees outside air.

All the valves on the equipment and coils are pneumatically controlled.

The Building's HVAC system is designed to be capable of maintaining inside space conditions of 74 degrees Fahrenheit, plus or minus 2 degrees, when outside conditions are 95 degrees Fahrenheit dry bulb and 75 degrees Fahrenheit wet bulb and inside space conditions of 70 degrees Fahrenheit, plus or minus 2 degrees, when the outside temperature is not lower than 5 degrees Fahrenheit.

The Building's HVAC system shall provide fresh air as per code requirements, and Landlord covenants that the N.C. (noise criteria) shall be no greater than 40 dB within 15 feet of a mechanical equipment room and 35 dB beyond such 15 feet.

EXHIBIT R

TERMS AND CONDITIONS FOR TENANT IMPROVEMENT WORK

A. Construction By Tenant. Tenant Improvements constructed by Tenant shall be subject to the following terms and conditions:

1. Approval Process for Plans.

1.1 Approval of Preliminary Plans. Prior to commencing any Tenant Improvements, Tenant shall submit to Landlord preliminary plans and specifications for such Tenant Improvements to Landlord for approval (the "Preliminary Plans"). The Preliminary Plans shall be prepared by an architect selected and paid by Tenant who is licensed by the State of California.

1.2 Landlord's Response. Within ten (10) Business Days after Landlord's receipt of the Preliminary Plans, Landlord shall notify Tenant in writing of its approval or of any reasonable objections thereto. Within five (5) Business Days after the receipt by Tenant of a timely objection of Landlord, Tenant shall cause the Preliminary Plans to be modified and shall thereafter deliver the modified plans to Landlord for its approval. Landlord shall have five (5) Business Days from its receipt thereof to approve such modified Preliminary Plans in the same manner as set forth above. This procedure shall be followed until all reasonable objections have been resolved and the Preliminary Plans have been approved.

1.3 Approval of Permit Drawings. Following Landlord's approval of the Preliminary Plans, Tenant shall prepare and deliver to Landlord engineering working drawings for all mechanical, electrical, plumbing and fire sprinkler systems (the "Permit Drawings") for Landlord's approval.

1.4 Landlord's Response. Landlord shall approve or disapprove the Permit Drawings within ten (10) Business Days after Landlord's receipt thereof, provided that Landlord's approval shall not be unreasonably withheld. Landlord's disapproval shall be effected by Landlord's delivery to Tenant, within such ten (10) Business Day period, of a writing setting forth with specificity the reasons for such disapproval. Within five (5) Business Days of the receipt by Tenant of Landlord's objections, Tenant shall cause the Permit Drawings to be modified and shall deliver the modified Permit Drawings to Landlord for its approval. Landlord shall have five (5) Business Days from its receipt thereof to approve such modified Permit Drawings in the same manner as set forth above. This procedure shall be followed until all reasonable objections have been resolved and the Permit Drawings have been approved.

2. Limitation on Tenant's Improvements. In no event shall the improvements to be made by Tenant to the Premises exceed the Building's systems limits or capacities, including the limits applicable to plumbing, electrical, HVAC, and load bearing systems, unless (x) Tenant shall agree to pay for the work necessary to increase such limits or capacities and (y) such work shall not disrupt Landlord's provision of utilities to other tenants in the Building.

3. Plan Check. Following Landlord's approval of the Permit Drawings, Tenant shall submit the Permit Drawings to the Department of Building and Safety for the City of Oakland ("DBS") for necessary plan checks and approvals. Any and all plan check corrections shall be made by Tenant.

4. Change Orders. In the event Tenant desires to change any item of the Permit Drawings or the Preliminary Plans following approval by Landlord, Tenant, and DBS, then Tenant shall submit a change order detailing the desired change (the "Change Order Request") to Landlord for Landlord's approval. Within three (3) Business Days after receipt of the Change Order Request from Tenant, Landlord shall notify Tenant in writing if Landlord approves or disapproves the Change Order Request, which approval shall not be unreasonably withheld. The latest Permit Drawings and preliminary Plans (including changes thereto pursuant to an approved Change Order Request) as approved by Landlord are herein referred to as the "Approved Plans".

5. Approval of Tenant's Contractors and Subcontractors. Prior to hiring any contractors or subcontractors, or entering into agreements with any of them, Tenant shall deliver to Landlord for Landlord's reasonable approval a list of the contractors and subcontractors Tenant proposes to hire to perform the Tenant Improvements in the Premises. Landlord's approval shall not be unreasonably withheld, conditioned or delayed. It shall be reasonable for Landlord to withhold approval based on the proposed contractor's or subcontractor's inadequate financial status, reputation for poor quality work, lack of insurance, union/non-union status, or lack of experience with projects like the Building in Oakland, California. As a condition to its approval, Landlord may require the employment of only union or non-union personnel and subcontractors. In any event, Landlord shall have the right to designate the subcontractors to perform work in the Premises which could reasonably affect the systems (or warranties concerning such systems) of the Building, including but not limited to the elevator (if any), roof, HVAC, methane detection, fire/life safety, plumbing, exterior, foundation, and load bearing elements.

6. Quality of Design and Construction. Tenant's Tenant Improvements shall be of the highest quality workmanship and standards.

7. Construction. The Tenant Improvements set forth in the Approved Plans shall be performed in accordance with the following:

7.1 Tenant shall diligently prosecute such construction to completion. Tenant shall have the work performed in such a manner so as not to (a) obstruct the access of any other tenant or occupant in the Building, (b) damage any portion of the Building, including Common Areas, or (c) create dust or dirt in any Common Areas. Tenant shall cause the work areas to be cleaned on a daily basis.

7.2 All Tenant Improvement work in the Premises shall be performed by Tenant's contractors and subcontractors strictly in accordance with the Approved Plans, the provisions of Title 24 of the California Administrative Code, the Americans with Disabilities Act, and all other applicable Laws, and shall satisfy the requirements of all carriers of insurance on the Premises and the Building, and the Board of Underwriters Fire Rating Bureau or similar organization.

7.3 All Tenant Improvements in the Premises shall be performed in accordance with the reasonable scheduling requirements and rules and regulations of Landlord.

7.4 Prior to the commencement of the Tenant Improvements in the Premises, Tenant shall notify Landlord in writing of the anticipated date of the commencement of construction to enable Landlord to post a notice of non-responsibility.

7.5 Prior to the commencement of the Tenant Improvements in the Premises, Tenant shall furnish a copy of the building permit to Landlord.

7.6 Prior to and continuing during the period of Tenant's construction, Tenant's contractors and subcontractors shall procure and maintain builder's risk and commercial general liability insurance during the period of their performance of labor or the furnishing of materials to the Premises from an insurance company satisfactory to Landlord. Said insurance shall be in such amounts and in form satisfactory to Landlord, and shall name Landlord and, at Landlord's request, any Lenders of Landlord, as additional insureds, as their respective interests may appear. Tenant shall also require each contractor and subcontractor employed to perform labor or furnish materials to the Premise to procure and maintain, during the performance of the labor or the furnishing of the materials, a policy of workers' compensation or employer's liability insurance issued by an insurance company acceptable to Landlord for the protection of the employees of the contractors and subcontractors, including executive, managerial, and supervisorial employees engaged in any Tenant Improvements to be performed in the Premises. Copies of the policies or certificates evidencing the existence and amounts of such insurance, and renewals or binders, shall be delivered to Landlord by Tenant at least ten (10) days prior to (a) the commencement of Tenant Improvements, or (b) the expiration of any such policy, as the case may be.

7.7 Tenant shall be solely responsible for security in the Premises during the period of construction. None of Landlord, Landlord's contractor, or their agents or employees shall have any responsibility whatsoever for the safety of any equipment, tools, materials, fixtures, merchandise, or other personal property located in the Premises during the period of construction except to the extent damage is caused by the gross negligence or willful misconduct of Landlord, Landlord's contractor, or their agents or employees.

7.8 Landlord and Landlord's Lender shall have access to the Premises for purposes of inspection at all times during the period of construction subject to the provisions of the Lease.

7.9 In constructing its Tenant Improvements, Tenant hereby certifies that it will comply with the Responsible Contractor Program Policy summarized ***Schedule 1*** attached hereto (the "RCP"), and agrees to provide Landlord with documentation using the forms approved by Landlord to certify responsible contractors and establish compliance or good-faith efforts to comply with the RCP.

B. Construction by Landlord. Tenant Improvements constructed by Landlord following a ACM/Tenant Improvement Work Notice shall be subject to the following terms and conditions:

1. Approval Process for Plans.

1.1 Approval of Preliminary Plans. Within thirty (30) days after delivery of its ACM/Tenant Improvement Work Notice, Tenant shall submit to Landlord preliminary plans and specifications for such Tenant Improvements to Landlord for approval (the "Preliminary Plans"). The Preliminary Plans shall be prepared by an architect selected by Tenant who is licensed by the State of California.

1.2 Landlord's Response. Within ten (10) Business Days after Landlord's receipt of the Preliminary Plans, Landlord shall notify Tenant in writing of its approval or specify any reasonable objections thereto. Within ten (10) Business Days after the receipt by Tenant of a timely objection of Landlord, Tenant shall cause the Preliminary Plans to be modified and shall thereafter deliver the modified plans to Landlord for its approval. Landlord shall have five (5) Business Days from its receipt thereof to approve such modified Preliminary Plans in the same manner as set forth above. This procedure shall be followed until all reasonable objections have been resolved and the Preliminary Plans have been approved.

1.3 Approval of Permit Drawings. Following Landlord's approval of the Preliminary Plans, Landlord shall prepare and deliver to Tenant engineering working drawings for all mechanical, electrical, plumbing and fire sprinkler systems (the "Permit Drawings") for Tenant's approval.

1.4 Tenant's Response. Tenant shall approve or disapprove the Permit Drawings within ten (10) Business Days after Tenant's receipt thereof, provided that Tenant's approval shall not be withheld so long as the Permit Drawings are consistent with the Preliminary Plans. Tenant's disapproval shall be effected by Tenant's delivery to Landlord, within such ten (10) Business Day period, of a writing setting forth with specificity the reasons for such disapproval. Within five (5) Business Days of the receipt by Landlord of Tenant's objections, Landlord shall cause the Permit Drawings to be modified and shall deliver the modified Permit Drawings to Tenant for its approval. Tenant shall have five (5) Business Days from its receipt thereof to approve such modified Permit Drawings in the same manner as set forth above. This procedure shall be followed until all reasonable objections have been resolved and the Permit Drawings have been approved.

2. Limitation on Tenant's Improvements. In no event shall the improvements to be made by Landlord to the Premises exceed the Building's systems limits or capacities, including the limits applicable to plumbing, electrical, HVAC, and load bearing systems, unless (x) Tenant shall agree to pay for the work necessary to increase such limits or capacities and (y) such work shall not disrupt Landlord's provision of utilities to other tenants in the Building. Unless otherwise specifically noted in the Preliminary Plans, the Tenant Improvements shall be constructed by Landlord using Building standard specifications and materials as determined by Landlord.

3. Plan Check. Following Tenant's approval of the Permit Drawings, Landlord shall submit the Permit Drawings to the Department of Building and Safety for the City of Oakland ("DBS") for necessary plan checks and approvals. Any and all plan check corrections shall be made by Landlord.

4. Change Orders. In the event Tenant desires to change any item of the Permit Drawings or the Preliminary Plans following approval by Landlord, Tenant, and DBS, then Tenant shall submit a change order detailing the desired change (the "Change Order Request") to Landlord for Landlord's approval. Within three (3) Business Days after receipt of the Change Order Request from Tenant, Landlord shall notify Tenant in writing if Landlord approves or disapproves the Change Order Request, which approval shall not be unreasonably withheld so long as the Change Order Request will not increase the cost of the Tenant Improvements or delay the completion of the Tenant Improvements, unless Tenant agrees to pay the cost of such delay or incremental cost of the Tenant Improvements. The latest Permit Drawings and preliminary Plans (including changes thereto pursuant to an approved Change Order Request) as approved by Landlord are herein referred to as the "Approved Plans".

5. Construction. The Tenant Improvements set forth in the Approved Plans shall be diligently prosecuted by Landlord to completion.

6. Tenant Delay. If there shall be a delay or there are delays in the Completion Date for the Tenant Improvements in the Premises as a result of the following (collectively, "Tenant Delays"):

6.1 Tenant's failure to timely submit the Preliminary Plans;

6.2 Tenant's failure to timely approve any matter requiring Tenant's approval within the required time periods herein;

6.3 Tenant's request for changes in the Approved Plans; or

6.4 Tenant's requirement for materials, components, finishes or improvements which are not available in a commercially reasonable time given the anticipated Completion Date, or not included in, Landlord's standard improvement package items for the Building; or

6.5 Any other act of Tenant, or its agents, or employees that would delay the Completion Date and that continues for two (2) Business Days after notice from Landlord to Tenant;

then, notwithstanding anything to the contrary set forth in the Lease or this Exhibit R and regardless of the actual Completion Date of the Tenant Improvements in the Premises, the Completion Date be deemed to be the date that the Completion Date would have occurred if no Tenant Delay had occurred.

SCHEDULE 1 TO EXHIBIT R

SUMMARY OF THE RESPONSIBLE CONTRACTOR PROGRAM POLICY

Fair Wage & Fair Benefits--Tenant hereby certifies that all subcontractors and employees retained to perform work under this Lease receive a "fair wage" and "fair benefits". Fair benefits are evidenced by some of the following: employer-paid family health care coverage, pension benefits, apprenticeship programs and benefits paid for comparable work on comparable projects. Fair wage does not require the payment of "prevailing wages," as defined by government surveys and laws. Instead, fair wage is evidenced by some of the following: local practices with regard to type of trade and type of project, local wage practices and labor market conditions.

Competitive Bidding/Disadvantaged Businesses--Tenant hereby certifies that all subcontractors retained to perform construction, maintenance or services contracted under this Lease shall be selected through a competitive bidding and selection process designed to seek bids from a broad spectrum of qualified Service-Disabled Veteran Business Enterprises ("SDV/BE"), Minority/Women Owned Business Enterprises ("MBE/WBE") and Small Business Enterprises ("SBE"). The competitive bidding process shall include notification and invitations to bid that target responsible contractors, MBE/WBE, SDV/BE and SBE contractors with experience, honesty, integrity, and dependability. A complete copy of the RCP shall be attached to all requests for proposal and invitations to bid.

Definitions--A SBE is defined as a business with 100 or fewer employees and less than $10 million annual average gross receipts over the previous three tax years. A MBE/WBE must be at least 51% owned by a minority or minorities, or a woman or women, who exercise the power to make policy decisions and who are actively involved in the day-to-day management of the business. A SDV/BE must be at least 51% owned by a disabled veteran and a disabled veteran must be involved in the day-to-day management of the business. Tenant shall meet or exceed a goal of 3% SDV/BE participation or make a good-faith effort to achieve such participation.

Local, State and National Laws and Requirements--Tenant and its subcontractors shall observe all local, state, and national laws (including by way of illustration those pertaining to insurance, withholding taxes, minimum wage, health and occupational safety), and this RCP.

Complete Copy--A complete copy of the RCP is available upon request from the Landlord and at www.calpers.ca.gov/invest/policies/other-investment-policies/responsible-contractor.htm. Related information regarding SBE compliance is available at www.pd.dgs.ca.gov/smbus/default.htm. Related information regarding MBE/WBE compliance is available at www.pd.dgs.ca.gov/smbus/mwbepp.htm. Related information regarding SDV/BE compliance is available at www.calpers.ca.gov/contracts/veteran.htm and at www.pd.dgs.ca.gov/dvbe/default.htm. This summary of the RCP shall not, in any way, constitute a substitution for the RCP. Tenant shall comply with all of the terms contained in the complete copy of the RCP and as it may be updated from time to time by CalPERS.

EXHIBIT S

ACM WORK

In connection with the ACM Work, Landlord shall perform the following work on each ACM Floor:

(a) Install two(2) ADA compliant Building standard restrooms and Building-standard elevator lobbies.

(b) All interior walls, ceilings, finishes and fixtures, other than ceramic titles at restroom walls and floors, will be removed and the space will be turned over to Tenant in shell condition. (No alterations will be made to building core shaft walls)

(c) All abandoned pipes, conduit and low-pressure distribution ductwork will be removed.

(d) ACM will be removed from all surfaces and trenches.

(e) Asbestos containing fireproofing will be removed from all accessible and exposed structures.

(f) The existing HVAC main duct loops will be cleaned and re-insulated where needed.

(g) The fire sprinkler main loop will be installed along building core walls. (no branch or distribution pipes or fire sprinkler heads will be provided).

(h) Access to the life safety system will be provided via a pull box at the life safety riser.

(i) Temporary smoke detectors, fire alarm pull stations and exit signs will be provided by Landlord to meet minimum requirements during Tenant Improvement work.

(j) All aluminum column covers and perimeter induction units will be cleaned upon completion of abatement work.

(k) Remove, clean and reinstall Building Standard window coverings or, subject to Tenant's reasonable approval, new window coverings.

EHXIBIT T

COMPETITORS OF TENANT

HealthNet

Aetna

Wellpoint

United Healthcare

Blue Cross/Blue Shield

Sutter Health and its affiliates

Catholic Healthcare West and its affiliates

John Muir

Stanford

University of California San Francisco

EXHIBIT U

BUILDING ELEVATOR PERFORMANCE SPECIFICATIONS AND OPERATING SPECIFICATIONS

1. Passenger elevators shall be maintained to meet the following performance criteria:

   (1) Speed within 5% of the rated speed under any loading condition.

   (2) Leveling within a 1/2" under any loading condition.

   (3) Typical floor to floor time (recorded from the doors start to close on one floor until they are 3/4 open at the next floor): 9.0 to 9.3 seconds.

   (4) Door Operating Times:

Opening:	Closing:
1.7 to 2.0 seconds	2.7 to 3.0 seconds

   (5) Door dwell times for hall and car calls shall be set to meet the minimum ADA door times, as of the date of the Lease to which this Exhibit is attached, which are not less than 5.0 seconds for hall calls and 3.0 seconds for car calls.

   (6) Reduced non interference door dwell time: 1.0 second

2. Noise levels inside the car shall not exceed the following:

   (1) Car running at high speed, fan off - 50 dba

   (2) Door operation - 60 dba

3. Traffic handling capabilities shall be maintained to ensure the following standards are provided:

   (1) Five Minute Handling Capacity at 12% of the population based on an occupancy of 160 sq. ft. per person of net usable area for the floor landing served by each group of elevators.

   (2) Interval of 35 seconds maximum during the peak traffic periods at main floor level.

4. Landlord will use reasonable efforts to comply with the following:

   (1) Maximum number of emergency service interruptions per elevator per year shall not exceed three (3) incidents resulting in the unit being removed from normal operation for four (4) or more hours per occurrence.

(2) Scheduled removals from service for standard preventive maintenance shall be scheduled after normal Business Hours. If maintenance must be done during Business Hours, the work shall not exceed two hours and must be performed between 9:30 a.m. – 11:30 a.m. or 2:30 p.m. – 4:30 p.m.

(3) Scheduled repairs shall be executed on a maximum of (1) elevator in any group of elevators and shall be performed on a continuing basis whenever possible to limit passenger inconvenience.

EXHIBIT V

FORM OF CONFIDENTIALITY AGREEMENT

Kaiser Foundation Health Plan, Inc.
Real Estate Department
1800 Harrison Street, 25th Floor
Oakland, CA 94612
Attention: Lease Administration

Kaiser Foundation Health Plan, Inc.
1800 Harrison Street, 19th Floor
Oakland, CA 94612
Attention: Indrajit Obeysekere, Esq.

[Name and Address of Auditor]

[Date]

RE: Lease Agreement (the "**Lease**") dated June 29, 2009, made by and between **CIM/OAKLAND 1 KAISER PLAZA, LP**, a Delaware limited liability company, as landlord ("**Landlord**"), and **KAISER FOUNDATION HEALTH PLAN, INC.**, a California nonprofit public benefit corporation, as tenant ("**Kaiser**"), regarding certain premises located in that building (the "**Building**") commonly known as The Ordway Building, having an address at One Kaiser Plaza, Oakland, California

Ladies and Gentlemen:

Kaiser has requested that (i) Kaiser and (ii) [Auditor] (each a "**Firm**", and collectively, the "**Firms**"), as Kaiser's representatives, be allowed to examine Landlord's books and records for the Building as are relevant to Landlord's statement of Operating Costs pursuant to the provisions of Section 12.4 of the Lease. Landlord is willing to allow such examination (the "**Examination**") subject to the agreement by Kaiser, each Firm and the individuals from Kaiser and each Firm conducting the Examination, with the following:

A. To keep all information obtained from the Examination (the "**Confidential Information**") strictly confidential;

B. Not to disclose or disseminate the Confidential Information to any party whomsoever, except to Kaiser's employees, officers, accountants, attorneys, and other agents and representatives, and further provided that they have been informed of the terms of this letter agreement by Kaiser or such Firm and that they are bound hereby. Notwithstanding the foregoing, Kaiser and the Firms may disclose the Confidential Information whenever required to do so by applicable law or in any arbitration or other legal action or proceeding relating to the Lease or the demised premises involving the Confidential Information; and

C. Not to disclose to any other tenant or prospective tenant of the Building or any other person that Kaiser and the Firms intend to conduct or have conducted the Examination and not to represent any other tenant in the Building with respect to an Examination of Landlord's books and records with respect to the same period.

Confidential Information shall not include information which (i) is or becomes generally or publicly available (except if through any Firm's or Kaiser's acts) or (ii) is required to be disclosed by subpoena or law or (iii) which was previously, or is hereafter, available to Kaiser or a Firm on a non-confidential basis from a source not known to Kaiser or such Firm to be bound by similar confidentiality obligation. In the event that Kaiser or any Firm becomes legally compelled to disclose any of the Confidential Information, Kaiser or such Firm will provide Landlord with prompt notice so that Landlord may seek a protective order or other appropriate remedy or waive compliance with the provisions of this agreement; and in the event such protective order or other remedy is not timely sought, or that Landlord waives compliance with the provisions of this agreement, Kaiser or such Firm will furnish only that portion of the Confidential Information to only that party as legally required.

Please indicate your agreement with the foregoing by executing a copy of this letter agreement in the space provided below. This letter agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

Very truly yours,

CIM/OAKLAND 1 KAISER PLAZA, LP
a Delaware limited liability company

By: CIM/Oakland Office Properties, GP, LLC, its General Partner

By:_____
Name:_____
Title:_____

ACCEPTED AND AGREED:

KAISER FOUNDATION HEALTH PLAN, INC., a California nonprofit public benefit corporation

By:_____
Name:_____
Title:_____

[FIRM:]

By:_____
Name:_____
Title:_____

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this "Amendment") is entered into as of June 15, 2012 by and between **CIM/OAKLAND 1 KAISER PLAZA, LP**, a Delaware limited liability company ("Landlord") and **KAISER FOUNDATION HEALTH PLAN, INC.**, a California nonprofit public benefit corporation ("Tenant"), with reference to the following facts:

A. Landlord and Tenant entered into that certain Lease Agreement dated June 29, 2009 (the "Lease"), pursuant to which Tenant leases certain premises (the "Premises") consisting of approximately 336,321 rentable square feet in the building known as The Ordway Building located at One Kaiser Plaza, Oakland, California 94612 (the "Building").

B. Landlord and Tenant which to amend the Lease on the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows (capitalized terms used but not defined herein shall have the meaning given them in the Lease):

1. Incorporation of Recitals. Recitals A and B above are incorporated herein by reference.

2. Pre-Qualified Contractor. The following is added as Paragraph 5(a) to Exhibit R to the Lease (Terms and Conditions for Tenant Improvement Work):

> "(a) Notwithstanding paragraph 5, above, Landlord irrevocably designates CIM Management, Inc. ("CIM Management") as a pre-qualified contractor that satisfies the standards in Paragraph 5, above. During the term of the Lease, Tenant shall be entitled to enter into agreement with CIM Management, to perform services anywhere in the Premises without requesting any further permission from Landlord."

3. Status of Lease. Except as amended by this Amendment, the Lease remains unchanged, and, as amended by this Amendment, the Lease is in full force and effect. In the event of any conflict between the terms of this Amendment, the Original Lease or any previous amendment, the later document shall control.

4. Counterparts. This Amendment may be executed in several counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same Amendment. In addition, properly executed, authorized signatures may be transmitted via facsimile and upon receipt shall constitute an original signature.

5. Entire Agreement. There are no oral or written agreements or representations between the parties hereto affecting the Lease not contained in the Lease or this Amendment. The Lease, as amended, supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements, and understandings, if any, made by, to, or between Landlord and Tenant and their respective agents and employees with respect to the subject matter thereof, and none shall be used to interpret, construe,

supplement or contradict the Lease, including any and all amendments thereto. The Lease, and all amendments thereto, shall be considered to be the only agreement between the parties hereto and their representatives and agents. To be effective and binding on Landlord and Tenant, any amendment, revision, change or modification to the provisions of the Lease must be in writing and executed by both parties.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment on the day and year indicated.

LANDLORD:

CIM/Oakland 1 Kaiser Plaza, L.P.
a Delaware limited partnership
by: CIM Group, L.P.,
a California limited partnership
its property manager
by: CIM Management, Inc.
a California corporation
its general partner

by: _____
Terry Wachsner, Vice President

TENANT:
KAISER FOUNDATION HEALTH PLAN, INC., a California nonprofit public benefit corporation

By: _____
Name: Donald H. Omdoff
Title: SVP, NFS

Approved by KP Legal on 6-18-12

EXECUTION DOCUMENT

SECOND AMENDMENT TO LEASE
(One Kaiser Plaza)

THIS SECOND AMENDMENT TO LEASE ("Agreement") is made and entered into as of December 16, 2013, by and between CIM/OAKLAND 1 KAISER PLAZA, L.P., a Delaware limited partnership ("Landlord") and KAISER FOUNDATION HEALTH PLAN, INC., a California nonprofit public benefit corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into that certain Lease dated as of June 29, 2009 as amended by First Amendment to Lease dated as of June 15, 2012 (as amended, the "Original Lease"), pursuant to which Landlord leases to Tenant certain premises (the "Premises") consisting of approximately 336,321 rentable square feet on the 3rd, 4th, 5th, 6th, 8th, 10th, 12th, 13th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th and 27th floors of the Building located at One Kaiser Plaza, Oakland, California (the "Building"), as shown in Exhibit A of the Lease, for a term expiring on February 29, 2016, except that, with respect to that portion of the Premises consisting of the High Rise Premises, for a term expiring on February 28, 2018 (the "Existing Scheduled Expiration Date").

B. The parties wish to extend the Term and to otherwise modify certain terms of the Original Lease, as hereinafter described.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

Approved By KFHP Legal – December 12, 2013

AGREEMENT

1. Incorporation of Recitals. Recitals A, B and C above are incorporated herein by reference. All references to "the Lease" or "this Lease" in the Original Lease or in this Agreement shall be deemed to mean the Original Lease, as amended by this Agreement. Words in the singular shall include the plural and words in the plural shall include the singular.

2. Extended Term. (a) Effective as of October 1, 2013, the Expiration Date, as defined in Section 1.1 of the Original Lease, is hereby modified and extended, such that the Expiration Date under the Lease shall be February 28, 2025 as to the entire Premises, other than that portion of the Premises consisting of the High Rise Premises (*i.e.*, 24th, 25th, 26th and 27th floors of the Building), with respect to which the Expiration Date shall be February 28, 2027. The term commencing on October 1, 2013 and expiring on February 28, 2025 or February 28, 2027, as applicable, shall be referred to herein in each case as the "Extended Term". Tenant shall continue to have the right to extend the Extended Term pursuant to the terms of the Options to Renew contained in Section 8 of the Original Lease, which Renewal Options shall be exercisable as provided in Section 8 with respect to each applicable Expiration Date.

(b) Effective as of October 1, 2013, the first sentence of Section 1.6 of the Original Lease is deleted it its entirety and the following is substituted therefor:

> "The Term of this Lease is eleven (11) years and five (5) months, except with respect to the High Rise Premises, with respect to which the Term is thirteen (13) years and five (5) months, in each case beginning on October 1, 2013."

3. Monthly Base Rent; Inducement Payment. (a) Through September 30, 2013, Tenant shall continue to pay the Rent due and owing under the Original Lease pursuant to the terms thereof without reference to this Agreement. Effective as of October 1, 2013, Exhibit C of

the Lease shall be deleted in its entirety and replaced with the new Exhibit C attached hereto and incorporated in this Agreement as Exhibit "A". No Rent shall be due from Tenant for the period from October 1, 2013 through and including December 31, 2013; but Tenant has paid Rent to Landlord in accordance with Exhibit C annexed to the Original Lease for October through December 2013. Accordingly, Landlord shall, no later than 6:00 p.m., PST, on December 20, 2013, refund to Tenant the entire sum of Rent paid by Tenant for such period.

(b) In consideration of Tenant's extension of the Term and the other terms contained in this Agreement, no later than 6:00 p.m., PST, on December 20, 2013, Landlord shall pay Tenant a cash allowance in the amount of $3,600,000.00 by wire transfer funds to one or more accounts (which may include one or more vendors of Tenant's) as may be directed by Tenant in writing (the "Inducement Payment"). If Landlord shall fail to pay the Inducement Payment when required hereunder, Tenant may provide written notice of such failure to Landlord. If Landlord shall not make the required payment to Tenant within ten (10) days after such notice shall have been given to Landlord, with specific reference to the provisions of this Section 3(b), then Tenant shall have the right to offset such amount, plus interest thereon at the Applicable Rate, calculated from the date such sum was due Tenant until the same shall have been recovered, against the next installment(s) of Base Rent becoming due under the Lease until Tenant has been fully reimbursed therefor.

4. Rent Commencement. Effective as of October 1, 2013, Section 1.8 of the Original Lease is deleted in its entirety and the following is substituted therefor:

"For the entire Premises, the Rent Commencement Date shall be January 1, 2014."

5. Base Year. Effective as of January 1, 2015, Section 1.11 of the Original Lease is deleted in its entirety and the following is substituted therefor:

"1.11 Base Year. The Base Year is calendar year 2015 (*see* Sections 11 and 12)."

6. Contraction Option. Article 7 of the Lease is hereby deemed modified as follows. Tenant may not exercise its Contraction Option prior to March 1, 2016 with respect to the Premises, except that Tenant may not exercise its Contraction Option prior to March 1, 2018 with respect to the High Rise Premises (March 1, 2016 and March 1, 2018, being hereinafter referred to individually as the applicable "Contraction Date"). On or after the applicable Contraction Date, Tenant may exercise a Contraction Option under the terms of Article 7 of the Lease, provided that Tenant may not terminate this Lease pursuant to such right with respect to more than one hundred forty thousand (140,000) rentable square feet in the aggregate of the Premises, of which no more than one hundred thousand (100,000) rentable square feet may be terminated in the High Rise Premises. For purposes of the Contraction Option, a "Lease Year" shall mean the twelve month period beginning on October 1, 2013, and each twelve month period thereafter. References in Article 7 of the Lease to the "Tenant Improvement Allowance," the "Tenant Improvement Work" and to "brokerage commissions" shall refer to the modified terms contained in Sections 12 and 13 this Agreement.

7. Additional Contraction Option. (a) Effective as of October 1, 2013, Sections 2.2, 2.3 and 2.4 of the Original Lease are hereby terminated in their entirety and shall be of no further force and effect.

(b) From and after (i) February 28, 2023 with respect to the Low Rise Premises and the Mid Rise Premises and (ii) February 28, 2025 with respect to the High Rise

Premises, Tenant shall have the continuing right (the "Additional Contraction Option"), which it may exercise from time to time, to terminate the Lease with respect to all or any portions of the Premises (each such terminated portion of the Premises shall hereinafter be referred to as "Additional Contraction Space"), effective as of any date (each such date shall hereinafter be referred to as an "Additional Contraction Space Termination Date"), specified by Tenant in a written notice (an "Additional Contraction Notice") given to Landlord at least fifteen (15) months prior to the applicable Additional Contraction Space Termination Date. The Additional Contraction Notice shall also specify the location and rentable square footage of the Additional Contraction Space. If the Additional Contraction Space consists of less than an entire floor, Tenant shall pay for the cost of performing any and all work necessary to separate the Additional Contraction Space from the balance of the Premises. On or before the date that is thirty (30) days from the date that Tenant gives Landlord the Additional Contraction Notice, Tenant shall pay Landlord an amount (the "Additional Contraction Payment") equal to (y) the proportionate share, attributable to the Additional Contraction Space, of the then unamortized (A) New Tenant Improvement Allowance actually paid by Landlord, (B) brokerage commissions paid by Landlord in respect of the Extended Term, (C) Inducement Payment paid by Landlord up to $3,000,000.00, (D) free rent given from October 1, 2013 to December 31, 2013, and (E) reduction in Base Rent payable from January 1, 2014 to the applicable Existing Scheduled Expiration Date (*i.e.*, February 29, 2016 or February 28, 2018, as applicable) from the Base Rent that was payable during the same period under the Original Lease (all of which amounts shall be amortized on a straight line basis over the applicable Extended Term for such Additional Contraction Space (*i.e.*, February, 28, 2025 or February 28, 2027), at an annual interest rate of 8% plus (z) the sum of the lesser of (I) one month of Base Rent payable for such Additional

Contraction Space for each Lease Year (and prorated for a partial year) remaining in the Extended Term of the Lease for the Additional Contraction Space after the Additional Contraction Space Termination Date, computed at the rates of Base Rent payable for each remaining year of the applicable Extended Term for the Additional Contraction Space, and (II) three (3) months of Base Rent then payable for such Additional Contraction Space. Annexed to this Agreement as Exhibit B is an example of the foregoing calculation. At Tenant's request, Landlord shall furnish Tenant with the amounts incurred by Landlord for the costs described in clause (y) above. As used in this Section 6, the proportionate share attributable to the Contraction Space shall mean a fraction, the numerator of which is the rentable square footage of the Contraction Space immediately prior to the Contraction Space Termination Date, and the denominator of which is the total square footage of the Premises under lease by Tenant immediately prior to the Contraction Termination Date. For the avoidance of doubt, the Reallocated Tenant Improvement Allowance (as such term is defined in Section 26 of this Agreement) shall not be part of the New Tenant Improvement Allowance for any purpose under this Agreement and shall not be taken into account in the calculation of the Additional Contraction Payment.

A "Lease Year" shall mean the twelve month period beginning on October 1, 2013 and each twelve month period thereafter.

(c) Upon the Additional Contraction Space Termination Date, the Lease shall expire as if such date were the Expiration Date with respect to the Additional Contraction Space. Effective on the later of (A) the Additional Contraction Space Termination Date, or (B) the date Tenant surrenders possession of the Additional Contraction Space to Landlord in the condition required by Section 7(d), (i) the Base Rent shall be decreased by the product of (w) the Base Rent per rentable square foot applicable to the Additional Contraction

Space and (x) the rentable square footage of the Additional Contraction Space, and (ii) Tenant's Pro Rata Share shall be reduced proportionately, measured on the basis provided in the Lease. At the request of either party, Landlord and Tenant shall promptly execute an amendment to the Lease confirming the decreased rentable square footage of the Premises, the Base Rent, and Tenant's Pro Rata Share, but their failure to so enter into any such amendment shall not affect the validity of Tenant's exercise of the Additional Contraction Option referred to above.

(d) Tenant shall surrender possession of the Additional Contraction Space to Landlord in good order, repair and condition, except for ordinary wear and tear and casualty, free of all tenancies and occupancies, with all personal property, trade fixtures and equipment of Tenant (including Tenant's data/telecom infrastructure and cabling within the Additional Contraction Space) removed therefrom and with any damage caused by such removal repaired. Notwithstanding any provision to the contrary contained in this Lease, Tenant shall have no obligation to restore the Premises to their condition at the Commencement Date of the Original Lease.

8. Expansion Options. (a) In addition to Tenant's Rights of First Offer and Tenant's Rights of First Refusal set forth in Article 10 of the Lease, during the Extended Term, Tenant shall be entitled to the additional expansion right ("Expansion Right") contained in this Section 8. Tenant shall have the right to lease one or more or all of the following spaces and add the same to the Premises during the remainder of the Extended Term applicable to the Low Rise Premises and the Mid Rise Premises (*i.e.*, February 28, 2025) on all of the terms and conditions of this Lease except as otherwise stated in this Section 8: (i) Suite 850 (on the 8th floor of the Building and as shown un-hatched on Exhibit A-5 annexed to the Original Lease), containing 9,813 rentable square feet; (ii) Suite 1675 (on the 16th floor of the Building and as shown un-

hatched on Exhibit A-10 annexed to the Original Lease), containing 3,167 rentable square feet; and (iii) Suite 2360 (on the 23rd floor of the Building and as shown un-hatched on Exhibit A-17 annexed to the Original Lease), containing 6,616 rentable square feet. If Tenant wishes to exercise the Expansion Right, Tenant shall notify Landlord in writing on or before April 1, 2014 that Tenant elects to exercise the Expansion Right, specifying the space or spaces to be leased (such space or spaces with respect to which Tenant has exercised an Expansion Right being known as the "Expansion Space"). If Tenant shall duly exercise the Expansion Right, then (i) Landlord shall deliver possession of such Expansion Space to Tenant within one hundred twenty (120) days after such Expansion Right shall have been exercised, vacant and free of occupants, personal property and debris and in broom clean condition for Suite 2360 and Suite 850, and within one hundred eighty (180) days after such Expansion Right shall have been exercised, vacant and free of occupants, personal property and debris and in broom clean condition as to Suite 1675 (the respective dates of such delivery of possession in such condition being hereinafter referred to as the "Expansion Space Commencement Date"), (ii) the Base Rent per rentable square foot of the Expansion Space shall be equal to the Base Rent per rentable square foot payable with respect to the Premises (based on the floor of the Building on which each Expansion Space is located), with adjustments thereto occurring on the same dates and at the same per rentable square foot rate as specified in Exhibit C annexed to this Agreement with respect to the Premises through the Expiration Date, (iii) Tenant shall receive a credit against Base Rent payable for such Expansion Space in an amount to be determined by multiplying three (3) months of Base Rent that would, but for this clause, be payable during the first three (3) months following the Expansion Space Commencement Date by a fraction, the numerator of which shall be the number of months (rounded to the nearest whole month) in the period

beginning on the Expansion Space Commencement Date and ending on the Expiration Date, and the denominator of which shall be 108 (such credit to be applied against the Base Rent due with respect to such Expansion Space from and after the Expansion Space Commencement Date, until the benefit thereof shall have been received by Tenant, and (iv) in lieu of the New Tenant Improvement Allowance set forth in Section 12 of this Agreement, Tenant shall be entitled to an allowance equal to: (i) $343,455 for Tenant's lease of Suite 850; (ii) $231,560 for Tenant's lease of Suite 2360; and (iii) $47,505 for Tenant's lease of Suite 1675, which allowance shall be disbursed to Tenant in accordance with the terms of Section 15.1 of the Original Lease (as modified in Section 12 of this Agreement).

(b) Upon the Commencement Date of the Term with respect to Expansion Space, (i) the Base Rent shall be increased by the product of (w) the Base Rent per rentable square foot applicable to the Expansion Space and (x) the rentable square footage of the Expansion Space, and (ii) Tenant's Pro Rata Share shall be increased to reflect the addition of the Expansion Space to the Premises. At the request of either party, Landlord and Tenant shall promptly execute an amendment to the Lease confirming the increased rentable square footage of the Premises, the Base Rent and Tenant's Pro Rata Share, but their failure to so enter into any such amendment shall not affect the validity of Tenant's exercise of the Expansion Right.

9. Compliance with Laws. The parties acknowledge that the Building has not undergone inspection by a Certified Access Specialist (as defined in Section 1938 of the California Civil Code). To Landlord's current actual knowledge, the Building meets applicable construction related accessibility standards pursuant to California Civil Code Section 55.53. Nothing contained in this Section 9 shall be deemed to modify either party's rights or obligations under Section 19 of the Original Lease.

10. Schedule of Existing Rights. Landlord shall deliver, concurrently with the execution and delivery of this Agreement, to Tenant's real estate manager and Tenant's internal real estate counsel, an updated schedule setting forth all Existing Rights, as contemplated by Section 10.1 of the Original Lease.

11. Nondiscrimination and Medicare. Landlord recognizes that as a governmental contractor, Tenant is subject to various federal laws, executive orders and regulations regarding equal opportunity and affirmative action. This Section constitutes notice to Landlord that it may be required to comply with the following Federal Acquisition Regulations (each a "FAR") at 48 CFR Part 52, which are incorporated herein by reference: (a) Equal Opportunity at FAR 52.222-26; (b) Equal Opportunity for Veterans at FAR 52.222-35 and -37; (c) Affirmative Action for Workers with Disabilities at FAR 52.222-36, (d) Utilization of Small Business Concerns at FAR 52.219-8, and (e) Prohibition of Segregated Facilities at FAR 52.222-2. In addition, Executive Order 11246 regarding nondiscrimination in employment decisions and Executive Order 13496 (codified at 29 CFR Part 471, Appendix A to Subpart A) concerning the obligations of federal contractors and subcontractors to provide notice to employees about their rights under Federal labor laws shall be incorporated herein by reference. If Landlord is not otherwise subject to compliance with the laws and executive orders specified in this Section, the inclusion of this Section shall not be deemed to impose such requirements upon Landlord. If the Lease is determined to be subject to the provisions of Section 952 of P.L. 96-499 (42 USC 1395x(v)(l)(I)), which governs access to books and records of subcontractors of services to Medicare providers where the cost or value of such services under the contract exceeds Ten Thousand Dollars ($10,000) over a twelve (12) month period, then Landlord agrees to permit representatives of the Secretary of the Department of Health and Human Services and of the

Comptroller General to have access to the Lease and books, documents and records of Landlord, as necessary to verify the costs of the Lease, in accordance with criteria and procedures contained in applicable Federal regulations.

12. Condition of the Premises; ACM Work and Tenant Improvements. Effective as of October 1, 2013, Sections 15.1, 15.2 and 15.3 of the Original Lease are modified as set forth in this Section 12. Tenant hereby agrees to continue to accept the Premises in its "as-is" condition, and Tenant hereby acknowledges that Landlord has made no representation or warranty regarding the condition of the Premises except as otherwise contained in the Lease (as amended by this Agreement). Notwithstanding any provision to the contrary contained in Section 15 of the Original Lease, Landlord or its designated Affiliate shall perform the ACM Work, and Tenant shall then have the right to perform the Tenant Improvements. Sections 15.1(a) and (b) of the Original Lease are hereby deemed modified by the following:

In consideration of the Tenant Improvements to be made to the Premises, Landlord shall pay to Tenant a new tenant improvement allowance (the "New Tenant Improvement Allowance") in an amount equal to the cost of Tenant Improvements up to the amount of $4,750,000 (based on $14.12 per rentable square foot), subject to the provisions of Section 26 of this Agreement. The New Tenant Improvement Allowance shall be in addition to the remaining undisbursed portion of the existing Tenant Improvement Allowance under the Lease (which, as of the date of this Agreement, is in the amount of $1,119,641.25; hereinafter, the "Remaining TI Allowance"). The Remaining TI Allowance may be used to pay the cost of Tenant Improvements. Landlord or its Affiliate shall be entitled to charge Tenant a supervision fee (the "Supervision Fee") in an amount equal to two percent (2%) of the cost incurred in connection with Landlord's Work, the ACM Work or any Tenant Improvement Work that is performed

using the New Tenant Improvement Allowance, except that if Tenant elects to use Landlord's Affiliate, CIM Management, Inc., as construction manager ("Construction Management Services"), for any Tenant Improvement Work, including the Tenant Improvement Work referred to in clause (iii) of the following paragraph (which is defined as an item of Landlord's Work), then the terms of the Master Agreement for Construction Management Services and the management fee stated therein (the "Construction Fee") shall control and there shall be no Supervision Fee. Further, no Supervision Fee or other fee shall apply to the Remaining TI Allowance, except that if Tenant asks Landlord or its Affiliate to perform Construction Management Services in connection with Tenant Improvements using the Remaining TI Allowance, the Construction Fee shall apply. Landlord and Tenant agree that any reference to the Tenant Improvement Allowance and the Additional Allowance in Section 15.1 of the Original Lease are replaced with the terms of this Section 12 and are of no further effect.

Notwithstanding anything to the contrary contained in Sections 15.2 and 15.3 of the Original Lease, the New Tenant Improvement Allowance shall first be used by Landlord (or its Affiliate) towards the cost of the ACM Work. Tenant may not give an ACM Notice before April 1, 2014. On and after such date, and upon Landlord's receipt of an ACM Notice, Landlord or its Affiliate shall perform the ACM Work on up to two (2) fully occupied Floors within the Premises designated by Tenant, and shall bring such Floors to a Warm Shell condition pursuant to the terms of Section 15.2 of the Original Lease. Landlord or its Affiliate may apply the actual cost (together with the Supervision Fee stated above) to perform such ACM Work, up to an amount not to exceed $2,400,000 ($1,200,000 for either floor), against the New Tenant Improvement Allowance. Notwithstanding the terms of Section 15.3 of the Original Lease, Landlord and/or its Affiliate (and not Tenant) shall be responsible for any Overage in connection

with the ACM Work on such Floors on which the ACM Work was conducted. All remaining funds under the New Tenant Improvement Allowance may be used, at the parties' mutual agreement, toward further improvements in and to the Building ("Landlord's Work"), including (i) a new gym and café for occupants of the Building; (ii) ADA upgrades to restrooms on the Floors of the Premises; (iii) hard and soft costs of Tenant Improvement Work on the Floors on which the ACM Work is conducted; and (iv) other general upgrades to the Building as may be mutually agreed by Landlord and Tenant. Any portion of the New Tenant Improvement Allowance remaining after January 1, 2016 not scheduled or intended to be used for ACM Work or Landlord's Work may be used by Tenant for Tenant Improvements to the Premises, provided that Landlord or its Affiliate shall be entitled to the Supervision Fee unless Tenant elects to use Landlord or its Affiliate for the Construction Management Services, in which event the Construction Fee shall apply and no Supervision Fee shall be charged or be payable.

The parties acknowledge that the Tenant Improvements paid for with the New Tenant Improvement Allowance shall be deemed Landlord's property and shall remain in the Premises after the Extended Term ends (except to the extent that permitted Alterations shall have been previously made with respect thereto). In all other respects, and except as stated in this Agreement, Article 15 of the Original Lease and Exhibits R and S annexed to the Original Lease, shall remain in full force and effect and shall continue to govern the Tenant Improvements in the Premises.

Any New Tenant Improvement Allowance and the Remaining TI Allowance shall be disbursed by Landlord in accordance with the terms of Section 15.1(d) of the Original Lease as if it were the Tenant Improvement Allowance under the Lease, provided, that Landlord shall only reimburse Tenant directly, and shall not pay Tenant's contractors, suppliers, architects or

consultants. All lien waivers must comply with the current California Civil Code Section 8132-8138.

Section 15.1(c) of the Lease is hereby deleted and for purposes of the Lease, Tenant Improvements shall be deemed only to include improvements affixed to the Premises as shown in plans approved by Landlord and soft costs, which shall include the cost of architectural, engineering, space planning, permits and fees, but shall not include any cabling or wiring, furniture, fixtures, equipment or any other personal property of Tenant (collectively, "Personal Property"). In no event may the New Tenant Improvement Allowance and the Remaining TI Allowance be used for Personal Property, Rent or moving costs.

13. Brokers. (a) Landlord and Tenant represent and warrant that neither party has had any dealings with any real estate broker or agent in connection with the negotiation of this Lease except for Jones Lang LaSalle and Colliers International (the "Brokers"). Tenant and Landlord agree to indemnify, defend and hold the other party harmless from and against all claims, demands, causes of action, liabilities and expenses (including reasonable attorneys' fees) arising from any breach of the representations, warranties and agreements set forth in this Section 13 and Landlord shall indemnify, defend and hold Tenant harmless from and against all claims, demands, causes of action, liabilities and expenses (including reasonable attorneys' fees) arising from any claim by the Brokers against Tenant for the Commissions due to the Brokers. Landlord shall pay all brokerage fees or commissions arising from this Lease ("Commissions") which are payable to the Brokers as set forth in separate agreements between Landlord and the Brokers.

(b) Article 42 (Brokerage) of the Original Lease shall not apply to any of the transactions contemplated by this Agreement.

14. REIT Representations. Tenant understands that, in order for CIM Urban Partners, LP, which holds an indirect ownership interest in Landlord, to qualify as a REIT, the following requirements (the "REIT Requirements") must be satisfied, but only for so long as Landlord or the owner of Landlord is a REIT:

14.1 Personal Property Limitation. Anything contained in the Lease to the contrary notwithstanding, the average of the fair market values of the items of personal property that are leased to Tenant under this Lease at the beginning and at the end of any Lease Year shall not exceed fifteen percent (15%) of the average of the aggregate fair market values of the leased property at the beginning and at the end of such Lease Year (the "Personal Property Limitation"). If Landlord reasonably anticipates that the Personal Property Limitation will be exceeded with respect to the leased property for any Lease Year, Landlord shall notify Tenant, and Tenant, at its options, either (i) shall purchase at fair market value any personal property anticipated to be in excess of the Personal Property Limitation ("Excess Personal Property") either from Landlord or a third party or (ii) shall lease the Excess Personal Property from third party. In either case, Tenant's Rent obligation shall be equitably reduced so that Tenant's Base Rent under the Lease after such purchase or lease from a third party shall be no greater than the Base Rent set forth in the Lease as of the date of this Agreement. Notwithstanding anything to the contrary set forth above, Tenant shall not be responsible in any way for determining whether Tenant has exceeded or will exceed the Personal Property Limitation and shall not be liable to Landlord or any of its shareholders in the event that the Personal Property Limitation is exceeded, as long as Tenant satisfies its obligation to acquire or lease any Excess Personal Property as provided above. This Section 13.1 is intended to ensure that the Rent qualifies as "rents from real property," within the

meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provisions thereto, and shall be interpreted in a manner consistent with such intent.

14.2 Rent Limitation. Anything contained in the Lease to the contrary notwithstanding, Tenant shall not sublet the Premises on any basis such that the rent or other amounts to be paid by the sublessee thereunder would be based, in whole or in part, on either (a) the net income or profits derived by the business activities of the proposed sublessee, or (b) any other formula such that any portion of the rent thereunder would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provision thereto, provided that Tenant shall not be responsible for making any such determination under this clause (b) with respect to "any other formula", it being Landlord's sole responsibility to do so, and Tenant agrees that it shall be reasonable for Landlord to withhold its consent to a sublease by Tenant if the rent thereunder would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provision thereto.

14.3 REIT Requirements. Tenant agrees, and agrees to use commercially reasonable efforts to cause its Affiliates, to cooperate in good faith with Landlord to ensure that the terms of this Section are satisfied.

15. Defaults. To the knowledge of Tenant, as of the date of this Agreement, there are no uncured defaults under the Lease by Landlord, and Tenant knows of no events or circumstances which, given the passage of time or notice or both, would constitute a default under the Lease by Landlord. To the knowledge of Landlord, as of the date of this Agreement, there are no uncured Events of Default by Tenant, and Landlord knows of no events or

circumstances which, given the passage of time or notice or both, would constitute an Event of Default under the Lease by Tenant.

16. No Encumbrances. Landlord represents that there are no mortgages, deeds of trust, ground leases or any other liens or encumbrances on the Site, the Building, or the Premises.

17. Memorandum of Lease. Section 41 of the Original Lease contemplates that the parties' rights and obligations thereunder shall extend and apply to the Amendment to Memorandum of Lease, which reflects the terms of this Agreement, in the form annexed hereto as Exhibit C-1 (the "MOL Amendment"). Simultaneously with the execution and delivery of this Agreement, each of Landlord and Tenant shall execute, have acknowledged and deliver to the other (x) the MOL Amendment and (y) a discharge of the memorandum of lease (as amended by the MOL Amendment), in the form annexed hereto as Exhibit C-2 (the "Termination Memorandum"). Each of the MOL Amendment and the Termination Memorandum shall include such other matters as may be required to be included therein so as to permit the same to be recorded. Tenant may, at Tenant's sole cost and expense, record the MOL Amendment. The Termination Memorandum shall be held in trust by Landlord until the expiration of the Lease (as amended by this Agreement), in which event (and only in such event) Landlord may record the same, at Landlord's sole cost and expense, and if any further documents shall be required to be executed in order to discharge the memorandum of lease (as amended by the MOL Amendment) from record, Tenant shall promptly, after Landlord's request therefor, deliver the same to Landlord.

18. OFAC Representations. Each of Landlord and Tenant reaffirms as of the date of this Agreement, the representations made by it in Article 62 of the Original Lease.

19. Counterparts; Electronic Signatures, Etc. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which when taken together will constitute one and the same instrument. The signature page of any counterpart of this Agreement may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart of this Agreement identical thereto except having an additional signature page executed by the other party(ies) to this Agreement attached thereto. An executed counterpart of this Agreement transmitted by facsimile, email or other electronic transmission shall be deemed an original counterpart and shall be as effective as an original counterpart of this Agreement and shall be legally binding upon the parties hereto to the same extent as delivery of an original counterpart.

20. Captions. All captions and headings herein are for convenience and ease of reference only, and shall not be used or referred to in any way in connection with the interpretation or enforcement of this Agreement. Any references to "Sections" herein shall mean Any references to "Sections" herein shall mean Sections of this Agreement unless otherwise noted.

21. Intentionally Omitted.

22. Security Measures. The following security measures shall be implemented by Landlord in the Building prior to June 30, 2014, except as otherwise indicated in this Section 22, and shall thereafter be maintained by Landlord during the term of the Lease.

(a) Access Badges - All employees of tenants, other than employees of Tenant, who currently do not have Building access badges will be required to obtain one on or before June 30, 2104. All employees of tenants of the Building will be required to show their access badge to gain access to the Building, and visitors who do not have a

badge, will be required to sign in with Building security, stating which company they are visiting, except that visitors to Tenant will be directed to Tenant's Business Services Desk on the 22nd floor of the Building, where they will be asked to follow Tenant's access process procedure, and after Landlord shall have so directed such visitors, Landlord shall have no obligation to ensure that such visitors to Tenant have been given proper access to the Premises occupied by Tenant.

(b) Guards:

(i) First Floor: There shall be two guards present at all times with at least one guard at the security console, Monday through Friday between 7AM and 11PM (day and swing shifts).

(ii) Second Floor: In addition to the guard posted in the security console, there shall be another guard posted at all times Monday through Friday between 7AM and 11PM (day and swing shifts), at a podium located near the entry doors leading from the parking garage.

(iii) Rover: There shall be one guard acting as a rover who will backfill the other guards during breaks Monday through Friday between 7AM and 11PM (day and swing shifts) and who shall patrol the perimeter of the Building. During the 7AM to 3PM shift, the rover will also assist in the first floor lobby security, and during the 3PM to 11PM shift, the rover will also patrol the floors and check to ensure that all office entry doors are locked.

(c) Building Access - All tenants with a Building access badge will be granted access by Building personnel. Those entering the building Monday through Friday between 7AM and 11PM without a building access badge shall be required to sign in and

out at either the 1st floor security console or the 2nd floor podium located near the entry doors leading from the parking garage. Immediately upon the date of this Amendment, all after-hour visitors to the Building shall require a "pass down" from the Building office. A "pass down" consists of a calendar invite which provides Building management, engineering and security with information regarding contractors/individuals/vendors who are coming to the Building. Visitors without a pass down will be turned away. All approved after-hours visitors shall be required to sign in and out at the 2nd floor security console. Because the elevators are held on the 2nd floor during the period from 11PM to 7AM, signs will be placed on the first floor to guide tenants who have access to the Building.

23. Entire Agreement. There are no oral or written agreements or representations between the parties hereto affecting the Lease not contained in the Lease. The Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements, and understandings, if any, made by, to, or between Landlord and Tenant and their respective agents and employees with respect to the subject matter thereof, and none shall be used to interpret, construe, supplement or contradict the Lease, including any and all amendments thereto. The Lease shall be considered to be the only agreement between the parties hereto and their representatives and agents. To be effective and binding on Landlord and Tenant, any amendment, revision, change or modification to the provisions of the Lease must be in writing and executed by both parties.

24. Notice Addresses. Effective as of the date of this Agreement, Section 1.15 of the Original Lease is deemed amended to substitute the following for the names and addresses for Tenant in such Section:

Kaiser Foundation Health Plan, Inc.
Real Estate Department
1800 Harrison Street, 19th Floor
Oakland, California 94612
Attention: Lease Administration

with a copy to:

Kaiser Foundation Health Plan, Inc.
Real Estate Department
1800 Harrison Street, 19th Floor
Oakland, California 94612
Attention: Indrajit Obeysekere, Esq.

25. Competitors of Tenant. Exhibit T annexed to the Original Lease is hereby deleted in its entirety and replaced with the new Exhibit T attached hereto and incorporated in this Agreement as Exhibit "D".

26. Adjustment in the New Tenant Improvement Allowance. Tenant has leased from Landlord's affiliate, CIM/Oakland Center 21, LP ("CIM/Oakland"), space in the building located at 2101 Webster Street, Oakland, California, pursuant to a lease dated April 14, 2005, as amended (as amended, the "Webster Street Lease"). Pursuant to the Eighth Amendment to Lease between CIM/Oakland and Tenant, executed simultaneously with this Agreement ("8th Amendment"), CIM/Oakland agreed to make available to Tenant under Section 11 of the 8th Amendment, a tenant improvement allowance in an amount up to $1,250,000 for the premises leased thereunder. Landlord and CIM/Oakland each agrees to permit Tenant to reallocate all or any portion of the tenant improvement allowance under the Webster Street Lease to Tenant under the terms of this Section 26, as follows: By written notice given to Landlord under the Lease on or before December 31, 2013, Tenant shall have the right to require Landlord to make available to Tenant under this Agreement any amount specified by Tenant in such notice up to $1,250,000 (the amount so specified is referred to as the "Reallocated Tenant Improvement Allowance"), on or after January 1, 2016 subject to the terms of Section 11(b) of the 8th

Amendment, and thereupon, without further action, the tenant improvement allowance pursuant to Section 11 of the Webster Street Lease shall automatically be reduced (or eliminated, as appropriate) by an amount equal to the amount of the Reallocated Tenant Improvement Allowance. Any Reallocated Tenant Improvement Allowance under this Agreement shall be used by Tenant for hard and soft costs of Tenant Improvements in the Premises and shall be disbursed by Landlord in accordance with the terms of Section 15.1(d) of the Original Lease as if it were the Tenant Improvement Allowance under the Lease, provided, that Landlord shall only reimburse Tenant directly, and shall not pay Tenant's contractors, suppliers, architects or consultants. All lien waivers must comply with the current California Civil Code Section 8132-8138. In no event may any portion of the Reallocated Tenant Improvement Allowance be used for Personal Property, Rent or moving costs. Any rights of offset contained in the Lease for Landlord's failure to disburse any Tenant Improvement Allowance shall apply to any Reallocated Tenant Improvement Allowance.

27. Ratification. Except as set forth in this Agreement, the Original Lease is confirmed and approved, and all of the terms and provisions of the Lease shall apply during the Extended Term and shall remain unmodified and in full force and effect.

[SIGNATURES TO APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, this Amendment has been executed as of the day and year first above written.

Tenant:

KAISER FOUNDATION HEALTH PLAN, INC.,
a California nonprofit public benefit corporation

By: _____ 12/10/13
Name: BERNARD J. TYSON
Its: CEO

Landlord:

CIM/OAKLAND 1 KAISER PLAZA, L.P.,
a Delaware limited partnership

By: CIM/Oakland Office Properties, GP, LLC,
a Delaware limited liability company,
its general partner

By: _____
Name: Terry Wachsner
Its: Vice President

EXHIBIT A

EXHIBIT C

BASE RENT

Premises:

High Rise Premises (Floors 24-27)

Period	Monthly Base Rent Per RSF)	Annual Base Rent (Per RSF)	Annual Base Rent
10/1/13 – 12/31/13	$-0-	-0-	-0-
2014	$3.61	$43.32	$3,625,710.72
2015	$3.11	$37.32	$3,123,534.72
2016	$3.21	$38.52	$3,223,969.92
2017	$3.30	$39.60	$3,314,361.60
2018	$3.40	$40.80	$3,414,796.80
2019	$3.50	$42.00	$3,515,232.00
2020	$3.61	$43.32	$3,625,710.72
2021	$3.72	$44.64	$3,736,189.44
2022	$3.83	$45.96	$3,846,668.16
2023	$3.94	$47.28	$3,957,146.88
2024	$4.06	$48.72	$4,077,669.12
2025	$4.15	$49.80	$4,168,060.80
2026	$4.27	$51.24	$4,288,583.04
1/1/27 – 2/28/27	$4.40	$52.80	$4,419,148.80

For purposes of this Lease, each full floor leased to Tenant in the High Rise Premises contains 20,924 rentable square feet ("RSF") for a total of 83,696 RSF.

Mid Rise Premises (Floors (15-23)

Period	Monthly Base Rent (Per RSF)	Annual Base Rent (Per RSF)	Annual Base Rent
10/1/13 – 12/31/13	-0-	-0-	-0-
2014	$3.42	$41.04	$6,954,433.20
2015	$2.91	$34.92	$5,917,368.60
2016	$2.99	$35.88	$6,080,045.40
2017	$3.08	$36.96	$6,263,056.80
2018	$3.18	$38.16	$6,466,402.80
2019	$3.27	$39.24	$6,649,414.20
2020	$3.37	$40.44	$6,852,760.20
2021	$3.47	$41.64	$7,056,106.20
2022	$3.57	$42.84	$7,259,452.20
2023	$3.65	$43.80	$7,422,129.00
2024	$3.76	$45.12	$7,645,809.60
1/1/25 – 2/28/25	$3.87	$46.44	$7,869,490.20

For purposes of this Lease, the floors (or portions thereof) leased to Tenant in the Mid Rise Premises contains the following rentable square feet:

Floor	RSF
15th floor	19,626
16th floor	16,484
17th floor	19,626
18th floor	9,806
18th floor	9,749
19th floor	19,841
20th floor	20,924
21st floor	20,924
22nd floor	16,069
22nd floor	3,473
23rd floor	12,933
Total:	169,455

Low Rise Premises

Period	Monthly Base Rent (Per RSF)	Annual Base Rent (Per RSF)	Annual Base Rent
10/1/13 – 12/31/13	-0-	-0-	-0-
2014	$1.83	$21.96	$1,825,864.20
2015	$2.59	$31.08	$2,584,146.60
2016	$2.67	$32.04	$2,663,965.80
2017	$2.75	$33.00	$2,743,785.00
2018	$2.83	$33.96	$2,823,604.20
2019	$2.92	$35.04	$2,913,400.80
2020	$3.01	$36.12	$3,003,197.40
2021	$3.10	$37.20	$3,092,994.00
2022	$3.19	$38.28	$3,182,790.60
2023	$3.26	$39.12	$3,252,632.40
2024	$3.36	$40.32	$3,352,406.40
1/1/25 – 2/28/25	$3.46	$41.52	$3,452,180.40

For purposes of this Lease, the floors (or portions thereof) leased to Tenant in the Low Rise Premises contain the following rentable square feet:

Floor	RSF
3rd floor	6,790
3rd floor	3,612
4th floor	1,976
5th floor	9,732
6th floor	7,648
8th floor	9,765
10th floor	14,158
12th floor	19,651
13th floor	3,193
13th floor	6,620
Total:	83,145

EXHIBIT B

Example of Calculation of Additional Contraction Payment

Assumptions

- Partial high rise premises termination
- One full floor terminated
- 20,924 RSF
- Extended Term: 13 years, 5 months (161 months)
- Amortization Rate: 8% (straight line)
- Additional Contraction Written Notice Date: December 1, 2025
- Additional Contraction Space Termination Date: February 28, 2026
- Remaining Lease Term at Termination: 12 months

Transaction Costs Attributable to the Additional Contraction Space / 20,924 RSF	
New Tenant Improvement Allowance:	$295,540
Inducement Allowance:	$186,657
Free Rent:	$220,957
Leasing Commission:	$270,012
Reduction in Base Rent (January 1, 2014 – February 28, 2018)	$591,844
Total Cost:	**$1,346,053**

Additional Contraction Option	
Unamortized Balance of Transaction Costs at Termination:	$155,997
plus	
One Month Base Rent for Each Remaining Lease Year (1 month)	$89,345
Additional Contraction Payment:	**$245,342**

EXHIBIT C-1

MOL Amendment

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Loeb & Loeb LLP
345 Park Avenue
New York, New York 10154
Attention: Raymond A. Sanseverino, Esq.

AMENDMENT TO
MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum") is entered into as of December 16, 2013, by and between **CIM/OAKLAND 1 KAISER PLAZA, L.P.**, a Delaware limited liability company ("Landlord"), and **KAISER FOUNDATION HEALTH PLAN, INC.**, a California nonprofit public benefit corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease dated as of June 29, 2009 (the "Original Lease") for three hundred forty-one thousand three hundred ninety-seven (341,397) rentable square feet of space (the "Premises") in the office building (the "Building") located at One Kaiser Plaza, Oakland, California 94612, and a legal description of the property on which the Building is located is attached hereto as Exhibit A;

WHEREAS, the Original Lease was amended by First Amendment to Lease dated as of June 15, 2012 and by Second Amendment to Lease of even date herewith (the Original Lease as so amended, the "Lease"); and

NOW, THEREFORE, in consideration of the facts hereinabove set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Demise of Premises. Landlord leases to Tenant, and Tenant leases from Landlord, subject to the terms and conditions set forth in the Lease, the Premises. The Commencement Date of the Lease is March 1, 2011, and the Term of the Lease shall continue (i) with respect to that portion of the Premises located on floor 24 through and including floor 27 of the Building, until February 28, 2027, and (ii) with respect to all other parts of the Premises, until February 28, 2025.

2. Option to Extend the Term. Landlord has granted to Tenant, subject to the terms and conditions set forth in the Lease, two (2) options of five (5) years each to extend the term of the Lease, provided each such option is exercised in writing at least twelve (12) months prior to the originally scheduled expiration date of the then current term, as applicable.

3. Option to Expand and Contract the Premises. Landlord has granted to Tenant, subject to the terms and conditions set forth in the Lease, certain rights to expand and contract the Premises as to the leasable space within the Building.

4. Provisions Binding on Landlord. The provisions of the Lease to be performed by Landlord, whether affirmative or negative in nature, are intended to and shall bind Landlord and its successors and assigns, and shall inure to the benefit of Tenant and its successors and assigns.

5. Incorporation by Reference; No Modification of Lease. The terms and conditions of the Lease are incorporated herein by this reference. This Memorandum is prepared and recorded for the purpose of putting the public on notice of the Lease, and this Memorandum in no way modifies the terms and conditions of the Lease. In the event of any inconsistency between the terms and conditions of this Memorandum and the terms and conditions of the Lease, the terms and conditions of the Lease shall control.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum as of the day and year first set forth above.

Landlord:	Tenant:
CIM/OAKLAND 1 KAISER PLAZA L.P., a Delaware limited liability company	**KAISER FOUNDATION HEALTH PLAN, INC.,** a California nonprofit public benefit corporation
By: CIM/Oakland Office Properties, GP, LLC, a Delaware limited liability company, its general partner	**By:**_____ **Name:** **Title:**
By: _____ **Name:** **Its:**	

LANDLORD

Acknowledgement

State of California

County of _____

On _____, 2013, before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

TENANT

Acknowledgement

State of California

County of _____

On _____, 2013, before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

Exhibit A

Legal Description of the Property

REAL PROPERTY IN THE CITY OF OAKLAND, COUNTY OF ALAMEDA, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS;

PARCEL A:

BEGINNING AT THE INTERSECTION OF THE SOUTH LINE OF TWENTY- SECOND (22ND) STREET WITH THE EAST LINE OF KAISER PLAZA (FORMERLY VALDEZ STREET); THENCE FROM SAID POINT OF BEGINNING, ALONG SAID SOUTH LINE, SOUTH 76° 56' 58" EAST, 220.99 FEET; THENCE DEPARTING SAID SOUTH LINE, SOUTH 13° 02' 54" WEST, 262.00 FEET TO THE NORTH LINE OF TWENTY-FIRST (21ST) STREET; THENCE ALONG SAID NORTH LINE, NORTH 76° 56' 58" WEST, 210.00 FEET TO THE BEGINNING OF A TANGENT CURVE TO THE RIGHT; THENCE ALONG THE ARC OF SAID CURVE HAVING A RADIUS OF 11.00 FEET, CONCAVE TO THE NORTHEAST, THROUGH A CENTRAL ANGLE OF 90° 00' 00", AN ARC LENGTH OF 17.28 FEET, TO THE EAST LINE OF KAISER PLAZA (FORMERLY VALDEZ STREET); THENCE ALONG SAID EAST LINE, NORTH 13° 03' 02" EAST, 56.87 FEET; THENCE NORTH 39° 37' 39" EAST, 17.88 FEET; THENCE NORTH 13° 03' 02" EAST, 98.27 FEET; THENCE NORTH 13° 30' 09" WEST, 17.88 FEET; THENCE NORTH 13° 03' 02" EAST, 63.88 FEET TO THE POINT OF BEGINNING.

PARCEL B:

A NON-EXCLUSIVE EASEMENT, APPURTENANT TO PARCEL A HEREINABOVE, FOR THE SOLE PURPOSE OF PEDESTRIAN INGRESS AND EGRESS OVER, ALONG AND ACROSS A STRIP OF LAND HEREINAFTER DESCRIBED AND LYING WITHIN PARCEL 1 OF PARCEL MAP 6031, FILED MARCH 04, 1991, IN BOOK 196 OF PARCEL MAPS, PAGES 41-42, ALAMEDA COUNTY RECORDS, AS SUCH EASEMENT WAS GRANTED BY AHMANSON COMMERCIAL DEVELOPMENT COMPANY, A CALIFORNIA CORPORATION, TO ORDWAY ASSOCIATES, AN ILLINOIS PARTNERSHIP, BY INSTRUMENT DATED MARCH 6, 1992, RECORDED JULY 13, 1992, SERIES NO 92-225712, OFFICIAL RECORDS OF ALAMEDA COUNTY, STATE OF CALIFORNIA:

COMMENCING AT THE MOST NORTHEAST CORNER OF PARCEL 1 OF SAID PARCEL MAP 6031, THENCE ALONG THE NORTHERN BOUNDARY LINE OF SAID PARCEL (AND SOUTH LINE OF GRAND AVENUE), NORTH 76° 57' 48" WEST, 46.40 FEET TO THE TRUE POINT OF BEGINNING; THENCE SOUTH 13° 03' 02" WEST, 179.33 FEET, TO ANON-TANGENT CURVE, HAVING A RADIUS OF 25 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 142° 07' 14", A DISTANCE OF 62.01 FEET; THENCE LEAVING SAID CURVE, SOUTH 13° 03' 02" WEST, 28.86 FEET, TO THE SOUTHERN BOUNDARY LINE OF SAID PARCEL 1; THENCE ALONG SAID SOUTHERN LINE NORTH 76° 56' 58" WEST 6.00 FEET; THENCE NORTH 13° 03' 02" EAST, 24.50 FEET, TO A NON-TANGENT CURVE,

HAVING A RADIUS OF 31.00 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 125° 47' 10", A DISTANCE OF 68.06 FEET; THENCE NORTH 13° 03' 02" EAST, 175.76 FEET TO SAID NORTHERN LINE; THENCE SOUTH 76° 57' 48" EAST, 6.00 FEET TO THE TRUE POINT OF BEGINNING.

APN: 008-0653-019-03

EXHIBIT C-2

Termination Memorandum

DISCHARGE OF MEMORANDUM OF LEASE

CIM/OAKLAND 1 KAISER PLAZA, L.P., Landlord

KAISER FOUNDATION HEALTH PLAN, INC., Tenant

County: Alameda
Block: _____
Lot: _____

RECORD AND RETURN TO:

FRAGNER SEIFERT PACE & WINOGRAD, LLP
601 S. Figueroa Street, Suite 2320
Los Angeles, California 90017

Attention: Risa B. Winograd, Esq.

DISCHARGE OF MEMORANDUM OF LEASE

NAME AND ADDRESS OF LANDLORD:	CIM/Oakland 1 Kaiser Plaza, L.P. 6922 Hollywood Blvd, 9th Floor Los Angeles, CA 90028 Attn: General Counsel
NAME AND ADDRESS OF TENANT:	Kaiser Foundation Health Plan, Inc. Real Estate Department 1800 Harrison, 25th Floor Oakland, CA 94612 Attn: Lease Administration
DATE OF EXECUTION OF LEASE:	As of June 29, 2009, as amended by First Amendment to Lease dated as of June 15, 2012 and by Second Amendment to Lease of even date herewith
DATE OF LEASE EXPIRATION /TERMINATION	_____, _____

MEMORANDUM:

This Discharge of Memorandum of Lease (this "Discharge") relates to that certain Memorandum of Lease between Landlord and Tenant, recorded with the Office of the Alameda County Clerk/Recorder on _____, as Document No. _____, and the Amendment to Memorandum of Lease between Landlord and Tenant, recorded with the Office of the Alameda County Clerk/Recorder on _____, as Document No. _____ (as amended, the "Memorandum").

DESCRIPTION OF LEASED PREMISES:

The leased premises consist of the premises leased to Tenant by Landlord at the building commonly known as The Ordway Building, having an address at One Kaiser Plaza, Oakland, California 94612 (the "Building"), a legal description of which is annexed hereto as Exhibit A, pursuant to that certain Lease Agreement made by and between Landlord and Tenant, dated as of June 29, 2009, as amended by First Amendment to Lease dated as of June 15, 2012 and by Second Amendment to Lease of even date herewith (as so amended, the "Lease").

DISCHARGE:

This Discharge shall constitute affirmative notice to whosoever it may concern that (i) the term of the Lease has expired or the Lease has been terminated in accordance with its

terms. Without limiting the generality of the foregoing, Landlord and Tenant hereby agree that the Memorandum is hereby terminated and nullified and shall hereafter be of no further force or effect, and shall be deemed stricken and removed and shall be discharged from the real property records affecting the Building.

This Discharge shall be binding on, and inure to the benefit of Landlord, Tenant and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have duly executed this Discharge of Memorandum of Lease as of the day and year first set forth above.

Landlord:	Tenant:
CIM/OAKLAND 1 KAISER PLAZA L.P., a Delaware limited liability company	**KAISER FOUNDATION HEALTH PLAN, INC.,** a California nonprofit public benefit corporation
By: CIM/Oakland Office Properties GP, LLC, a Delaware limited liability company, its general partner	**By:**_____ **Name:** **Title:**
By: _____ **Name:** Terry Wachsner **Its:** Vice President	

LANDLORD

Acknowledgement

State of California

County of _____

On _____, 20__, before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

TENANT

Acknowledgement

State of California

County of _____

On _____, 20__, before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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WITNESS my hand and official seal.

Signature _____ (Seal)

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PARCEL B:

A NON-EXCLUSIVE EASEMENT, APPURTENANT TO PARCEL A HEREINABOVE, FOR THE SOLE PURPOSE OF PEDESTRIAN INGRESS AND EGRESS OVER, ALONG AND ACROSS A STRIP OF LAND HEREINAFTER DESCRIBED AND LYING WITHIN PARCEL 1 OF PARCEL MAP 6031, FILED MARCH 04, 1991, IN BOOK 196 OF PARCEL MAPS, PAGES 41-42, ALAMEDA COUNTY RECORDS, AS SUCH EASEMENT WAS GRANTED BY AHMANSON COMMERCIAL DEVELOPMENT COMPANY, A CALIFORNIA CORPORATION, TO ORDWAY ASSOCIATES, AN ILLINOIS PARTNERSHIP, BY INSTRUMENT DATED MARCH 6, 1992, RECORDED JULY 13, 1992, SERIES NO 92-225712, OFFICIAL RECORDS OF ALAMEDA COUNTY, STATE OF CALIFORNIA:

COMMENCING AT THE MOST NORTHEAST CORNER OF PARCEL 1 OF SAID PARCEL MAP 6031, THENCE ALONG THE NORTHERN BOUNDARY LINE OF SAID PARCEL (AND SOUTH LINE OF GRAND AVENUE), NORTH 76° 57' 48" WEST, 46.40 FEET TO THE TRUE POINT OF BEGINNING; THENCE SOUTH 13° 03' 02" WEST, 179.33 FEET, TO ANON-TANGENT CURVE, HAVING A RADIUS OF 25 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 142° 07' 14", A DISTANCE OF 62.01 FEET; THENCE LEAVING SAID CURVE, SOUTH 13° 03' 02" WEST, 28.86 FEET, TO THE SOUTHERN BOUNDARY LINE OF SAID PARCEL 1; THENCE ALONG SAID SOUTHERN LINE NORTH 76° 56' 58" WEST 6.00 FEET; THENCE NORTH 13° 03' 02" EAST, 24.50 FEET, TO A NON-TANGENT CURVE,

HAVING A RADIUS OF 31.00 FEET; THENCE ALONG THE ARC OF SAID CURVE, CONCAVE TO THE EAST, THROUGH A CENTRAL ANGLE OF 125° 47' 10", A DISTANCE OF 68.06 FEET; THENCE NORTH 13° 03' 02" EAST, 175.76 FEET TO SAID NORTHERN LINE; THENCE SOUTH 76° 57' 48" EAST, 6.00 FEET TO THE TRUE POINT OF BEGINNING.

APN: 008-0653-019-03

EXHIBIT D

EXHIBIT T

COMPETITORS OF TENANT

Health Net

Aetna

WellPoint

United Healthcare

Blue Cross/Blue Shield

Sutter Health and its affiliates

Dignity Health and its affiliates

John Muir

CIGNA

University of California San Francisco

THIRD AMENDMENT TO LEASE
(One Kaiser Plaza)

THIS THIRD AMENDMENT TO LEASE ("Agreement") is made and entered into as of July 8, 2015, by and between CIM/OAKLAND 1 KAISER PLAZA, L.P., a Delaware limited partnership ("Landlord") and KAISER FOUNDATION HEALTH PLAN, INC., a California nonprofit public benefit corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into that certain Lease dated as of June 29, 2009 as amended by First Amendment to Lease dated as of June 15, 2012, and that Second Amendment to Lease dated as of December 16, 2013 (the "2nd Amendment; as so amended, the Original Lease"), pursuant to which Landlord leases to Tenant certain premises (the "Premises") consisting of approximately 336,321 rentable square feet on the 3rd, 4th, 5th, 6th, 8th, 10th, 12th, 13th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th and 27th floors of the Building located at One Kaiser Plaza, Oakland, California (the "Building"), as shown in Exhibit A of the Lease, for a term expiring on February 29, 2016, except that, with respect to that portion of the Premises consisting of the High Rise Premises, for a term expiring on February 28, 2018 (the "Existing Scheduled Expiration Date").

B. Tenant wishes to exercise its rights to certain ROFR Space (as hereinafter defined) and to otherwise modify certain terms of the Original Lease, as hereinafter described.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

Approved By KFHP Legal - July 16, 2015

AGREEMENT

1. Incorporation of Recitals. Recitals A, B and C above are incorporated herein by reference. All references to "the Lease" or "this Lease" in the Original Lease or in this Agreement shall be deemed to mean the Original Lease, as amended by this Agreement. Words in the singular shall include the plural and words in the plural shall include the singular.

2. ROFR Space. (a) Effective as of Substantial Completion of the Tenant Improvements in the ROFR Space (as those terms are hereinafter defined), which date is anticipated to be on or about August 15, 2015 ("ROFR Commencement Date"), Tenant shall lease Suite 601 of the Building, consisting of approximately 3,193 rentable square feet (the "ROFR Space"). Upon Tenant's lease of the ROFR Space, Tenant shall be leasing a total of 10,841 rentable square feet on the sixth (6^{th}) floor of the Building. The term as the ROFR Space shall commence on the ROFR Commencement Date and terminate concurrently with the Extended Term of the Lease (the "ROFR Space Term"). During the first year of the ROFR Space Term, Tenant shall pay $9,419.35 per month (based on $2.95 per rentable square foot), and thereafter, Base Rent shall increase by three percent (3%) per annum in accordance with the terms of Schedule C of the 2nd Amendment. Notwithstanding the foregoing, Tenant shall have the no obligation to pay Base Rent for the first month of the ROFR Space Term. Tenant shall have the right to extend the ROFR Space Term pursuant to the terms of the Options to Renew contained in Section 8 of the Original Lease, which Renewal Options shall be exercisable with respect to the ROFR Space.

3. Base Year. The Base Year for the ROFR Space is the calendar year 2015. Tenant's Pro Rata Share for the ROFR Space shall be 0.62%.

Approved By KFHP Legal - July 16, 2015

4. Tenant Improvements. Landlord shall, at Landlord's sole cost and expense, construct "turn-key" improvements in the Premises (the "Tenant Improvements") substantially pursuant to that certain mutually approved set of plans and specifications and pricing plan (collectively, the "Plans"), attached hereto as Exhibit "A" and incorporated herein. Tenant shall make no changes or modifications to the Plans without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion if such change or notification would directly or indirectly delay the Substantial Completion (as that term is defined in the Work Letter) of the Tenant Improvements in the ROFR Space or increase the cost of designing or constructing the Tenant Improvements. Unless specifically noted to the contrary on the Plans, the Tenant Improvements shall be constructed using Building standard specifications and materials as determined by Landlord. Any above Building standard specifications or materials used to construct the Tenant Improvements shall be at Tenant's sole cost and expense. Except as set forth in this Section 4, Tenant hereby agrees to continue to accept the Premises in its "as-is" condition, and Tenant hereby acknowledges that Landlord has made no representation or warranty regarding the condition of the Premises except as otherwise contained in the Lease (as amended by this Amendment).

5. Parking. During the ROFR Space Term, Tenant shall be entitled to rent three (3) additional unreserved parking spaces in accordance with the terms of the Lease.

6. Compliance with Laws. The parties acknowledge that the Building has not undergone inspection by a Certified Access Specialist (as defined in Section 1938 of the California Civil Code). To Landlord's current actual knowledge, the Building meets applicable construction related accessibility standards pursuant to California Civil Code Section 55.53.

Approved By KFHP Legal - July 16, 2015

Nothing contained in this Section 9 shall be deemed to modify either party's rights or obligations under Section 19 of the Original Lease.

7. Nondiscrimination and Medicare. Landlord recognizes that as a governmental contractor, Tenant is subject to various federal laws, executive orders and regulations regarding equal opportunity and affirmative action. This Section constitutes notice to Landlord that it may be required to comply with the following Federal Acquisition Regulations (each a "FAR") at 48 CFR Part 52, which are incorporated herein by reference: (a) Equal Opportunity at FAR 52.222-26; (b) Equal Opportunity for Veterans at FAR 52.222-35 and -37; (c) Affirmative Action for Workers with Disabilities at FAR 52.222-36, (d) Utilization of Small Business Concerns at FAR 52.219-8, and (e) Prohibition of Segregated Facilities at FAR 52.222-2. In addition, Executive Order 11246 regarding nondiscrimination in employment decisions and Executive Order 13496 (codified at 29 CFR Part 471, Appendix A to Subpart A) concerning the obligations of federal contractors and subcontractors to provide notice to employees about their rights under Federal labor laws shall be incorporated herein by reference. If Landlord is not otherwise subject to compliance with the laws and executive orders specified in this Section, the inclusion of this Section shall not be deemed to impose such requirements upon Landlord. If the Lease is determined to be subject to the provisions of Section 952 of P.L. 96-499 (42 USC 1395x(v)(l)(I)), which governs access to books and records of subcontractors of services to Medicare providers where the cost or value of such services under the contract exceeds Ten Thousand Dollars ($10,000) over a twelve (12) month period, then Landlord agrees to permit representatives of the Secretary of the Department of Health and Human Services and of the Comptroller General to have access to the Lease and books, documents and records of Landlord,

as necessary to verify the costs of the Lease, in accordance with criteria and procedures contained in applicable Federal regulations.

8. Brokers. Landlord and Tenant represent and warrant that neither party has had any dealings with any real estate broker or agent in connection with the negotiation of this Lease except for Jones Lang LaSalle and Colliers International (the "Brokers"). Tenant and Landlord agree to indemnify, defend and hold the other party harmless from and against all claims, demands, causes of action, liabilities and expenses (including reasonable attorneys' fees) arising from any breach of the representations, warranties and agreements set forth in this Section 13 and Landlord shall indemnify, defend and hold Tenant harmless from and against all claims, demands, causes of action, liabilities and expenses (including reasonable attorneys' fees) arising from any claim by the Brokers against Tenant for the Commissions due to the Brokers. Landlord shall pay all brokerage fees or commissions arising from this Lease ("Commissions") which are payable to the Brokers as set forth in separate agreements between Landlord and the Brokers.

(b) Article 42 (Brokerage) of the Original Lease shall not apply to any of the transactions contemplated by this Agreement.

9. REIT Representations. In the event Landlord or any of its direct or indirect members or partners or any successor to any of the above needs to qualify as a real estate investment trust Tenant agrees to cooperate in good faith with Landlord to ensure that the Rent qualifies as "rents from real property," within the meaning of Section 856(d) of the Internal Revenue Code and/or any similar or successor provisions thereto (the "REIT Requirements"), including, without limitation, the following requirements (the "REIT Requirements"):

9.1 Personal Property Limitation. Anything contained in the Lease to the contrary notwithstanding, the average of the fair market values of the items of personal property

that are leased to Tenant under this Lease at the beginning and at the end of any Lease Year shall not exceed fifteen percent (15%) of the average of the aggregate fair market values of the leased property at the beginning and at the end of such Lease Year (the "Personal Property Limitation"). If Landlord reasonably anticipates that the Personal Property Limitation will be exceeded with respect to the leased property for any Lease Year, Landlord shall notify Tenant, and Tenant, at its options, either (i) shall purchase at fair market value any personal property anticipated to be in excess of the Personal Property Limitation ("Excess Personal Property") either from Landlord or a third party or (ii) shall lease the Excess Personal Property from third party. In either case, Tenant's Rent obligation shall be equitably reduced so that Tenant's Base Rent under the Lease after such purchase or lease from a third party shall be no greater than the Base Rent set forth in the Lease as of the date of this Agreement. Notwithstanding anything to the contrary set forth above, Tenant shall not be responsible in any way for determining whether Tenant has exceeded or will exceed the Personal Property Limitation and shall not be liable to Landlord or any of its shareholders in the event that the Personal Property Limitation is exceeded, as long as Tenant satisfies its obligation to acquire or lease any Excess Personal Property as provided above. This Section 13.1 is intended to ensure that the Rent qualifies as "rents from real property," within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provisions thereto, and shall be interpreted in a manner consistent with such intent.

9.2 Rent Limitation. Anything contained in the Lease to the contrary notwithstanding, Tenant shall not sublet the Premises on any basis such that the rent or other amounts to be paid by the sublessee thereunder would be based, in whole or in part, on either (a) the net income or profits derived by the business activities of the proposed sublessee, or (b) any other formula such that any portion of the rent thereunder would fail to qualify as "rents from

real property" within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provision thereto, provided that Tenant shall not be responsible for making any such determination under this clause (b) with respect to "any other formula", it being Landlord's sole responsibility to do so, and Tenant agrees that it shall be reasonable for Landlord to withhold its consent to a sublease by Tenant if the rent thereunder would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provision thereto.

9.3 REIT Requirements. Tenant agrees, and agrees to use commercially reasonable efforts to cause its Affiliates, to cooperate in good faith with Landlord to ensure that the terms of this Section are satisfied.

10. Defaults. To the knowledge of Tenant, as of the date of this Agreement, there are no uncured defaults under the Lease by Landlord, and Tenant knows of no events or circumstances which, given the passage of time or notice or both, would constitute a default under the Lease by Landlord. To the knowledge of Landlord, as of the date of this Agreement, there are no uncured Events of Default by Tenant, and Landlord knows of no events or circumstances which, given the passage of time or notice or both, would constitute an Event of Default under the Lease by Tenant.

11. No Encumbrances. Landlord represents that there are no mortgages, deeds of trust, ground leases or any other liens or encumbrances on the Site, the Building, or the Premises.

12. OFAC Representations. Each of Landlord and Tenant reaffirms as of the date of this Agreement, the representations made by it in Article 62 of the Original Lease.

13. Counterparts; Electronic Signatures, Etc. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which when

taken together will constitute one and the same instrument. The signature page of any counterpart of this Agreement may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart of this Agreement identical thereto except having an additional signature page executed by the other party(ies) to this Agreement attached thereto. An executed counterpart of this Agreement transmitted by facsimile, email or other electronic transmission shall be deemed an original counterpart and shall be as effective as an original counterpart of this Agreement and shall be legally binding upon the parties hereto to the same extent as delivery of an original counterpart.

14. Captions. All captions and headings herein are for convenience and ease of reference only, and shall not be used or referred to in any way in connection with the interpretation or enforcement of this Agreement. Any references to "Sections" herein shall mean Any references to "Sections" herein shall mean Sections of this Agreement unless otherwise noted.

15. Entire Agreement. There are no oral or written agreements or representations between the parties hereto affecting the Lease not contained in the Lease. The Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements, and understandings, if any, made by, to, or between Landlord and Tenant and their respective agents and employees with respect to the subject matter thereof, and none shall be used to interpret, construe, supplement or contradict the Lease, including any and all amendments thereto. The Lease shall be considered to be the only agreement between the parties hereto and their representatives and agents. To be effective and binding on Landlord and Tenant, any amendment, revision, change or modification to the provisions of the Lease must be in writing and executed by both parties.

16. Notice Addresses. Effective as of the date of this Agreement, Section 1.15 of the Original Lease is deemed amended to substitute the following for the names and addresses for Landlord in such Section:

Landlord:

CIM/Oakland 1 Kaiser Plaza, L.P.
4700 Wilshire Boulevard
Los Angeles, California 90010
Attention: General Counsel

17. Ratification. Except as set forth in this Agreement, the Original Lease is confirmed and approved, and all of the terms and provisions of the Lease shall apply during the Extended Term and shall remain unmodified and in full force and effect.

[SIGNATURES TO APPEAR ON THE FOLLOWING PAGE]

Approved By KFHP Legal - July 16, 2015

IN WITNESS WHEREOF, this Amendment has been executed as of the day and year first above written.

Tenant:

KAISER FOUNDATION HEALTH PLAN, INC.,
a California nonprofit public benefit corporation

By: _____ 7/17/15
Name: Donald H. Orndoff
Its: Senior Vice President, National Facilities Services

Landlord:

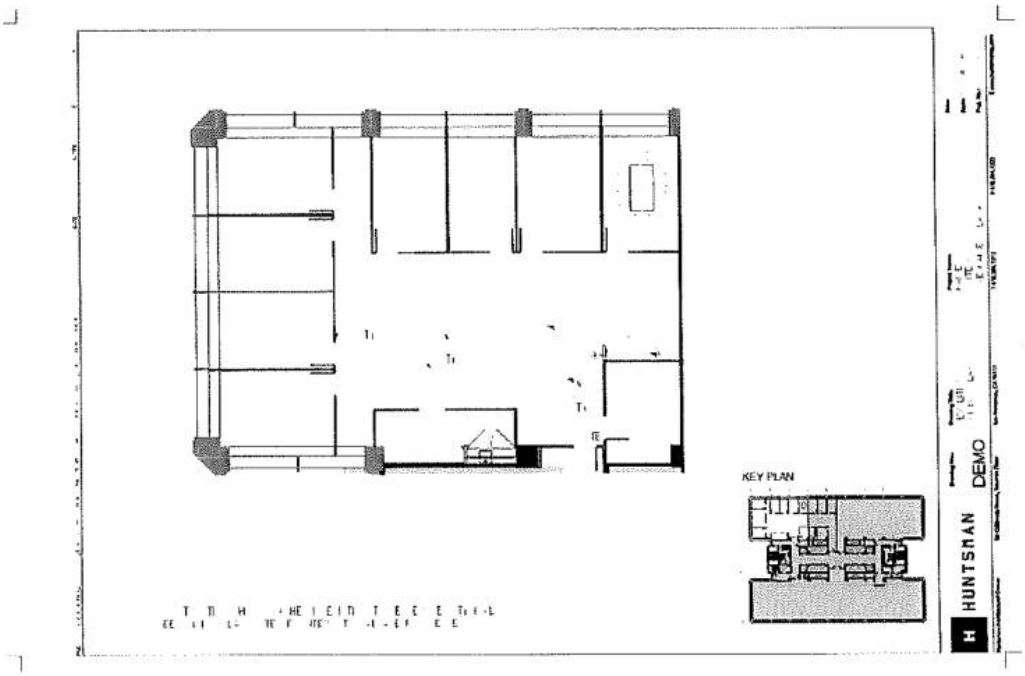
CIM/OAKLAND 1 KAISER PLAZA, L.P.,
a Delaware limited partnership

By: CIM/Oakland Office Properties, GP, LLC,
a Delaware limited liability company,
its general partner

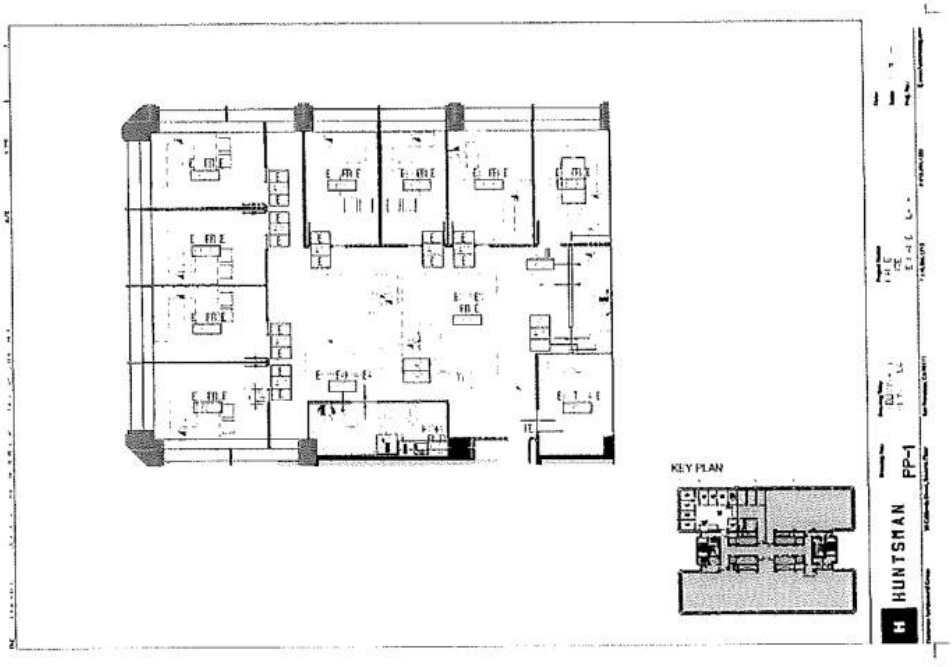
By: _____
Name: Terry Wachsner
Its: Vice President

Approved By KFHP Legal - July 16, 2015

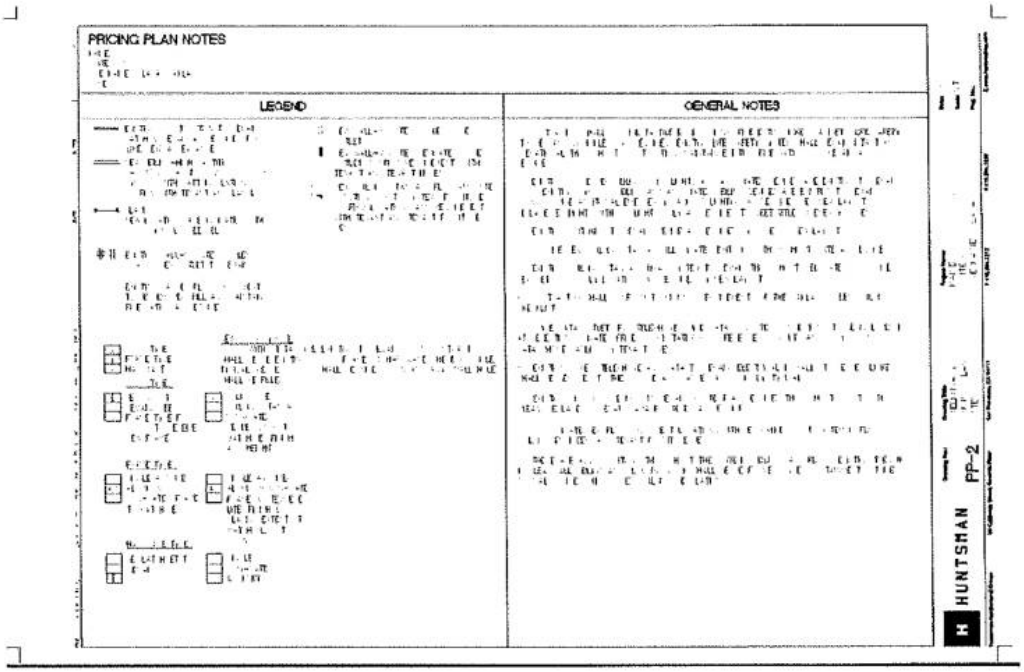
EXHIBIT A

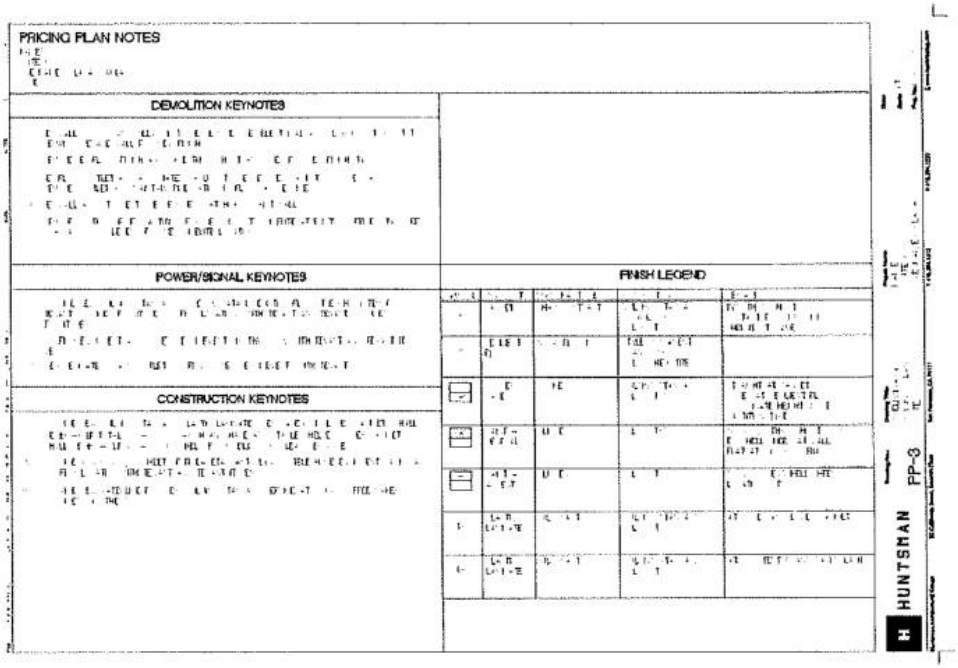


Approved By KFHP Legal - July 16, 2015



Approved By KFHP Legal - July 16, 2015


PRICING PLAN NOTES
LEGEND
GENERAL NOTES
HUNTSMAN
PP-2



Approved By KFHP Legal - July 16, 2015

Kaiser
Pricing Specifications
Ordway – 1 Kaiser Plaza
Suite 601 – 3,193 rsf

GENERAL NOTES:
ACM Conditions – Ceiling and Floor; walls are clean
ACM for Plumbing
No sprinklers, no HVAC requirements, no light fixture relocations

FINISHES:
Carpet – Building Standard
Base – building standard 4" Burke rubber base
VCT – NORA Flooring (Collection: Norament, Style: Grano 1880, color: Hemotite)
Paint – Glidden building standard, with 1 accent color

- **Voice/Data outlets - to be included for telephone and computer connections in workstations, conference rooms, private offices, reception area, I.T., and copy room; cabling by others**

(E) STORAGE ROOM – As Is
- VCT

(N) STORAGE ROOM w/ phoneboard
- (1) 20amp dedicated duplex outlets
- VCT

(8) PRIVATE OFFICES – As Is

BREAK ROOM provide space for refrigerator, sink, water line for icemaker & coffee maker
- Appliances: ADA dishwasher & garbage disposal
- Millwork - upper/lower
- Dedicated outlets as needed for appliances
- (1) 20amp dedicated duplex outlet
- (1) standard duplex outlet
- VCT

WORKSTATIONS (2) groups
- Power/data drops for furniture whips - (2) j-boxes

OPEN AREA
- Remove (2) sets of monuments and plate

***Carpet Representative:**
Shaw Contract Group - Chelsie St James - Chelsie.StJames@shawinc.com
415.955.1920 (office) / 415.412.6644 (cell)

5/11/2015

Approved By KFHP Legal - July 16, 2015

FOURTH AMENDMENT TO LEASE
(One Kaiser Plaza)

THIS FOURTH AMENDMENT TO LEASE ("Agreement") is made and entered into as of November 18, 2015, by and between CIM/OAKLAND 1 KAISER PLAZA, L.P., a Delaware limited partnership ("Landlord") and KAISER FOUNDATION HEALTH PLAN, INC., a California nonprofit public benefit corporation ("Tenant").

RECITALS

A. Landlord and Tenant entered into that certain Lease dated as of June 29, 2009 ("Original Lease") as amended by First Amendment to Lease dated as of June 15, 2012, that Second Amendment to Lease dated as of December 16, 2013 ("2nd Amendment"), that Third Amendment to Lease dated as of July 8, 2015 ("3rd Amendment", and as so amended, the "Lease"), pursuant to which Landlord leases to Tenant certain premises (the "Premises") consisting of approximately 339,514 rentable square feet on the 3rd, 4th, 5th, 6th, 8th, 10th, 12th, 13th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th and 27th floors of the Building located at One Kaiser Plaza, Oakland, California (the "Building"), as shown in Exhibit A of the Lease, for a term expiring on February 28, 2025.

B. Tenant wishes to exercise its rights to certain ROFO Space and Additional ROFO Space (as hereinafter defined) and the parties wish to otherwise modify certain terms of the Original Lease, as hereinafter described.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

Approved By KFHP Legal - December 16, 2015

AGREEMENT

1. Incorporation of Recitals. Recitals A, B and C above are incorporated herein by reference. All references to "the Lease" or "this Lease" in the Original Lease or in this Agreement shall be deemed to mean the Original Lease, as amended by this Agreement. Words in the singular shall include the plural and words in the plural shall include the singular.

2. ROFO Space. (a) Pursuant to Landlord's ROFO Notice to Tenant dated August 7, 2015, and effective as of the ROFO Space Inclusion Date, Tenant shall lease Suite 900 of the Building, consisting approximately of 19,651 rentable square feet on the ninth floor of the Building (the "ROFO Space"). Upon Tenant's lease of the ROFO Space, Tenant shall be leasing a total of 359,165 rentable square feet. The term of the ROFO Space shall commence retroactively as of November 1, 2015 (the "ROFO Space Inclusion Date") and terminate on February 28, 2025 (the "ROFO Space Term"). Commencing on July 1, 2016 (the "ROFO Rent Commencement Date") and continuing through the first year of the ROFO Space Term, Tenant shall pay $71,234.88 per month as Base Rent for the ROFO Space (based on $43.50 per annual rentable square foot), and thereafter, Base Rent shall increase by three percent (3%) per annum for the remainder of the ROFO Space Term.

3. Additional ROFO Space. Tenant shall also lease Suite 701 of the Building, consisting approximately of 7,637 rentable square feet on the seventh floor of the Building (the "Additional ROFO Space"). Upon Tenant's lease of the Additional ROFO Space, Tenant shall be a leasing a total of 366,802 rentable square feet in the Building. The term of the Additional ROFO Space shall commence on April 1, 2016 (the "Additional ROFO Space Inclusion Date") and terminate on February 28, 2025 (the "Additional ROFO Space Term"). Commencing on November 1, 2016 (the "Additional ROFO Rent Commencement Date") and continuing through

Approved By KFHP Legal - December 16, 2015

the first year of the Additional ROFO Space Term, Tenant shall pay $27,722.31 per month as Base Rent for the Additional ROFO Space (based on $3.63 per rentable square foot), and thereafter, Base Rent shall increase by three percent (3%) per annum for the remainder of the Additional ROFO Space Term.

4. Base Year. The Base Year for the ROFO Space is the calendar year 2015. Tenant's Pro Rata Share for the ROFO Space shall be 3.815%. The Base Year of the Additional ROFO Space is the calendar year 2016. Tenant's Pro Rata Share of the Additional ROFO Space shall be 1.48%.

5. Tenant Improvements. In consideration of Tenant's performance of Tenant Improvements to be made to any portion of the ROFO Space or the Additional ROFO Space, Tenant shall be entitled to an improvement allowance (the "Tenant Improvement Allowance") equal to up to $1,091,520, based upon forty dollars ($40) per rentable square foot of both the ROFO Space and the Additional ROFO Space to be used for Tenant Improvements in and to the ROFO Space and the Additional ROFO Space in accordance with and subject to the terms of Section 15 and Exhibit R of the Lease. Unless specifically noted to the contrary on the Plans, the Tenant Improvements shall be constructed using Building standard specifications and materials as reasonably determined by the Landlord. Except as set forth in this Section 5, Tenant hereby agrees to continue to accept the Premises in its "as-is" condition, provided that the ROFO Space and the Additional ROFO Space shall be delivered in broom-clean condition, free of trash and debris and Tenant hereby acknowledges that Landlord has made no representation or warranty regarding the condition of the Premises except as otherwise contained in the Lease (as amended by this Amendment). The Building has not undergone inspection by a Certified Access Specialist (as defined in Section 1938 of the California Civil Code).

Approved By KFHP Legal - December 16, 2015

6. Security/Elevator Access. Notwithstanding anything to the contrary contained in the Lease, the parties agree that upon Landlord's installation and activation of elevator card readers in all low rise elevators that do not have them, the cost of which shall be included in Operating Costs, Landlord shall reduce security staff and Tenant shall relinquish control, operations and maintenance of the card readers in the high-rise elevators to Landlord, such that both the low-rise and the high-rise elevator card readers will now require access card entry and will be operated, maintained and controlled by Landlord. In this regard, both the 2nd and the 22nd floors of the Building shall remain unlocked during the Term. Accordingly, Section 22(b) of the 2nd Amendment shall be deleted and have no further force and effect.

7. Brokers. (a) Landlord and Tenant represent and warrant that neither party has had any dealings with any real estate broker or agent in connection with the negotiation of this Lease, except for Jones Lang LaSalle and Colliers International ("collectively, "Brokers"). Commissions shall be payable to Brokers in accordance with a separate agreement. Tenant and Landlord agree to indemnify, defend and hold the other party harmless from and against all claims, demands, causes of action, liabilities and expenses (including reasonable attorneys' fees) arising from any breach of the representations, warranties and agreements set forth in this Section 7.

(b) Article 42 (Brokerage) of the Original Lease shall not apply to any of the transactions contemplated by this Agreement.

8. Counterparts; Electronic Signatures, Etc. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which when taken together will constitute one and the same instrument. The signature page of any counterpart of this Agreement may be detached therefrom without impairing the legal effect of

the signature(s) thereon provided such signature page is attached to any other counterpart of this Agreement identical thereto except having an additional signature page executed by the other party(ies) to this Agreement attached thereto. An executed counterpart of this Agreement transmitted by facsimile, email or other electronic transmission shall be deemed an original counterpart and shall be as effective as an original counterpart of this Agreement and shall be legally binding upon the parties hereto to the same extent as delivery of an original counterpart.

9. Captions. All captions and headings herein are for convenience and ease of reference only, and shall not be used or referred to in any way in connection with the interpretation or enforcement of this Agreement. Any references to "Sections" herein shall mean Sections of this Agreement unless otherwise noted.

10. Entire Agreement. There are no oral or written agreements or representations between the parties hereto affecting the Lease not contained in the Lease. The Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements, and understandings, if any, made by, to, or between Landlord and Tenant and their respective agents and employees with respect to the subject matter thereof, and none shall be used to interpret, construe, supplement or contradict the Lease, including any and all amendments thereto. The Lease shall be considered to be the only agreement between the parties hereto and their representatives and agents. To be effective and binding on Landlord and Tenant, any amendment, revision, change or modification to the provisions of the Lease must be in writing and executed by both parties.

11. Notice Addresses. Effective as of the date of this Agreement, Section 1.15 of the Original Lease is deemed amended to substitute the following for the names and addresses for Landlord in such Section:

Landlord:

CIM/Oakland 1 Kaiser Plaza, L.P.
4700 Wilshire Boulevard
Los Angeles, California 90010
Attention: General Counsel

12. **REIT REPRESENTATIONS.** In the event Landlord or any of its direct or indirect members or partners or any successor to any of the above needs to qualify as a real estate investment trust Tenant agrees to cooperate in good faith with Landlord to ensure that the Rent qualifies as "rents from real property," within the meaning of Section 856(d) of the Internal Revenue Code and/or any similar or successor provisions thereto (the "REIT Requirements"), including, without limitation, the following requirements (the "REIT Requirements"):

12.1 Personal Property Limitation. Anything contained in this Lease to the contrary notwithstanding, the average of the fair market values of the items of personal property that are leased to Tenant under this Lease at the beginning and at the end of any Lease Year shall not exceed fifteen percent (15%) of the average of the aggregate fair market values of the leased property at the beginning and at the end of such Lease Year (the "**Personal Property Limitation**"). If Landlord reasonably anticipates that the Personal Property Limitation will be exceeded with respect to the leased property for any Lease Year, Landlord shall notify Tenant, and Tenant either (i) shall purchase at fair market value any personal property anticipated to be in excess of the Personal Property Limitation ("**Excess Personal Property**") either from Landlord or a third party or (ii) shall lease the Excess Personal Property from third party. In either case, Tenant's Rent obligation shall be equitably adjusted. Notwithstanding anything to the contrary set forth above, Tenant shall not be responsible in any way for determining whether Tenant has exceeded or will exceed the Personal Property Limitation and shall not be liable to Landlord or any of its shareholders in the event that the Personal Property Limitation is

exceeded, as long as Tenant meets its obligation to acquire or lease any Excess Personal Property as provided above. This section is intended to ensure that the Rent qualifies as "rents from real property," within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provisions thereto, and shall be interpreted in a manner consistent with such intent.

12.2 Subletting/Assignment. Anything contained in this Lease to the contrary notwithstanding, Tenant shall not sublet the Premises on any basis such that the rent or other amounts to be paid by the sublessee thereunder would be based, in whole or in part, on either (i) the net income or profits derived by the business activities of the proposed sublessee, or (b) any other formula such that any portion of the Rent would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provision hereto.

12.3 REIT Requirements. Tenant agrees to cooperate in good faith with Landlord to ensure that the terms of this Section and Section 7.1 are satisfied. Tenant agrees upon request by Landlord to take reasonable action necessary to ensure compliance with all REIT Requirements and to ensure that Rent, at all times qualifies as "rents from real property" with the meaning of Section 856(d) of the Internal Revenue Code. If Tenant becomes aware that the REIT Requirements are not, or will not be, satisfied, Tenant shall notify Landlord of such noncompliance.

13. Nondiscrimination and Medicare. Section 45 of the Lease Nondiscrimination and Medicare is hereby deleted and replaced with the following:

"Section 45: Regulatory Compliance.

(a) Government Contractor. Landlord recognizes that as a governmental contractor for purposes of the Lease, Tenant may be subject to various federal laws, executive orders and

regulations regarding equal opportunity and affirmative action which also may be applicable to subcontractors. Therefore, Tenant is required to give notice to Landlord that Landlord may be subject to certain federal laws, executive orders, and regulations by incorporating herein by reference the following clauses from the Federal Acquisition Regulation (FAR) at 48 CFR Part 52 and the Office of Federal Contract Compliance Regulations (OFCCP) at 41 CFR Part 60: (a) Equal Opportunity (March 2007) at FAR 52.222-26; (b) Utilization of Small Business Concerns (July 2013) at FAR 52.219-8; (c) Affirmative Action for Workers with Disabilities (Oct. 2010) at FAR 52.222-36 and 41 CFR 60-741.5(a), which provides in part: "**This contractor and subcontractor shall abide by the requirements of 41 CFR 60-741.5(a). This regulation prohibits discrimination against qualified individuals on the basis of disability and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified individuals with disabilities.**", and (d) Equal Opportunity for Veterans (Sept. 2010) at FAR 52.222-35 and 41 CFR 60-300.5(a), which provides in part: **"This contractor and subcontractor shall abide by the requirements of 41 CFR 60-300.5(a). This regulation prohibits discrimination against qualified protected veterans, and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified protected veterans."** In addition, Executive Order 11246 regarding nondiscrimination in employment decisions and Executive Order 13496 (codified at 29 CFR Part 471, Appendix A to Subpart A) concerning the obligations of federal contractors and subcontractors to provide notice to employees about their rights under Federal labor laws shall be incorporated herein by reference. If Landlord is not otherwise subject to compliance with the laws and executive orders specified in this Section, the inclusion of this Section shall not be deemed to impose such requirements upon Landlord.

(b) Medicare. If this Agreement is subject to the provisions of Section 952 of P.L. 96-499, which governs access to books and records of subcontractors of services to Medicare providers where the cost of value of such services under the contract exceeds $10,000.00 over a 12-month period, then Landlord will permit representatives of the Secretary of the Department of Health and Human Services and of the Comptroller General to have access to the contract and books, documents and records of Landlord, as necessary to verify the costs of the contract, in accordance with criteria and procedures contained in applicable Federal regulations.

(c) Federal Program Participation. Landlord is not and shall not be identified on a "watch list" maintained pursuant to law or by any federal agency, such as the Office of Foreign Assets Control or the USA Patriot Act.

14. Ratification. Except as set forth in this Agreement, the Original Lease is confirmed and approved, and all of the terms and provisions of the Lease shall apply and shall remain unmodified and in full force and effect.

[NOTHING ELSE ON THIS PAGE.}

Approved By KFHP Legal - December 16, 2015

IN WITNESS WHEREOF, this Amendment has been executed as of the day and year first above written.

Tenant:

KAISER FOUNDATION HEALTH PLAN, INC.,
a California nonprofit public benefit corporation

By: _____
Name: Don Orndoff
Its: Senior Vice President
National Facilities Services

Landlord:

CIM/OAKLAND 1 KAISER PLAZA, L.P.,
a Delaware limited partnership

By: CIM/Oakland Office Properties, GP, LLC,
a Delaware limited liability company,
its general partner

By: _____
Name: Terry Wachsner
Its: Vice President

Approved By KFHP Legal - December 16, 2015

Exhibit 21.1

CIM COMMERCIAL TRUST CORPORATION

LIST OF SUBSIDIARIES

Entity	State of Formation	Type of Organization
1130 Howard (SF) GP, LLC	Delaware	LLC
1130 Howard (SF) Owner, L.P.	Delaware	LP
9460 Wilshire Blvd GP, LLC	Delaware	LLC
9460 Wilshire Blvd (BH) Owner, L.P.	Delaware	LP
4750 Wilshire Blvd. (LA) Owner, LLC	Delaware	LLC
CIM Commercial Trust Corporation	Maryland	Corporation
CIM Small Business Loan Trust 2018-1	Delaware	Trust
CIM Urban Holdings, LLC	Delaware	LLC
CIM Urban Partners, L.P.	Delaware	LP
CIM Urban REIT GP I, LLC	California	LLC
CIM Urban REIT GP II, LLC	Delaware	LLC
CIM Urban REIT Holdings, LLC	Delaware	LLC
CIM Urban REIT Properties IX, L.P.	Delaware	LP
CIM Urban REIT Properties XIII, L.P.	Delaware	LP
CIM Wilshire (Los Angeles) Investor, LLC	Delaware	LLC
CIM Wilshire (Los Angeles) Manager, LLC	Delaware	LLC
CIM/11600 Wilshire (Los Angeles) GP, LLC	Delaware	LLC
CIM/11600 Wilshire (Los Angeles), LP	Delaware	LP
CIM 11620 Wilshire (Los Angeles) GP, LLC	Delaware	LLC
CIM 11620 Wilshire (Los Angeles), LP	Delaware	LP
CIM/J Street Garage Sacramento GP, LLC	California	LLC
CIM/J Street Garage Sacramento, L.P	California	LLC
CIM/J Street Hotel Sacramento GP, LLC	California	LLC
CIM/J Street Hotel Sacramento, Inc.	California	Corporation
CIM/J Street Hotel Sacramento, L.P.	California	LP
CIM/Oakland 1 Kaiser Plaza GP, LLC	Delaware	LLC
CIM/Oakland 1 Kaiser Plaza, LP	Delaware	LP
First Western SBLC, Inc.	Florida	Corporation
FW Asset Holding, LLC	Delaware	LLC
Lindblade Media Center (LA) Owner, LLC	Delaware	LLC
PMC Commercial Lending, LLC	Delaware	LLC
PMC Funding Corp.	Florida	Corporation
PMC Mortgage Corp., LLC	Delaware	LLC
PMC Preferred Capital Trust-A	Delaware	Trust
PMC Properties, Inc.	Delaware	Corporation
Two Kaiser Plaza (Oakland) Owner, LLC	Delaware	LLC
Urban Partners GP, LLC	Delaware	LLC
Urban Partners GP Manager, LLC	Delaware	LLC

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

CIM Commercial Trust Corporation
Dallas, Texas

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-127531) and Form S-3 (No. 333-233255) of CIM Commercial Trust Corporation and subsidiaries of our reports dated March 16, 2020, relating to the consolidated financial statements and financial statement schedules, and the effectiveness of CIM Commercial Trust Corporation and its subsidiaries' internal control over financial reporting which appear in this Form 10-K.

/s/ BDO USA, LLP

Los Angeles, California
March 16, 2020

Exhibit 31.1

Certification
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, David Thompson, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2019 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: March 16, 2020

/s/ David Thompson

David Thompson

Chief Executive Officer

Exhibit 31.2

Certification
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Nathan D. DeBacker, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2019 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: March 16, 2020

/s/ Nathan D. DeBacker

Nathan D. DeBacker
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), the undersigned officer of CIM Commercial Trust Corporation (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 16, 2020

/s/ David Thompson

Name: David Thompson
Title: *Chief Executive Officer*

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), the undersigned officer of CIM Commercial Trust Corporation (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 16, 2020

/s/ Nathan D. DeBacker

Name: Nathan D. DeBacker
Title: *Chief Financial Officer*

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and is not being filed as part of the Report or as a separate disclosure document.