
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One):

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from _____ to _____

Commission File Number 1-13610

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION

(Exact name of registrant as specified in its charter)

Maryland

(State or Other Jurisdiction of Incorporation or Organization)

5956 Sherry Lane, Suite 700, Dallas, Texas

(Address of Principal Executive Offices)

75-6446078

(I.R.S. Employer Identification No.)

75225

(Zip Code)

(972) 349-3200

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Tel Aviv Stock Exchange

(Title of each class)

(Trading symbol)

(Name of each exchange on which registered)

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

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

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
Smaller reporting company

Accelerated filer
Emerging growth company

Non-accelerated filer

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.

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

As of November 8, 2023, the Registrant had outstanding 22,786,741 shares of common stock, par value \$0.001 per share.

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION AND SUBSIDIARIES

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PART I
Financial Information

Item 1.
Financial Statements

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share and per share amounts) (Unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Investments in real estate, net	\$ 708,178	\$ 502,006
Investments in unconsolidated entities	29,252	12,381
Cash and cash equivalents	19,261	46,190
Restricted cash	23,950	11,290
Loans receivable, net (Note 5)	60,404	62,547
Accounts receivable, net	2,825	3,780
Deferred rent receivable and charges, net	30,890	37,543
Other intangible assets, net	4,043	4,461
Other assets	19,253	10,050
TOTAL ASSETS	\$ 898,056	\$ 690,248
LIABILITIES, REDEEMABLE PREFERRED STOCK, AND EQUITY		
LIABILITIES:		
Debt, net	\$ 470,325	\$ 184,267
Accounts payable and accrued expenses	34,331	107,220
Intangible liabilities, net	—	20
Due to related parties	4,739	3,155
Other liabilities	13,401	17,856
Total liabilities	522,796	312,518
COMMITMENTS AND CONTINGENCIES (Note 15)		
REDEEMABLE PREFERRED STOCK: Series A cumulative redeemable preferred stock, \$0.001 par value; 34,873,861 shares authorized; no shares issued or outstanding as of September 30, 2023 and 693,741 shares issued and outstanding as of December 31, 2022; liquidation preference of \$25.00 per share, subject to adjustment	—	15,697
EQUITY:		
Series A cumulative redeemable preferred stock, \$0.001 par value; 34,873,861 shares authorized; 8,820,338 and 7,694,199 shares issued and outstanding, respectively, as of September 30, 2023 and 8,126,597 and 7,565,349 shares issued and outstanding, respectively, as of December 31, 2022; liquidation preference of \$25.00 per share, subject to adjustment	192,235	189,048
Series A1 cumulative redeemable preferred stock, \$0.001 par value; 27,935,059 shares authorized; 9,288,485 and 9,223,544 shares issued and outstanding, respectively, as of September 30, 2023 and 5,966,077 and 5,956,147 shares issued and outstanding, respectively, as of December 31, 2022; liquidation preference of \$25.00 per share, subject to adjustment	228,324	147,514
Series D cumulative redeemable preferred stock, \$0.001 par value; 26,991,590 shares authorized; 56,857 and 48,447 shares issued and outstanding, respectively, as of September 30, 2023 and 56,857 and 48,857 shares issued and outstanding, respectively, as of December 31, 2022; liquidation preference of \$25.00 per share, subject to adjustment	1,190	1,200
Common stock, \$0.001 par value; 900,000,000 shares authorized; 22,786,741 shares issued and outstanding as of September 30, 2023 and 22,737,853 shares issued and outstanding as of December 31, 2022.	23	23
Additional paid-in capital	854,377	861,721
Distributions in excess of earnings	(903,725)	(837,846)
Total stockholders' equity	372,424	361,660
Noncontrolling interests	2,836	373
Total equity	375,260	362,033
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK, AND EQUITY	\$ 898,056	\$ 690,248

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

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

(In thousands, except per share amounts) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
REVENUES:				
Rental and other property income	\$ 17,061	\$ 14,194	\$ 49,999	\$ 42,484
Hotel income	7,485	7,965	29,590	24,476
Interest and other income	3,572	2,694	10,201	9,078
Total Revenues	28,118	24,853	89,790	76,038
EXPENSES:				
Rental and other property operating	15,509	13,334	47,713	37,557
Asset management and other fees to related parties	724	916	2,071	2,757
Expense reimbursements to related parties—corporate	524	511	1,729	1,459
Expense reimbursements to related parties—lending segment	648	539	2,166	1,612
Interest	9,733	2,193	24,678	6,766
General and administrative	2,142	1,907	5,751	4,975
Transaction-related costs	38	201	3,398	201
Depreciation and amortization	16,082	5,093	46,056	15,071
Total Expenses	45,400	24,694	133,562	70,398
Income (loss) from unconsolidated entities	1,189	(204)	1,053	176
Gain on sale of real estate (Note 3)	—	—	1,104	—
(LOSS) INCOME BEFORE PROVISION FOR INCOME TAXES	(16,093)	(45)	(41,615)	5,816
Provision for income taxes	554	187	969	815
NET (LOSS) INCOME	(16,647)	(232)	(42,584)	5,001
Net loss (income) attributable to noncontrolling interests	874	(5)	2,501	(19)
NET (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY	(15,773)	(237)	(40,083)	4,982
Redeemable preferred stock dividends declared or accumulated (Note 11)	(6,809)	(6,584)	(18,341)	(16,763)
Redeemable preferred stock deemed dividends (Note 11)	—	—	—	(19)
Redeemable preferred stock redemptions (Note 11)	(352)	(4,863)	(1,040)	(5,044)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (22,934)	\$ (11,684)	\$ (59,464)	\$ (16,844)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS PER SHARE:				
Basic	\$ (1.01)	\$ (0.50)	\$ (2.62)	\$ (0.72)
Diluted	\$ (1.01)	\$ (0.50)	\$ (2.62)	\$ (0.72)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic	22,738	23,209	22,717	23,303
Diluted	22,738	23,209	22,717	23,303

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

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Equity

(In thousands, except share and per share amounts) (Unaudited)

	Nine Months Ended September 30, 2023								
	Common Stock		Preferred Stock		Additional Paid-in Capital	Distributions in Excess of Earnings	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Par Value	Shares	Par Value					
Balances, December 31, 2022	22,737,853	\$ 23	13,570,353	\$ 337,762	\$ 861,721	\$ (837,846)	\$ 361,660	\$ 373	\$ 362,033
Cumulative-effect adjustment upon adoption of ASU 2016-13 (Note 2)	—	—	—	—	—	(619)	(619)	—	(619)
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	5,002	5,002
Stock based compensation expense	—	—	—	—	55	—	55	—	55
Common dividends (\$0.085 per share)	—	—	—	—	—	(1,933)	(1,933)	—	(1,933)
Issuance of Series A1 Preferred Stock	—	—	1,032,433	25,569	(2,291)	—	23,278	—	23,278
Redemption of Series A1 Preferred Stock	—	—	(12,870)	(319)	28	(11)	(302)	—	(302)
Dividends to holders of Series A1 Preferred Stock (\$0.39563 per share)	—	—	—	—	—	(2,559)	(2,559)	—	(2,559)
Dividends to holders of Series D Preferred Stock (\$0.35313 per share)	—	—	—	—	—	(17)	(17)	—	(17)
Reclassification of Series A Preferred stock to permanent equity	—	—	389,325	9,699	(887)	—	8,812	—	8,812
Redemption of Series A Preferred Stock	—	—	(189,753)	(4,723)	403	(362)	(4,682)	—	(4,682)
Dividends to holders of Series A Preferred Stock (\$0.34375 per share)	—	—	—	—	—	(2,810)	(2,810)	—	(2,810)
Net loss	—	—	—	—	—	(6,951)	(6,951)	(625)	(7,576)
Balances, March 31, 2023	22,737,853	\$ 23	14,789,488	\$ 367,988	\$ 859,029	\$ (853,108)	\$ 373,932	\$ 4,750	\$ 378,682
Stock based compensation expense	—	—	—	—	37	—	37	—	37
Common dividends (\$0.085 per share)	—	—	—	—	—	(1,933)	(1,933)	—	(1,933)
Issuance of Series A1 Preferred Stock	—	—	1,195,589	29,582	(2,597)	—	26,985	—	26,985
Redemption of Series A1 Preferred Stock	—	—	(11,200)	(277)	23	(24)	(278)	—	(278)
Dividends to holders of Series A1 Preferred Stock (\$0.4425 per share)	—	—	—	—	—	(3,373)	(3,373)	—	(3,373)
Redemption of Series D Preferred Stock	—	—	(410)	(10)	—	—	(10)	—	(10)
Dividends to holders of Series D Preferred Stock (\$0.35313 per share)	—	—	—	—	—	(17)	(17)	—	(17)
Reclassification of Series A Preferred stock to permanent equity	—	—	300,846	7,462	(658)	—	6,804	—	6,804
Redemption of Series A Preferred Stock	—	—	(183,809)	(4,575)	401	(291)	(4,465)	—	(4,465)
Dividends to holders of Series A Preferred Stock (\$0.34375 per share)	—	—	—	—	—	(2,749)	(2,749)	—	(2,749)
Net loss	—	—	—	—	—	(17,359)	(17,359)	(1,002)	(18,361)
Balances, June 30, 2023	22,737,853	\$ 23	16,090,504	\$ 400,170	\$ 856,235	\$ (878,854)	\$ 377,574	\$ 3,748	\$ 381,322
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(38)	(38)
Stock based compensation expense	48,888	—	—	—	36	—	36	—	36
Common dividends (\$0.085 per share)	—	—	—	—	—	(1,937)	(1,937)	—	(1,937)
Issuance of Series A1 Preferred Stock	—	—	1,094,386	27,015	(2,314)	—	24,701	—	24,701
Redemption of Series A1 Preferred Stock	—	—	(30,941)	(760)	64	(41)	(737)	—	(737)
Dividends to holders of Series A1 Preferred Stock (\$0.47375 per share)	—	—	—	—	—	(4,116)	(4,116)	—	(4,116)
Dividends to holders of Series D Preferred Stock (\$0.35313 per share)	—	—	—	—	—	(17)	(17)	—	(17)
Redemption of Series A Preferred Stock	—	—	(187,759)	(4,676)	356	(311)	(4,631)	—	(4,631)
Dividends to holders of Series A Preferred Stock (\$0.34375 per share)	—	—	—	—	—	(2,676)	(2,676)	—	(2,676)
Net loss	—	—	—	—	—	(15,773)	(15,773)	(874)	(16,647)
Balances, September 30, 2023	22,786,741	\$ 23	16,966,190	\$ 421,749	\$ 854,377	\$ (903,725)	\$ 372,424	\$ 2,836	\$ 375,260

Nine Months Ended September 30, 2022

	Common Stock		Preferred Stock		Additional Paid-in Capital	Distributions in Excess of Earnings	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Par Value	Shares	Par Value					
Balances, December 31, 2021	23,369,331	\$ 24	11,715,354	\$ 310,661	\$ 866,746	\$ (804,227)	\$ 373,204	\$ 345	\$ 373,549
Stock based compensation expense	—	—	—	—	55	—	55	—	55
Common dividends (\$0.085 per share)	—	—	—	—	—	(1,986)	(1,986)	—	(1,986)
Dividends to holders of Series A Preferred Stock (\$0.34375 per share)	—	—	—	—	—	(2,896)	(2,896)	—	(2,896)
Dividends to holders of Series D Preferred Stock (\$0.35313 per share)	—	—	—	—	—	(21)	(21)	—	(21)
Reclassification of Series A Preferred stock to permanent equity	—	—	329,921	8,304	(637)	—	7,667	—	7,667
Redeemable preferred stock accretion	—	—	—	—	—	(15)	(15)	—	(15)
Redemption of Series A Preferred Stock	—	—	(49,341)	(1,228)	108	(75)	(1,195)	—	(1,195)
Net income	—	—	—	—	—	2,297	2,297	5	2,302
Balances, March 31, 2022	23,369,331	\$ 24	11,995,934	\$ 317,737	\$ 866,272	\$ (806,923)	\$ 377,110	\$ 350	\$ 377,460
Contributions to noncontrolling interests	—	—	—	—	—	—	—	5	5
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(3)	(3)
Stock based compensation expense	30,984	—	—	—	37	—	37	—	37
Repurchase of common stock	(41,374)	—	—	—	(303)	—	(303)	—	(303)
Common dividends (\$0.085 per share)	—	—	—	—	—	(1,986)	(1,986)	—	(1,986)
Issuance of Series A1 Preferred Stock	—	—	192,440	4,770	(416)	—	4,354	—	4,354
Dividends to holders of Series A1 Preferred Stock (\$0.37500 per share)	—	—	—	—	—	(79)	(79)	—	(79)
Dividends to holders of Series A Preferred Stock (\$0.34375 per share)	—	—	—	—	—	(2,960)	(2,960)	—	(2,960)
Dividends to holders of Series D Preferred Stock (\$0.35313 per share)	—	—	—	—	—	(21)	(21)	—	(21)
Reclassification of Series A Preferred stock to permanent equity	—	—	430,082	10,857	(1,189)	—	9,668	—	9,668
Redeemable preferred stock accretion	—	—	—	—	—	(4)	(4)	—	(4)
Redemption of Series A Preferred Stock	—	—	(88,225)	(2,188)	201	(106)	(2,093)	—	(2,093)
Net income	—	—	—	—	—	2,922	2,922	9	2,931
Balances, June 30, 2022	23,358,941	\$ 24	12,530,231	\$ 331,176	\$ 864,602	\$ (809,157)	\$ 386,645	\$ 361	\$ 387,006
Stock based compensation expense	—	—	—	—	55	—	55	—	55
Repurchase of common stock	(621,088)	(1)	—	—	(4,411)	—	(4,412)	—	(4,412)
Common dividends (\$0.085 per share)	—	—	—	—	—	(1,933)	(1,933)	—	(1,933)
Issuance of Series A1 Preferred Stock	—	—	2,667,001	64,720	(3,940)	—	60,780	—	60,780
Dividends to holders of Series A1 Preferred Stock (\$0.37500)	—	—	—	—	—	(1,708)	(1,708)	—	(1,708)
Dividends to holders of Series A Preferred Stock (\$0.34375 per share)	—	—	—	—	—	(2,880)	(2,880)	—	(2,880)
Dividends to holders of Series D Preferred Stock (\$0.35313 per share)	—	—	—	—	—	(22)	(22)	—	(22)
Dividends to holders of Series L Preferred Stock (\$1.12 per share)	—	—	—	—	—	(2,723)	(2,723)	—	(2,723)
Repurchase of Series L Preferred Stock	—	—	(2,435,284)	(69,089)	6,451	(4,779)	(67,417)	—	(67,417)
Reclassification of Series A Preferred stock to permanent equity	—	—	299,303	7,574	(536)	—	7,038	—	7,038
Redeemable preferred stock accretion	—	—	—	—	—	—	—	—	—
Redemption of Series A Preferred Stock	—	—	(58,742)	(1,463)	139	(84)	(1,408)	—	(1,408)
Net (loss) income	—	—	—	—	—	(237)	(237)	5	(232)
Balances, September 30, 2022	22,737,853	\$ 23	13,002,509	\$ 332,918	\$ 862,360	\$ (823,523)	\$ 371,778	\$ 366	\$ 372,144

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

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands) (Unaudited)

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (42,584)	\$ 5,001
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization, net	46,153	15,181
Gain on sale of real estate	(1,104)	—
Amortization of deferred debt origination costs	1,646	850
Amortization of premiums and discounts on debt	36	30
Unrealized premium adjustment	548	1,278
Amortization of deferred costs and accretion of fees on loans receivable, net	(279)	(399)
Write-offs of uncollectible receivables	160	215
Loss on interest rate caps	349	—
Deferred income taxes	28	15
Stock-based compensation	128	147
Income from unconsolidated entities	(1,053)	(176)
Loans funded, held for sale to secondary market	(13,468)	(27,205)
Proceeds from sale of guaranteed loans	13,560	27,875
Principal collected on loans subject to secured borrowings	1,434	631
Commitment fees remitted and other operating activity	(314)	(961)
Return on investment from unconsolidated entity	—	176
Changes in operating assets and liabilities:		
Accounts receivable	695	(587)
Other assets	(3,961)	(867)
Accounts payable and accrued expenses	18,376	2,601
Deferred leasing costs	(717)	(1,717)
Other liabilities	(4,455)	2,677
Due to related parties	1,584	3,526
Net cash provided by operating activities	16,762	28,291
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(10,895)	(6,394)
Acquisition of real estate	(96,731)	(10,776)
Proceeds from sale of real estate, net	31,419	—
Investment in unconsolidated entity	(7,218)	(22,408)
Distributions from unconsolidated entity	—	10,259
Loans funded	(8,550)	(8,751)
Principal collected on loans	9,108	14,436
Net cash used in investing activities	(82,867)	(23,634)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of revolving credit facilities, mortgages payable, term notes and principal on SBA 7(a) loan-backed notes	(194,239)	(94,952)
Proceeds from revolving credit facilities, term notes and mortgages	248,282	110,000
Proceeds from the issuance of SBA 7(a) loan-backed notes	54,141	—
Payment of principal on secured borrowings	(1,434)	(631)
Payment of deferred preferred stock offering costs	(665)	(845)
Payment of deferred debt origination costs	(3,164)	—
Payment of common dividends	(5,795)	(5,725)
Repurchase of Common Stock	—	(4,715)
Net proceeds from issuance of Preferred Stock	76,082	77,631
Payment of preferred stock dividends	(22,303)	(20,075)
Repurchase of Series L Preferred Stock	—	(67,417)
Redemption of Preferred Stock	(99,031)	(4,781)
Noncontrolling interests' distributions	(38)	(3)
Noncontrolling interests' contributions	—	5
Net cash provided by (used in) financing activities	51,836	(11,508)

(Continued)

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
(In thousands) (Unaudited)

	Nine Months Ended September 30,	
	2023	2022
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(14,269)	(6,851)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of period	57,480	33,651
End of period	\$ 43,211	\$ 26,800
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS:		
Cash and cash equivalents	\$ 19,261	\$ 14,794
Restricted cash	23,950	12,006
Total cash and cash equivalents and restricted cash	\$ 43,211	\$ 26,800
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 21,525	\$ 5,995
Federal income taxes paid	\$ 575	\$ 905
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditures, tenant improvements and real estate developments	\$ 1,555	\$ 3,561
Proceeds from the sale of real estate committed but not yet received	\$ 2,981	\$ —
Other amounts due from unconsolidated joint venture partners included in other assets	\$ 1,445	\$ —
Non-cash contributions to unconsolidated joint venture	\$ 8,600	\$ —
Accrued preferred stock offering costs	\$ 166	\$ 477
Accrual of dividends payable to common stockholders	\$ 1,937	\$ —
Accrual of dividends payable to preferred stockholders	\$ 2,307	\$ 5,285
Preferred stock offering costs offset against redeemable preferred stock	\$ 1,242	\$ 1,029
Reclassification of Series A Preferred Stock from temporary equity to permanent equity	\$ 15,616	\$ 24,373
Mortgage notes assumed in connection with our acquisition of real estate	\$ 181,318	\$ —
Redeemable preferred stock deemed dividends	\$ —	\$ 19
Accrued redeemable preferred stock fees	\$ 369	\$ 509
Acquisition of noncontrolling interests	\$ 5,002	\$ —
Equity-based payment for management fees	\$ —	\$ 4,083

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

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 (Unaudited)

1. ORGANIZATION AND OPERATIONS

Creative Media & Community Trust Corporation (formerly known as CIM Commercial Trust Corporation) (the “Company”), is a Maryland corporation and real estate investment trust (“REIT”). The Company primarily acquires, develops, owns and operates both premier multifamily properties situated in vibrant communities throughout the United States and Class A and creative office real assets in markets with similar business and employment characteristics to its multifamily investments. The Company also owns one hotel in northern California and a lending platform that originates loans under the Small Business Administration (“SBA”) 7(a) loan program. The Company seeks to apply the expertise of CIM Group Management, LLC (“CIM Group”) and its affiliates to the acquisition, development and operation of premier multifamily properties and creative office assets that cater to rapidly growing industries such as technology, media and entertainment in vibrant and emerging communities throughout the United States.

The Company’s 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.” The Company has authorized for issuance 900,000,000 shares of common stock and 100,000,000 shares of preferred stock (“Preferred Stock”).

Since June 2022, the Company has been conducting a continuous public offering with respect to shares of its Series A1 Preferred Stock, par value \$0.001 per share with an initial stated value of \$25.00 per share, subject to adjustment (Note 11).

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For more information regarding the Company’s significant accounting policies and estimates, please refer to “Basis of Presentation and Summary of Significant Accounting Policies” contained in Note 2 to the Company’s consolidated financial statements for the year ended December 31, 2022, included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 30, 2023.

Interim Financial Information—The accompanying interim consolidated financial statements of the Company have been prepared by the Company’s management in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Certain information and note disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the interim consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements. The accompanying financial information reflects all adjustments which are, in the opinion of the Company’s management, of a normal recurring nature and necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the interim periods. Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. The accompanying interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto, included in the 2022 Form 10-K.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. In determining whether the Company has controlling interests in an entity and the requirement to consolidate the accounts in that entity, the Company analyzes its investments in real estate in accordance with standards set forth in GAAP to determine whether they are variable interest entities (“VIEs”), and if so, whether the Company is the primary beneficiary. The Company’s judgment with respect to its level of influence or control over an entity and whether the Company is the primary beneficiary of a VIE involves consideration of various factors, including the form of the Company’s ownership interest, the Company’s voting interest, the size of the Company’s investment (including loans), and the Company’s ability to participate in major policy-making decisions. The Company’s ability to correctly assess its influence or control over an entity affects the presentation of these investments in real estate on the Company’s consolidated financial statements. As of September 30, 2023, the Company has determined that the trust formed for the benefit of the note holders (the “Trust”) for the securitization of the unguaranteed portion of certain of the Company’s SBA 7(a) loans receivable is considered a VIE. Applying the consolidation requirements for VIEs, 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. In addition, as of September 30, 2023, the Company has determined that its Unconsolidated Joint Ventures (as defined below) are considered VIEs. Applying the consolidation requirements for VIEs, the Company determined that it is not the primary beneficiary based on its lack of power to direct activities and its

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obligations to absorb losses and right to receive benefits. Therefore, the Unconsolidated Joint Ventures do not qualify for consolidation. The Company accounts for its investments in Unconsolidated Joint Ventures as equity method investments.

Investments in Real Estate—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	Lesser of useful life or lease term

The fair value of real estate acquired is recorded to acquired tangible assets, consisting primarily of land, land improvements, building and improvements, tenant improvements, 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.

Capitalized Project Costs

The Company capitalizes 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.

Recoverability of Investments in Real Estate—The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of its real estate assets may not be recoverable. Investments in real estate are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If, and when, such events or changes in circumstances are present, the recoverability of assets to be held and used requires significant judgment and estimates and is measured by a comparison of the carrying amount to the future undiscounted cash flows expected to be generated by the assets and their eventual disposition. If the undiscounted cash flows are less than the carrying amount of the assets, an impairment is recognized to the extent the carrying amount of the assets exceeds the estimated fair value of the assets. The process for evaluating real estate impairment requires management to make significant assumptions related to certain inputs, including rental rates, lease-up period, occupancy, estimated holding periods, capital expenditures, growth rates, market discount rates and terminal capitalization rates. These inputs require a subjective evaluation based on the specific property and market. Changes in the assumptions could have a significant impact on either the fair value, the amount of impairment charge, if any, or both. Any asset held for sale is reported at the lower of the asset's carrying amount or fair value, less costs to sell. When an asset is identified by the Company as held for sale, the Company will cease recording depreciation and amortization of the asset. The Company did not recognize any impairment of long-lived assets during the three and nine months ended September 30, 2023 and 2022 (Note 3).

Investments in Unconsolidated Entities—The Company accounts for its investments in the unconsolidated joint ventures (the “Unconsolidated Joint Ventures”) under the equity method, as the Company has the ability to exercise significant influence over the investments. The Unconsolidated Joint Ventures record their assets and liabilities at fair value. As such, the Company records its share of the Unconsolidated Joint Ventures’ unrealized gains or losses as well as its share of the revenues and expenses on a quarterly basis as an adjustment to the carrying value of the investment on the Company’s consolidated balance sheet and such share is recognized within the Company’s income from unconsolidated entities on the consolidated statements of operations.

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.

Accounting for changes in the fair value of a derivative instrument depends on the intended use and designation of the derivative instrument. The Company has interest rate caps that are used to manage exposure to interest rate movements, but do not meet the requirements to be designated as hedging instruments. The change in fair value of the derivative instruments that

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are not designated as hedges is recorded directly to earnings as interest expense on the accompanying consolidated statements of operations. See Note 8 for further disclosures about our derivative financial instruments and hedging activities.

Revenue Recognition—At the inception of a revenue-producing contract, the Company determines if a contract qualifies as a lease and if not, then as a customer contract. Based on this determination, the appropriate treatment in accordance with GAAP is applied to the contract, including its revenue recognition.

Revenue from leasing activities

The Company operates as a lessor of both office and multifamily real estate assets. When the Company enters into a contract or amends an existing contract, the Company evaluates if the contracts meet the definition of a lease using the following criteria:

- One party (lessor) must hold an identified asset;
- The counterparty (lessee) must have the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the contract; and
- The counterparty (lessee) must have the right to direct the use of the identified asset throughout the period of the contract.

The Company determined that the Company's contracts with its tenants explicitly identify the premises and that any substitution rights to relocate tenants to other premises within the same building stated in the contract are not substantive. Additionally, so long as payments are made timely under such contracts, the Company's tenants have the right to obtain substantially all the economic benefits from the use of the identified asset and can direct how and for what purpose the premises are used to conduct their operations. Therefore, the contracts with the Company's 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 probable 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, the Company determines whether the tenant improvements, for accounting purposes, are owned by the tenant or the Company. When the Company is 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. As of September 30, 2023 and December 31, 2022, lease incentives of \$3.9 million and \$3.9 million, respectively, are presented net of accumulated amortization of \$3.2 million and \$3.0 million, 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 and are included in rental and other property income in the period the expenses are incurred, with the corresponding expenses included in rental and other property operating expense. Tenant reimbursements are recognized and presented on a gross basis when the Company is 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. The Company has 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 the Company's leases.

In addition to minimum rents, certain leases, including the Company's parking leases with third-party operators, 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.

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For the three and nine months ended September 30, 2023 and 2022, the Company recognized rental income as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Rental and other property income				
Fixed lease payments ⁽¹⁾	\$ 14,579	\$ 11,649	\$ 42,251	\$ 34,833
Variable lease payments ⁽²⁾	2,482	2,545	7,748	7,651
Rental and other property income	\$ 17,061	\$ 14,194	\$ 49,999	\$ 42,484

- (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 the Company's operating leases plus cash payments from tenants deemed not probable of collection.

Collectability of Lease-Related Receivables

The Company continually reviews whether collection of lease-related receivables, including any straight-line rent, and current and future operating expense reimbursements from tenants is probable. The determination of whether collectability is probable takes into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. Upon the determination that the collectability of a receivable is not probable, the Company will record a reduction to rental and other property income and a decrease in the outstanding receivable. Revenue from leases where collection is deemed to be not probable is recorded on a cash basis until collectability becomes probable. Management's estimate of the collectability of lease-related receivables is based on the best information available at the time of estimate. The Company does not use a general reserve approach. As of September 30, 2023 and December 31, 2022, the Company had identified certain tenants where collection was no longer considered probable and decreased outstanding receivables by \$703,000 and \$387,000, respectively, across all operating leases.

Revenue from lending activities

Interest income included in interest and other income is comprised of interest earned on loans and the Company's short-term investments and the accretion of loan discounts. Interest income on loans is accrued as earned with the accrual of interest suspended when the related loan becomes a Non-Accrual Loan (as defined below).

Revenue from hotel activities

The Company recognizes revenue from hotel activities separate from its leasing activities. 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 when the good or service is delivered to the customer.

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At inception of a contract with a customer for hotel goods and services, the contractual price is equivalent to the transaction price as there are no elements of variable consideration to estimate.

The Company presents hotel revenues net of sales, occupancy, and other taxes.

Below is a reconciliation of the hotel revenue from contracts with customers to the total hotel segment revenue disclosed in Note 17 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Hotel properties				
Hotel income	\$ 7,485	\$ 7,965	\$ 29,590	\$ 24,476
Rental and other property income	367	453	1,259	1,275
Interest and other income	96	38	259	74
Hotel revenues	\$ 7,948	\$ 8,456	\$ 31,108	\$ 25,825

Tenant recoveries outside of the lease agreements

Tenant recoveries outside of the lease agreements are related to construction projects in which the Company’s tenants have agreed to fully reimburse the Company for all costs related to construction. These services include architectural, permit expeditor 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. No such amounts were recognized for tenant recoveries outside of the lease agreements for each of the three and nine months ended September 30, 2023 and 2022. As of September 30, 2023, there were no remaining performance obligations associated with tenant recoveries outside of the lease agreements.

Loans Receivable—The Company’s loans receivable are carried at their unamortized principal balance less unamortized acquisition discounts and premiums, retained loan discounts and reserves for expected credit losses. Acquisition discounts or premiums, origination fees and retained loan discounts are amortized as a component of interest and other income using the effective interest method over the expected life of the respective loans, or on a straight-line basis when it approximates the effective interest method. All loans were originated pursuant to programs sponsored by the Small Business Administration (the “SBA”) under the SBA 7(a) Small Business Loan Program (the “SBA 7(a) Program”).

Pursuant to the SBA 7(a) Program, the Company sells 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 the Company is recorded at fair value and a discount is recorded as a reduction in basis of the retained portion of the loan. Unamortized retained loan discounts were \$8.3 million and \$9.0 million as of September 30, 2023 and December 31, 2022, 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 the Company 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, on a Non-Accrual Loan is recognized on the cost recovery basis.

Current Expected Credit Losses—On January 1, 2023, the Company adopted Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments-Credit Losses*, and subsequent amendments (“ASU 2016-13”). The current expected credit losses (“CECL”) required under ASU 2016-13 reflects the Company’s current estimate of potential credit losses related to the Company’s loans receivable included in the consolidated balance sheets. The initial current expected credit losses recorded on January 1, 2023 is reflected as a direct charge to distributions in excess of earnings on the Company’s consolidated statements of equity; however subsequent changes to the current expected credit losses are recognized through net income on the Company’s consolidated statements of operations. While ASU 2016-13 does not require any particular method for determining the current expected credit losses, it does specify the allowance should be based on relevant information about past

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events, including historical loss experience, current portfolio and market conditions, and reasonable and supportable forecasts for the duration of each respective loan. In addition, other than a few narrow exceptions, ASU 2016-13 requires that all financial instruments subject to the credit loss model have some amount of loss reserve to reflect the GAAP principal underlying the credit loss model that all loans, debt securities, and similar assets have some inherent risk of loss, regardless of credit quality, subordinate capital, or other mitigating factors.

The Company estimates the current expected credit loss for its loans primarily using its historical experience with loan write-offs, historical charge-offs from third-party firms, and the Weighted Average Remaining Maturity method, which has been identified as an acceptable method for estimating CECL reserves in the Financial Accounting Standards Board (“FASB”) Staff Q&A Topic 326, No. 1. This method requires the Company to reference historical loan loss data across a comparable data set and apply such loss rate to each loan investment over its expected remaining term, taking into consideration expected economic conditions over the relevant timeframe. The Company considers loans that are both (i) expected to be substantially repaid through the operation or sale of the underlying collateral, and (ii) for which the borrower is experiencing financial difficulty, to be “collateral-dependent” loans. For such loans that the Company determines that foreclosure of the collateral is probable, the Company measures the expected losses based on the difference between the fair value of the collateral less costs to sell and the amortized cost basis of the loan as of the measurement date. For collateral-dependent loans with respect to which the Company determines foreclosure is not probable, the Company applies a practical expedient to estimate expected losses using the difference between the collateral’s fair value (less costs to sell the asset if repayment is expected through the sale of the collateral) and the amortized cost basis of the loan. The Company may use other acceptable alternative approaches in the future depending on, among other factors, the type of loan, underlying collateral, and availability of relevant historical market loan loss data.

The Company adopted ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost. The Company recorded a cumulative-effective adjustment to the opening distributions in excess of earnings in its consolidated statement of equity as of January 1, 2023 of \$619,000. This represents a total CECL reserve transition adjustment of approximately \$783,000, net of a \$164,000 deferred tax asset.

Prior to adoption, the Company considered a loan to be impaired when the Company did not expect to collect all of the contractual interest and principal payments as scheduled in the loan agreements. The Company also established a general loan loss reserve when available information indicated that it was probable a loss had occurred based on the carrying value of the portfolio and if the amount of the loss could be reasonably estimated. As of December 31, 2022, the Company had loan loss reserves of \$1.1 million, which is recorded as a reduction to the loans receivable, net balance on the consolidated balance sheet. As of September 30, 2023, the Company had a total current expected credit loss of \$1.7 million.

Deferred Rent Receivable and Charges—Deferred rent receivable and charges consist of deferred rent, deferred leasing costs, deferred offering costs (Note 11) deferred financing costs and other deferred costs. 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 offering costs represent direct costs incurred in connection with the Company’s offerings of Series A1 Preferred Stock (as defined below), Series A Preferred Stock (as defined below), and, after January 2020, Series A Preferred Stock (as defined below) and Series D Preferred Stock (as defined below), 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 securities issued in a given issuance to the maximum number of securities that are expected to be issued in the related offering. In the case of the Series A Preferred Stock issued prior to February 2020, the issuance-specific offering costs and the deferred offering costs allocated to such issuance were further allocated to the Series A Preferred Stock and Series A Preferred Warrants 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 financing costs related to the securing of a revolving line of credit are presented as an asset and amortized ratably over the term of the line of credit arrangement. As such, the Company’s current and corresponding prior period total deferred costs, net in the accompanying consolidated balance sheets relate only to the revolving loan portion of the credit facilities.

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As of September 30, 2023 and December 31, 2022, deferred rent receivable and charges consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Deferred rent receivable	\$ 16,771	\$ 20,949
Deferred leasing costs, net of accumulated amortization of \$10,100 and \$9,637, respectively	6,829	8,319
Deferred offering costs	5,185	5,664
Deferred financing costs, net of accumulated amortization of \$579 and \$30, respectively	1,614	2,120
Other deferred costs	491	491
Deferred rent receivable and charges, net	<u>\$ 30,890</u>	<u>\$ 37,543</u>

Redeemable Preferred Stock—Beginning on the date of original issuance of any given shares of Series A1 Preferred Stock, par value \$0.001 per share (“Series A1 Preferred Stock”), with an initial stated value of \$25.00 per share, subject to adjustment (the “Series A1 Preferred Stock Stated Value”), Series A Preferred Stock, par value \$0.001 per share (“Series A Preferred Stock”) with an initial stated value of \$25.00 per share, subject to adjustment (the “Series A Preferred Stock Stated Value”), or Series D Preferred Stock, par value \$0.001 per share (“Series D Preferred Stock”), with an initial stated value of \$25.00 per share, subject to adjustment (the “Series D Preferred Stock Stated Value”), the holder of such shares has the right to require the Company to redeem such shares, subject to certain limitations as discussed in Note 11. The Company records the activity related to the Series A1 Preferred Stock, Series A Preferred Warrants and Series D Preferred Stock in permanent equity. In the event a holder of Series A Preferred Stock requests redemption of such shares and such redemption takes place prior to the first anniversary of the date of original issuance, the Company is required to pay such redemption in cash. As a result, the Company recorded issuances of Series A Preferred Stock in temporary equity. On the first anniversary of the date of original issuance of a particular share of Series A Preferred Stock, the Company reclassifies 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.

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

Restricted Cash—The Company’s 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 the Company’s loans receivable and with its SBA 7(a) loan-backed notes.

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. The Company bases such estimates on historical experience, information available at the time, and assumptions the Company believes to be reasonable under the circumstances at such time. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements—In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which was subsequently amended by ASU No. 2018-19, Codification Improvements to Topic 326, *Financial Instruments - Credit Losses* (“ASU 2018-19”) in November 2018. Subsequently, the FASB issued ASU No. 2019-04, ASU No. 2019-05, ASU No. 2019-10, ASU No. 2019-11 and ASU No. 2020-02 to provide additional guidance on the credit losses standard. ASU 2016-13 and the related updates improve financial reporting requiring more timely recognition of credit losses on loans and other financial instruments that are not accounted for at fair value through net income, including loans held-for-investment, held-to-maturity debt securities, net investment in leases and other such commitments. ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The amendments in ASU 2016-13 require the Company to measure all expected credit losses based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets and eliminates the “incurred loss” methodology under current GAAP. ASU 2018-19 clarified that receivables arising from operating leases are not within the scope of Topic 326.

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Instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASU No. 2016-02, Leases (Topic 842). 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 was permitted for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2018. The Company adopted ASU 2016-13 and the related updates on January 1, 2023 and the adoption did not have a material impact.

On March 31, 2022, the FASB issued ASU No. 2022-02, *Troubled Debt Restructurings and Vintage Disclosures (Topic 326)* (“ASU 2022-02”). ASU 2022-02 eliminates the recognition and measurement guidance for troubled debt restructurings (“TDRs”) and, instead, requires that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. The ASU also enhances existing disclosure requirements and introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. The ASU became effective for the Company beginning January 1, 2023 and was applied prospectively. ASU 2022-02 did not have an impact on the Company’s consolidated financial statements for the three and nine months ended September 30, 2023.

In August 2023, the FASB issued ASU No. 2023-05, *Business Combinations-Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement (“ASU 2023-05”)*. ASU 2023-05 applies to the formation of a joint venture and requires a joint venture to initially measure all contributions received upon its formation at fair value. The guidance is intended to reduce diversity in practice and provide users of joint venture financial statements with more decision-useful information. The amendments are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. The Company does not believe the adoption of ASU 2023-05 will have a material impact on its consolidated financial statements and disclosures.

3. INVESTMENTS IN REAL ESTATE

Investments in real estate consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Land	\$ 175,709	\$ 151,727
Land improvements	5,863	1,837
Buildings and improvements	633,129	455,275
Furniture, fixtures, and equipment	11,585	4,339
Tenant improvements	25,114	34,372
Work in progress	15,437	12,863
Investments in real estate	866,837	660,413
Accumulated depreciation	(158,659)	(158,407)
Net investments in real estate	<u>\$ 708,178</u>	<u>\$ 502,006</u>

For the three months ended September 30, 2023 and 2022, the Company recorded depreciation expense of \$5.9 million and \$4.3 million, respectively. For the nine months ended September 30, 2023 and 2022, the Company recorded depreciation expense of \$16.6 million and \$12.8 million, respectively.

2023 Transactions—During the nine months ended September 30, 2023, the Company acquired an interest in the following properties from subsidiaries indirectly wholly-owned by a fund that is managed by affiliates of CIM Group. The purchases were accounted for as asset acquisitions.

Property	Asset Type	Date of Acquisition	Units	Interest Acquired	Purchase Price
					(in thousands)
Channel House	Multifamily ⁽¹⁾	January 31, 2023	333	89.4 %	\$ 134,615
F3 Land Site	Multifamily ⁽¹⁾	January 31, 2023	N/A	89.4 %	\$ 250
466 Water Street Land Site	Multifamily ⁽¹⁾	January 31, 2023	N/A	89.4 %	\$ 2,500
1150 Clay	Multifamily ⁽²⁾	March 28, 2023	288	98.1 %	\$ 145,500

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- (1) Transaction costs that were capitalized as a component of the assets acquired and liabilities assumed in connection with the acquisition of these property totaled \$37,000, which are not included in the purchase prices above. The building at Channel House also includes approximately 1,864 square feet of retail space. The F3 Land Site is currently being utilized as a surface parking lot.
- (2) Transaction costs that were capitalized as a component of the assets acquired and liabilities assumed in connection with the acquisition of this property totaled \$149,000, which are not included in the purchase price above. The building also includes approximately 3,968 square feet of retail space.

In addition, please see “Investments in Unconsolidated Entities” (Note 4) for information on the Company’s real estate acquisitions through its investments in unconsolidated entities.

The Company sold an interest in the following property during the nine months ended September 30, 2023.

Property	Asset Type	Date of Sale	Interest Sold	Sales Price	Gain on Sale
(in thousands)					
4750 Wilshire Boulevard ⁽¹⁾	Office / Multifamily	February 17, 2023	80.0 %	\$ 34,400	\$ 1,104

- (1) The Company sold 80% of its interest in 4750 Wilshire Boulevard (excluding a vacant land parcel which was not included in the sale) to co-investors with whom it formed the 4750 Wilshire JV (defined in Note 4). At the acquisition date, the Company received net proceeds of \$16.7 million and recorded a receivable of \$17.7 million. As of September 30, 2023, the remaining receivable was \$3.0 million and is included in other assets on the consolidated balance sheet. The Company owns a 20% interest in the 4750 Wilshire JV and accounts for its investment as an equity method investment as of September 30, 2023.

2022 Transactions—During the nine months ended September 30, 2022, the Company acquired a 100% fee-simple interest in the following properties from unrelated third-parties which transaction was accounted for as an asset acquisition.

Property	Asset Type	Date of Acquisition	Square Feet	Purchase Price
(in thousands)				
3109 S Western Avenue, Los Angeles, CA ⁽¹⁾	Multifamily	August 4, 2022	5,900	\$ 700
1007 E 7th Street, Austin, TX ⁽²⁾	Office	July 1, 2022	1,352	\$ 1,900
3022 S Western Avenue, Los Angeles, CA ⁽³⁾	Multifamily	May 20, 2022	6,000	\$ 5,650
3101 S Western Avenue, Los Angeles, CA ⁽⁴⁾	Multifamily Development Site	February 11, 2022	3,752	\$ 2,260

- (1) Transaction costs that were capitalized as a component of the assets acquired and liabilities assumed in connection with the acquisition of this property totaled \$11,000, which are not included in the purchase price above. The Company intends to redevelop approximately seven commercial units totaling 5,635 rentable square feet and six parking stalls starting in 2024.
- (2) Transaction costs that were capitalized as a component of the assets acquired and liabilities assumed in connection with the acquisition of this property totaled \$52,000, which are not included in the purchase price above. The property is located on a land site of approximately 7,450 square feet. The Company intends to complete predevelopment and entitlement work to provide optionality for future development.
- (3) Transaction costs that were capitalized as a component of the assets acquired and liabilities assumed in connection with the acquisition of this property totaled \$192,000, which are not included in the purchase price above. The property is located on a land site of approximately 28,300 square feet. The Company intends to entitle the property and develop approximately 119 residential units.

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- (4) Transaction costs that were capitalized as a component of the assets acquired and liabilities assumed in connection with the acquisition of this property totaled \$22,000, which are not included in the purchase price above. The property is located on a land site of approximately 11,300 square feet. The Company intends to entitle the property and develop approximately 40 residential units.

There were no dispositions during the nine months ended September 30, 2022.

The results of operations of the properties the Company acquired have been included in the consolidated statements of operations from the dates of acquisition. The following table summarizes the purchase price allocation of the aforementioned acquisitions during the nine months ended September 30, 2023 and 2022.

	Nine months ended September 30,	
	2023	2022
	(in thousands)	
Land	\$ 36,613	\$ 10,480
Land improvements	4,523	54
Buildings and improvements	206,717	164
Tenant improvements	—	47
Furniture, fixtures, and equipment	8,140	—
Acquired in-place leases (1)	27,210	68
Acquired above-market leases (2)	71	—
Acquired below-market leases (3)	(223)	(37)
Net assets acquired	<u>\$ 283,051</u>	<u>\$ 10,776</u>

- (1) The amortization period for the in-place leases acquired during the nine months ended September 30, 2023 was approximately 6 months at the date of acquisition.
- (2) The amortization period for the above-market leases acquired during the nine months ended September 30, 2023 was approximately 7 months at the date of acquisition.
- (3) The amortization period for the below-market leases acquired during the nine months ended September 30, 2023 was approximately 5 months at the date of acquisition.

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4. INVESTMENT IN UNCONSOLIDATED ENTITIES

The following table details the Company's equity method investments in its Unconsolidated Joint Ventures. See Note 2 - Basis of Presentation and Summary of Significant Accounting Policies (dollars in thousands):

Property	Asset Type	Location	Acquisition Date	Ownership Interest	Carrying Value	
					September 30, 2023	December 31, 2022
1910 Sunset Boulevard ⁽¹⁾	Office / Multifamily	Los Angeles, CA	February 11, 2022	44.2%	\$ 11,986	\$ 12,381
4750 Wilshire Boulevard ⁽²⁾	Office / Multifamily	Los Angeles, CA	February 17, 2023	20.0%	10,124	—
1902 Park Avenue ⁽³⁾	Multifamily	Los Angeles, CA	February 28, 2023	50.0%	7,142	—
Total investments in unconsolidated entities					\$ 29,252	\$ 12,381

- (1) 1910 Sunset Boulevard is an office building with 104,764 square feet of office space and 2,760 square feet of retail space. The plan for the property is to undertake a capital improvement program to renovate and modernize the building into creative office space as well as to build 36 multifamily units on the 1915 Park Avenue land parcel adjacent to the office building, for which the 1910 Sunset JV has received all necessary entitlements.
- (2) 4750 Wilshire Boulevard is a three-story office building with 30,335 square feet of office space located on the first floor. The remainder of the building is being converted into for-lease multifamily units.
- (3) 1902 Park Avenue is a 75-unit four-story multifamily building.

1910 Sunset Boulevard— In February 2022, the Company invested in a joint venture (the “1910 Sunset JV”) with a CIM-managed separate account (the “1910 Sunset JV Partner) to purchase an office property in Los Angeles, California for a gross purchase price of approximately \$51.0 million, of which the Company initially contributed approximately \$22.4 million and the 1910 Sunset JV Partner initially contributed the remaining balance. In September 2022, the 1910 Sunset JV obtained financing through a mortgage loan of \$23.9 million secured by the office property (the “1910 Sunset Mortgage Loan”). The Company provided a limited guarantee to the lender under the 1910 Sunset Mortgage Loan.

The Company recorded a loss of \$402,000 and \$683,000 related to its investment in the 1910 Sunset JV during the three and nine months ended September 30, 2023, respectively, and a loss of \$204,000 and income of \$176,000 during the three and nine months ended September 30, 2022, respectively, in the consolidated statements of operations. The Company's investment in the 1910 Sunset JV was \$12.0 million and its ownership percentage remained unchanged as of September 30, 2023.

4750 Wilshire Boulevard— In February 2023, three co-investors (the “4750 Wilshire JV Partners”) acquired an 80% interest in a property owned by a subsidiary of the Company located at 4750 Wilshire Boulevard in Los Angeles, California (“4750 Wilshire”) for a gross sales price of \$34.4 million (excluding transaction costs). The Company retained a 20% interest in 4750 Wilshire through a joint venture arrangement between the Company and the 4750 Wilshire JV Partners (the “4750 Wilshire JV”). The 4750 Wilshire JV Partners is converting two of the three floors of 4750 Wilshire from office-use into for-lease multifamily units, with the first floor of 4750 Wilshire continuing to function as 30,335 square feet of office space. The total cost of the conversion is expected to be approximately \$31.0 million, which will be financed by a combination of equity contributions from the 4750 Wilshire JV Partners and a third-party construction loan, secured by 4750 Wilshire, which closed in March 2023, that allows for total draws of \$38.5 million (the “4750 Wilshire Construction Loan”). The Company provided a limited guarantee to the lender, under the 4750 Wilshire Construction Loan. Pursuant to the co-investment agreement, the 4750 Wilshire JV Partners will pay an on-going management fee to the Company. In addition, the Company may earn incentive fees based on the performance of 4750 Wilshire after the conversion.

The Company recorded income of \$2.0 million and \$1.5 million related to its investment in the 4750 Wilshire JV during the three and nine months ended September 30, 2023, respectively, in the consolidated statements of operations. The Company's investment in the 4750 Wilshire JV was \$10.1 million and its ownership percentage remained unchanged as of September 30, 2023.

1902 Park Avenue— In February 2023, the Company and a CIM-managed interval fund (the “1902 Park JV Partner) purchased a multifamily property in the Echo Park neighborhood of Los Angeles, California for a gross purchase price of \$19.1 million (excluding transaction costs) (the “1902 Park JV”). The Company owns 50% of the 1902 Park JV. In connection

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with the closing in February 2023, the 1902 Park JV obtained financing through a mortgage loan of \$9.6 million secured by the multifamily property (the “1902 Park Mortgage Loan”). The Company provided a limited guarantee to the lender under the 1902 Park Mortgage Loan.

The Company recorded a loss of \$422,000 and income of \$216,000 related to its investment in the 1902 Park JV during the three and nine months ended September 30, 2023, respectively, in the consolidated statements of operations. The Company’s investment in the 1902 Park JV was \$7.1 million as of September 30, 2023.

5. LOANS RECEIVABLE

Loans receivable consist of the following (in thousands):

	September 30, 2023	December 31, 2022
SBA 7(a) loans receivable, subject to credit risk	\$ 5,329	\$ 56,116
SBA 7(a) loans receivable, subject to loan-backed notes	48,133	—
SBA 7(a) loans receivable, subject to secured borrowings	4,661	6,127
SBA 7(a) loans receivable, held for sale	2,809	117
Loans receivable	60,932	62,360
Deferred capitalized costs, net	1,176	1,293
Loan loss reserves (1)	(1,704)	(1,106)
Loans receivable, net	<u>\$ 60,404</u>	<u>\$ 62,547</u>

(1) On January 1, 2023, the Company adopted ASU 2016-13. As such, the amounts as of September 30, 2023 reflect the Company’s current estimate of potential credit losses related to the Company’s loans receivable.

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.

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 were reflected as loan-backed notes payable (Note 7). These loans were subject to credit risk.

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 was no credit risk associated with these loans since the SBA has guaranteed payment of the principal.

SBA 7(a) Loans Receivable, Held for Sale— Represents the government guaranteed portion of loans held for sale at the end of the period or that had been sold but in respect of which proceeds had not been received as of the end of the period.

Current Expected Credit Losses

Current expected credit losses (“CECL”) reflect the Company’s current estimate of potential credit losses related to loans receivable included in the Company’s consolidated balance sheets as of September 30, 2023 pursuant to ASU 2016-13 as implemented effective January 1, 2023. Refer to Note 2 for further discussion of CECL.

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The following table presents the activity in the Company's current expected credit losses for the nine months ended September 30, 2023 (dollar amounts in thousands):

	Loans Receivable	
Allowance for credit losses as of December 31, 2022	\$	1,106
Transition adjustment on January 1, 2023		783
Reserve for expected credit losses		51
Current expected credit losses as of March 31, 2023		1,940
Write-offs		(85)
Reserve for expected credit losses		(142)
Current expected credit losses as of June 30, 2023	\$	1,713
Reserve for expected credit losses		(9)
Current expected credit losses as of September 30, 2023	\$	1,704

The Company's initial estimate of its current expected credit losses against the loans receivable of \$783,000, net of a \$164,000 deferred tax asset, was recorded on January 1, 2023 directly to distributions in excess of earnings on the Company's consolidated statements of equity. Subsequent changes to the allowance for credit losses are recognized through net income on the Company's consolidated statements of operations. During the three and nine months ended September 30, 2023, the Company recorded a decrease of \$9,000 and \$100,000, respectively, in its current expected credit losses related to its loans receivable, which is recorded in general and administrative expenses in the consolidated statement of operations, and recorded a decrease due to write-offs of \$85,000 during the nine months ended September 30, 2023, bringing the total current expected credit loss to \$1.7 million as of September 30, 2023.

Other

As of September 30, 2023 and December 31, 2022, the Company's loans subject to credit risk were 100.0% and 99.9%, respectively, concentrated in the hospitality industry. As of September 30, 2023 and December 31, 2022, 99.0% and 98.4%, respectively, of the Company's loans subject to credit risk were current. The Company classifies loans with negative characteristics in substandard categories ranging from special mention to doubtful. As of September 30, 2023 and December 31, 2022, \$1.3 million and \$1.0 million, respectively, of loans subject to credit risk were classified in substandard categories.

6. OTHER INTANGIBLE ASSETS AND LIABILITIES

A schedule of the Company's intangible assets and liabilities and related accumulated amortization and accretion as of September 30, 2023 and December 31, 2022 is as follows (in thousands):

	September 30, 2023	December 31, 2022
Intangible assets:		
Acquired in-place leases, net of accumulated amortization of \$4,727 and \$7,795, respectively, with an average useful life of 6 and 8 years, respectively.	\$ 1,078	\$ 1,488
Acquired above-market leases, net of accumulated amortization of \$29 and \$39, respectively, with an average useful life of 7 and 6 years, respectively	8	16
Trade name and license	2,957	2,957
Total intangible assets, net	<u>\$ 4,043</u>	<u>\$ 4,461</u>
Intangible lease liabilities:		
Acquired below-market leases, net of accumulated amortization of \$5 and \$22, respectively, with an average useful life of 1 year as of December 31, 2022.	<u>\$ —</u>	<u>\$ 20</u>

Amortization of the acquired above-market leases is recorded as a reduction to rental and other property income, and amortization of the acquired in-place leases is included in depreciation and amortization in the accompanying consolidated statements of operations. Amortization of the acquired below-market leases is recorded as an increase to rental and other property income in the accompanying consolidated statements of operations.

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During the three and nine months ended September 30, 2023 and 2022, the Company recognized amortization related to its intangible assets and liabilities as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Acquired above-market lease amortization	\$ 21	\$ 3	\$ 79	\$ 9
Acquired in-place lease amortization	\$ 9,488	\$ 212	\$ 27,620	\$ 645
Acquired below-market lease amortization	\$ 93	\$ 67	\$ 243	\$ 196

A schedule of future amortization and accretion of acquired intangible assets and liabilities as of September 30, 2023, is as follows (in thousands):

Years Ending December 31,	Assets	
	Acquired Above-Market Leases	Acquired In-Place Leases
2023	\$ 2	\$ 93
2024	5	374
2025	1	171
2026	—	123
2027	—	123
Thereafter	—	194
	\$ 8	\$ 1,078

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7. DEBT

The following table summarizes the debt balances as of September 30, 2023 and December 31, 2022, and the debt activity for the nine months ended September 30, 2023 (in thousands):

	Balances as of December 31, 2022	During the Nine Months Ended September 30, 2023			Balances as of September 30, 2023
		Debt Issuances & Assumptions	Repayments	Accretion & (Amortization)	
Mortgages Payable:					
Fixed rate mortgage payable	\$ 97,100	\$ —	\$ —	\$ —	\$ 97,100
Variable rate mortgages payable	—	182,600	(16,000)	—	166,600
	97,100	182,600	(16,000)	—	263,700
Deferred debt origination costs — Mortgages Payable	(94)	(1,852)	—	749	(1,197)
Total Mortgages Payable	97,006	180,748	(16,000)	749	262,503
Secured Borrowings — Government Guaranteed Loans:					
Outstanding Balance	5,979	—	(1,434)	—	4,545
Unamortized premiums	258	—	—	(37)	221
Total Secured Borrowings — Government Guaranteed Loans	6,237	—	(1,434)	(37)	4,766
Other Debt:					
2022 credit facility revolver	—	247,000	(170,000)	—	77,000
2022 credit facility term loan	56,230	—	—	—	56,230
Junior subordinated notes	27,070	—	—	—	27,070
SBA 7(a) loan-backed notes	—	54,141	(8,239)	—	45,902
Deferred debt origination costs — other	(779)	(1,312)	—	368	(1,723)
Discount on junior subordinated notes	(1,497)	—	—	74	(1,423)
Total Other Debt	81,024	299,829	(178,239)	442	203,056
Total Debt, Net	\$ 184,267	\$ 480,577	\$ (195,673)	\$ 1,154	\$ 470,325

Fixed Rate Mortgage Payable—The Company's fixed rate mortgage payable is secured by a deed of trust on a property and assignments of rents receivable. As of September 30, 2023, the Company's fixed rate mortgage payable had a fixed interest rate of 4.14% per annum, with monthly payments of interest only, due on July 1, 2026. The loan is nonrecourse.

Variable Rate Mortgages Payable—The Company's variable rate mortgages payable are secured by a deed of trust on the respective properties and assignments of rents receivable. As of September 30, 2023, the Company's variable rate mortgages payable had a variable interest rates ranging from SOFR plus 3.25% - 3.35%, with monthly payments of interest only, due on various dates from June 7, 2024 to July 7, 2025 with extension options subject to certain conditions being met. In regards to the variable rate mortgage payable maturing on June 7, 2024, the Company expects to exercise its extension option or refinance such indebtedness prior to maturity. The loans are nonrecourse.

Secured Borrowings—Government Guaranteed Loans—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. As of September 30, 2023, the Company's secured borrowings-government guaranteed loans included \$3.0 million of loans sold for a premium and excess spread, with a variable rate, reset quarterly, based on prime rate with weighted average coupon rate of 8.79% at September 30, 2023, and \$1.6 million of loans sold for an excess spread, with a variable rate, reset quarterly, based on prime rate with weighted average coupon rate of 6.63% at September 30, 2023.

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2022 Credit Facility—In December 2022, the Company refinanced its 2018 credit facility and replaced it with a new 2022 credit facility, entered into with a bank syndicate, that includes a \$56.2 million term loan (the “2022 Credit Facility Term Loan”) as well as a revolver allowing the Company to borrow up to \$150.0 million (the “2022 Credit Facility Revolver”), both of which are collectively subject to a borrowing base calculation. The 2022 credit facility is secured by certain properties in the Company’s real estate portfolio: six office properties and one hotel property (as well as the hotel’s adjacent parking garage and retail property). The 2022 credit facility bears interest at (A) the base rate plus 1.50% or (B) SOFR plus 2.60%. As of September 30, 2023, the variable interest rate was 7.92%. The 2022 Credit Facility Revolver is also subject to an unused commitment fee of 0.15% or 0.25% depending on the amount of aggregate unused commitments. The 2022 credit facility is guaranteed by the Company and the Company is subject to certain financial maintenance covenants. The 2022 credit facility matures in December 2025 and provides for two one-year extension options under certain conditions, including providing notice of the election and paying an extension fee of 0.15% of each lender’s commitment being extended on the effective date of such extension. As of September 30, 2023 and December 31, 2022, \$73.0 million and \$150.0 million, respectively, was available for future borrowings.

Junior Subordinated Notes—The Company has junior subordinated notes with a variable interest rate which resets quarterly based on the three-month SOFR plus 3.51%, with quarterly interest only payments. The junior subordinated balance is due at maturity on March 30, 2035. The junior subordinated notes may be redeemed at par at the Company’s option.

SBA 7(a) Loan-Backed Notes—On March 9, 2023, the Company completed a securitization of the unguaranteed portion of certain of its SBA 7(a) loans receivable with the issuance of \$54.1 million of unguaranteed SBA 7(a) loan-backed notes (with net proceeds of approximately \$43.3 million, after payment of fees and expenses in connection with the securitization and the funding of a reserve account and an escrow account). The SBA 7(a) loan-backed notes are collateralized 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, 2048, with monthly payments due as payments on the collateralized loans are received. The SBA 7(a) loan-backed notes bear interest at a per annum rate equal to the lesser of (i) 30-day average compounded SOFR plus 2.90% and (ii) prime rate minus 0.35%. As of September 30, 2023, the variable interest rate was 8.14%. The Company reflects the SBA 7(a) loans receivable as assets on its consolidated balance sheet and the SBA 7(a) loan-backed notes as debt on its consolidated balance sheet. The restricted cash on the Company’s consolidated balance sheets included funds related to the Company’s SBA 7(a) loan-backed notes was \$6.4 million as of September 30, 2023.

Deferred debt issuance costs, which represent legal and third-party fees incurred in connection with the Company’s 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 debt issuance costs are presented net of accumulated amortization and are a reduction to total debt.

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As of September 30, 2023 and December 31, 2022, accrued interest and unused commitment fees payable of \$1.6 million and \$562,000, respectively, were included in accounts payable and accrued expenses.

Future principal payments on the Company's debt (face value) as of September 30, 2023 are as follows (in thousands):

Years Ending December 31,	Mortgage Payable	Secured Borrowings Principal ⁽¹⁾	2022 Credit Facility	Other ^{(1) (2)}	Total
2023 (Three months ending December 31, 2023)	\$ —	\$ 54	\$ —	\$ 798	\$ 852
2024	79,600	229	—	8,576	88,405
2025	87,000	248	133,230	7,767	228,245
2026	97,100	245	—	7,047	104,392
2027	—	289	—	6,436	6,725
Thereafter	—	3,480	—	42,348	45,828
	<u>\$ 263,700</u>	<u>\$ 4,545</u>	<u>\$ 133,230</u>	<u>\$ 72,972</u>	<u>\$ 474,447</u>

- (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. The Company's estimate of their repayment is based on scheduled payments on the underlying loans. The Company's estimate will differ from actual amounts to the extent the Company experiences prepayments and or loan liquidations or charge-offs.
- (2) Represents the junior subordinated notes and SBA 7(a) loan-backed notes.

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, the Company may use certain types of derivative instruments for the purpose of managing or hedging its interest rate risk. During the nine months ended September 30, 2023, the Company entered into two interest rate cap agreements in connection with the assumption of two mortgage loans.

The following table summarizes the terms of the Company's interest rate cap agreements as of September 30, 2023 (dollar amounts in thousands):

Balance Sheet Location		Outstanding Notional Amount as of September 30, 2023	Strike Rates ⁽¹⁾	Effective Dates	Maturity Dates	Fair Value of Assets as of September 30, 2023
Interest Rate Caps	Other assets	\$ 166,600	2.5% to 4.5%	8/07/2022 to 5/03/2023	6/07/2024 to 7/07/2025	\$ 2,966

- (1) The index used for the Company's interest rate cap agreements is 1-Month Term SOFR.

Additional disclosures related to the fair value of the Company's derivative instruments are included in Note 13. The notional amount under the derivative instruments is an indication of the extent of the Company's involvement in each instrument, but does not represent exposure to credit, interest rate or market risks.

Accounting for changes in the fair value of a derivative instrument depends on the intended use and designation of the derivative instrument. The Company has interest rate caps that are used to manage exposure to interest rate movements, but do not meet the requirements to be designated as hedging instruments. The change in fair value of the derivative instruments that are not designated as hedges is recorded directly to earnings as interest expense on the accompanying consolidated statements of operations.

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9. STOCK-BASED COMPENSATION PLANS

On April 3, 2015, the Company's board of directors (the "Board of Directors") unanimously approved the Company's Equity Incentive Plan (the "Equity Incentive Plan"), which was approved by the Company's stockholders. On June 27, 2023, the Equity Incentive Plan was amended by the Board of Directors, and subsequently approved by the Company's stockholders, to authorize additional shares of Common Stock for issuance as compensation. The Company has granted awards of restricted shares of Common Stock to each of the independent members of the Board of Directors under the Equity Incentive Plan as follows:

<u>Grant Date (1)</u>	<u>Vesting Date</u>	<u>Restricted Shares of Common Stock - Individual</u>	<u>Restricted Shares of Common Stock - Aggregate</u>
June 2022	June 2023	7,746	30,984
August 2023	August 2024	12,222	48,888

(1) Compensation expense related to these restricted shares of Common Stock is recognized over the vesting period, and generally vests based on one year of continuous service. The Company recorded compensation expense related to these restricted shares of Common Stock in the amount of \$36,000 and \$55,000 for the three months ended September 30, 2023 and 2022, respectively, and \$128,000 and \$147,000 for the nine months ended September 30, 2023 and 2022.

As of September 30, 2023, there was \$183,000 of total unrecognized compensation expense related to restricted shares of Common Stock which will be recognized ratably over the remaining vesting period.

10. EARNINGS PER SHARE ("EPS")

The computations of basic EPS are based on the Company's weighted average shares outstanding. No shares of Series D Preferred Stock, Series A Preferred Stock, or Series A1 Preferred Stock outstanding as of September 30, 2023 or 2022 were included in the computation of diluted EPS because they had no dilutive effect. Outstanding Series A Preferred Warrants were not included in the computation of diluted EPS for the three and nine months ended September 30, 2023 and 2022 because their impact was either anti-dilutive or such warrants were not exercisable during such periods (Note 12). Outstanding shares of Series L Preferred Stock were not included in the computation of diluted EPS for the three and nine months ended September 30, 2023 (because they were redeemed in January 2023) and 2022 (because such shares were not redeemable during such period).

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.

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The following table reconciles the numerator and denominator used in computing the Company's basic and diluted per-share amounts for net loss attributable to common stockholders for the three and nine months ended September 30, 2023 and 2022 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss attributable to common stockholders	\$ (22,934)	\$ (11,684)	\$ (59,464)	\$ (16,844)
Redeemable preferred stock dividends declared on dilutive shares	—	—	—	—
Diluted net loss attributable to common stockholders	<u>\$ (22,934)</u>	<u>\$ (11,684)</u>	<u>\$ (59,464)</u>	<u>\$ (16,844)</u>
Denominator:				
Basic weighted average shares of Common Stock outstanding	22,738	23,209	22,717	23,303
Effect of dilutive securities—contingently issuable shares	—	—	—	—
Diluted weighted average shares and common stock equivalents outstanding	<u>22,738</u>	<u>23,209</u>	<u>22,717</u>	<u>23,303</u>
Net loss attributable to common stockholders per share:				
Basic	<u>\$ (1.01)</u>	<u>\$ (0.50)</u>	<u>\$ (2.62)</u>	<u>\$ (0.72)</u>
Diluted	<u>\$ (1.01)</u>	<u>\$ (0.50)</u>	<u>\$ (2.62)</u>	<u>\$ (0.72)</u>

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11. REDEEMABLE PREFERRED STOCK

The table below provides information regarding the issuances, reclassifications and redemptions of each class of the Company's preferred stock in permanent equity during the three and nine months ended September 30, 2023 and 2022 (dollar amounts in thousands):

	Preferred Stock									
	Series A1		Series A		Series D		Series L		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balances, December 31, 2021	—	\$ —	6,271,337	\$ 156,431	56,857	\$ 1,396	5,387,160	\$ 152,834	11,715,354	\$ 310,661
Reclassification of Series A Preferred stock to permanent equity	—	—	329,921	8,304	—	—	—	—	329,921	8,304
Redemption of Series A Preferred Stock	—	—	(49,341)	(1,228)	—	—	—	—	(49,341)	(1,228)
Balances, March 31, 2022	—	\$ —	6,551,917	\$ 163,507	56,857	\$ 1,396	5,387,160	\$ 152,834	11,995,934	\$ 317,737
Issuance of Series A1 Preferred Stock	192,440	4,770	—	—	—	—	—	—	192,440	4,770
Reclassification of Series A Preferred stock to permanent equity	—	—	430,082	10,857	—	—	—	—	430,082	10,857
Redemption of Series A Preferred Stock	—	—	(88,225)	(2,188)	—	—	—	—	(88,225)	(2,188)
Balances, June 30, 2022	192,440	4,770	6,893,774	172,176	56,857	1,396	5,387,160	152,834	12,530,231	331,176
Issuance of Series A1 Preferred Stock	2,667,001	64,720	—	—	—	—	—	—	2,667,001	64,720
Repurchase of Series L Preferred Stock	—	—	—	—	—	—	(2,435,284)	(69,089)	(2,435,284)	(69,089)
Reclassification of Series A Preferred stock to permanent equity	—	—	299,303	7,574	—	—	—	—	299,303	7,574
Redemption of Series A Preferred Stock	—	—	(58,742)	(1,463)	—	—	—	—	(58,742)	(1,463)
Balances, September 30, 2022	2,859,441	\$ 69,490	7,134,335	\$ 178,287	56,857	\$ 1,396	2,951,876	\$ 83,745	13,002,509	\$ 332,918
Balances, December 31, 2022	5,956,147	\$ 147,514	7,565,349	\$ 189,048	48,857	\$ 1,200	—	\$ —	13,570,353	\$ 337,762
Issuance of Series A1 Preferred Stock	1,032,433	25,569	—	—	—	—	—	—	1,032,433	25,569
Redemption of Series A1 Preferred Stock	(12,870)	(319)	—	—	—	—	—	—	(12,870)	(319)
Reclassification of Series A Preferred stock to permanent equity	—	—	389,325	9,699	—	—	—	—	389,325	9,699
Redemption of Series A Preferred Stock	—	—	(189,753)	(4,723)	—	—	—	—	(189,753)	(4,723)
Balances, March 31, 2023	6,975,710	\$ 172,764	7,764,921	\$ 194,024	48,857	\$ 1,200	—	\$ —	14,789,488	\$ 367,988
Issuance of Series A1 Preferred Stock	1,195,589	29,582	—	—	—	—	—	—	1,195,589	29,582
Redemption of Series A1 Preferred Stock	(11,200)	(277)	—	—	—	—	—	—	(11,200)	(277)
Redemption of Series D Preferred Stock	—	—	—	—	(410)	(10)	—	—	(410)	(10)
Reclassification of Series A Preferred stock to permanent equity	—	—	300,846	7,462	—	—	—	—	300,846	7,462
Redemption of Series A Preferred Stock	—	—	(183,809)	(4,575)	—	—	—	—	(183,809)	(4,575)
Balances, June 30, 2023	8,160,099	\$ 202,069	7,881,958	\$ 196,911	48,447	\$ 1,190	—	\$ —	16,090,504	\$ 400,170

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	Preferred Stock									
	Series A1		Series A		Series D		Series L		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Issuance of Series A1 Preferred Stock	1,094,386	27,015	—	—	—	—	—	—	1,094,386	27,015
Redemption of Series A1 Preferred Stock	(30,941)	(760)	—	—	—	—	—	—	(30,941)	(760)
Redemption of Series A Preferred Stock	—	—	(187,759)	(4,676)	—	—	—	—	(187,759)	(4,676)
Balances, September 30, 2023	<u>9,223,544</u>	<u>\$ 228,324</u>	<u>7,694,199</u>	<u>\$ 192,235</u>	<u>48,447</u>	<u>\$ 1,190</u>	<u>—</u>	<u>\$ —</u>	<u>16,966,190</u>	<u>\$ 421,749</u>

Series A1 Preferred Stock—Since June 2022, the Company has been conducting a continuous public offering with respect to shares of its Series A1 Preferred Stock, par value \$0.001 per share with an initial stated value of \$25.00 per share, subject to adjustment. Shares of Series A1 Preferred Stock are recorded in permanent equity at the time of their issuance. As of September 30, 2023, the Company had issued in registered public offerings 9,088,485 shares of the Series A1 Preferred Stock and received gross proceeds of \$224.9 million, and additionally had issued 200,000 shares of Series A1 Preferred Stock as payment for services to the CIM Service Provider, LLC (the “Administrator”), for which no cash proceeds were received. In connection with the issuance of shares of Series A1 Preferred Stock, \$16.5 million of costs specifically identifiable to the offering of Series A1 Preferred Stock was allocated to the Series A1 Preferred Stock. Such costs include commissions, dealer manager fees and other offering fees and expenses but do not include non-issuance-specific costs of \$10.2 million related to the Company’s offering of Series A Preferred Stock, Series A Preferred Warrants, Series A1 Preferred Stock and Series D Preferred Stock. As of September 30, 2023, the Company had reclassified and allocated \$3.1 million from deferred charges to Series A1 Preferred Stock as a reduction to the gross proceeds received. Such reclassification was based on the cumulative number of securities issued relative to the maximum number of securities expected to be issued under the offering.

As of September 30, 2023, there were 9,223,544 shares of Series A1 Preferred Stock outstanding and 64,941 shares of Series A1 Preferred Stock had been redeemed.

Series A Preferred Stock—The Company conducted a continuous public offering of Series A Preferred Stock (with each issued share of Series A Preferred Stock, initially accompanied by one warrant (“Series A Preferred Warrant”) to purchase 0.25 of a share of Common Stock, subject to adjustment) from October 2016 through January 2020. Proceeds and expenses from the sale were allocated to the Series A Preferred Stock and Series A Preferred Warrants using their relative fair values on the date of issuance.

From February 2020 through June 2022, the Company conducted a continuous public offering with respect to shares of the Company’s Series A Preferred Stock, which, since February 2020, was no longer being issued as a unit with an accompanying Series A Preferred Warrant. In June 2022, the Company concluded the offering of Series A Preferred Stock.

As of September 30, 2023, the Company had issued in registered public offerings 8,251,657 shares of Series A Preferred Stock and 4,603,287 Series A Preferred Warrants and received gross proceeds of \$205.4 million and \$761,000, respectively, and additionally, had issued 568,681 shares of Series A Preferred Stock as payment for services to the Administrator, for which no cash proceeds were received. In connection with the cumulative issuance of Series A Preferred Stock and Series A Preferred Warrants, \$17.0 million and \$142,000 of costs specifically identifiable to the offering of the Series A Preferred Stock and Series A Preferred Warrants, respectively, were allocated to the Series A Preferred Stock and Series A Preferred Warrants, respectively. Such costs include commissions, dealer manager fees and other offering fees and expenses but do not include non-issuance-specific costs of \$10.2 million related to the Company’s offering of Series A Preferred Stock, Series A Preferred Warrants, Series A1 Preferred Stock and Series D Preferred Stock. As of September 30, 2023, the Company had reclassified and allocated \$1.9 million and \$5,000 from deferred 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 securities issued relative to the maximum number of securities expected to be issued under the offering.

Net proceeds from the issuance of shares of Series A Preferred Stock were initially recorded in temporary equity at an amount equal to the gross proceeds allocated to such shares of Series A Preferred Stock minus the costs specifically identifiable to the issuance of such shares and the non-issuance specific offering costs allocated to such shares. If the net proceeds from the issuance of shares of Series A Preferred Stock were less than the redemption value of such shares at the time they were issued, or if the redemption value of such shares subsequently becomes greater than the carrying value of such shares, an adjustment was recorded to increase the carrying amount of such shares to their redemption value as of the balance sheet date. Such adjustment was considered a deemed dividend for purposes of calculating basic and diluted EPS. During the three and nine months ended September 30, 2023, the Company recorded no redeemable preferred stock deemed dividends related to such

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adjustments. During the three and nine months ended September 30, 2022, the Company recorded redeemable preferred stock deemed dividends of \$0 and \$19,000, respectively, related to such adjustments.

On the first anniversary of the issuance of a particular share of Series A Preferred Stock, the Company reclassifies 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. As of September 30, 2023, the Company had reclassified an aggregate of \$199.6 million in net proceeds from temporary equity to permanent equity.

As of September 30, 2023, there were 7,694,199 shares of Series A Preferred Stock outstanding and 1,126,139 shares of Series A Preferred Stock had been redeemed.

Series D Preferred Stock—From February 2020 through June 2022, the Company conducted a continuous public offering with respect to shares of its Series D Preferred Stock, par value \$0.001 per share, subject to adjustment. The selling price of the Series D Preferred Stock was \$25.00 per share for all sales that occurred from the beginning of the offering to and including June 28, 2020 and \$24.50 per share thereafter. Shares of Series D Preferred Stock were recorded in permanent equity at the time of their issuance. In June 2022, the Company concluded the offering of its Series D Preferred Stock.

As of September 30, 2023, the Company had issued in registered public offerings 56,857 shares of Series D Preferred Stock and received gross proceeds of \$1.4 million. In connection with such issuance, \$35,000 of costs specifically identifiable to the offering of Series D Preferred Stock were allocated to the Series D Preferred Stock. Such costs include commissions, dealer manager fees and other offering fees and expenses but do not include non-issuance-specific costs of \$10.2 million related to the Company's offering of Series A Preferred Stock, Series A Preferred Warrants, Series A1 Preferred Stock and Series D Preferred Stock. As of September 30, 2023, the Company had reclassified and allocated \$13,000 from from deferred charges to Series D Preferred Stock as a reduction to the gross proceeds received. Such reclassification was based on the cumulative number of securities issued relative to the maximum number of securities expected to be issued under the offering.

As of September 30, 2023, there were 48,447 shares of Series D Preferred Stock outstanding and 8,410 shares of Series D Preferred Stock had been redeemed.

Series L Preferred Stock—On November 21, 2017, the Company 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. The Company received gross proceeds of \$229.3 million from the sale of the Series L Preferred Stock, which was reduced by issuance-specific offering costs.

On September 15, 2022, the Company repurchased 2,435,284 shares of its Series L Preferred Stock in a privately negotiated transaction (the "Series L Repurchase"). The shares were repurchased at a purchase price of \$27.40 per share (a 3.4% discount to the stated value of \$28.37 per share) plus \$1.12 per share of accrued and unpaid dividends (or \$2.7 million accrued and unpaid dividends in the aggregate). The total cost to complete the Series L Repurchase, including transactions costs of \$700,000 (or \$0.29 per share), was \$70.1 million. In connection with the Series L Repurchase, the Company recognized redeemable preferred stock redemptions of \$4.8 million on its consolidated statement of operations for the three months ended September 30, 2022. The \$4.8 million of redeemable preferred stock redemptions represents the difference between the repurchase price (including \$0.29 per share of transaction costs) and the carrying value of the repurchased Series L Preferred Stock (representing the stated value of \$28.37 per share reduced by \$2.65 per share of stock offering costs).

Dividends—With respect to the payment of dividends or the distribution of amounts upon liquidation, dissolution or winding-up, the Series A1 Preferred Stock, the Series A Preferred Stock and Series D Preferred Stock rank on parity with respect to each other and senior to the Common Stock.

Holders of Series A1 Preferred Stock are entitled to receive, if, as and when authorized by the Company's Board of Directors, and declared by the Company out of legally available funds, cumulative cash dividends (the "Series A1 Dividend") on each share of Series A1 Preferred Stock at the greater of (i) an annual rate of 6.0% of the Series A1 Preferred Stock Stated Value (i.e., the equivalent of \$0.3750 per share per quarter) and (ii) the Federal Funds (Effective) Rate for such quarter and plus 2.5% of the Series A1 Preferred Stock Stated Value divided by four, up to a maximum of 2.5% of the Series A1 Preferred Stock Stated Value per quarter. Holders of Series A Preferred Stock are entitled to receive, if, as and when authorized by the Company's Board of Directors, and declared by the Company out of legally available funds, cumulative cash dividends on each share of Series A Preferred Stock at an annual rate of 5.50% of the Series A Preferred Stock Stated Value (i.e., the equivalent of \$0.34375 per share per quarter) (the "Series A Dividend"). Holders of Series D Preferred Stock are entitled to receive, if, as and when authorized by the Company's Board of Directors, and declared by the Company out of legally available funds, cumulative

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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 A1 Preferred Stock, Series A Preferred Stock and Series D Preferred Stock begin accruing on, and are cumulative from, the date of issuance.

The Company expects to pay the Series A1 Dividend, Series A Dividend and Series D Dividend in arrears on a monthly basis in accordance with the foregoing provisions, unless the Company’s results of operations, 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 A1 Dividend, Series A Dividend and the Series D Dividend will be determined by the Company’s Board of Directors, in its sole discretion, and may vary from time to time.

During the nine months ended September 30, 2023, the Company paid \$9.3 million, \$8.3 million, \$52,000 and \$4.6 million of cash dividends on the Series A1 Preferred Stock, Series A Preferred Stock, Series D Preferred Stock and Series L Preferred Stock, respectively. During the nine months ended September 30, 2022, the Company paid \$384,000, \$8.5 million, \$60,000 and \$11.1 million of cash dividends on the Series A1 Preferred Stock, Series A Preferred Stock, Series D Preferred Stock and Series L Preferred Stock, respectively.

Redemptions—The Company’s Series A1 Preferred Stock, Series A Preferred Stock and Series D Preferred Stock are redeemable at the option of the holder or the Company. The redemption schedule of the Series A1 Preferred Stock, Series A Preferred Stock and Series D Preferred Stock allows redemptions at the option of the holder of Series A1 Preferred Stock, Series A Preferred Stock or Series D Preferred Stock from the date of original issuance of any such shares at the Series A1 Preferred Stock Stated Value, Series A Preferred Stock Stated Value or Series D Preferred Stock Stated Value, respectively, less a redemption fee applicable prior to the fifth anniversary of the issuance of such shares, plus accrued and unpaid dividends. The Company has the right to redeem the Series A1 Preferred Stock after the date that is twenty-four months following the original issuance of such shares of Series A1 Preferred Stock at the Series A1 Preferred Stock Stated Value, plus accrued and unpaid dividends. The Company has the right to redeem the Series A Preferred Stock or Series D Preferred Stock after the fifth anniversary of the date of original issuance of such shares at the Series A Preferred Stock Stated Value or Series D Preferred Stock Stated Value, respectively, plus accrued and unpaid dividends. With respect to redemptions of the Series A1 Preferred Stock, Series A Preferred Stock or Series D Preferred Stock, at the Company’s discretion, the redemption price will be paid in cash and/or in Common Stock based on the volume weighted average price of the Company’s Common Stock for the 20 trading days prior to the redemption; provided that the redemption price of any shares of Series A Preferred Stock redeemed prior to the first anniversary of the date of original issuance of such shares must be paid in cash.

The Company redeemed all outstanding shares of Series L Preferred Stock in cash in January 2023. The total cost to complete the redemption, including transaction costs of \$93,000, was \$83.8 million. The accrued and unpaid dividends on the redeemed shares of Series L Preferred Stock through December 31, 2022 of \$1.56 per share (or \$4.6 million accrued and unpaid dividends in the aggregate) were also paid January 25, 2023.

12. STOCKHOLDERS’ EQUITY

Dividends

Holders of the Company’s Common Stock are entitled to receive dividends, if, as and when authorized by the Board of Directors and declared by the Company out of legally available funds. In determining the Company’s dividend policy, the Board of Directors considers many factors including the amount of cash resources available for dividend distributions, capital spending plans, cash flow, the Company’s 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

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does not necessarily correlate directly to any individual factor. Cash dividends per share of Common Stock paid in respect of the nine months ended September 30, 2023 and 2022 consist of the following:

Declaration Date	Payment Date	Type	Cash Dividend Per Share of Common Stock
September 27, 2023	October 23, 2023	Regular Quarterly	\$ 0.085
June 27, 2023	July 24, 2023	Regular Quarterly	\$ 0.085
March 20, 2023	April 11, 2023	Regular Quarterly	\$ 0.085
September 22, 2022	October 17, 2022	Regular Quarterly	\$ 0.085
June 10, 2022	July 5, 2022	Regular Quarterly	\$ 0.085
March 8, 2022	April 1, 2022	Regular Quarterly	\$ 0.085

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 and one Series A Preferred Warrant that could be exercised to purchase 0.25 of a share of Common Stock. 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 was at a 15.0% premium to the per share estimated NAV of the Company's Common Stock then most recently published and designated as the applicable NAV. 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 the Company's 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 Stock and Series A Preferred Warrants were allocated to the Series A Preferred Stock and Series A Preferred Warrants using their relative fair values on the date of issuance. As of September 30, 2023, the Company had 2,141,183 Series A Preferred Warrants outstanding to purchase 551,550 shares of Common Stock in connection with the Company's offering of Series A Preferred Units and allocated net proceeds of \$421,000, after specifically identifiable offering costs and allocated general offering costs, to the Series A Preferred Warrants in permanent equity.

Share Repurchase Program

In May 2022, the Company's Board of Directors approved a repurchase program of up to \$10.0 million of the Company's Common Stock (the "SRP"). Under the SRP, the Company, in its discretion, may purchase shares of its Common Stock from time to time in the open market or in privately negotiated transactions. The amount and timing of purchases of shares will depend on a number of factors, including, without limitation, the price and availability of shares, trading volume, general market conditions and compliance with applicable securities law. The SRP has no termination date and may be suspended or discontinued at any time.

There were no repurchases during the three and nine months ended September 30, 2023. As of September 30, 2023, the Company had repurchased 662,462 shares of Common Stock for \$4.7 million.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determines 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

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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.

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

The following describes the methods the Company uses to estimate the fair value of the Company’s financial assets and liabilities.

Debt—The carrying amounts of the Company’s secured borrowings - government guaranteed loans, SBA 7(a) loan-backed notes, 2022 Credit Facility Revolver and variable rate mortgages payable approximate their fair values, as the interest rates on these securities are variable and approximate current market interest rates. The Company determines the fair value of mortgage notes payable and junior subordinated notes by performing discounted cash flow analyses using an appropriate market discount rate. The Company calculates the market discount rate for its mortgage notes payable by obtaining period-end treasury or swap rates, as applicable, for maturities that correspond to the maturities of the Company’s debt and then adding an appropriate credit spread. These credit spreads take into account factors such as the Company’s credit standing, the maturity of the debt, whether the debt is secured or unsecured, and the loan-to-value ratios of the debt. When estimating the fair value of the Company’s mortgages payable as of September 30, 2023 and December 31, 2022, the Company used a rate of 7.69% and 6.48%, respectively. The rate used to estimate the fair value of the Company’s junior subordinated notes was 9.91% and 9.02% as of September 30, 2023 and December 31, 2022, respectively.

Loans Receivable—The Company determines 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. The value of the government guaranteed portions of loans held for sale is based primarily on the anticipated proceeds to be received upon sale. The following summarizes the ranges of discount rates and prepayment rates used to arrive at the estimated fair values of the Company’s loans receivable:

	September 30, 2023		December 31, 2022	
	Discount Rate	Prepayment Rate	Discount Rate	Prepayment Rate
SBA 7(a) loans receivable, subject to credit risk	8.80% - 12.00%	4.88% - 17.50%	11.00% - 11.25%	5.00% - 17.00%
SBA 7(a) loans receivable, subject to loan-backed notes	10.25% - 12.00%	4.88% - 17.50%	N/A	N/A
SBA 7(a) loans receivable, subject to secured borrowings	11.25% - 11.75%	5.00% - 17.50%	11.00% - 11.25%	5.00% - 17.00%

Derivative Instruments — The Company’s derivative instruments are comprised of interest rate caps. All derivative instruments are carried at fair value and are valued using Level 2 inputs. The fair value of these instruments is determined using interest rate market pricing models. In addition, credit valuation adjustments are incorporated into the fair values to account for the Company’s potential nonperformance risk and the performance risk of the respective counterparties.

Other Financial Instruments—The carrying amounts of the Company’s cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued expenses approximate their fair values due to their short-term maturities at

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September 30, 2023 and December 31, 2022. Due to the short-term maturities of these instruments, Level 1 inputs are utilized to estimate the fair value of these financial instruments.

The estimated fair values of those financial instruments which are not recorded at fair value on a recurring basis on the Company's consolidated balance sheets are as follows (dollar amounts in thousands):

	September 30, 2023		December 31, 2022		Level
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	
Assets:					
SBA 7(a) loans receivable, subject to credit risk	\$ 5,412	\$ 5,184	\$ 56,237	\$ 58,432	3
SBA 7(a) loans receivable, subject to loan-backed notes	\$ 47,456	\$ 50,360	\$ —	\$ —	3
SBA 7(a) loans receivable, subject to secured borrowings	\$ 4,675	\$ 4,765	\$ 6,158	\$ 6,237	3
SBA 7(a) loans receivable, held for sale	\$ 2,861	\$ 2,981	\$ 152	\$ 126	3
Liabilities:					
Fixed rate mortgage payable ⁽¹⁾	\$ 97,100	\$ 88,349	\$ 97,100	\$ 90,002	2, 3
Junior subordinated notes ⁽¹⁾	\$ 27,070	\$ 25,216	\$ 27,070	\$ 25,067	3

(1) The carrying amounts for the mortgage payable and junior subordinated notes represents the principal outstanding amounts, excluding deferred debt issuance costs and discounts.

14. RELATED-PARTY TRANSACTIONS

Asset Management and Other Fees to Related Parties

Asset Management Fees; Administrative Fees and Expenses—CIM Urban Partners, L.P., a wholly-owned subsidiary of the Company, and CIM Capital, LLC, an affiliate of CIM Group ("CIM Capital"), have an investment management agreement, pursuant to which CIM Urban engaged CIM Capital to provide certain services to CIM Urban (the "Investment Management Agreement"). CIM Capital has 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 Capital and its four wholly-owned subsidiaries.

The Company and its subsidiaries have 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 provides, or arranges for other service providers to provide, management and administration services to the Company and its subsidiaries. Pursuant to the Master Services Agreement, the Company appointed an affiliate of CIM Group as the administrator of Urban Partners GP, LLC.

On January 5, 2022, the Company and certain of its subsidiaries entered into a Fee Waiver (the "Fee Waiver") with the Operator and the Administrator with respect to fees that are payable to them. The Fee Waiver is effective retroactively to January 1, 2022 (the "Effective Date"). Pursuant to the Fee Waiver, the Administrator agreed to voluntarily waive any fees in excess of those set forth in the Fee Waiver, to the extent it would otherwise have been entitled to such additional compensation under the Master Service Agreement, and the Operator agreed to voluntarily waive any fees in excess of those set forth in the Fee Waiver, to the extent it would otherwise have been entitled to such additional compensation under the Investment Management Agreement. Following the end of each quarter, the Administrator will deliver to the Company (i) a calculation of the cumulative fees earned by the Operator and the Administrator under the methodology prescribed by the Fee Waiver from the Effective Date through the end of such quarter and (ii) a calculation of the cumulative fees that would have been earned by the Operator and the Administrator during such period under the Master Services Agreement and the Investment Management Agreement without giving effect to the Fee Waiver. If, in respect of any quarter, the aggregate fees that are payable under the methodology prescribed by the Fee Waiver exceed the aggregate fees that would have been payable under the Master Services Agreement and the Investment Management Agreement, without giving effect to the Fee Waiver, such quarter will be deemed an "Excess Quarter". For any quarter following an Excess Quarter, the Company (upon the direction of the independent members of the Board) may, at its option and upon written notice to Administrator, elect to calculate all fees due to the

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Administrator and the Operator in accordance with the Master Services Agreement and the Investment Management Agreement, without giving effect to the Fee Waiver, from and after such Excess Quarter. Any such election by the Company will be irrevocable, and all fees due to the Administrator and the Operator from and after such election will be calculated in accordance with the Master Services Agreement and the Investment Management Agreement, without giving effect to the Fee Waiver.

The fees payable to the Operator and the Administrator are determined as follows under the Fee Waiver.

1. **Base Fee:** A base asset management fee (the “Base Fee”) is payable quarterly in arrears to the Operator in an amount equal to an annual rate of 1% (or 0.25% per quarter) of the average of the “Net Asset Value Attributable to Common Stockholders” as of the first and last day of the applicable quarter. Net Asset Value Attributable to Common stockholders is defined as (a) the sum of the Company’s (1) investments in real estate at fair value, (2) cash, (3) loans receivable at fair value and (4) the book value of the other assets of the Company, excluding deferred costs and net of other liabilities at book value, less (b) the Company’s (i) debt at face value, (ii) outstanding preferred stock at stated value, and (iii) non-controlling interests at book value; provided, that, non-controlling interests in any UPREIT operating partnership relating to the Company shall not be excluded.

Subject to applicable laws and regulations under Nasdaq and the TASE and the agreement of the Operator, the Company will pay the Base Fee owed with respect to the first quarter of 2022 in shares of its Series A Preferred Stock and it is likely that the Company will pay some or part of the remainder of the Base Fees incurred during the year ended December 31, 2022 in shares of Series A Preferred Stock.

2. **Incentive Fee:** An incentive fee (the “Revised Incentive Fee”) is payable quarterly in arrears to the Administrator with respect to the quarterly core funds from operations in excess of a quarterly threshold equal to 1.75% (i.e., 7.00% on an annualized basis) of the Company’s “Adjusted Common Equity” (as defined below) for such quarter (“Excess Core FFO”) as follows: (i) no Revised Incentive Fee in any quarter in which the Excess Core FFO is \$0; (ii) 100% of any Excess Core FFO up to an amount equal to the product of (x) the average of the Adjusted Common Equity as of the first and last day of the applicable quarter and (y) 0.4375%; and (iii) 20% of any Excess Core FFO thereafter. Revised Incentive Fees payable for any partial quarter will be appropriately prorated.

“Adjusted Common Equity” means Common Equity plus Excluded Depreciation and Amortization. “Common Equity” means Total Stockholders’ Equity minus Excluded Equity. “Total Stockholders’ Equity” means the amount reflected as total stockholders’ equity in accordance with GAAP on the consolidated balance sheet of the Company and its subsidiaries as of the last day of a given quarter. “Excluded Equity” means the sum of all preferred securities of the Company and its subsidiaries classified as permanent equity in accordance with GAAP on the consolidated balance sheet of the Company and its subsidiaries as of the last day of a given quarter. “Excluded Depreciation and Amortization” means, for a given quarter, the amount of all accumulated depreciation and amortization of (i) the Company and its subsidiaries and (ii) to the extent allocable to the Company and its subsidiaries, the unconsolidated affiliates, in each case as of the last day of such quarter that corresponds to the periodic depreciation and amortization expense calculated in each case in accordance with GAAP that is a permitted add back to net income calculated in accordance with GAAP when calculating funds from operations.

3. **Capital Gains Fee:** A capital gains fee (the “Capital Gains Fee”) is payable quarterly in arrears to the Administrator in an amount equal to (i) 15% of the cumulative aggregate realized capital gains minus the cumulative aggregate realized capital losses (in each case since the Effective Date), minus (ii) the aggregate capital gains fees paid since the Effective Date. Realized capital gains and realized capital losses are calculated by subtracting from the sales price of a property: (a) any costs incurred to sell such property, and (b) the current gross value of the property (meaning the property’s original acquisition price plus any subsequent, non-reimbursed capital improvements thereon paid for by the Company).

Pursuant to the Investment Management Agreement, the asset management fee prior to January 1, 2022 fee was calculated (without giving effect to the Fee Waiver) as a percentage of the daily average adjusted fair value of CIM Urban’s assets as follows (dollar amounts in thousands):

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

Asset management fees are included in asset management and other fees to related parties in the accompanying consolidated statements of operations.

Under the Master Services Agreement, for fiscal quarters prior to April 1, 2020, the Company paid a base service fee (the “Base Service Fee”) to the Administrator initially set at \$1.0 million per year (subject to an annual escalation by a specified inflation factor beginning on January 1, 2015), payable quarterly in arrears. On May 11, 2020, the Master Services Agreement was amended to replace the Base Service Fee with an incentive fee pursuant to which the Administrator was entitled to receive, on a quarterly basis, 15.00% of the Company’s quarterly core funds from operations in excess of a quarterly threshold equal to 1.75% (i.e., 7.00% on an annualized basis) of the Company’s average Adjusted Common Equity (defined above) for such quarter. The amendment was effective as of April 1, 2020 and was further modified by the Fee Waiver described above. No such incentive fee was paid by the Company.

In addition, pursuant to the terms of the Master Services Agreement, the Administrator may receive compensation and or reimbursement for performing certain services for the Company and its subsidiaries that are not covered by the Base Service Fee. During the nine months ended September 30, 2023 and 2022, such services performed by the Administrator and its affiliates included accounting, tax, reporting, internal audit, legal, compliance, risk management, IT, human resources, corporate communications, operational and on-going support in connection with the Company’s offering of Preferred Stock. The Administrator’s compensation is based on the salaries and benefits of the employees of the Administrator and or its affiliates who performed these services (allocated based on the percentage of time spent on the affairs of the Company and its subsidiaries). The expense for such services is included in expense reimbursements to related parties - corporate in the accompanying consolidated statements of operations.

Property Management Fees and Reimbursements—CIM Management, Inc. and certain of its affiliates (collectively, the “CIM Management Entities”), all affiliates of CIM Group, provide property management, leasing, and development services to properties owned by the Company. Property management fees earned by the CIM Management entities and onsite management costs incurred are included in rental and other property operating expenses in the accompanying consolidated statements of operations, with the exception of certain onsite management costs which are capitalized in some cases. Leasing commissions earned are capitalized to deferred charges on the accompanying consolidated balance sheets. Construction management fees and development management reimbursements are capitalized to investments in real estate on the accompanying consolidated balance sheets.

Lending Segment Expenses—The Company has a Staffing and Reimbursement Agreement with CIM SBA Staffing, LLC (“CIM SBA”), an affiliate of CIM Group, and the Company’s subsidiary, PMC Commercial Lending, LLC. The agreement provides that CIM SBA will provide personnel and resources to the Company and that the Company will reimburse CIM SBA for the costs and expenses of providing such personnel and resources. The expense for such services is included in expense reimbursements to related parties—lending segment in the accompanying consolidated statements of operations.

Offering-Related Fees—CCO Capital, LLC (“CCO Capital”) became the exclusive dealer manager for the Company’s public offering of the Series A Preferred Stock and Series A Preferred Warrants effective as of May 31, 2019. CCO Capital is a registered broker dealer and is under common control with the Operator and the Administrator. The Company’s offering of the Series A Preferred Warrants 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 acted as the exclusive dealer manager for the Company’s public offering of its Series A Preferred Stock and Series D Preferred Stock. The Second Amended and Restated Dealer Manager Agreement was subsequently amended by the Company and CCO Capital to address changes to, among other things, selling commissions and dealer manager fees.

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On June 16, 2022, the Company entered into the Third Amended and Restated Dealer Manager Agreement, pursuant to which CCO Capital has been acting as the exclusive dealer manager for the Company's public offering of its Series A1 Preferred Stock. Thereunder, the Company agreed to compensate CCO Capital, as the dealer manager for the offering, as follows: (1) a dealer manager fee of up to 3.00% of the selling price of each share of Series A1 Preferred Stock sold and (2) selling commissions of up to 7.00% of the selling price of each share of Series A1 Preferred Stock sold. The Company has been informed that CCO Capital generally reallows 100% of the selling commissions on sales of Series A1 Preferred Stock and generally reallows substantially all of the dealer manager fee on sales of Series A1 Preferred Stock, to participating broker-dealers. In addition, pursuant to the Third Amended and Restated Dealer Manager Agreement, CCO Capital will no longer solicit or make any offers for the sale of shares of Series A Preferred Stock or Series D Preferred Stock.

The Company recorded fees and expense reimbursements as shown in the table below for services provided by related parties related to the services described above during the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30, 2023	
	2023	2022	2023	2022
Asset Management Fees:				
Asset management fees ⁽¹⁾	\$ 724	\$ 916	\$ 2,071	\$ 2,757
Property Management Fees and Reimbursements:				
Property management fees ⁽²⁾	\$ 551	\$ 442	\$ 1,579	\$ 1,293
Onsite management and other cost reimbursements ⁽³⁾	\$ 1,707	\$ 922	\$ 4,238	\$ 2,153
Leasing commissions ⁽⁴⁾	\$ 27	\$ 635	\$ 103	\$ 740
Construction management fees ⁽⁵⁾	\$ 112	\$ 102	\$ 282	\$ 300
Development management reimbursements ⁽⁶⁾	\$ 327	\$ —	\$ 980	\$ —
Administrative Fees and Expenses:				
Expense reimbursements to related parties - corporate	\$ 524	\$ 511	\$ 1,729	\$ 1,459
Lending Segment Expenses:				
Expense reimbursements to related parties - lending segment ⁽⁷⁾	\$ 648	\$ 539	\$ 2,166	\$ 1,612
Offering-Related Fees:				
Upfront dealer manager and trailing dealer manager fees ⁽⁸⁾	\$ 337	\$ 778	\$ 1,027	\$ 1,052
Non-issuance specific offering costs ⁽⁹⁾	\$ 154	\$ 230	\$ 460	\$ 319

- (1) The Company issued to the Operator 36,843 and 36,779 shares of Series A1 Preferred Stock in lieu of cash payment for the asset management fees incurred during the three months ended March 31, 2022 and June 30, 2022, respectively.
- (2) Does not include the company's share of the property management fees from the Unconsolidated Joint Ventures of \$20,000 and \$57,000 for the three and nine months ended September 30, 2023, respectively, and \$13,000 and \$28,000 for the three and nine months ended September 30, 2022, respectively.
- (3) Does not include the Company's share of the onsite management and other cost reimbursements from the Unconsolidated Joint Ventures of \$114,000 and \$255,000 for the three and nine months ended September 30, 2023, respectively, and \$33,000 and \$66,000 for the three and nine months ended September 30, 2022, respectively.
- (4) Does not include the Company's share of the leasing commissions from the Unconsolidated Joint Ventures of \$18,000 and \$32,000 for the three and nine months ended September 30, 2023, respectively, and \$4,000 for the three and nine months ended September 30, 2022, respectively.
- (5) Does not include the Company's share of the construction management fees from the Unconsolidated Joint Ventures of \$26,000 and \$85,000 for the three and nine months ended September 30, 2023, respectively, and \$6,000 and \$9,000 for the three and nine months ended September 30, 2022.
- (6) Does not include the Company's share of the development management reimbursements from the Unconsolidated Joint Ventures of \$135,000 and \$322,000 for the three and nine months ended September 30, 2023, respectively.
- (7) Expense reimbursements to related parties - lending segment do not include personnel costs capitalized to deferred loan origination costs of \$6,000 and \$67,000 for the three and nine months ended September 30, 2023, respectively, and \$118,000 and \$316,000 for the three and nine months ended September 30, 2022, respectively.

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- (8) Represents fees earned by CCO Capital and allocated to Series A1 Preferred Stock, Series A Preferred Stock and Series D Preferred Stock.
- (9) As of September 30, 2023 and September 30, 2022, \$2.6 million and \$2.6 million, respectively, was included in deferred costs as reimbursable expenses incurred pursuant to the Master Services Agreement and the then applicable dealer manager agreement with CCO Capital. These non-issuance specific costs are allocated against the gross proceeds from the sale of the Series A1 Preferred Stock, Series A Preferred Stock and Series D Preferred Stock on a pro rata basis for each issuance as a percentage of the total offering.

As of September 30, 2023 and December 31, 2022, due to related parties consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Asset management fees	\$ 677	\$ 812
Property management fees and reimbursements	2,701	1,214
Expense reimbursements - corporate	524	466
Expense reimbursements - lending segment	202	124
Upfront dealer manager and trailing dealer manager fees	327	454
Non-issuance specific offering costs	107	17
Other amounts due (from) to the CIM Management Entities and certain of its affiliates	201	68
Total due to related parties	<u>\$ 4,739</u>	<u>\$ 3,155</u>

Affiliate Investments

In February 2022, the Company invested with the 1910 Sunset JV Partner, a CIM-managed separate account, in the 1910 Sunset JV which purchased an office property in Los Angeles, California for a gross purchase price of approximately \$51.0 million, of which the Company initially contributed approximately \$22.4 million and the 1910 Sunset JV Partner initially contributed the remaining balance. See Note 2 and Note 4 for more information.

In February 2023, the Company and the 1902 Park JV Partner invested in the 1902 Park JV, which purchased a multifamily property in the Echo Park neighborhood of Los Angeles, California for a gross purchase price of \$19.1 million. The Company owns 50% of the 1902 Park JV. In connection with the closing in February 2023, the 1902 Park JV obtained financing of \$9.6 million through the 1902 Park Mortgage Loan. The Company and the 1902 Park JV Partner both initially contributed \$6.6 million to the 1902 Park JV. See Note 2 and Note 4 for more information.

During the nine months ended September 30, 2023, the Company acquired an interest in four assets from entities indirectly wholly-owned by a fund that is managed by affiliates of CIM Group for \$282.9 million (exclusive of transactions costs). See Note 3 and Note 7 for more information.

Other

On May 15, 2019, an affiliate of CIM Group entered into an approximately 11-year lease for approximately 32,000 rentable square feet with respect to a property owned by the Company (4750 Wilshire). The lease was amended on August 7, 2019 to reduce the rentable square feet to approximately 30,000 rentable square feet. In February 2023, the Company sold an 80% interest in 4750 Wilshire and now holds its retained 20% interest in the property through the 4750 Wilshire JV. Prior to the sale, for the three months ended March 31, 2023, the Company recorded rental and other property income related to this tenant of \$194,000 and for the three and nine months ended September 30, 2022, recorded rental and other property income from the tenant of \$370,000 and \$1.1 million respectively. For the three and nine months ended September 30, 2023, the Company's share of the income from the tenant earned by the 4750 Wilshire JV was \$80,000 and \$170,000, respectively.

15. COMMITMENTS AND CONTINGENCIES

Loan Commitments—Commitments to extend credit are agreements to lend to a customer when the terms established in the contract are met. The Company's outstanding commitments to fund loans were \$25.9 million as of September 30, 2023, all of which are for prime-based loans to be originated by the Company's subsidiary engaged in SBA 7(a) Small Business Loan 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.

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General—In connection with the ownership and operation of real estate properties, the Company has certain obligations for the payment of tenant improvement allowances and lease commissions in connection with new leases and renewals. The Company had a total of \$5.8 million in future obligations under leases to fund tenant improvements and other future construction obligations as of September 30, 2023. As of September 30, 2023, \$2.5 million was funded to reserve accounts included in restricted cash on the Company's consolidated balance sheet for these tenant improvement obligations in connection with the mortgage loan agreement entered into in June 2016.

Employment Agreements—The Company has an employment agreement with one of its officers. Under certain circumstances, this employment agreement 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 officer.

Litigation—The Company is not currently involved in any material pending or threatened legal proceedings nor, to the Company's knowledge, are any material legal proceedings currently threatened against the Company, other than routine litigation arising in the ordinary course of business. In the normal course of business, the Company is periodically party to certain legal actions and proceedings involving matters that are generally incidental to the Company's 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 the Company's business, financial condition, results of operations, cash flow or the Company's ability to satisfy its debt service obligations or to maintain its level of distributions on Common Stock or Preferred Stock.

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, the Company is unable to estimate a range of potential losses due to the complexity and current status of the lawsuit. However, the Company maintains 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 the Company's business, financial condition, results of operations, cash flow or the Company's ability to satisfy its debt service obligations or to maintain the level of distributions on the Company's 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 PPP or the SBA 7(a) Small Business Loan Program, the SBA may seek recovery of the principal loss related to the deficiency from the Company. As of September 30, 2023, the Company serviced an aggregate of \$232.6 million of the guaranteed portion of SBA 7(a) loans. 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 the Company in the event that a loss is deemed to be attributable to technical deficiencies. Based on historical experience, the Company does not expect that this contingency is probable to be asserted. However, if asserted, it could have a material adverse effect on the Company's business, financial condition, results of operations, cash flow or the Company's ability to satisfy its debt service obligations or to maintain its level of distributions on Common Stock or Preferred Stock.

Environmental Matters—In connection with the ownership and operation of real estate properties, the Company may be potentially liable for costs and damages related to environmental matters, including asbestos-containing materials. The Company has not been notified by any governmental authority of any noncompliance, liability, or other claim in connection with any of the properties, and the Company is not aware of any other environmental condition with respect to any of the properties that management believes will have a material adverse effect on the Company's business, financial condition, results of operations, cash flow or the Company's ability to satisfy its debt service obligations or to maintain its level of distributions on Common Stock or Preferred Stock.

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16. LEASES

Future minimum rental revenue under long-term operating leases as of September 30, 2023, excluding tenant reimbursements of certain costs, are as follows (excludes unconsolidated properties, in thousands):

Years Ending December 31,	Total
2023 (Three months ending December 31, 2023)	\$ 15,362
2024	55,767
2025	31,305
2026	22,781
2027	15,202
Thereafter	49,118
	<u>\$ 189,535</u>

17. SEGMENT DISCLOSURE

The Company's reportable segments during the three and nine months ended September 30, 2023 consist of three types of commercial real estate properties, namely, office, hotel and multifamily, as well as a segment for the Company's lending business. The Company's reportable segments during the three and nine months ended September 30, 2022 consist of two types of commercial real estate properties, namely, office and hotel, as well as a segment for the Company's lending business. Management internally evaluates the operating performance and financial results of the segments based on net operating income. The Company also has 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 the notes to the Company's audited consolidated financial statements for the year ended December 31, 2022 included in the 2022 Form 10-K.

For the Company's real estate segments, the Company defines net operating income (loss) 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 (benefit) for income taxes. For the Company's lending segment, the Company defines net operating income as interest income net of interest expense and general overhead expenses.

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The net operating income (loss) of the Company's segments for the three and nine months ended September 30, 2023 and 2022 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Office:				
Revenues	\$ 14,049	\$ 14,043	\$ 41,511	\$ 42,225
Property expenses:				
Operating	6,267	7,249	19,159	19,772
General and administrative	75	71	232	196
Total property expenses	6,342	7,320	19,391	19,968
Income (loss) from unconsolidated entities	1,611	(204)	837	176
Segment net operating income—office	9,318	6,519	22,957	22,433
Hotel:				
Revenues	7,948	8,456	31,108	25,825
Property expenses:				
Operating	6,030	6,052	20,912	17,728
General and administrative	(3)	27	17	79
Total property expenses	6,027	6,079	20,929	17,807
Segment net operating income—hotel	1,921	2,377	10,179	8,018
Multifamily:				
Revenues	3,331	—	8,632	—
Property expenses:				
Operating	3,212	—	7,642	—
General and administrative	88	—	400	—
Total property expenses	3,300	—	8,042	—
(Loss) income from unconsolidated entity	(422)	—	216	—
Segment net operating (loss) income—multifamily	(391)	—	806	—
Lending:				
Revenues	2,570	2,353	8,243	7,987
Lending expenses:				
Interest expense	1,177	134	2,737	360
Expense reimbursements to related parties—lending segment	648	539	2,166	1,612
General and administrative	379	489	1,092	1,387
Total lending expenses	2,204	1,162	5,995	3,359
Segment net operating income—lending	366	1,191	2,248	4,628
Total segment net operating income	\$ 11,214	\$ 10,087	\$ 36,190	\$ 35,079

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A reconciliation of segment net operating income to net income attributable to the Company for the three and nine months ended September 30, 2023 and 2022 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total segment net operating income	\$ 11,214	\$ 10,087	\$ 36,190	\$ 35,079
Interest and other income	220	1	296	1
Asset management and other fees to related parties	(724)	(916)	(2,071)	(2,757)
Expense reimbursements to related parties—corporate	(524)	(511)	(1,729)	(1,459)
Interest expense	(8,556)	(2,059)	(21,941)	(6,406)
General and administrative	(1,603)	(1,353)	(4,010)	(3,370)
Transaction-related costs	(38)	(201)	(3,398)	(201)
Depreciation and amortization	(16,082)	(5,093)	(46,056)	(15,071)
Gain on sale of real estate	—	—	1,104	—
(Loss) income before provision for income taxes	(16,093)	(45)	(41,615)	5,816
Provision for income taxes	(554)	(187)	(969)	(815)
Net (loss) income	(16,647)	(232)	(42,584)	5,001
Net loss (income) attributable to noncontrolling interests	874	(5)	2,501	(19)
Net (loss) income attributable to the Company	<u>\$ (15,773)</u>	<u>\$ (237)</u>	<u>\$ (40,083)</u>	<u>\$ 4,982</u>

The condensed assets for each of the segments as of September 30, 2023 and December 31, 2022, along with capital expenditures and loan originations for the nine months ended September 30, 2023 and 2022, are as follows (in thousands):

	September 30, 2023	December 31, 2022
Condensed assets:		
Office	\$ 417,307	\$ 471,677
Hotel	97,805	99,082
Multifamily	284,303	—
Lending	79,329	76,148
Non-segment assets	19,312	43,341
Total assets	<u>\$ 898,056</u>	<u>\$ 690,248</u>

	Nine Months Ended September 30,	
	2023	2022
Capital expenditures⁽¹⁾ and loan originations:		
Office	\$ 5,236	\$ 7,008
Hotel	1,939	197
Multifamily	6,075	—
Total capital expenditures	13,250	7,205
Loan originations	22,018	35,956
Total capital expenditures and loan originations	<u>\$ 35,268</u>	<u>\$ 43,161</u>

(1) Represents additions and improvements to real estate investments, excluding acquisitions. Includes the activity for dispositions through their respective disposition dates.

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 (Unaudited) – (Continued)

18. SUBSEQUENT EVENTS

On October 10, 2023, the Company and a co-investor affiliated with CIM Group acquired from an unrelated third-party a 100% fee-simple interest in a plot of land located in the Sycamore media district of Los Angeles, California for a gross purchase price of \$18.0 million. The property has a site area of approximately 44,141 square feet. The Company owns approximately 28.8% of this property. The site is being evaluated for different development options.

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), 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," "should" or "goal" or the negative thereof or other variations or similar words or phrases. Such forward-looking statements also include, among others, statements about our plans and objectives relating to future growth and outlook. Such forward-looking statements are based on particular assumptions that our management has made in light of its experience, as well as its perception of expected future developments and other factors that it believes are appropriate under the circumstances. Forward-looking statements are necessarily estimates reflecting the judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include those associated with (i) the timing, form, and operational effects of our development activities, (ii) our ability to raise in place rents to existing market rents and to maintain or increase occupancy levels, (iii) fluctuations in market rents, (iv) the effects of inflation and higher interest rates on our operations and profitability and (v) general economic, market and other conditions. Additional important factors that could cause our actual results to differ materially from our expectations are discussed under the section "Risk Factors" in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 30, 2023 (the "2022 Form 10-K"). The forward-looking statements included herein are based on current expectations and there can be no assurance that these expectations will be attained. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements 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 as may be required by applicable securities laws.

The following discussion of our financial condition as of September 30, 2023 and results of operations for the three and nine months ended September 30, 2023 and 2022 should be read in conjunction with the 2022 Form 10-K. For a more detailed description of the risks affecting our financial condition and results of operations, see "Risk Factors" in Part I, Item 1A of the 2022 Form 10-K and in Part II, Item 1A of this Quarterly Report. Capitalized terms used herein, but not otherwise defined, shall have the meaning ascribed to those terms in "Part I — Financial Information" of this Quarterly Report on Form 10-Q, including the notes to the consolidated financial statements contained therein. The terms "we," "us," "our" and the "Company" refer to Creative Media & Community Trust Corporation and its subsidiaries.

Definitions

We use certain defined terms throughout this Quarterly Report on Form 10-Q that have the following meanings:

The phrase "ADR" represents average daily rate. It is calculated as trailing nine-month room revenue divided by the number of rooms occupied. For sold properties, ADR is presented for the Company's period of ownership only.

The phrase "annualized rent" represents gross monthly base rent, or gross monthly contractual rent under parking and retail leases, multiplied by 12. This amount reflects total cash rent before abatements. Where applicable, annualized rent has been grossed up by adding annualized expense reimbursements to base rent.

The phrase "RevPAR" represents revenue per available room. It is calculated as trailing nine-month room revenue divided by the number of available rooms. For sold properties, RevPAR is presented for the Company's period of ownership only.

Executive Summary

Business Overview

Creative Media & Community Trust Corporation (formerly known as CIM Commercial Trust Corporation) is a Maryland corporation and REIT. We primarily acquire, develop, own and operate both premier multifamily properties situated in vibrant communities throughout the United States and Class A and creative office real assets in markets with similar business and employment characteristics to our multifamily investments. We seek to apply the expertise of CIM Group to the acquisition, development and operation of premier multifamily properties and creative office assets that cater to rapidly growing industries such as technology, media and entertainment. All of our real estate assets are and will generally be located in communities qualified by CIM Group as described further below. 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.

CIM is headquartered in Los Angeles, CA, with offices in Atlanta, GA, Chicago, IL, Dallas, TX, London, UK, New York, NY, Orlando, FL, Phoenix, AZ, and Tokyo, Japan. CIM also maintains additional offices across the United States, as well as in Korea and Hong Kong to support its platform.

Properties

As of September 30, 2023, our real estate portfolio consisted of 26 assets, all of which were fee-simple properties, including two office properties (one of which is being partially converted into multifamily units and one of which also includes a multifamily development site) and one multifamily property, which we own through our investment in unconsolidated joint ventures (the “Unconsolidated Joint Ventures”). As of September 30, 2023, our 13 office properties, totaling approximately 1.3 million rentable square feet, were 82.6% occupied, our one hotel with an ancillary parking garage, which has a total of 503 rooms, had RevPAR of \$149.01 for the nine months ended September 30, 2023 and our three multifamily properties were 84.1% occupied. Additionally, as of September 30, 2023, we had eight development sites (with two being used as parking lots).

Strategy

We are a Maryland corporation and REIT. Our portfolio of investments currently consists of premier multifamily, Class A and creative office real assets in vibrant and improving metropolitan communities throughout the United States. We also own one hotel in northern California and a lending platform that originates loans under the Small Business Administration (“SBA”) 7(a) loan program. We seek to apply the expertise of CIM Group to the acquisition, development and operation of premier multifamily properties situated in vibrant communities throughout the United States. We also seek to acquire, develop and operate creative office assets that cater to rapidly growing industries such as technology, media and entertainment in markets with similar business and employment characteristics to our multifamily investments. All of our multifamily and creative office assets are and will generally be located in communities qualified by CIM Group as described further below. 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.

Our investments in multifamily and creative office assets may take different forms, including direct equity or preferred investments, real estate development activities, side-by-side investments or co-investments with vehicles managed or owned by CIM Group and/or originating loans that are secured directly or indirectly by properties primarily located in qualified communities (“Qualified Communities”) that meet our strategy. Further, we leverage the investor relationships of CIM Group to execute on our investment pipeline using an asset-light approach for certain of our investments. Under this approach, we coinvest with one or more third parties on an asset-level basis by raising capital from such third parties, maintain an economic interest in the asset and, in some cases, earn a management fee and a percentage of the profits. We believe this is a compelling model that is expected to contribute to strong returns on invested capital while reducing risk by reducing our capital outlay.

We intend to dispose of assets that do not fit into our strategy over time and opportunistically (i.e., we do not have any specific time frame with respect to such dispositions). Further, as a matter of prudent management, we regularly evaluate each asset within our portfolio as well as our strategy. Such review may result in dispositions when, among other things, we believe the proceeds generated from the sale of an asset can be redeployed in one or more assets that will generate better returns, or the market value of such asset is equal to or exceeds our view of its intrinsic value.

CIM Group Operations

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. As a result, CIM Group typically spends significant resources over a period of between six months and five years evaluating communities prior to making any acquisitions. The distinct districts that CIM Group identifies through this process as targets for acquisitions are referred to as “Qualified Communities.” Qualified Communities typically 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, which include traditional downtown areas and suburban main streets, generally have high barriers to entry, high population density, positive population trends, a propensity for growth and support for investment. CIM Group believes that the critical mass of redevelopment in such Qualified Communities 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.

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 decisions related to financing strategies and hold/ sell analyses and performance tracking relative to the overall business plan. 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 repositions or ultimate disposition activities.

CIM Group’s Investments and Development teams are separate groups that work very closely together on transactions requiring development or redevelopment. While the Investments team is ultimately 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 assets under development. 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. Both the Investments and Development teams interact as a cohesive team when sourcing, underwriting, acquiring, executing and managing the business plan of an opportunistic acquisition.

Financing Strategy

We may finance our future activities through one or more of the following methods: (i) offerings of shares of our common stock, par value \$0.001 per share (“Common Stock”), preferred stock or other equity and or debt securities of the Company; (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, including the securitization of portions of our loan portfolio; (iv) the sale of existing assets; (v) partnering with co-investors; and or (vi) cash flows from operations.

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 (includes 100% of our properties partially owned through unconsolidated joint ventures):

	As of September 30,	
	2023	2022
Occupancy (1)(2)	82.6 %	83.2 %
Annualized rent per occupied square foot (1)(3)	\$ 56.93	\$ 54.40

- (1) The information presented in this table represents historical information as of the date indicated without giving effect to any property sales occurring thereafter.
- (2) In connection with the 4750 Wilshire Project (as defined later), the Company is no longer classifying approximately 110,000 square feet of vacant space at its property at 4750 Wilshire Boulevard in Los Angeles, California as rentable office square footage as of September 30, 2023.
- (3) Represents gross monthly base rent under leases commenced as of the specified periods, multiplied by 12. This amount reflects total cash rent before abatements. Total abatements, representing lease incentives in the form of free rent, for the twelve months ended September 30, 2023 and 2022 were approximately \$2.9 million and \$2.3 million, 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.

Over the next four quarters, we expect to see expiring cash rents as set forth in the table below (includes 100% of our properties partially owned through unconsolidated joint ventures):

	For the Three Months Ended			
	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024
Expiring Cash Rents:				
Expiring square feet (1)	24,208	35,010	39,103	19,371
Expiring rent per square foot (2)	\$ 63.33	\$ 55.01	\$ 39.95	\$ 59.06

- (1) Month-to-month tenants occupying a total of 7,391 square feet are included in the expiring leases in the first quarter listed.
- (2) Represents gross monthly base rent, as of September 30, 2023, under leases expiring during the periods above, multiplied by 12. 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 three and nine months ended September 30, 2023, we executed leases with terms longer than 12 months totaling 29,291 and 102,390 square feet, respectively. The table below sets forth information on certain of our executed leases during the three and nine months ended September 30, 2023, 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)
Three months ended September 30, 2023	8	22,436	\$ 44.09	\$ 42.78
Nine months ended September 30, 2023	20	70,428	\$ 52.21	\$ 51.72

- (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.

Multifamily Statistics: The following table sets forth occupancy rates and the monthly rent per occupied unit across our multifamily portfolio for the specified periods (includes 100% of our property partially owned through an unconsolidated joint venture):

	As of September 30,	
	2023	2022
Occupancy	84.1 %	N/A
Monthly rent per occupied unit (1)	\$ 2,869	N/A

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

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

	For the Nine Months Ended September 30,	
	2023	2022
Occupancy	76.9 %	73.5 %
ADR	\$ 193.84	\$ 171.05
RevPAR	\$ 149.01	\$ 125.64

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. In addition, the hotel industry is cyclical and demand generally follows, on a lagged basis, key macroeconomic factors.

Lending Segment

Through our loans originated under the 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.

The SBA 7(a) Loan Program is the SBA's most common loan program. The maximum loan amount for an SBA 7(a) loan is \$5.0 million. Key eligibility factors are based on what the business does to generate its income, its credit history, the liquidity of the borrower, size standards and where the business operates. We work with potential borrowers to identify the type of loan that would be appropriate for each such borrower's needs. Our SBA 7(a) term loans have monthly repayment terms of principal and interest and are originated with variable interest rates based on the prime rate. Most of our SBA 7(a) loans have maturities of approximately 25 years.

While we have focused on originating real estate loans almost exclusively to the limited service and mid-scale hospitality industry, we intend to increase our efforts to originate other real estate collateralized loans. These loans are anticipated to be primarily concentrated in industries in which we previously had positive experience, including convenience store, RV park and single purpose building owner-occupied restaurant operations and may include owner-occupied industrial operations/warehouse buildings.

Property Concentration

Kaiser Foundation Health Plan, Incorporated, which occupied space in one of our Oakland, California properties, accounted for 29.2% of our annualized office rental income for the three months ended September 30, 2023.

2023 Results of Operations**Comparison of the Three Months Ended September 30, 2023 to the Three Months Ended September 30, 2022****Net Loss and FFO**

	Three Months Ended September 30,		Change	
	2023	2022	\$	%
	(dollars in thousands)			
Total revenues	\$ 28,118	\$ 24,853	\$ 3,265	13.1 %
Total expenses	\$ 45,400	\$ 24,694	20,706	83.9 %
Net loss	\$ (16,647)	\$ (232)	\$ (16,415)	NM*

(*) Percentage changes in excess of 100% are deemed to be not meaningful (“NM”)

Net loss was \$16.6 million for the three months ended September 30, 2023 compared to a net loss of \$232,000 for the three months ended September 30, 2022, an increase of \$16.4 million. The increase in net loss was primarily due to an increase in depreciation and amortization expense of \$11.0 million and an increase in interest expense not allocated to our operating segments of \$6.5 million, an increase in provision for income taxes of \$367,000 and an increase in general and administrative expenses of \$250,000. These were partially offset by an increase of \$1.1 million in segment net operating income (discussed in more detail in the following Summary Segment Results), an increase of \$219,000 in interest and other income and a decrease of \$192,000 in asset management fees.

Funds from Operations

We believe that funds from operations (“FFO”), a non-GAAP measure, 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 historical reconciliation of net loss attributable to common stockholders to FFO attributable to common stockholders (in thousands):

	Three Months Ended September 30,	
	2023	2022
Net loss attributable to common stockholders ⁽¹⁾	\$ (22,934)	\$ (11,684)
Depreciation and amortization	16,082	5,093
Noncontrolling interests' proportionate share of depreciation and amortization	(626)	—
FFO attributable to common stockholders ⁽¹⁾	<u>\$ (7,478)</u>	<u>\$ (6,591)</u>

(1) During the three months ended September 30, 2023 and 2022, we recognized \$352,000 and \$4.9 million, respectively, of redeemable preferred stock redemptions. Such amounts are included in, and have the effect of increasing net 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 \$(7.5) million for the three months ended September 30, 2023, a decrease of \$885,000 compared to \$(6.6) million for the three months ended September 30, 2022. The decrease in FFO was primarily due to an increase in interest expense not allocated to our operating segments of \$6.5 million, an increase in provision for income taxes of \$367,000, an increase in general and administrative expenses of \$250,000 and an increase in redeemable preferred stock dividends of \$225,000. These were partially offset by a decrease in redeemable preferred stock redemptions of \$4.5 million, an increase of \$1.1 million in segment net operating income (discussed in more detail in the following Summary Segment Results), an increase in net loss attributable to noncontrolling interests, adjusted for their share of depreciation and amortization expense, of \$253,000, an increase of \$219,000 in interest and other income and a decrease of \$192,000 in asset management fees.

Summary Segment Results

During the three months ended September 30, 2023, we operated in four segments: office, hotel and multifamily properties and lending. During the three months ended September 30, 2022, we operated in three segments: office and hotel properties and lending. Set forth and described below are summary segment results for our operating segments (dollar amounts in thousands).

	Three Months Ended September 30,		Change	
	2023	2022	\$	%
Revenues:				
Office	\$ 14,049	\$ 14,043	\$ 6	— %
Hotel	\$ 7,948	\$ 8,456	\$ (508)	(6.0)%
Multifamily	\$ 3,331	\$ —	\$ 3,331	N/A
Lending	\$ 2,570	\$ 2,353	\$ 217	9.2 %
Expenses:				
Office	\$ 6,342	\$ 7,320	\$ (978)	(13.4)%
Hotel	\$ 6,027	\$ 6,079	\$ (52)	(0.9)%
Multifamily	\$ 3,300	\$ —	\$ 3,300	N/A
Lending	\$ 2,204	\$ 1,162	\$ 1,042	89.7 %
Income (loss) from unconsolidated entities				
Office	\$ 1,611	\$ (204)	\$ 1,815	NM*
Multifamily	\$ (422)	\$ —	\$ (422)	N/A
Non-Segment Revenue and Expenses:				
Interest and other income	\$ 220	\$ 1	\$ 219	NM*
Asset management and other fees to related parties	\$ (724)	\$ (916)	\$ 192	(21.0)%
Expense reimbursements to related parties - corporate	\$ (524)	\$ (511)	\$ (13)	2.5 %
Interest expense	\$ (8,556)	\$ (2,059)	\$ (6,497)	NM*
General and administrative	\$ (1,603)	\$ (1,353)	\$ (250)	18.5 %
Transaction-related costs	\$ (38)	\$ (201)	\$ 163	(81.1)%
Depreciation and amortization	\$ (16,082)	\$ (5,093)	\$ (10,989)	NM*
Provision for income taxes	\$ (554)	\$ (187)	\$ (367)	196.3 %

(*) Percentage changes in excess of 100% are deemed to be not meaningful (“NM”)

Revenues

Office Revenue: Office revenue includes rental revenue, expense reimbursements and lease termination income from office properties. Office revenue of \$14.0 million for the three months ended September 30, 2023 remained consistent with \$14.0 million for the three months ended September 30, 2022 as an increase in rental revenues at an office property in Beverly Hills, California, due to increased occupancy and rental rates, was offset by a decrease in rental revenues as a result of the disposition of an 80% interest in an office property in Los Angeles, California in February 2023.

Hotel Revenue: Hotel revenue decreased to \$7.9 million, or by 6.0%, for the three months ended September 30, 2023, compared to \$8.5 million for the three months ended September 30, 2022. The decrease was primarily due to a decrease in food and beverage revenue and parking revenue.

Multifamily Revenue: Multifamily revenue was \$3.3 million for the three months ended September 30, 2023. As our multifamily properties were acquired during the first quarter of 2023, there was no comparable revenue for the three months ended September 30, 2022.

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 \$2.6 million, or by 9.2%, for the three months ended September 30, 2023, compared to \$2.4 million for the three months ended September 30, 2022. The increase is due to increased interest income from an increase in interest rates, partially offset by decreased premium income as a result of lower loan sale volume during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 as well as a decrease in loan servicing income as a result of lower loan origination volume and higher loan payoff volume.

Income (loss) From Unconsolidated Office Entities: The income from our unconsolidated entities included in office segment net operating income increased to \$1.6 million for the three months ended September 30, 2023, compared to a loss of \$204,000 for the three months ended September 30, 2022. The increase was primarily due to an unrealized gain on the value of real estate at one of the unconsolidated office entities recognized during the three months ended September 30, 2023.

Loss From Unconsolidated Multifamily Entity: The loss from our unconsolidated entity included in multifamily segment net operating income was \$422,000 for the three months ended September 30, 2023. As our unconsolidated multifamily property was acquired during the nine months ended September 30, 2023, there was no comparable income for the three months ended September 30, 2022.

Interest and Other Income: Interest and other income, which has not been allocated to our operating segments, increased to \$220,000 for the three months ended September 30, 2023 compared to \$1,000 for the three months ended September 30, 2022. The increase was primarily related to interest earned on money market accounts during the three months ended September 30, 2023 .

Expenses

Office Expenses: Office expenses decreased to \$6.3 million, or by 13.4%, for the three months ended September 30, 2023, compared to \$7.3 million for the three months ended September 30, 2022, primarily due to a decrease in real estate tax expense at an office property in Austin, Texas.

Hotel Expenses: Hotel expenses were \$6.0 million for the three months ended September 30, 2023, consistent with expenses of \$6.1 million for the three months ended September 30, 2022.

Multifamily Expenses: Multifamily expenses were \$3.3 million for the three months ended September 30, 2023. As our multifamily properties were acquired during the first quarter of 2023, there were no comparable expenses for the three months ended September 30, 2022.

Lending Expenses: Lending expenses represent expenses from our lending subsidiaries, including interest expense, general and administrative expenses and fees to related parties. Lending expenses increased to \$2.2 million, for the three months ended September 30, 2023, compared to \$1.2 million for the three months ended September 30, 2022. The increase was primarily due to an increase in interest expense related to the issuance of new SBA 7(a) loan-backed notes in connection with the securitization that closed in March 2023.

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 \$724,000 for the three months ended September 30, 2023, a decrease of 21.0%, compared to \$916,000 for the three months ended September 30, 2022. The decrease was a result of a reduction in asset management fees related to a decrease in our net asset value, primarily resulting from a reduction in the fair value of our investments in real estate as of the end of 2022.

Expense Reimbursements to Related Parties—Corporate: The Administrator receives compensation and or reimbursement for performing certain services for the Company and its subsidiaries. Expense reimbursements to related parties-corporate was \$524,000 for the three months ended September 30, 2023, consistent with expenses of \$511,000 for the three months ended September 30, 2022.

Interest Expense: Interest expense, which has not been allocated to our operating segments, increased to \$8.6 million for the three months ended September 30, 2023, compared to \$2.1 million for the three months ended September 30, 2022. The increase was attributable to two variable-rate mortgages assumed in connection with our multifamily acquisitions during the first quarter of 2023, higher outstanding principal balances on our 2022 Credit Facility Revolver for the three months ended September 30, 2023 compared to our 2018 revolving line of credit facility for the three months ended September 30, 2022 and an increase in the LIBOR and SOFR components of interest rates on our variable-rate debt for the three months ended September 30, 2023 as compared to the three months ended September 30, 2022, given the higher interest rate environment.

General and Administrative Expenses: General and administrative expenses, which have not been allocated to our operating segments, were \$1.6 million for the three months ended September 30, 2023 consistent with \$1.4 million for the three months ended September 30, 2022.

Transaction Costs: Transaction costs related to abandoned project costs in connection with potential real estate transactions, were \$38,000 for the three months ended September 30, 2023, compared with \$201,000 for the three months ended September 30, 2022 due to a higher volume of costs related to contemplated deals during the prior year period.

Depreciation and Amortization Expense: Depreciation and amortization expense increased to \$16.1 million for the three months ended September 30, 2023, compared to \$5.1 million for the three months ended September 30, 2022. The increase is primarily due to an increase in acquired in-place lease intangible assets amortization at multifamily properties located in Oakland, California acquired during the first quarter of 2023 as well as incremental increases to fixed asset depreciation expense related to the acquired properties.

Provision for Income Taxes: Provision for income taxes increased to \$554,000 for the three months ended September 30, 2023 as compared to \$187,000 for the three months ended September 30, 2022. The increase is due to higher taxable income at our taxable REIT subsidiaries.

2023 Results of Operations

Comparison of the Nine Months Ended September 30, 2023 to the Nine Months Ended September 30, 2022

Net Loss and FFO

	Nine Months Ended September 30,		Change	
	2023	2022	\$	%
	(dollars in thousands)			
Total revenues	\$ 89,790	\$ 76,038	\$ 13,752	18.1 %
Total expenses	\$ 133,562	\$ 70,398	\$ 63,164	89.7 %
Net income (loss)	\$ (42,584)	\$ 5,001	\$ (47,585)	NM*

(*) Percentage changes in excess of 100% are deemed to be not meaningful (“NM”)

Net loss was \$42.6 million for the nine months ended September 30, 2023 compared to net income of \$5.0 million for the nine months ended September 30, 2022, a decrease of \$47.6 million. The decrease was primarily due to an increase in depreciation and amortization expense of \$31.0 million, an increase in interest expense not allocated to our operating segments of \$15.5 million, a decrease in transaction-related costs of \$3.2 million (primarily related to transfer tax expenses in connection with the acquisition of two multifamily properties in Oakland, California during the three months ended March 31, 2023), an increase in general and administrative expenses of \$640,000, and an increase in expense reimbursements to related parties of \$270,000. These were partially offset by an increase of \$1.1 million in segment net operating income (discussed in more detail in the following Summary Segment Results), a gain of \$1.1 million recognized during the nine months ended September 30, 2023 in connection with the sale of 80% of our interest in an office property), a decrease of \$686,000 in asset management fees and an increase of \$295,000 in interest and other income.

Funds from Operations

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

	Nine Months Ended September 30,	
	2023	2022
Net loss attributable to common stockholders ⁽¹⁾	\$ (59,464)	\$ (16,844)
Depreciation and amortization	46,056	15,071
Noncontrolling interests' proportionate share of depreciation and amortization	(1,986)	—
Gain on sale of real estate	(1,104)	—
FFO attributable to common stockholders ⁽¹⁾	<u>\$ (16,498)</u>	<u>\$ (1,773)</u>

(1) During the nine months ended September 30, 2023 and 2022, we recognized \$1,040,000 and \$5.0 million, respectively, of redeemable preferred stock redemptions and \$0 and \$19,000, respectively, of redeemable preferred stock deemed dividends. Such amounts are included in, and have the effect of increasing net 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 \$(16.5) million for the nine months ended September 30, 2023, a decrease of \$14.7 million compared to \$(1.8) million for the nine months ended September 30, 2022. The decrease in FFO was primarily due to an increase in interest expense not allocated to our operating segments of \$15.5 million and a decrease in transaction-related costs of \$3.2 million (primarily related to transfer tax expenses in connection with the acquisition of two multifamily properties in Oakland, California during the three months ended March 31, 2023), an increase in redeemable preferred stock dividends of \$1.6 million, an increase in general and administrative expenses of \$640,000 and an increase in expense reimbursements to related parties of \$270,000. These were partially offset by a decrease in the consolidated statement of operations impact of redeemable preferred stock redemptions of \$4.0 million, an increase of \$1.1 million in segment net operating income (discussed in more detail in the following Summary Segment Results), a decrease of \$686,000 in asset management fees, an increase in net loss attributable to noncontrolling interests, adjusted for their share of depreciation and amortization expense, of \$534,000 and an increase of \$295,000 in interest and other income.

Summary Segment Results

During the nine months ended September 30, 2023 we operated in four segments: office, hotel and multifamily properties and lending. During the nine months ended September 30, 2022, we operated in three segments: office and hotel properties and lending. Set forth and described below are summary segment results for our operating segments (dollar amounts in thousands).

	Nine Months Ended September 30,		Change	
	2023	2022	\$	%
Revenues:				
Office	\$ 41,511	\$ 42,225	\$ (714)	(1.7)%
Hotel	\$ 31,108	\$ 25,825	\$ 5,283	20.5 %
Multifamily	\$ 8,632	\$ —	\$ 8,632	N/A
Lending	\$ 8,243	\$ 7,987	\$ 256	3.2 %
Expenses:				
Office	\$ 19,391	\$ 19,968	\$ (577)	(2.9)%
Hotel	\$ 20,929	\$ 17,807	\$ 3,122	17.5 %
Multifamily	\$ 8,042	\$ —	\$ 8,042	N/A
Lending	\$ 5,995	\$ 3,359	\$ 2,636	78.5 %
Income from unconsolidated entities				
Office	\$ 837	\$ 176	\$ 661	NM*
Multifamily	\$ 216	\$ —	\$ 216	N/A
Non-Segment Revenue and Expenses:				
Interest and other income	\$ 296	\$ 1	\$ 295	NM*
Asset management and other fees to related parties	\$ (2,071)	\$ (2,757)	\$ 686	(24.9)%
Expense reimbursements to related parties - corporate	\$ (1,729)	\$ (1,459)	\$ (270)	18.5 %
Interest expense	\$ (21,941)	\$ (6,406)	\$ (15,535)	NM*
General and administrative	\$ (4,010)	\$ (3,370)	\$ (640)	19.0 %
Transaction-related costs	\$ (3,398)	\$ (201)	\$ (3,197)	NM*
Depreciation and amortization	\$ (46,056)	\$ (15,071)	\$ (30,985)	NM*
Gain on sale of real estate	\$ 1,104	\$ —	\$ 1,104	N/A
Provision for income taxes	\$ (969)	\$ (815)	\$ (154)	18.9 %

(*) Percentage changes in excess of 100% are deemed to be not meaningful (“NM”)

Revenues

Office Revenue: Office revenue includes rental revenue, expense reimbursements and lease termination income from office properties. Office revenue decreased to \$41.5 million, or by (1.7)%, for the nine months ended September 30, 2023 compared to \$42.2 million for the nine months ended September 30, 2022. The decrease is primarily due to decreased rental revenues at an office property in Los Angeles, California as a result of lower occupancy, and the disposition of an 80% interest in an office property in Los Angeles, California in February 2023, partially offset by higher rental revenues at an office property in Beverly Hills, California due to higher occupancy and rental rates.

Hotel Revenue: Hotel revenue increased to \$31.1 million, or by 20.5%, for the nine months ended September 30, 2023, compared to \$25.8 million for the nine months ended September 30, 2022, primarily due to an increase in occupancy and average daily rate.

Multifamily Revenue: Multifamily revenue was \$8.6 million for the nine months ended September 30, 2023. As our multifamily properties were acquired during the nine months ended September 30, 2023, there was no comparable revenue for the nine months ended September 30, 2022.

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 \$8.2 million, or by 3.2% for the nine months ended September 30, 2023, compared to \$8.0 million for the nine months ended September 30, 2022. The increase is due to increased interest income from higher interest rates, partially offset by decreased premium income as a result of lower loan sale volume during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, as well as a decrease in loan servicing income as a result of lower loan origination volume and higher loan payoff volume.

Income From Unconsolidated Office Entities: The income from our unconsolidated entities included in office segment net operating income increased to \$0.8 million for the nine months ended September 30, 2023 compared to \$176,000 for the nine months ended September 30, 2022. The increase was primarily due to an unrealized gain on the value of real estate at one of our unconsolidated office entities recognized during the nine months ended September 30, 2023, partially offset by an unrealized loss on the value of real estate related to another one of our unconsolidated office entities and an increase in mortgage interest expense during the nine months ended September 30, 2023.

Income From Unconsolidated Multifamily Entity: The income from our unconsolidated entity included in multifamily segment net operating income was \$216,000 for the nine months ended September 30, 2023. As our unconsolidated multifamily property was acquired during the nine months ended September 30, 2023, there was no comparable income for the nine months ended September 30, 2022.

Interest and Other Income: Interest and other income, which has not been allocated to our operating segments, was \$296,000 for the nine months ended September 30, 2023 compared to \$1,000 for the nine months ended September 30, 2022. The increase was primarily related to interest earned on money market accounts during the nine months ended September 30, 2023.

Expenses

Office Expenses: Office expenses decreased to \$19.4 million, or by (2.9)%, for the nine months ended September 30, 2023, compared to \$20.0 million for the nine months ended September 30, 2022. The decrease is primarily due to an decrease in operating expenses at an office property in Austin, Texas, primarily as a result of lower real estate tax expenses, and a result of the disposition of an 80% interest in an office property in Los Angeles, California in February 2023.

Hotel Expenses: Hotel expenses increased to \$20.9 million, or by 17.5%, for the nine months ended September 30, 2023, compared to \$17.8 million for the nine months ended September 30, 2022, primarily as a result of increased occupancy at the hotel.

Multifamily Expenses: Multifamily expenses were \$8.0 million for the nine months ended September 30, 2023. As our multifamily properties were acquired during the nine months ended September 30, 2023, there were no comparable expenses for the nine months ended September 30, 2022.

Lending Expenses: Lending expenses represent expenses from our lending subsidiaries, including interest expense, general and administrative expenses and fees to related parties. Lending expenses increased to \$6.0 million, or by 78.5%, for the nine months ended September 30, 2023, compared to \$3.4 million for the nine months ended September 30, 2022. The increase was primarily due to an increase interest expense related to the issuance of new SBA 7(a) loan-backed notes in connection with the securitization that closed in March 2023 as well as an increase in allocated payroll 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 \$2.1 million for the nine months ended September 30, 2023, a decrease of 24.9%, compared to \$2.8 million for the nine months ended September 30, 2022. The decrease was a result of a reduction in asset management fees related to a decrease in our net asset value, primarily resulting from a reduction in the fair value of our investments in real estate as of the end of 2022.

Expense Reimbursements to Related Parties—Corporate: The Administrator receives compensation and or reimbursement for performing certain services for the Company and its subsidiaries. Expense reimbursements to related parties-corporate increased by 18.5% to \$1.7 million for the nine months ended September 30, 2023, compared to \$1.5 million for the nine months ended September 30, 2022, primarily due to increases in allocated payroll primarily due to the transactions that occurred during the nine months ended September 30, 2023.

Interest Expense: Interest expense, which has not been allocated to our operating segments, increased to \$21.9 million for the nine months ended September 30, 2023, compared to \$6.4 million for the nine months ended September 30, 2022. The

increase was attributable to two variable-rate mortgages assumed in connection with our multifamily acquisitions during the first quarter of 2023, higher outstanding principal balances on our 2022 Credit Facility Revolver for the nine months ended September 30, 2023 compared to our 2018 revolving line of credit facility for the nine months ended September 30, 2022 and an increase in the LIBOR and SOFR components of interest rates on our variable-rate debt increased for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, given the higher interest rate environment.

General and Administrative Expenses: General and administrative expenses, which have not been allocated to our operating segments, increased to \$4.0 million, or by 19.0%, for the nine months ended September 30, 2023 as compared to \$3.4 million for the nine months ended September 30, 2022. The increase was primarily due to increases in non-recurring legal fees.

Transaction-Related Costs: Transaction-related costs increased to \$3.4 million for the nine months ended September 30, 2023 compared to \$201,000 for the nine months ended September 30, 2022. The increase was primarily related to transfer tax expenses in connection with the acquisition of two multifamily properties in Oakland, California in the first quarter of 2023.

Depreciation and Amortization Expense: Depreciation and amortization expense increased to \$46.1 million for the nine months ended September 30, 2023, compared to \$15.1 million for the nine months ended September 30, 2022. The increase is primarily due to an increase in acquired in-place lease intangible assets amortization at multifamily properties located in Oakland, California acquired during the nine months ended September 30, 2023 as well as incremental increases to fixed asset depreciation expense related to the acquired properties.

Gain on sale of real estate: Gain on sale of real estate of \$1.1 million for the nine months ended September 30, 2023 was related to the sale of 80% of our interest in an office property in Los Angeles, California. There were no dispositions during the nine months ended September 30, 2022.

Provision for Income Taxes: Provision for income taxes increased to \$969,000 for the nine months ended September 30, 2023 as compared to \$815,000 for the nine months ended September 30, 2022. The increase was due to higher taxable income at our taxable REIT subsidiaries during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Cash Flow Analysis

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 occupancy and 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 decreased by \$11.5 million for the nine months ended September 30, 2023, as compared to the same period in 2022. The decrease was primarily due to a decrease in net income adjusted for depreciation and amortization expense and other non-cash items of \$18.1 million, partially offset by a \$5.9 million increase resulting from a higher level of net working capital used compared to the prior period and an increase in net proceeds from the sale of loans of \$872,000.

Our cash flows from investing activities are primarily related to property acquisitions and dispositions, expenditures for the development or repositioning of properties, capital expenditures and cash flows associated with loans originated at our lending segment. Net cash used in investing activities increased by \$59.2 million for the nine months ended September 30, 2023, as compared to the same period in 2022. The increase in cash used in investing activities was primarily due to an increase in acquisitions of real estate of \$86.0 million, a decrease in distributions from an unconsolidated entity of \$10.3 million, and a decrease in principal collected on loans of \$5.3 million compared to the same period in 2022. Partially offsetting net cash used in investing activities are \$31.4 million in proceeds from the sale of a property to the 4750 Wilshire JV during the nine months ended September 30, 2023, and a decrease in cash outlays of \$15.2 million related to our investments in unconsolidated joint ventures during the nine months ended September 30, 2023, compared to the same period in 2022.

Our cash flows from financing activities are generally impacted by borrowings and capital activities. Net cash provided by financing activities increased by \$63.3 million for the nine months ended September 30, 2023, as compared to the same period in 2022, primarily as a result of net proceeds from our credit facility and mortgages of \$54.0 million during the nine months ended September 30, 2023 compared to \$15.0 million during the nine months ended September 30, 2022, the issuance of unguaranteed SBA 7(a) loan-backed notes of approximately \$54.1 million, and a decrease of cash used in the repurchase of Series L Preferred Stock and Common Stock of \$72.1 million during the nine months ended September 30, 2023. The aforementioned amounts increasing net cash provided by financing activities were partially offset by an increase in redemption of preferred stock of \$94.3 million during the nine months ended September 30, 2023, as well as an increase in the payment of deferred debt origination costs of \$3.2 million and an increase in preferred dividend payments of \$2.2 million.

Liquidity and Capital Resources

General

On a short-term basis, our principal demands for funds will be for the acquisition of assets, development or repositioning of properties (including pre-construction costs such as obtaining entitlements and permits and architectural work), or re-leasing of space in existing properties, capital expenditures, paying interest and principal on current and any future debt financings, SBA 7(a) loan originations, paying distributions on our Preferred Stock and Common Stock and making redemption payments on our Preferred Stock. We may finance our future activities through one or more of the following methods: (i) offerings of shares of Common Stock, preferred stock or other equity and or debt securities of the Company; (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; (v) partnering with co-investors; and or (vi) cash flows from operations. In December 2022, we completed a refinancing of our 2018 credit facility, which was set to mature in October 2023, replacing it with a new facility (the “2022 Credit Facility”). The 2022 Credit Facility includes a \$56.2 million term loan as well as a revolver allowing the Company to borrow up to \$150.0 million, both of which are collectively subject to a borrowing base calculation. The 2022 Credit Facility matures in December 2025 and provides for two one-year extension options, subject to certain conditions being satisfied. On December 23, 2022, the Company announced it would redeem all remaining outstanding shares of its Series L Preferred Stock in cash on January 25, 2023 at its stated value of \$28.37. The total cost to complete the Series L Redemption, including transaction costs, was \$83.8 million. The payment for the Series L Redemption was made on January 25, 2023 together with payment of the accrued and unpaid dividends on the redeemed shares of Series L Preferred Stock through December 31, 2022 of \$1.56 per share (or \$4.6 million accrued and unpaid dividends in the aggregate) and was funded by a combination of proceeds from the sale of our Series A1 Preferred Stock, draws on our 2022 Credit Facility, and cash on hand. No additional dividends were owed on the redeemed shares of Series L Preferred Stock subsequent to December 31, 2022.

Our long-term liquidity needs will consist primarily of funds necessary for acquisitions of assets, development or repositioning (including pre-construction costs) of properties, or re-leasing of space in existing properties, capital expenditures, paying interest and principal on debt financings, 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 of Common Stock 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. Additionally, our outstanding commitments to fund loans were \$25.9 million as of September 30, 2023, substantially all of which reflect prime-based loans to be originated by our subsidiary engaged in SBA 7(a) Small Business Loan Program lending. A majority of these commitments have government guarantees of 75% (as the government guarantee has now reverted to 75%) and we believe that we will be able to sell the guaranteed portion of these loans in a liquid secondary market upon fully funding these loans. Since some commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements. Further, we are evaluating renovation of certain areas of our hotel in California and development of our development sites. To the extent we decide to proceed with renovating our hotel and/or conducting development work on any of our development sites, we will have increased liquidity needs.

We own a 20% interest in an unconsolidated joint venture (the “4750 Wilshire Joint Venture”) that is in the process of converting a portion of an office building in Los Angeles, California from office space into luxury for-rent residential units (the “4750 Wilshire Project”). The total cost of the 4750 Wilshire Project is expected to be approximately \$31.0 million, which will be financed by a combination of equity contributions from us and co-investors as well as a mortgage loan from a third-party lender. In connection with the 4750 Wilshire Joint Venture, we received cash sales proceeds from our joint venture partners. Further, we have earned and will continue to earn management fees from co-investors in connection with their co-investment in the 4750 Wilshire Project.

We may not have sufficient funds on hand or may not be able to obtain additional financing to cover all of our 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. While we will seek to satisfy such needs through one or more of the methods described in the first paragraph of this section, our ability to take such actions is highly uncertain and cannot be predicted, and could be affected by various risks and uncertainties, including, but not limited to, the risks detailed in “Risk Factors” in “Item 1A—Risk Factors” of this Annual Report on Form 10-K. If we cannot obtain 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.

Sources and Uses of Funds

Mortgages

We have mortgage loan agreements with an outstanding balances of \$263.7 million as of September 30, 2023. Our mortgage loans mature on various dates from June 7, 2024 through July 1, 2026. In regards to our variable rate mortgage loan maturing on June 7, 2024, we expect to exercise its extension option or refinance such indebtedness prior to maturity.

Revolving Credit Facilities

In October 2018, we entered into the 2018 revolving credit facility that, as amended, allowed us to borrow up to \$209.5 million, subject to a borrowing base calculation. The 2018 revolving credit facility was secured by properties in the Company's real estate portfolio: eight office properties and one hotel property. In December 2022, the Company refinanced its 2018 credit facility and replaced it with a new 2022 Credit Facility, entered into with a bank syndicate, that includes a \$56.2 million term loan (the "2022 Credit Facility Term Loan") as well as a revolver allowing the Company to borrow up to \$150.0 million (the "2022 Credit Facility Revolver"), both of which are collectively subject to a borrowing base calculation. The 2022 Credit Facility is secured by properties in the Company's real estate portfolio: six office properties and one hotel property (as well as the hotel's adjacent parking garage and retail property). The 2022 Credit Facility bears interest at (A) the base rate plus 1.50% or (B) SOFR plus 2.60%. As of September 30, 2023, the variable interest rate was 7.92%. The 2022 Credit Facility Revolver is also subject to an unused commitment fee of 0.15% or 0.25% depending on the amount of aggregate unused commitments. The 2022 Credit Facility is guaranteed by the Company and the Company is subject to certain financial maintenance covenants. The 2022 Credit Facility matures in December 2025 and provides for two one-year extension options, subject to certain conditions being satisfied, including providing notice of the election and paying an extension fee of 0.15% of each lender's commitment being extended on the effective date of such extension. As of November 8, 2023, September 30, 2023 and December 31, 2022, \$143.2 million, \$133.2 million, and \$56.2 million, respectively, was outstanding under the 2022 Credit Facility and approximately \$63.0 million, \$73.0 million and \$150.0 million, respectively, was available for future borrowings.

Other Financing Activity

On March 9, 2023, our lending division completed a securitization of the unguaranteed portion of certain of our SBA 7(a) loans receivable with the issuance of \$54.1 million of unguaranteed SBA 7(a) loan-backed notes (with net proceeds of approximately \$43.3 million, after payment of fees and expenses in connection with the securitization and the funding of a reserve account and an escrow account). The SBA 7(a) loan-backed notes are collateralized 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, 2048, with monthly payments due as payments on the collateralized loans are received. The SBA 7(a) loan-backed notes bear interest at a per annum rate equal to the lesser of (i) 30-Day average compounded SOFR plus 2.90% and (ii) prime rate minus 0.35%. As of September 30, 2023, the variable interest rate was 8.14%. We reflect the SBA 7(a) loans receivable as assets on our consolidated balance sheet and the SBA 7(a) loan-backed notes as debt on our consolidated balance sheet.

We have junior subordinated notes with a variable interest rate that resets quarterly based on the three-month SOFR plus 3.51%, with quarterly interest-only payments. The junior subordinated balance is due at maturity on March 30, 2035. The junior subordinated notes may be redeemed at par at our option. The aggregate principal balance of the junior subordinated notes was \$27.1 million as of September 30, 2023.

Securities Offerings

We conducted a continuous public offering of Series A Preferred Stock from October 2016 through January 2020, where one Series A Preferred Warrant was issued along with each issued share of Series A Preferred Stock. During the tenure of the offering, we issued 4,603,287 Series A Preferred Stock and Series A Preferred Warrants and received aggregate net proceeds of \$105.2 million after commissions, fees and allocated costs.

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 was equal to 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. 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 in 2019 (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 in 2019 was adjusted to reflect the effect of the Special Dividend. As of September 30, 2023, there were 2,141,183 Series A Preferred Warrants to purchase 551,550 shares of Common Stock outstanding.

From February 2020 through June 2022, we conducted a continuous public offering of our Series A Preferred Stock and Series D Preferred Stock. In June 2022, we concluded the offering of our Series A Preferred Stock and Series D Preferred Stock and have since conducted a continuous public offering of our Series A1 Preferred Stock of up to approximately \$692.3 million. We intend to use the net proceeds from the offerings for general corporate purposes, acquisitions of shares of our Common Stock and 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 September 30, 2023, we had issued 9,088,485 shares of Series A1 Preferred Stock, 8,251,657 shares of Series A Preferred Stock and 56,857 shares of Series D Preferred Stock and received aggregate net proceeds of \$393.2 million after commissions, fees and allocated costs.

Dividends on and Redemptions of Preferred Stock

Holders of Series A1 Preferred Stock, 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 as follows: (1) at the of greater of (i) an annual rate of 6.0% of the Series A1 Preferred Stock Stated Value (i.e., the equivalent of \$0.3750 per share per quarter) and (ii) the Federal Funds (Effective) Rate for such quarter and plus 2.5% of the Series A1 Preferred Stock Stated Value divided by four, up to a maximum of 2.5% of the Series A1 Preferred Stock Stated Value per quarter, (2) 5.50% of the Series A Preferred Stock Stated Value (i.e., the equivalent of \$0.34375 per share per quarter), and (3) 5.65% of the Series D Preferred Stock Stated Value (i.e., the equivalent of \$0.35313 per share per quarter), respectively.

We expect to pay dividends on the Series A1 Preferred Stock, Series A Preferred Stock and Series D Preferred Stock in arrears on a monthly basis, 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 dividends declared and paid on our Preferred Stock will be determined by our Board of Directors, in its sole discretion, and may vary from time to time.

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.

From the date of issuance until the fifth anniversary of the date of issuance, holders of Series A Preferred Stock and Series D Preferred Stock may require us to redeem such shares at a discount to the Series A1 Preferred Stock, Series A Preferred Stated Value and Series D Preferred Stated Value, respectively. From and after the fifth anniversary of the date of original issuance of any share of our Preferred Stock, we generally (subject to certain conditions) have the right (but not the obligation) to redeem, and the holder of such share may require us 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. The redemption price in respect of any share of Preferred Stock, whether redeemed at our option or at the option of a holder, may be paid in cash or in shares of Common Stock in our sole discretion. During the three months ended September 30, 2023, we redeemed 187,759 shares of Series A Preferred Stock, 30,941 shares of Series A1 Preferred Stock, and no shares of Series D Preferred Stock.

On September 15, 2022, we repurchased 2,435,284 shares of our Series L Preferred Stock in a privately negotiated transaction (the "Series L Repurchase"). The shares were repurchased at a purchase price of \$27.40 per share (a 3.4% discount to the stated value of \$28.37 per share) plus \$1.12 per share of accrued and unpaid dividends (or \$2.7 million of accrued and unpaid dividends in the aggregate). The total cost to complete the Series L Repurchase, including of transactions costs of \$700,000, was \$70.1 million. In connection with the Series L Repurchase, we recognized redeemable preferred stock redemptions of \$4.8 million on our consolidated statement of operations for the three months ended September 30, 2022.

As announced on December 23, 2022, we redeemed all remaining outstanding shares of our Series L Preferred Stock in cash on January 25, 2023 at its stated value of \$28.37 (the "Series L Redemption"). The total cost to complete the Series L Redemption, including transaction costs, was \$83.8 million. In connection with the Series L Redemption, we recognized redeemable preferred stock redemptions of \$7.9 million on our consolidated statement of operations for the year ended December 31, 2022. The \$7.9 million of redeemable preferred stock redemptions represents the difference between the repurchase price and the carrying value of the repurchased Series L Preferred Stock (representing the stated value of \$28.37 per share reduced by \$2.65 per share of stock offering costs). As of December 31, 2022, \$83.8 million was recorded in accounts

payable and accrued expenses on our consolidated balance sheet in connection with the Series L Redemption. The accrued and unpaid dividends on the redeemed shares of Series L Preferred Stock through December 31, 2022 of \$1.56 per share (or \$4.6 million accrued and unpaid dividends in the aggregate) were also paid January 25, 2023. No additional dividends were owed on the redeemed shares of Series L Preferred Stock subsequent to December 31, 2022.

Off-Balance Sheet Arrangements

As of September 30, 2023, we did not have any off-balance sheet arrangements.

Recently Issued Accounting Pronouncements

Our recently issued accounting pronouncements are described in Note 2 to the consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3.

Quantitative and Qualitative Disclosures About Market Risk

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. As of September 30, 2023 and December 31, 2022 (including our variable rate mortgages payable subject to interest rate cap agreements and excluding premiums, discounts, and deferred loan costs), \$263.7 million (or 55.6%) and \$97.1 million (or 52.1%) of our debt, respectively, was fixed rate borrowings. As of September 30, 2023 and December 31, 2022 (excluding our variable rate mortgages payable subject to interest rate cap agreements as well as premiums, discounts and deferred loan costs), \$210.7 million (or 44.4%) and \$89.3 million (or 47.9%), respectively, was floating rate borrowings. Based on the level of floating rate debt outstanding as of September 30, 2023 and December 31, 2022, a 50 basis point change in SOFR would result in an annual impact to our earnings of approximately \$1.1 million and \$446,000, respectively. We calculate interest rate sensitivity by multiplying the amount of floating rate debt by the respective change in rate.

As of September 30, 2023, we had two interest rate cap agreements outstanding with an aggregate notional amount of \$166.6 million and an aggregate fair value of the net derivative assets of \$3.0 million. As of September 30, 2023, an increase or decrease of 50 basis points in interest rates would not result in a significant change to the fair value of the derivative asset.

Item 4.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, 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). Based on that evaluation, as of September 30, 2023, our Principal Executive Officer and Principal 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 us in such reports is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Other Information

Item 1. 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 1A. Risk Factors

There have been no material changes to the risk factors disclosed in "Risk Factors" in Part I, Item 1A of the 2022 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In May 2022, the Company's Board of Directors approved a repurchase program of up to \$10.0 million of the Company's Common Stock (the "SRP"). Under the SRP, the Company, in its discretion, may purchase shares of its Common Stock from time to time in the open market or in privately negotiated transactions. The amount and timing of purchases of shares will depend on a number of factors, including the price and availability of shares, trading volume and general market conditions. The SRP has no termination date and may be suspended or discontinued at any time. There were no repurchases during the three and nine months ended September 30, 2023. As of September 30, 2023, the Company had repurchased 662,462 shares of Common Stock for \$4.7 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None of our officers or directors had any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" in effect at any time during the three months ended September 30, 2023.

Item 6. Exhibits

Exhibit Number	Exhibit Description
*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.
*101.INS	XBRL Instance Document — the instance document does not appear in the interactive data files because its XBRL on the Interactive Data File because its XBRL tags are embedded within the inline XBRL document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*104	Cover page Interactive Data File, formatted in inline XBRL (included in Exhibit 101).

* Filed herewith.

SIGNATURES

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

Dated: November 14, 2023

CREATIVE MEDIA & COMMUNITY TRUST CORPORATION

By: /s/ DAVID THOMPSON
David Thompson
Chief Executive Officer

Dated: November 14, 2023

By: /s/ BARRY N. BERLIN
Barry N. Berlin
Chief Financial Officer

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

I, David Thompson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Creative Media & Community 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: November 14, 2023

/s/ DAVID THOMPSON
David Thompson
Chief Executive Officer

Quicklinks

EXHIBIT 31.1

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

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

I, Barry N. Berlin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Creative Media & Community 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: November 14, 2023

/s/ BARRY N. BERLIN
Barry N. Berlin
Chief Financial Officer

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EXHIBIT 31.2

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

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Creative Media & Community Trust Corporation (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Thompson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID THOMPSON
David Thompson
Chief Executive Officer
November 14, 2023

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EXHIBIT 32.1

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

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Creative Media & Community Trust Corporation (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barry N. Berlin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ BARRY N. BERLIN
Barry N. Berlin
Chief Financial Officer
November 14, 2023

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EXHIBIT 32.2

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