

PMC COMMERCIAL TRUST /TX
Form DEF 14A
April 14, 2014
Table of Contents

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

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

PMC Commercial Trust

(Name of Registrant as Specified In Its Charter)

Not Applicable

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Table of Contents

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

 - (2) Aggregate number of securities to which transaction applies:

 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

 - (4) Proposed maximum aggregate value of transaction:

 - (5) Total fee paid:
- .. Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:

 - (2) Form, Schedule or Registration Statement No.:

 - (3) Filing Party:

(4) Date Filed:

Table of Contents

PMC COMMERCIAL TRUST
17950 PRESTON ROAD, SUITE 600
DALLAS, TEXAS 75252

Dear PMC Commercial Trust Shareholder:

You are cordially invited to attend the annual meeting of the shareholders of PMC Commercial Trust, a Texas real estate investment trust (PMC Commercial), at 9:00 a.m., Central Daylight Time, on April 28, 2014 at 17950 Preston Road, Suite 270, Dallas, Texas if you are a shareholder of record as of April 11, 2014.

At the annual meeting, PMC Commercial shareholders will be asked to elect the seven trust managers nominated in the proxy statement to serve for a one-year term, and until their successors are elected and qualified. In addition, we will ask shareholders to (i) approve an amendment to our Declaration of Trust, as amended, to increase the authorized shares of beneficial interest of PMC Commercial from 100,000,000 shares to 1,000,000,000 shares, (ii) approve a proposal to change our state of incorporation from Texas to Maryland, (iii) approve certain proposed provisions of our charter under Maryland law in connection with such reincorporation, (iv) approve an amendment to our 2005 Equity Incentive Plan that (a) increases the aggregate number of common shares of beneficial interest of PMC Commercial that may be issued under such plan by 1,000,000 common shares to 1,500,000 common shares and (b) increases the limitation on the number of restricted shares that may be granted to all independent trust managers in the aggregate to no more than 500,000 restricted shares and to each executive officer to no more than 20,000 restricted shares during any fiscal year, and (v) approve, by a non-binding advisory vote, executive compensation.

The Board of Trust Managers of PMC Commercial recommends the approval of each of these proposals. Such other business will be transacted as may properly come before the annual meeting. These foregoing items of business are more fully described in the proxy statement. We urge you to carefully review the proxy statement.

Your vote is very important. If you were a registered shareholder as of the close of business on April 11, 2014, please vote your shares as soon as possible using one of the following methods to ensure that your vote is counted, regardless of whether you expect to attend the annual meeting in person: (1) call the toll-free number specified on the enclosed proxy card(s) and follow the instructions when prompted, (2) access the internet website specified on the enclosed proxy card(s) and follow the instructions provided to you, or (3) complete, sign, date and return the enclosed proxy card(s) in the postage-paid envelope provided. If you hold your shares in street name through a bank, broker or other nominee, you will need to follow the instructions provided to you by your bank, broker or other nominee to ensure that your shares are represented and voted at the annual meeting. If you are a shareholder of record and you attend the annual meeting and wish to vote in person, you may withdraw your proxy and vote in person. Proof of share ownership and a form of photo identification will be required for admission to the annual meeting.

On behalf of our Board of Trust Managers, I thank you for your continued support.

Sincerely,
/s/ Jan F. Salit
Jan F. Salit

President and Secretary

April 14, 2014

This proxy statement is first being mailed to the shareholders of PMC Commercial on or about April 16, 2014.

Table of Contents

PMC COMMERCIAL TRUST
17950 PRESTON ROAD, SUITE 600
DALLAS, TEXAS 75252
NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS OF PMC COMMERCIAL TRUST
TO BE HELD ON APRIL 28, 2014

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders (the Meeting) of PMC Commercial Trust (PMC Commercial) to be held at 9:00 a.m., Central Daylight Time, on April 28, 2014 at 17950 Preston Road, Suite 270, Dallas, Texas. The purposes of the Meeting are as follows:

1. *Proposal 1:* To elect the seven trust managers nominated in the proxy statement to serve for a one-year term, and until their successors are elected and qualified;
2. *Proposal 2:* To approve an amendment to our Declaration of Trust, as amended, to increase the authorized shares of beneficial interest of PMC Commercial from 100,000,000 shares to 1,000,000,000 shares;
3. *Proposal 3:* To approve a change in our state of incorporation from Texas to Maryland by means of merger of PMC Commercial with and into a newly formed, wholly-owned subsidiary Maryland corporation (we sometimes refer to such reincorporation merger herein as the Reincorporation);
4. *Proposal 4:* To approve, as part of the Reincorporation, the adoption of a charter under the Maryland General Corporation Law with the following Sub-Proposals:
 - a.i. *Sub-Proposal 4A-1:* A proposal to approve changes to provisions relating to our purpose.
 - a.ii. *Sub-Proposal 4A-2:* A proposal to approve the removal of a provision requiring major capital improvements.
 - a.iii. *Sub-Proposal 4A-3:* A proposal to approve the removal of a provision relating to our REIT status.
 - a.iv. *Sub-Proposal 4A-4:* A proposal to approve the removal of a provision restricting the Board's ability to change our investment policies.

- b. *Sub-Proposal 4B*: A proposal to approve the removal of certain board of directors requirements;
- c. *Sub-Proposal 4C*: A proposal to approve the addition of a provision setting the initial number of directors at seven (7);
- d.i. *Sub-Proposal 4D-1*: A proposal to approve the removal of the provision relating to the term of directors.
- d.ii. *Sub-Proposal 4D-2*: A proposal to approve the removal of the provision relating to the classes of directors.
- e. *Sub-Proposal 4E*: A proposal to approve the removal of the provision providing for resignation by a director;
- f. *Sub-Proposal 4F*: A proposal to approve the addition of vacancy provisions for directors;
- g.i. *Sub-Proposal 4G-1*: A proposal to approve an additional indemnification provision.
- g.ii. *Sub-Proposal 4G-2*: A proposal to approve an exoneration provision.
- h. *Sub-Proposal 4H*: A proposal to approve the deletion of the provision relating to the term of PMC Commercial;
- i. *Sub-Proposal 4I*: A proposal to approve the removal of the provision relating to PMC Commercial's ability to repurchase its shares;
- j. *Sub-Proposal 4J*: A proposal to approve the addition of the ability of the board of directors to increase or decrease the number of authorized shares and the number of shares of any class or series of PMC Commercial;

Table of Contents

- k. *Sub-Proposal 4K*: A proposal to approve the addition of a provision permitting shareholders to vote by less than unanimous written consent;

- l. *Sub-Proposal 4L*: A proposal to approve the deletion of provisions in our Declaration of Trust relating to liability of shareholders; and

- m. *Sub-Proposal 4M*: A proposal to approve changes to our charter amendment provisions;

- 5. *Proposal 5*: To approve an amendment to the PMC Commercial Trust 2005 Equity Incentive Plan that (a) increases the aggregate number of common shares of beneficial interest of PMC Commercial that may be issued under such plan by 1,000,000 common shares to 1,500,000 common shares, and (b) increases the limitation on the number of restricted shares that may be granted to all independent trust managers in the aggregate to no more than 500,000 restricted shares and to each executive officer to no more than 20,000 restricted shares during any fiscal year;

- 6. *Proposal 6*: To approve, by a non-binding advisory vote, executive compensation; and

- 7. *Proposal 7*: To consider any other business that is properly presented at the Meeting and any postponements or adjournments thereof.

The Board of Trust Managers has fixed the close of business on April 11, 2014 as the record date for determining shareholders entitled to notice of and to vote at the Meeting. Please note that we have provided for separate proxy cards one proxy card for holders of our common shares, and one proxy card for holders of our preferred shares. If you hold both common shares and preferred shares, please take the above-described actions with respect to both proxy cards. The proxy card(s) is enclosed with this notice of Meeting and proxy statement.

Your vote is important to us and our business. I encourage you to complete, date, sign and return the accompanying proxy whether or not you plan to attend the Meeting. If you plan to attend the Meeting to vote in person and your shares are in the name of a broker or bank, you must secure a proxy from the broker or bank assigning voting rights to you for your shares.

Sincerely,

/s/ Jan F. Salit

Jan F. Salit

President and Secretary

April 14, 2014

**Important Notice Regarding the Availability of Proxy Materials for our Annual Meeting of
Shareholders to be Held on April 28, 2014.**

Edgar Filing: PMC COMMERCIAL TRUST /TX - Form DEF 14A

**Our proxy statement is available on our website at <http://investors.pmctrust.com/sec.cfm>
and our annual report to shareholders for the year ended December 31, 2013 is available
on our website at <http://investors.pmctrust.com/sec.cfm>.**

Table of Contents

PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 28, 2014

This proxy statement, with the enclosed proxy card(s), is being furnished to the shareholders of PMC Commercial Trust (the Company, PMC Commercial, we, us or our) in connection with the solicitation by the Board of Trust Managers of the Company (the Board of Trust Managers) of proxies to be voted at the annual meeting of the Company's shareholders (the Meeting) to be held on April 28, 2014 at 9:00 a.m., Central Daylight Time, at 17950 Preston Road, Suite 270, Dallas, Texas 75252 and at any adjournments or postponements thereof. The Notice of Annual Meeting, this proxy statement, and the accompanying proxy card(s) are being mailed to all shareholders on or about April 16, 2014. A copy of our annual report to shareholders for the fiscal year ended December 31, 2013 is enclosed with this proxy statement as Appendix F. The proxy statement will also be available on the internet at <http://investors.pmctrust.com/sec.cfm> and annual report to shareholders for the year ended December 31, 2013 is available on our website at <http://investors.pmctrust.com/sec.cfm>.

Only shareholders of record as of the close of business on April 11, 2014 are entitled to notice of and to vote at the Meeting. As of April 11, 2014, we had 32,596,223 common shares of beneficial interest (Common Shares) and 65,028,571 Class A convertible cumulative preferred shares (Preferred Shares) outstanding. Each holder of record of Common Shares on the record date is entitled to one vote on each matter properly brought before the Meeting for each Common Share held. Each holder of record of Preferred Shares on the record date is entitled to seven votes on each matter properly brought before the Meeting for each Preferred Share held.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

1. What is a proxy?

It is your legal designation of another person to vote the shares you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document also is called a proxy or a proxy card. We have designated our Chief Financial Officer, David Thompson, as proxy for the Meeting.

2. What is the difference between a shareholder of record and shareholder who holds shares in street name?

If your shares are registered in your name, you are a shareholder of record. If your shares are held in the name of your broker or bank, your shares are held in street name and you are a beneficial owner.

3. How do I attend the Meeting? What do I need to bring?

If you are a shareholder of record, you will need to bring a photo ID with you to the Meeting.

If you own shares in street name, bring your most recent brokerage statement with you to the Meeting. We can use your statement to verify your ownership of shares and admit you to the Meeting; however, you will not be able to vote

your shares at the Meeting without a legal proxy, as described in question 4. You will also need to bring a photo ID.

Please note that cameras, sound or video recording equipment, cellular telephones or other similar equipment, electronic devices, large bags, briefcases or packages will not be allowed at the Meeting.

4. How can I vote at the Meeting if I own shares in street name?

You will need to ask your broker or bank for a legal proxy. You will need to bring the legal proxy with you to the Meeting. You will not be able to vote your shares at the Meeting without a legal proxy.

- 1 -

Table of Contents

Please note that if you request a legal proxy, any previously executed proxy will be revoked, and your vote will not be counted unless you appear at the Meeting and vote in person or legally appoint another proxy to vote on your behalf.

If you do not receive the legal proxy in time, you can follow the procedures described in question 3 to attend the Meeting. However, you will not be able to vote your shares at the Meeting.

5. What shares are included on the proxy card?

Please note that we have provided for separate proxy cards – one proxy card for holders of our Common Shares, and one proxy card for holders of our Preferred Shares. If you are a shareholder of record as of the close of business on April 11, 2014, you will receive one proxy card for all the Common Shares or Preferred Shares, as applicable, you hold in each single account, regardless of whether you hold them in certificate form, or in book entry form. If you receive more than one proxy card, it generally means you hold Common Shares registered in more than one account. Please sign and return all of the proxy cards you receive to ensure that your shares are voted.

6. What constitutes a quorum?

The presence, in person or represented by proxy, of a majority of the shares entitled to vote at the Meeting is necessary to constitute a quorum at the Meeting. However, if a quorum is not present at the Meeting, the chairman of the Meeting or the shareholders entitled to vote at the Meeting, present in person or represented by proxy, have the power to adjourn the Meeting until a quorum is present or represented.

7. What different methods can I use to vote?

By Written Proxy; all shareholders can vote by written proxy card received with this proxy statement.

In Person; all shareholders of record may vote in person at the Meeting. Street name holders may vote in person at the Meeting if they have a legal proxy, as described in question 4.

8. What is the record date and what does it mean?

The record date for the meeting is the close of business on April 11, 2014. The record date is established by the Board of Trust Managers as allowed by the Texas Business Organizations Code (the "TBOC"). Owners of record of shares at the close of business on the record date are entitled to receive notice of the Meeting and vote at the Meeting and any adjournments or postponements of the Meeting.

9. What can I do if I change my mind after I return my proxy card(s)?

Returning your proxy card(s) will in no way limit your right to vote at the Meeting if you later decide to attend in person. Shareholders can revoke a proxy prior to the completion of voting at the Meeting by:

giving written notice of revocation to the Corporate Secretary of the Company;

delivering a later-dated proxy; or

voting in person at the Meeting (unless you are a street name holder without a legal proxy, as described in question 4).

10. Are votes confidential? Who counts the votes?

The Company will keep all the proxies and voting tabulations private. Only the Inspector of Elections will examine these documents. The Company will not need to know how you voted on a specific proposal unless it is necessary to meet legal requirements. The Company will, however, disclose the total votes received for and against each proposal (and sub-proposal) in a Form 8-K filing following the Meeting as required by law.

Table of Contents

11. What are my voting choices when voting for trust manager nominees, and what vote is needed to elect trust managers?

In the vote on the election of seven trust manager nominees to serve until the 2015 Annual Meeting of Shareholders, until their successor has been duly elected and qualified, or until the earliest of their death, resignation or retirement, shareholders of record may:

vote in favor of all nominees;

vote in favor of specific nominees;

vote against all nominees;

vote against specific nominees;

abstain from voting with respect to all nominees; or

abstain from voting with respect to specific nominees.

The affirmative vote of two-thirds of the votes cast at the Meeting is required to elect trust managers.

The Board of Trust Managers recommends a vote FOR each of the nominees.

12. What are my voting choices when voting on the amendment to the Company's Declaration of Trust, as amended (our Declaration of Trust), to increase the authorized shares of beneficial interest of the Company from 100,000,000 shares to 1,000,000,000 shares, and what vote is needed to approve the amendment?

In the vote on the amendment to our Declaration of Trust to increase the authorized shares of beneficial interest of the Company, shareholders of record may;

vote in favor of the amendment to increase the authorized shares of beneficial interest of the Company;

vote against the amendment to increase the authorized shares of beneficial interest of the Company; or

abstain from voting on the amendment to increase the authorized shares of beneficial interest of the Company.

The affirmative vote of two-thirds of the votes entitled to be voted at the Meeting is required to approve the amendment to increase the authorized shares of beneficial interest of the Company.

The Board of Trust Managers recommends a vote FOR the amendment to our Declaration of Trust to increase the authorized shares of beneficial interest of the Company.

13. What are my voting choices when voting on the change in our state of incorporation from Texas to Maryland by means of merger of PMC Commercial with and into a newly formed, wholly-owned subsidiary Maryland corporation (referred to herein as the Reincorporation), and what vote is needed to approve the Reincorporation?

In the vote on the Reincorporation, shareholders of record may:

vote in favor of the Reincorporation;

vote against the Reincorporation; or

abstain from voting on the Reincorporation.

The affirmative vote of two-thirds of the votes entitled to be voted at the Meeting is required to approve the Reincorporation.

The Board of Trust Managers recommends a vote FOR the Reincorporation.

Table of Contents

14. What are my choices when voting on, as part of the Reincorporation, the adoption of the charter under the Maryland General Corporation Law (MGCL) with the sub-proposals described under Proposal 4 herein?

In the vote on the adoption of the charter under the MGCL with the sub-proposals described under Proposal 4 herein, shareholders of record may:

vote in favor of one or more of the sub-proposals relating to the charter;

vote against one or more of the sub-proposals relating to the charter; or

abstain from voting on one or more of the sub-proposals relating to the charter.

Each sub-proposal will be treated as a separate vote, and the voting outcome with respect to a single sub-proposal will not affect the remaining sub-proposals. The affirmative vote of two-thirds of the votes entitled to be voted at the Meeting is required to approve each sub-proposal relating to the charter.

The Board of Trust Managers recommends a vote FOR each sub-proposal relating to the charter.

15. What are my voting choices when voting on the First Amendment (the Plan Amendment) to the PMC Commercial Trust 2005 Equity Incentive Plan (the Plan) that (a) increases the aggregate number of Common Shares that may be issued under the Plan by 1,000,000 Common Shares to 1,500,000 Common Shares, and (b) increases the limitation on the number of restricted shares that may be granted to all independent trust managers to no more than 500,000 restricted shares and to each executive officer to no more than 20,000 restricted shares during any fiscal year, and what vote is needed to approve the Plan Amendment?

In the vote on the Plan Amendment, shareholders of record may;

vote in favor of the Plan Amendment;

vote against the Plan Amendment; or

abstain from voting on the Plan Amendment.

The affirmative vote of a majority of the votes cast at the Meeting is required to approve the Plan Amendment.

The Board of Trust Managers recommends a vote FOR the Plan Amendment.

16. What are my choices when voting, on a non-binding advisory basis, on the compensation of our named executive officers?

In the non-binding advisory vote on the compensation of our named executive officers, shareholders of record may:

vote in favor of the compensation of our named executive officers;

vote against the compensation of our named executive officers; or

abstain from voting on the executive compensation proposal.

The affirmative vote of a majority of the votes cast at the Meeting is required to approve the executive compensation proposal. Even though your vote is advisory and therefore will not be binding on the Company, the Board of Trust Managers will review and consider the voting results when making future decisions regarding executive compensation.

The Board of Trust Managers recommends a vote FOR the executive compensation proposal.

Table of Contents

17. What if I do not specify a choice for a matter when returning a proxy?

Shareholders should specify their choice for each matter on the enclosed proxy card(s). If no specific instructions are given, proxies that are signed and returned will be voted:

FOR the election of all trust manager nominees;

FOR the amendment to our Declaration of Trust to increase the authorized shares of beneficial interest of the Company;

FOR the Reincorporation;

FOR the adoption of the charter under the MGCL;

FOR the Plan Amendment; and

FOR the non-binding advisory vote on the executive compensation proposal.

18. How are abstentions and broker non-votes counted?

If on the record date your shares were held through a broker, bank or other agent and not in your name, then you are a beneficial owner. If you are a beneficial owner, your shares are held in street name, as is the case for most of the Company's shareholders. As a beneficial owner, you should have received a form with the voting instructions from the organization holding your account, rather than from the Company, and you have the right to direct how the shares in your account are to be voted. Please complete and mail the voting form as instructed to ensure your vote is counted. Alternatively, you may vote by telephone or over the Internet if permitted by your bank, broker or other agent by following the instructions provided in the Notice of Availability of Proxy Materials or voting instruction form. As a beneficial owner, you are also invited to attend the Meeting. However, since you are not a shareholder of record, you may not vote your shares in person at the Meeting unless you request and obtain a valid proxy from your bank, broker or other agent. Follow the instructions from your broker, bank or other agent included with the proxy materials, or contact your bank, broker or other agent to request such form of proxy.

If you are a beneficial owner, the broker, bank or other agent will not vote your shares in the absence of specific instructions from you on how to vote your shares. The shares which cannot be voted by banks, brokers or other agents on non-routine matters are called broker non-votes. Inasmuch as no routine matters will be voted upon at the Meeting, no broker non-votes will be cast at the Meeting, and therefore broker non-votes will have no effect on the vote count for any of the proposals. Abstentions will be counted as shares that are present and entitled to vote for the purpose of determining the presence of a quorum and will be treated as present and a vote against any matter described herein.

19. What interest does Urban II have in the matters to be acted upon at the Meeting?

In connection with the consummation of the merger and related transactions contemplated by the agreement and plan of merger dated as of July 8, 2013, by and among PMC Commercial, CIM Urban REIT, LLC (CIM REIT), and their respective merger subsidiaries (the Merger Agreement), Urban Partners II, LLC (Urban II), an affiliate of CIM REIT, received 22,000,003 Common Shares and 65,028,571 Preferred Shares in exchange for the contribution of partnership interests in CIM Urban Partners L.P. (CIM Urban) to the Company. Each Preferred Share is convertible into seven Common Shares and is entitled to seven votes on each matter properly brought before a meeting of the PMC Commercial Shareholders for each Preferred Share held. Consequently, Urban II will have the right to vote its Common Shares and Preferred Shares (approximately a 97.8% ownership interest in the Company) on each of the matters to be acted upon herein. Urban II has agreed to vote in favor of Proposal 2, which vote would approve Proposal 2.

Pursuant to the Statement of Designation of the Class A Preferred Shares of Beneficial Interest of PMC Commercial, on the first business day on which, pursuant to our Declaration of Trust, there are sufficient authorized but unissued shares to convert all of the Preferred Shares into Common Shares, each Preferred Share

Table of Contents

shall automatically convert into seven fully paid and non-assessable Common Shares (as equitably adjusted to reflect any stock split, subdivision, combination or similar event). In the event Proposal 2 (approval of an amendment to our Declaration of Trust to increase the authorized shares of beneficial interest of PMC Commercial from 100,000,000 shares to 1,000,000,000 shares) receives the affirmative vote of two-thirds of the votes cast at the meeting, the Preferred Shares will be so converted. Shaul Kuba, Richard Ressler and Avi Shemesh, trust managers of the Company, indirectly control the managing member of Urban II and will have the right to vote such shares.

On March 11, 2014, the Board of Trust Managers granted share awards of 10,000 restricted shares to each of our independent trust managers, which awards are contingent on the receipt of shareholder approval of the Plan Amendment. Other than Proposal 2 and Proposal 5, the trust managers and executive officers of the Company do not have any interest in the matters to be acted upon at the Meeting.

20. Can I access the Notice of Annual Meeting, Proxy Statement and Annual Report on the Internet?

The Notice of Annual Meeting and Proxy Statement are available on our website at <http://investors.pmctrust.com/sec.cfm> and our Annual Report to shareholders for the year ended December 31, 2013 is available on our website at <http://investors.pmctrust.com/sec.cfm>.

21. How are proxies solicited and what is the cost?

We will bear all expenses incurred in connection with the solicitation of proxies. We have not engaged any solicitor to assist with the solicitation of proxies. In accordance with Securities and Exchange Commission (SEC) rules, we will reimburse brokers, fiduciaries and custodians for their costs in forwarding proxy materials to the beneficial owners of shares.

Our trust managers (Trust Managers), officers and employees may solicit proxies by mail, telephone and personal contact. They will not receive any additional compensation for these activities.

IMPORTANT: If your shares are held in the name of a brokerage firm, bank, nominee or other institution, you should provide instructions to your broker, bank, nominee or other institution on how to vote your shares. Please contact the person responsible for your account and give instructions for a proxy to be completed for your shares.

Table of Contents**SECURITY OWNERSHIP OF PMC COMMERCIAL S BOARD OF TRUST****MANAGERS AND EXECUTIVE OFFICERS AND CURRENT BENEFICIAL OWNERS****Trust Managers and Executive Officers**

The following table sets forth certain information regarding the beneficial ownership of our shares as of March 12, 2014 by (1) all current Trust Managers, (2) each named executive officer and (3) all current Trust Managers and current executive officers as a group.

Name of Beneficial Owner(1)	Title of Class	Number of Shares Beneficially Owned	Percent of Class
Jan F. Salit	Common	34,336(2)	*
Barry N. Berlin	Common	37,710(3)	*
David Thompson			
Richard Ressler	Common	477,200,000(4)	97.8%(7)
	Preferred	65,028,571(5)	100%
Avraham Shemesh	Common	477,200,000(4)	97.8%(7)
	Preferred	65,028,571(5)	100%
Shaul Kuba	Common	477,200,000(4)	97.8%(7)
	Preferred	65,028,571(5)	100%
Kelly Eppich			
Douglas Bech	Common	10,000(6)	*
Robert Cresci	Common	10,000(6)	*
Frank Golay	Common	10,000(6)	*
Trust Managers and Executive Officers as a group (9 persons)	Common	477,302,046	97.8%(7)
	Preferred	65,028,571	100%

* Less than 1%.

- (1) The business address of Messrs. Salit, Berlin, Bech, Cresci and Golay, for the purposes hereof, is c/o PMC Commercial Trust, 17950 Preston Road, Suite 600, Dallas, Texas 75252. The business address of Messrs. Thompson, Ressler, Shemesh, Kuba and Eppich, for the purposes hereof, is c/o CIM Group, 6922 Hollywood Blvd., Ninth Floor, Los Angeles, California 90028.
- (2) Mr. Salit has sole voting and investment power over these shares, which include 612 shares held in an IRA.
- (3) Mr. Berlin has shared voting and investment power over these shares, which include 211 shares held in the name of his child and 6,823 shares held jointly with his spouse.
- (4) Messrs. Ressler, Shemesh and Kuba may be deemed to beneficially own these shares by virtue of their position as the control persons of CIM Holdings, Inc., which is the sole managing member of CIM Group, LLC (CIM

Group), which is the sole manager of CIM Urban Partners GP, LLC, which is the sole managing member of Urban II, that has the power to vote and dispose of such shares, which include 455,199,997 Common Shares issuable upon conversion of the Preferred Shares. Messrs. Ressler, Shemesh and Kuba have shared voting and investment power over these shares. Each of Messrs. Ressler, Shemesh and Kuba disclaims beneficial ownership of the Common Shares except to the extent of his pecuniary interest therein.

- (5) Messrs. Ressler, Shemesh and Kuba may be deemed to beneficially own these shares by virtue of their position as the control persons of CIM Holdings, Inc., which is the sole managing member of CIM Group, which is the sole manager of CIM Urban Partners GP, LLC, which is the sole managing member of Urban II, that has the power to vote and dispose of such shares. Messrs. Ressler, Shemesh and Kuba have shared voting and investment power over these shares. Each of Messrs. Ressler, Shemesh and Kuba disclaims beneficial ownership of the Preferred Shares except to the extent of his pecuniary interest therein.

Table of Contents

- (6) On March 11, 2014, the Board of Trust Managers granted share awards of 10,000 restricted shares to each of our independent Trust Managers, which awards are contingent on the receipt of shareholder approval of the Plan Amendment.
- (7) Assumes the conversion of the Preferred Shares into seven Common Shares per Preferred Share.

Beneficial Owners of More than 5% of our Shares

The following table sets forth certain information regarding the beneficial ownership of our shares based on filings with the SEC as of March 12, 2014 by each person known by us to own beneficially more than 5% of our shares.

Name and Address of Beneficial Owner	Title of Class	Number of Shares	
		Beneficially Owned	Percent of Class
Urban Partners II, LLC(1)(2)	Common	477,200,000(1)	97.8%(3)
c/o CIM Group 6922 Hollywood Blvd. Ninth Floor Los Angeles, California 90028	Preferred	65,028,571(2)	100%

- (1) Messrs. Ressler, Shemesh and Kuba may be deemed to beneficially own these shares by virtue of their position as the control persons of CIM Holdings, Inc., which is the sole managing member of CIM Group, which is the sole manager of CIM Urban Partners GP, LLC, which is the sole managing member of Urban II, that has the power to vote and dispose of such shares, which include 455,199,997 Common Shares issuable upon conversion of the Preferred Shares. Messrs. Ressler, Shemesh and Kuba have shared voting and investment power over these shares. Each of Messrs. Ressler, Shemesh and Kuba disclaims beneficial ownership of the Common Shares except to the extent of his pecuniary interest therein.
- (2) Messrs. Ressler, Shemesh and Kuba may be deemed to beneficially own these shares by virtue of their position as the control persons of CIM Holdings, Inc., which is the sole managing member of CIM Group, which is the sole manager of CIM Urban Partners GP, LLC, which is the sole managing member of Urban II, that has the power to vote and dispose of such shares. Messrs. Ressler, Shemesh and Kuba have shared voting and investment power over these shares. Each of Messrs. Ressler, Shemesh and Kuba disclaims beneficial ownership of the Preferred Shares except to the extent of his pecuniary interest therein.
- (3) Assumes the conversion of the Preferred Shares into seven Common Shares per Preferred Share.

Table of Contents

PROPOSAL 1

ELECTION OF TRUST MANAGERS

Pursuant to a resolution adopted by a majority of the Trust Managers, the authorized number of Trust Managers has been set at seven (7).

At the Meeting, you will be asked to elect seven (7) Trust Managers. The seven (7) current Trust Managers will be up for election at the Meeting. For your review and consideration, a biography of each nominee for Trust Manager is contained in this proxy under the section titled Corporate Governance, Trust Manager Nominees. The term of office of each person elected to be a Trust Manager of the Company will be until the next regular or annual meeting of the shareholders at which election of Trust Managers is an agenda item, and until such person's successor is duly elected and qualified. If any unforeseen event prevents one or more of the nominees from serving as a Trust Manager, your votes will be cast for the election of a substitute or substitutes selected by the Board of Trust Managers. In no event, however, can the proxies be voted for a greater number of persons than the number of nominees named. Unless otherwise instructed, the proxies will vote for the election of each current Trust Manager and the nominees to serve as Trust Manager of the Company.

Vote Required

The affirmative vote of two-thirds of the votes cast at the Meeting is required to elect Trust Managers.

The Board of Trust Managers recommends a vote FOR the election of each of the Trust Managers nominated.

Table of Contents

PROPOSAL 2

**APPROVAL OF AN AMENDMENT TO THE DECLARATION OF TRUST TO INCREASE THE
AUTHORIZED SHARES OF BENEFICIAL INTEREST OF THE COMPANY**

The Board of Trust Managers proposes and recommends the approval of an amendment to the Company's Declaration of Trust to increase the authorized shares of beneficial interest of the Company from 100,000,000, par value \$0.01 per share, to 1,000,000,000 shares, par value \$0.01 per share. In the event this proposal and the Reincorporation proposal (Proposal 3 herein) are approved, the number of authorized shares of the Company set forth in the charter to be filed in connection with the Reincorporation will be 1,000,000,000.

In connection with the consummation of the merger and related transactions contemplated by the Merger Agreement, Urban II received 22,000,003 Common Shares and 65,028,571 Preferred Shares. Each Preferred Share is convertible into seven Common Shares. Pursuant to the Statement of Designation of the Class A Preferred Shares of Beneficial Interest of PMC Commercial, on the first business day on which, pursuant to our Declaration of Trust, there are sufficient authorized but unissued shares to convert all of the Preferred Shares into Common Shares, each Preferred Share shall automatically convert into seven fully paid and non-assessable Common Shares (as equitably adjusted to reflect any stock split, subdivision, combination or similar event).

The primary purpose of increasing the number of authorized shares is to satisfy such condition to conversion. Of the additional 900,000,000 shares, 455,199,997 shares will be issued as Common Shares as a result of the conversion of the Preferred Shares and, when issued, will have the same rights and privileges as the Common Shares presently issued and outstanding. Upon such conversion, Urban II will have control of approximately 97.8% of our Common Shares. Since the Preferred Shares entitle Urban II to seven votes per Preferred Shares, Urban II currently has control of approximately 97.8% of our shares.

As of March 12, 2014, there were 33,132,552 Common Shares and 65,028,571 Preferred Shares issued and 224,584 Common Shares reserved for issuance pursuant to the 2005 Equity Incentive Plan. This means that as of March 12, 2014 there were 1,614,293 authorized Common Shares of the Company that were not outstanding, held in the treasury of the Company or reserved for issuance. If the proposed amendment is adopted, after giving effect to the automatic conversion of Preferred Shares into Common Shares, based on the number of authorized and issued Common Shares and Common Shares reserved for issuance as of March 12, 2014, there would be 488,557,133 Common Shares issued and 511,442,867 authorized shares of the Company that are not outstanding, held in the treasury of the Company or reserved for issuance (not including additional Common Shares that may be reserved for issuance under the Plan after shareholder approval of the Plan Amendment).

Except for Common Shares to be issued upon conversion of the Preferred Shares, the Board of Trust Managers has no current plans to issue additional shares of the Company. The terms of any shares of the Company to be issued in the future, including dividend or interest rates, conversion rights, voting rights, redemption rights and similar matters, will be determined by the Board of Trust Managers.

As described above, as a result of the increase in the number of authorized shares, there would be fewer issued Common Shares than authorized and unissued Common Shares. The Company believes that the ratio of total authorized Common Shares to total issued Common Shares reflected in Amendment No. 1 is customary for public companies. This is particularly true of real estate investment trusts (REITs) that, because of applicable requirements under regulations adopted under the Internal Revenue Code of 1986, as amended, must distribute at least 90 percent of their REIT taxable income to shareholders annually in the form of dividends in order to maintain their REIT status.

Accordingly, the purpose of the increase in the number of authorized shares is, in part, to maintain our ability to continue to raise capital to fund the growth of our business. We intend to solicit shareholder approval in connection with the issuance of additional Common Shares in the future to the extent required by applicable state law or by the rules of The NASDAQ Stock Market LLC.

- 10 -

Table of Contents

Although the Company has no intent or plan to employ the additional unissued authorized shares as an anti-takeover device, it is possible that management could use the additional shares to resist or frustrate a third-party transaction providing an above-market premium that is favored by a majority of the independent stockholders. For example, authorized and unissued shares could (within the limits imposed by applicable law) be issued in one or more transactions that would discourage persons from attempting to gain control of the Company by diluting the voting power of shares then outstanding. Similarly, the issuance of additional shares to certain persons allied with the Company's management could have the effect of making it more difficult to remove the Company's current management by diluting the stock ownership or voting rights of persons seeking to cause such removal. Each of these, together with other anti-takeover provisions in our charter documents and provided by applicable state law, could potentially limit the opportunity for the Company's stockholders to dispose of their stock at a premium.

The Board of Trust Managers is not aware of any attempt, or contemplated attempt, to acquire control of the Company, and this proposal is not being presented with the intent that it be utilized as a type of anti-takeover device or to secure management's positions within the Company.

If the proposed amendment to the Declaration of Trust is adopted by the required vote of shareholders, such amendment will become effective on the date the proposed amendment is filed with the Secretary of State of the State of Texas.

Vote Required

The affirmative vote of two-thirds of the votes entitled to be voted at the Meeting is required to approve Proposal 2. Broker non-votes are not entitled to vote on this proposal and will not be counted in evaluating the results of the vote.

The Board of Trust Managers recommends a vote **FOR the approval of the amendment to the Declaration of Trust to increase the authorized shares of beneficial interest of the Company.**

Table of Contents

PROPOSAL 3

PROPOSAL TO APPROVE REINCORPORATION IN MARYLAND

The Board of Trust Managers has unanimously approved the proposal to reincorporate from Texas to Maryland and, for the reasons discussed below, believes that changing our state of incorporation to Maryland is in the Company's best interests and the best interests of our shareholders. We may hereinafter refer to us prior to our proposed reincorporation as PMC Commercial (TX), and after our proposed reincorporation as PMC Commercial (MD). We will hereinafter refer to our proposed reincorporation as the Reincorporation. Following the Reincorporation:

The Company's corporate office will continue to be located in Dallas, Texas we will not establish any offices or operations in Maryland as a result of the Reincorporation other than a principal office in Maryland as required under Maryland law;

The Company's business and management will continue to be the same as immediately before the Reincorporation; and

The Company's fiscal year, assets, liabilities and dividend policies will be the same as immediately before the Reincorporation.

In addition, following the potential Reincorporation, shareholders in PMC Commercial (TX) would become stockholders in PMC Commercial (MD). PMC Commercial's corporate governance and the rights of shareholders would be governed by the MGCL and the proposed new charter and bylaws of PMC Commercial (MD) (respectively, the Maryland Charter and the Maryland Bylaws, which are attached hereto as Appendix A and Appendix B), instead of Texas law and the existing Declaration of Trust of PMC Commercial and existing PMC Commercial Bylaws. The Maryland Charter and Maryland Bylaws and being governed by Maryland law would bring PMC Commercial's corporate governance more in line with that of other public REITs, over 70% of which are currently organized under Maryland law.

As a result of the above (and the other anticipated benefits of Reincorporation, discussed below and in Proposal 4), the Board of Trust Managers believes that being incorporated in Maryland and being governed by Maryland law would be in the best interest of the Company and its shareholders.

What are the Benefits of the Reincorporation?

The Board of Trust Managers believes that we will benefit in several ways by changing our state of incorporation from Texas to Maryland:

upon consummation of the Reincorporation, PMC Commercial would be governed by the MGCL, which contains provisions specifically conducive to the operations of a REIT;

Maryland law offers additional protections for director and officer indemnification, which should facilitate PMC Commercial's efforts to attract and retain qualified directors and officers;

Maryland law offers additional protections in the event of an unsolicited takeover attempt, which may better protect shareholder interests;

the fact that the large majority of public reporting REITs are currently organized under the laws of Maryland has resulted in the development of a more comprehensive and clearer body of law and practice relating to Maryland REITs than is available to a REIT that is organized in Texas; and

being governed by Maryland law would bring PMC Commercial's corporate governance more in line with that of other REITs.

Table of Contents

What are the Disadvantages of the Reincorporation?

While there are numerous potential benefits from the potential Reincorporation, Texas and Maryland law differ in some respects. The rights of shareholders and the powers of the respective Board of Trust Managers and board of directors and of PMC Commercial's officers under Texas and Maryland law, as well as the rights of shareholders and the powers of the Board of Trust Managers and PMC Commercial's officers under the Declaration of Trust of PMC Commercial and the existing PMC Commercial Bylaws, as compared to the rights of PMC Commercial's shareholders and the powers of the board of directors and PMC Commercial's officers under the Maryland Charter and the Maryland Bylaws, are discussed in more detail below.

How will the Reincorporation be Accomplished?

The Reincorporation will be accomplished by means of the merger of PMC Commercial (TX) with and into PMC Commercial (MD) pursuant to a plan and agreement of merger (the Reincorporation Merger Agreement), a copy of which is attached to this proxy statement as Appendix C. The Reincorporation and the Reincorporation Merger Agreement have been unanimously approved by our Board of Trust Managers. Following approval by our shareholders, the Reincorporation will become effective when articles of merger are filed with and accepted for record by the State Department of Assessments and Taxation of Maryland and when the certificate of merger is accepted for record by the Secretary of State of the State of Texas. We anticipate that these filings will be made as soon as practicable after the Meeting and after satisfaction of any remaining conditions precedent to the Reincorporation. At the effective time of the Reincorporation:

PMC Commercial (MD) will succeed to all of the assets and liabilities of PMC Commercial (TX) and continue to possess all of our rights and powers;

PMC Commercial (TX) will cease to exist as a Texas REIT;

we will be governed by the Maryland Charter