

PMC COMMERCIAL TRUST /TX

Form DEF 14A

April 27, 2007

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

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):

- 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

April 27, 2007

Dear Shareowner:

You are invited to attend the Annual Meeting of Shareholders of PMC Commercial Trust, to be held at 17950 Preston Road, Suite 600, Dallas, Texas, on Saturday, June 9, 2007, at 9:00 a.m., Central Daylight Time. The purpose of the meeting is to vote on the following proposals:

- Proposal 1: To elect seven (7) trust managers to serve for a one-year term, and until their successors are elected and qualified.
- Proposal 2: To ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2007.
- Proposal 3: To transact any other business that may properly be brought before the Meeting or any adjournments thereof.

The Board of Trust Managers has fixed the close of business on April 16, 2007 as the record date for determining shareholders entitled to notice of and to vote at the Meeting. A form of proxy card and a copy of our annual report to shareholders for the fiscal year ended December 31, 2006 are enclosed with this notice of Meeting and proxy statement.

Your proxy 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/ Lance B. Rosemore

Lance B. Rosemore
Chief Executive Officer and President

TABLE OF CONTENTS

<u>PROXY STATEMENT</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING</u>	1
<u>GOVERNANCE OF THE COMPANY</u>	4
- <u>Board of Trust Managers (4)</u>	
- <u>Statement on Corporate Governance (4)</u>	
<u>BOARD OF TRUST MANAGERS</u>	5
- <u>General Meetings (5)</u>	
- <u>Committees (5)</u>	
- <u>Trust Manager Nomination Procedures (6)</u>	
- <u>Independence of Trust Managers (7)</u>	
- <u>Compensation of Trust Managers (7)</u>	
<u>DIRECTOR COMPENSATION IN 2006</u>	8
<u>SECURITY OWNERSHIP OF TRUST MANAGERS AND EXECUTIVE OFFICERS</u>	9
<u>EXECUTIVE COMPENSATION</u>	10
- <u>Business Experience (10)</u>	
- <u>2006 Summary Compensation Table (11)</u>	
- <u>Grants of Plan-Based Awards in 2006 (12)</u>	
- <u>Outstanding Equity Awards at December 31, 2006 (12)</u>	
- <u>Option Exercises and Stock Vested in 2006 (13)</u>	
- <u>Employment Agreements (13)</u>	
- <u>Change In Control Agreement (15)</u>	
- <u>Indemnification Agreements (15)</u>	
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	15
- <u>General (15)</u>	
- <u>Base Salary (15)</u>	
- <u>Management Cash Bonus Incentive Plan (16)</u>	
- <u>Long-term Incentives (16)</u>	
- <u>Severance and Change In Control Agreements (16)</u>	
- <u>Other Compensation Plans (16)</u>	
- <u>CEO Performance Evaluation (17)</u>	
- <u>Tax Considerations (17)</u>	
<u>COMPENSATION COMMITTEE REPORT</u>	17
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	17
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	17
<u>APPROVAL OF RELATED PERSON TRANSACTIONS</u>	17

<u>PROPOSAL ONE ELECTION OF TRUST MANAGERS</u>	19
<u>AUDIT COMMITTEE REPORT</u>	20
<u>PROPOSAL TWO RATIFICATION OF INDEPENDENT AUDITORS</u>	21
-Principal Accounting Firm Fees (21)	
-Pre-Approval Policies (21)	
<u>SHAREHOLDER PROPOSALS</u>	22
<u>ANNUAL REPORT</u>	22

Table of Contents

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

Saturday, June 9, 2007

PMC Commercial Trust
17950 Preston Road, Suite 600
Dallas, Texas 75252

The Board of Trust Managers (the Board) of PMC Commercial Trust (the Company) is soliciting proxies to be used at the 2007 Annual Meeting of Shareholders to be held at 17950 Preston Road, Suite 600, Dallas, Texas, on Saturday, June 9, 2007, at 9:00 a.m., Central Daylight Time (the Meeting). This proxy statement, accompanying proxy and annual report to shareholders for the fiscal year ended December 31, 2006 are first being mailed to shareholders on or about April 27, 2007. Although the annual report is being mailed to shareholders with this proxy statement, it does not constitute part of this proxy statement.

Only shareholders of record as of the close of business on April 16, 2007, are entitled to notice of and to vote at the Meeting. As of April 16, 2007, we had 10,753,803 common shares of beneficial interest (the Shares) outstanding. Each holder of record of the Shares on the record date is entitled to one vote on each matter properly brought before the Meeting for each 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 stock 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 two of our officers as proxies for the Meeting. These officers are Jan F. Salit and Barry N. Berlin.

2. What is a proxy statement?

It is a document that Securities and Exchange Commission (SEC) regulations require us to give you when we ask you to sign a proxy card designating Jan F. Salit and Barry N. Berlin as proxies to vote on your behalf.

3. What is the difference between a shareholder of record and a 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.

4. 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 that 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 5.* 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.

5. 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.

Page 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 4 to attend to the Meeting. However, you will not be able to vote your Shares at the Meeting.

6. What Shares are included on the proxy card?

If you are a shareholder of record on April 16, 2007, you will receive only a proxy card for all the Shares you hold:
in certificate form; and

in book-entry form.

If you receive more than one proxy card it generally means you hold Shares registered in more than one account. Please sign and return all of the proxy cards you received to ensure that your Shares are voted.

7. What constitutes a quorum?

The presence, in person or represented by proxy, of the holders of a majority of the Shares (at least 5,376,902) 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, a majority of the shareholders, present in person or represented by proxy, have the power to adjourn the Meeting until a quorum is present or represented.

8. What different methods can I use to vote?

By Written Proxy. All shareholders of record can vote by written proxy card. If you are a street name holder, you will receive a written proxy card from your bank or broker. If you are a shareholder of record you will receive a proxy card 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 5.

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

The record date for the Meeting is April 16, 2007. The record date is established by the Board as allowed by the Texas Real Estate Investment Trust Act (Texas Law). 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.

10. What can I do if I change my mind after I vote my Shares?

Shareholders can revoke a proxy prior to the completion of voting at the Meeting by:
giving written notice 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 5*).

11. Are votes confidential? Who counts the votes?

Voting by proxy will in no way limit your right to vote at the Meeting if you later decide to attend in person.

We will continue our long-standing practice of holding the votes of all shareholders in confidence from trust managers, officers and employees except:

Table of Contents

as necessary to meet applicable legal requirements and to assert or defend claims for or against the Company;

in case of a contested proxy solicitation;

if a shareholder makes a written comment on the proxy card or otherwise communicates his or her vote to management; or

to allow inspectors of election to certify the results of the vote.

We will also continue, as we have for many years, to retain an independent tabulator to receive and tabulate the proxies and inspectors of election to certify results.

12. 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 (7) trust manager nominees to serve until the 2008 Annual Meeting for Shareholders, shareholders 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 the holders of two-thirds of the votes cast by the holders of Shares entitled to vote and present in person or represented by proxy is required to elect trust managers.

The Board recommends a vote FOR each of the nominees.

13. What are my voting choices when voting on the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors, and what vote is needed to ratify their appointment?

In the vote on the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors, shareholders may:

vote in favor of the ratification;

vote against the ratification; or

abstain from voting on the ratification.

The affirmative vote of the holders of a majority of the Shares present in person or represented by proxy is required to ratify the selection of PricewaterhouseCoopers LLP as our independent auditors.

The Board recommends a vote FOR the ratification of PricewaterhouseCoopers LLP as our independent auditors.

14. 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. If no specific instructions are given, proxies which are signed and returned will be voted:

FOR the election of all trust manager nominees; and

FOR the proposal to ratify the appointment of PricewaterhouseCoopers LLP as independent auditors.

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

Texas Law, the Company's Declaration of Trust, and the Company's Bylaws do not specifically address the treatment of broker non-votes. The inspectors of election will treat Shares referred to as broker non-votes (i.e., Shares held by brokers or nominees as to which instructions have not been received from the beneficial owners and as to which the broker or nominee does not have discretionary voting power on a particular matter) as Shares that are

Page 3

Table of Contents

present and entitled to vote for the purpose of determining the presence of a quorum. However, for the purpose of determining the outcome of any matter as to which the broker or nominee has indicated on the proxy that it does not have discretionary authority to vote, those Shares will be treated as not present and not entitled to vote with respect to that matter (even though those Shares are considered entitled to vote for quorum purposes and may be entitled to vote on other matters).

16. Does the Company have a policy about trust managers attendance at Annual Meetings of Shareholders?

The Company does not have a policy about trust managers attendance at Annual Meetings of Shareholders. All of the trust managers attended the 2006 Annual Meeting of Shareholders.

17. Can I access the Notice of Annual Meeting, Proxy Statement, and Annual Report on Form 10-K on the Internet?

The Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2006, are available on our website at www.pmctrust.com.

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

We 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 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, officers, and employees may also solicit proxies by mail, telephone and personal contact. They will not receive any additional compensation for these activities.

GOVERNANCE OF THE COMPANY

Board of Trust Managers

Pursuant to our Declaration of Trust and our Bylaws, our business, property and affairs are managed under the direction of our Board. Members of the Board are kept informed of the Company's business through discussions with the Chairman of the Board and executive officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. Board members have complete access to the Company's management team and the independent auditors. The Board and each of the key committees - Audit, Compensation and Nominating and Corporate Governance - also have authority to retain, at the Company's expense, outside counsel, consultants or other advisors in the performance of their duties. The Company's Corporate Governance Guidelines require that a majority of the Board be independent within the meaning of American Stock Exchange (AMEX) standards.

Statement on Corporate Governance

The Company is dedicated to establishing and maintaining the highest standards of corporate governance. The Board has implemented many corporate governance measures designed to serve the long-term interests of our shareholders and further align the interests of trust managers and management with the Company's shareholders.

Executive Sessions. Pursuant to the Company's Corporate Governance Guidelines, the non-management trust managers meet in separate executive sessions at least three times a year. These trust managers may invite the Chief Executive Officer or others, as they deem appropriate, to attend a portion of these sessions.

Contacting the Board. The Board welcomes your questions and comments. If you would like to communicate directly with the Board, or if you have a concern related to the Company's business ethics or conduct, financial statements, accounting practices or internal controls, then you may submit your correspondence to the Secretary of the Company or you may call the Ethics Hotline at 1-800-292-4496. All communications will be forwarded to the Chairman of our Audit Committee.

Code of Business Conduct and Ethics. The Board has adopted a Code of Business Conduct and Ethics that applies to all trust managers, officers and employees, including the Company's principal executive officer and

Table of Contents

principal financial and accounting officer and a Code of Ethical Conduct for Senior Financial Officers (collectively, the Codes of Conduct). The purposes of the Codes of Conduct are to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships to promote full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by the Company and to promote compliance with all applicable rules and regulations that apply to the Company and its officers and trust managers. If the Board amends any provisions of either Code of Conduct that applies to the Company's chief executive officer or senior financial officers or grants a waiver in favor of any such persons, the Company intends to satisfy its disclosure requirements under Form 8-K rules with respect thereto and by promptly publishing the text of the amendment or the specifics of the waiver on its website at www.pmctrust.com.

The Company intends to continue to act promptly to incorporate not only the actual requirements of rules adopted with respect to corporate governance matters but also additional voluntary measures it deems appropriate. Charters for the Audit, Compensation and Nominating and Corporate Governance Committees and the Company's Corporate Governance Guidelines and Codes of Conduct may be viewed on the Company's website at www.pmctrust.com under the Corporate Governance section. In addition, the Company will mail copies of the Corporate Governance Guidelines to shareholders upon their written request.

BOARD OF TRUST MANAGERS**General Meetings**

During the fiscal year ended December 31, 2006, the Board held eight (8) meetings. Each of the trust managers attended all meetings held by the Board and at least 75% of all meetings of each committee of the Board on which such trust managers served during the fiscal year ended December 31, 2006. The Company's policy is to encourage members of the Board to attend the meetings. All members of the Board attended the 2006 Annual Meeting of Shareholders.

Committees

During the 2006 fiscal year, the Board had three standing committees: an Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee.

Audit Committee. The Audit Committee currently consists of Mr. Nathan G. Cohen, Mr. Barry A. Imber and Mr. Irving Munn. The Audit Committee is comprised entirely of trust managers who meet the independence and financial literacy requirements of the AMEX listing standards as well as the standards established under the Sarbanes-Oxley Act of 2002. In addition, the Board has determined that Mr. Imber qualifies as an audit committee financial expert as defined in SEC rules. The Audit Committee's responsibilities include providing assistance to the Board in fulfilling its responsibilities with respect to oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent auditors' qualifications, performance and independence, and the performance of the Company's internal audit function. In accordance with its charter, the Audit Committee has sole authority to appoint and replace the independent auditors, who report directly to the Committee, approve the engagement fee of the independent auditors and pre-approve the audit services and any permitted non-audit services they may provide to the Company. In addition, the Audit Committee reviews the scope of audits as well as the annual audit plan, evaluates matters relating to the audit and internal controls of the Company and approves all related Person transactions. The Audit Committee holds separate executive sessions, outside the presence of executive management, with the Company's independent auditors. The Audit Committee met seven (7) times during the fiscal year ended December 31, 2006.

Compensation Committee. The Compensation Committee currently consists of Mr. Irving Munn, Mr. Barry A. Imber and Mr. Roy H. Greenberg. The Compensation Committee is comprised entirely of trust managers who meet the independence requirements of the AMEX listing standards. The Compensation Committee's responsibilities include:

establishing the Company's general compensation philosophy;

overseeing the Company's compensation programs and practices, including incentive and equity-based compensation plans;

reviewing and approving executive compensation plans in light of corporate goals and objectives;

evaluating the performance of the Chief Executive Officer (CEO) in light of these criteria and establishing the CEO s compensation level based on such evaluation;

Page 5

Table of Contents

evaluating the performance of the other executive officers and their salaries, bonus and incentive and equity compensation;

administration of the Company's option and benefit plans;

reviewing the adequacy of the Company's succession planning and organizational effectiveness; and

reviewing and making recommendations concerning proposals by management regarding compensation, bonuses, employment agreements and other benefits and policies respecting such matters for employees of the Company.

The Compensation Committee has the authority to retain counsel and other experts or consultants including the sole authority to select and retain a compensation consultant and to approve the fees and other retention terms of any consultant. The Compensation Committee met three (3) times during the fiscal year ended December 31, 2006.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee (the Nominating Committee) consists of Mr. Roy H. Greenberg, Mr. Nathan G. Cohen and Mr. Irving Munn. The Nominating Committee's duties include adopting criteria for recommending candidates for election or re-election to the Board and its committees and considering issues and making recommendations regarding the size and composition of the Board. The Nominating Committee will also consider nominees for trust manager suggested by shareholders in written submissions to the Company's Secretary. The Nominating Committee met two (2) times during the fiscal year ended December 31, 2006.

Trust Manager Nomination Procedures

Trust Manager Qualifications. The Company's Nominating Committee has established policies for the desired attributes of the Board as a whole. The Board will seek to ensure that a majority of its members are independent under AMEX listing standards. Each trust manager generally may not serve as a member of more than six other public company boards. Each member of the Board must possess the individual qualities of integrity and accountability, informed judgment, financial literacy, high performance standards and must be committed to representing the long-term interests of the Company and its shareholders. In addition, trust managers must be committed to devoting the time and effort necessary to be responsible and productive members of the Board. The Board values diversity, in its broadest sense, reflecting, but not limited to, profession, geography, gender, ethnicity, skills and experience.

Identifying and Evaluating Nominees. The Nominating Committee regularly assesses the appropriate number of trust managers comprising the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. The Nominating Committee may consider those factors it deems appropriate in evaluating trust manager candidates including judgment, skill, diversity, strength of character, experience with businesses and organizations comparable in size or scope to the Company, experience and skill relative to other board members, and specialized knowledge or experience. Depending upon the current needs of the Board, certain factors may be weighed more or less heavily by the Nominating Committee. In considering candidates for the Board, the Nominating Committee evaluates the entirety of each candidate's credentials and, other than the eligibility requirements established by the Nominating Committee, does not have any specific minimum qualifications that must be met by a nominee. The Nominating Committee considers candidates for the Board from any reasonable source, including current board members, shareholders, professional search firms or other persons. The Nominating Committee does not evaluate candidates differently based on who has made the recommendation. The Nominating Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates.

Shareholder Nominees. The Nominating Committee will consider properly submitted shareholder nominees for election to the Board and will apply the same evaluation criteria in considering such nominees as it would to persons nominated under any other circumstances. Such nominations may be made by a shareholder entitled to vote who delivers written notice along with any other additional information and materials reasonably required by the Company to the Secretary of the Company not later than the close of business on the 70th day, and not earlier than the close of business on the 90th day, prior to the anniversary of the preceding year's meeting. For the Company's annual meeting of

shareholders in the year 2008, the Secretary must receive this notice after the close of business on March 10, 2008, and prior to the close of business on April 1, 2008.

Any shareholder nominations proposed for consideration by the Nominating Committee should include the nominee's name and sufficient biographical information to demonstrate that the nominee meets the qualification

Table of Contents

requirements for board service as set forth under Trust Manager Qualifications. The nominee's written consent to the nomination should also be included with the nomination submission, which should be addressed to: PMC Commercial Trust, 17950 Preston Road, Suite 600, Dallas, Texas 75252, Attn: Secretary.

Independence of Trust Managers

Pursuant to the Company's Corporate Governance Guidelines, which require that a majority of our trust managers be independent within the meaning of the AMEX corporate governance standards, the Board undertook a review of the independence of trust managers nominated for election at the Meeting. In making independence determinations, the Board observes all criteria for independence established by the SEC, AMEX, and other governing laws and regulations. During this review, the Board considered transactions and relationships between each trust manager or any member of his or her immediate family and the Company, including (if applicable) those reported under Approval of Related Person Transactions. As provided in the Corporate Governance Guidelines, the purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the trust manager is independent.

As a result of this review, the Board affirmatively determined that all the trust managers nominated for election at the Meeting are independent of the Company and its management with the exception of the management members of the Board, Dr. Andrew S. Rosemore and Mr. Lance B. Rosemore, and their sister, Dr. Martha R. Greenberg.

Compensation of Trust Managers

During the year ended December 31, 2006, the non-employee trust managers were paid an annual retainer of \$20,000, payable quarterly. Each non-employee trust manager also received \$1,500 for each quarterly meeting and \$750 for each other meeting attended. Members of the Audit Committee received a \$4,500 annual retainer, and \$1,000 for each quarterly committee meeting and \$750 for each other committee meeting attended, and members of the Compensation Committee and Nominating Committee received \$750 for each committee meeting attended. The chairperson of the Audit Committee was paid an annual retainer of \$5,000 (payable in quarterly installments commencing June 2006) and the chairpersons of the Compensation and Nominating Committees were paid annual retainers of \$3,000 each. If any special committee was formed, each member would receive \$2,500 per meeting and the chairperson would receive an annual retainer of \$3,000. In addition, the Company's 2005 Equity Incentive Plan allows for the issuance of stock awards at the discretion of the Compensation Committee in accordance with the plan. During 2005 and 2006, stock awards granted vested as follows; one-third at the time of grant, one-third on the first anniversary date and the remaining one-third on the second anniversary date. The non-employee trust managers were reimbursed by the Company for their expenses related to attending board or committee meetings.

Effective January 1, 2007, the retainers paid to non-employee trust managers and to Audit Committee members were increased to \$21,000 and \$4,800, respectively. In addition, all meeting fees that were \$750 per meeting were increased to \$1,000 per meeting.

Table of Contents**DIRECTOR COMPENSATION IN 2006**

Compensation for the non-employee trust managers for the year ended December 31, 2006 was as follows:

Name	Fees Earned or		Total
	Paid in Cash	Stock Awards (1)	
Nathan G. Cohen *	\$ 45,375	\$ 6,320	\$51,695
Martha R. Greenberg	28,750	6,320	35,070
Roy H. Greenberg *	36,250	6,320	42,570
Barry A. Imber *	39,125	6,320	45,445
Irving Munn *	36,250	6,320	42,570
Ira Silver (2)*	41,625	6,320	47,945

* *Independent
Director*

(1) *This column represents the dollar amount recognized for financial statement purposes in accordance with Statement of Financial Accounting Standards (SFAS) 123R. Each non-employee trust manager received restricted stock awards as follows: 510 Shares on June 11, 2005 and 510 Shares on June 10, 2006, of which 510 Shares have vested, 340 Shares will vest on June 11, 2007, and 170 Shares will vest on June 10,*

2008. Therefore,
as of
December 31,
2006, 510
Shares were
unvested. The
stock price was
\$14.54 and
\$12.72 on
June 11, 2005
and June 10,
2006,
respectively.
The fair value of
stock awards
granted in 2006
was \$6,487 on
the grant date
for each
non-employee
trust manager.

- (2) Dr. Silver was a
member of the
Audit
Committee and
Compensation
Committee
during 2006.

Table of Contents**SECURITY OWNERSHIP OF TRUST MANAGERS AND EXECUTIVE OFFICERS**

The following table sets forth certain information regarding the beneficial ownership of our Shares as of April 16, 2007 by (1) each person known by us to own beneficially more than 5% of our outstanding Shares, (2) all current trust managers, (3) each current named executive officer, and (4) all current trust managers and current named executive officers as a group. Unless otherwise indicated, the Shares listed in the table are owned directly by the individual, or by both the individual and the individual's spouse. Except as otherwise noted, the individual had sole voting and investment power as to Shares shown or, the voting power is shared with the individual's spouse. All individuals set forth below have the same principal business address as the Company.

Name	Common Shares Owned	Unexercised Options Exercisable	Common Shares Owned Beneficially	Percent of Common Shares Owned Beneficially
Andrew S. Rosemore ⁽¹⁾	524,794	19,830	544,624	5.1%
Lance B. Rosemore ⁽²⁾	190,322	25,330	215,652	2.0%
Barry N. Berlin ⁽³⁾	15,327	22,490	37,817	*
Jan F. Salit ⁽⁴⁾	12,454	22,490	34,944	*
Ron H. Dekelbaum	259	4,500	4,759	*
Nathan G. Cohen ⁽⁵⁾	8,020	2,000	10,020	*
Martha R. Greenberg ⁽⁶⁾	379,144	2,000	381,144	3.5%
Roy H. Greenberg ⁽⁷⁾	8,020	2,000	10,020	*
Barry A. Imber ⁽⁸⁾	12,672		12,672	*
Irving Munn ⁽⁷⁾	4,920	2,000	6,920	*
Ira Silver ⁽⁹⁾	8,020		8,020	*
Trust Managers and Executive Officers as a group (11 persons)	1,163,952	102,640	1,266,592	11.8%

* *Less than 1%.*

(1) *Includes 292,132 Shares held in IRAs, 13,940 Shares held in a trust of which Dr. Rosemore is the beneficiary, 163,777 Shares held by a partnership of which Dr. Rosemore and his spouse are general partners, 4,471 Shares held in the name of his children and 1,500 restricted Shares. In the Company's proxy statement for its 2006 Annual*

*Meeting of
Shareholders,
30,920 Shares
relating to
outstanding options
were double
counted.*

*(2) Includes 7,097
Shares held in the
name of his minor
children, 77,805
Shares held jointly
with his spouse,
4,786 Shares held in
an IRA, 14,755
Shares held in trust
for the benefit of
Mr. Rosemore and
his children, 2,442
Shares held by a
partnership for the
benefit of
Mr. Rosemore and
his children, 1,569
Shares held in an
IRA by
Mr. Rosemore
spouse and 1,500
restricted Shares.*

*(3) Includes 211 Shares
held in the name of
his minor child,
6,323 Shares held
jointly with his
spouse and 1,500
restricted Shares.*

*(4) Includes 612 Shares
held in an IRA and
1,500 restricted
Shares.*

*(5) Includes 1,700
Shares held in the
name of his spouse
and 510 restricted
Shares.*

(6)

*Includes 64,773
Shares held in an
IRA, 115,570 Shares
held jointly with her
spouse, 12,582
Shares held in a
pension trust, 1,938
Shares held by a
partnership for the
benefit of
Dr. Greenberg,
69,620 Shares held
in an IRA for the
benefit of her
spouse, 14,171
Shares held in trust
for the benefit of
Dr. Greenberg and
510 restricted
Shares. Does not
include 64,328
Shares owned by
her spouse, as to
which Shares she
disclaims any
beneficial interest.*

- (7) *Includes 510
restricted Shares.*
- (8) *Includes 3,134
Shares held in an
IRA for the benefit
of his child, 1,097
Shares held in an
IRA for the benefit
of his spouse, 1,175
Shares held in an
IRA and 510
restricted Shares.*
- (9) *Includes 500 Shares
held jointly with his
spouse and 510
restricted Shares.*

Table of Contents**EXECUTIVE COMPENSATION**

The following table sets forth the executive officers and other key members of management of the Company.

Name	Age	Title
Lance B. Rosemore	58	President, Chief Executive Officer and Secretary
Barry N. Berlin	46	Chief Financial Officer
Andrew S. Rosemore	60	Executive Vice President, Chief Operating Officer and Treasurer
Jan F. Salit	56	Executive Vice President, Chief Investment Officer and Assistant Secretary
Ron H. Dekelbaum	37	General Counsel

Business Experience

For the business experience of Dr. Andrew S. Rosemore and Mr. Lance B. Rosemore, see Proposal One Election of Trust Managers.

Barry N. Berlin has been Chief Financial Officer of PMC Commercial Trust (PMC Commercial) since June 1993. Mr. Berlin was also Chief Financial Officer of PMC Capital, Inc. (PMC Capital) from November 1992 to February 2004. From August 1986 to November 1992, he was an audit manager with Imber and Company, Certified Public Accountants. Mr. Berlin is a certified public accountant.

Jan F. Salit has been Executive Vice President of PMC Commercial since June 1993, and Chief Investment Officer and Assistant Secretary since January 1994. He was also Executive Vice President of PMC Capital from May 1993 to February 2004 and Chief Investment Officer and Assistant Secretary of PMC Capital from March 1994 to February 2004. From 1979 to 1992, Mr. Salit was employed by Glenfed Financial Corporation and its predecessor company Armco Financial Corporation, a commercial finance company, holding various positions including Executive Vice President and Chief Financial Officer.

Ron H. Dekelbaum has been General Counsel of PMC Commercial since April 2005. From 2003 to 2005, Mr. Dekelbaum was General Counsel to U.S. Restaurant Properties, Inc. predecessor to Trustreet Properties, Inc. (NYSE:TSY) which was subsequently acquired by GE Capital (NYSE:GE) in 2007. From 1998 to 2003, Mr. Dekelbaum was General Counsel, Vice President and Secretary of Mattress Giant Corporation.

Page 10

Table of Contents**2006 Summary Compensation Table:**

The table below represents the compensation paid to each of the named executive officers in their capacities as executive officers during the fiscal year 2006.

Name and Principal Position	Year	Annual Compensation ⁽¹⁾		Long-Term Compensation Awards ^{(2) (3)}		All Other Compensation ⁽⁴⁾	Total
		Salary	Bonus	Stock Awards	Option Awards		
Lance B. Rosemore <i>Chief Executive Officer</i>	2006	\$360,602	\$72,000	\$18,589	\$3,083	\$48,093	\$502,367
Barry N. Berlin <i>Chief Financial Officer</i>	2006	\$245,117	\$50,000	\$18,589	\$2,522	\$39,186	\$355,414
Andrew S. Rosemore <i>Chief Operating Officer</i>	2006	\$327,585	\$72,000	\$18,589	\$3,083	\$43,549	\$464,806
Jan F. Salit <i>Chief Investment Officer</i>	2006	\$245,117	\$50,000	\$18,589	\$2,522	\$38,610	\$354,838
Ron H. Dekelbaum <i>General Counsel</i>	2006	\$154,250	\$10,000	\$	\$1,401	\$14,177	\$179,828

(1) *Salary and bonus as a percentage of total compensation ranges from 83% to 91% for the named executive officers.*

(2) *As described in the Compensation Discussion and Analysis, the Compensation Committee grants stock and option awards on a discretionary basis to the executive officers. The terms of the*

stock awards provide for dividends on non-vested shares to be paid to the named executive officers.

- (3) *Each column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2006 fiscal year for the fair value of restricted stock awards and option awards granted in 2006 as well as prior fiscal years, in accordance with SFAS 123R utilizing assumptions disclosed in Note 18 to our financial statements for the period ended December 31, 2006. See the Grants of Plan-Based Awards Table for information on awards made in 2006. These amounts reflect the Company's accounting expense for these awards, and do not*

*correspond to
the actual value
that will be
recognized by
the named
executives.*

- (4) *See table below;
the Company
has determined
that the amounts
of perquisites
and other
personal
benefits paid to
each of the
executive
officers does not
exceed \$10,000.*

All other compensation consists of the following:

Name	Year	Car Allowance	Unused Vacation Pay	Tax Qualified Deferred Compensation Plan	Other	Total
Lance B. Rosemore	2006	\$6,600	\$18,003	\$ 20,490	\$3,000	\$48,093
Barry N. Berlin	2006	6,600	12,096	20,490		39,186
Andrew S. Rosemore	2006	6,600	16,459	20,490		43,549
Jan F. Salit	2006	6,600	11,520	20,490		38,610
Ron H. Dekelbaum	2006			14,177		14,177

Page 11

Table of Contents**Grants of Plan-Based Awards in 2006:**

The following table provides information concerning each grant of restricted stock and each grant of stock options made to our named executive officers pursuant to the 2005 Equity Incentive Plan during 2006.

Name of Executive	Grant Date	All Other	All Other	Exercise	Grant	Grant
		Stock	Option	or	Date	Date
		Awards:	Awards: ⁽¹⁾	Base	Value	Value
		Number of	Number of	Price	Of Stock	Of Option
		Shares	Securities	of Option		
		of Stock or	Underlying	Awards	Awards	Awards
		Units	Options	(\$/Sh)	(\$)	(\$)
		(#)	(#)			
Lance B. Rosemore	6/10/06	1,500	5,500	\$ 12.72	\$ 19,080	\$ 3,080
Barry N. Berlin	6/10/06	1,500	4,500	12.72	19,080	2,520
Andrew S. Rosemore	6/10/06	1,500	5,500	12.72	19,080	3,080
Jan F. Salit	6/10/06	1,500	4,500	12.72	19,080	2,520
Ron H. Dekelbaum	6/10/06		2,500	12.72		1,400

(1) Fully vested on date of grant.

Outstanding Equity Awards at December 31, 2006:

The following table provides information on the holding of stock option and stock awards by the named executive officers. This table includes unexercised option awards and unvested stock awards. Each equity grant is shown separately for each named executive. All option awards were fully vested on the date of grant. The vesting schedule for each stock award is shown following this table, based on the option or stock award grant date. The market value of the stock awards is based on the closing market price of PMC Commercial stock as of December 31, 2006, which was \$15.01.

Name of Executive	Grant Date	Option Awards			Stock Awards ⁽¹⁾	
		Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested
Lance B. Rosemore	6/13/2002 ⁽²⁾	3,330	\$ 17.95	6/13/2007		
	12/10/2002	7,500	13.13	12/10/2007		
	9/11/2003 ⁽²⁾	3,700	12.97	9/11/2008		
	6/11/2005	5,300	14.54	6/11/2010	500	\$ 7,505
	6/10/2006	5,500	12.72	6/10/2011	1,000	15,010
Barry N. Berlin	6/13/2002 ⁽²⁾	2,960	\$ 17.95	6/13/2007		

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

	12/10/2002	7,500	13.13	12/10/2007		
	9/11/2003 ⁽²⁾	3,330	12.97	9/11/2008		
	6/11/2005	4,200	14.54	6/11/2010	500	\$ 7,505
	6/10/2006	4,500	12.72	6/10/2011	1,000	15,010
Andrew S. Rosemore	6/13/2002 ⁽²⁾	3,330	\$ 17.95	6/13/2007		
	12/10/2002	7,500	13.13	12/10/2007		
	9/11/2003 ⁽²⁾	3,700	12.97	9/11/2008		
	6/11/2005	5,300	14.54	6/11/2010	500	\$ 7,505
	6/10/2006				1,000	15,010
Jan F. Salit	6/13/2002 ⁽²⁾	2,960	\$ 17.95	6/13/2007		
	12/10/2002	7,500	13.13	12/10/2007		
	9/11/2003 ⁽²⁾	3,330	12.97	9/11/2008		
	6/11/2005	4,200	14.54	6/11/2010	500	\$ 7,505
	6/10/2006	4,500	12.72	6/10/2011	1,000	15,010
Ron H. Dekelbaum	6/11/2005	2,000	\$ 14.54	6/11/2010		
	6/10/2006	2,500	12.72	6/10/2011		

(1) *The stock awards granted on June 11, 2005 will vest on June 11, 2007. The stock awards granted on June 10, 2006 will vest on June 10, 2007 (50%) and June 10, 2008 (50%).*

(2) *Issued by PMC Capital and converted upon merger on February 28, 2004.*

Table of Contents**Option Exercises and Stock Vested in 2006:**

The following table sets forth, for each of the named executive officers, information regarding the exercise of stock options and the value of stock awards that vested during the fiscal year ended December 31, 2006.

Name of Executive	Option Awards		Stock Awards	
	Number of Shares	Value	Number of Shares	Value
	Acquired on Exercise	Realized on Exercise	Acquired on Vesting	Realized on Vesting
	(#)	(\$)	(#)	(\$)
Lance B. Rosemore	7,500 ⁽¹⁾	\$ 7,988	1,000	\$ 12,720
Barry N. Berlin	7,500 ⁽¹⁾	7,988	1,000	12,720
Andrew S. Rosemore	13,000 ⁽¹⁾	16,073	1,000	12,720
Jan F. Salit	7,500 ⁽¹⁾	7,988	1,000	12,720
Ron H. Dekelbaum				

(1) Represents the number of options tendered pursuant to the cashless exercise provision of the 2005 Equity Incentive Plan. The number of Shares actually received was, with respect to Mr. Lance B. Rosemore, Mr. Barry N. Berlin, and Mr. Jan F. Salit, 563 Shares and Dr. Andrew S. Rosemore 1,133 Shares.

Employment Agreements

The Company has entered into employment agreements with Mr. Lance B. Rosemore, Dr. Andrew S. Rosemore, Mr. Jan F. Salit, and Mr. Barry N. Berlin dated June 12, 2006. Each of these employment agreements is substantially similar and provides for at least annual reviews by the Board of the salaries contained therein, with a minimum salary equal to the executive's compensation on July 1, 2006 (the Minimum Rate). In addition, the Board may determine, in its discretion, to award bonuses to each of the foregoing persons based on the Company's and the executive's performance. Each of the employment agreements also provides that if the executive's job responsibilities are substantially modified or substantial changes are made to the executive's working conditions, the executive could resign and be entitled to be paid an amount equal to 2.99 times the average of the last three years annual compensation paid to the executive. If triggered on December 31, 2006, compensation would be due to the executive as follows:

Mr. Rosemore would receive approximately \$1,330,000, Mr. Berlin would receive approximately \$960,000, Dr. Rosemore would receive approximately \$1,235,000 and Mr. Salit would receive approximately \$948,000. Each of the employment agreements expires on June 30, 2009 (the Term). The Term of those agreements may be extended annually by the Board. Additional details of the agreements are described below.

Mr. Rosemore, Mr. Berlin, Dr. Rosemore and Mr. Salit (hereinafter referred to as executives) are entitled to receive the following, all as established from time to time by the Board or the Compensation Committee:

a base salary;

the opportunity to earn annual cash bonuses in amounts that may vary from year to year and that are based upon achievement of performance goals;

long-term incentives in the form of equity-based compensation; and

benefits and perquisites that other officers and employees of the Company are entitled to receive.

Other terms of the employment agreements are detailed below.

Disability. If unable to perform services by reason of illness or total incapacity, based on standards similar to those utilized by the U.S. Social Security Administration, the executive shall receive their full salary for one (1) year of total incapacity through coordination of benefits with any existing disability insurance program provided by the Company (a reduction in salary by that amount paid by any Company provided insurance). Should the executive be totally incapacitated beyond a one-year period, so that they are not able to devote full time to their employment with the Company, then the employment agreement shall terminate. If the executive became disabled on December 31, 2006, estimated disability pay would be due to the executive as follows; Mr. Rosemore would receive approximately \$493,000, Mr. Berlin would receive approximately \$350,000, Dr. Rosemore would receive approximately \$458,000 and Mr. Salit would receive approximately \$350,000.

Table of Contents

Death During Employment. If the executive dies during the term of employment and has not attained the age of seventy years, the Company and/or any third person insurance provided by the Company, through a coordination of benefits, shall pay the estate of the executive a death benefit equal to two times the executive's annual salary. In the event the executive's estate receives death benefits payable under any group life insurance policy issued to the Company, the Company's liability under this clause will be reduced by the amount of the death benefit paid under such policy. The Company shall pay any remaining death benefits to the estate of the executive over the course of twelve (12) months in the same manner and under the same terms as the executive would have been paid if he had still been working for the Company. No later than one (1) month from the date of death, the estate of the executive will also be paid any accumulated vacation pay. Such payments pursuant to this paragraph shall constitute the full compensation of said executive and he and his estate shall have no further claim for compensation by reason of his employment by the Company. If death benefits were due as of December 31, 2006, the estates of the executive would receive the following; Mr. Rosemore's estate would receive approximately \$986,000, Mr. Berlin's estate would receive approximately \$699,000, Dr. Rosemore's estate would receive approximately \$917,000 and Mr. Salit's estate would receive approximately \$698,000.

Bonus. The Board may consider bonus compensation for the executive if the performance of the Company and the executive justifies such bonus compensation.

Other. The executive is authorized to incur reasonable expenses for the promotion of the business of the Company. The Company will reimburse the executive for all such reasonable expenses upon the presentation by the executive, from time to time, of an itemized account of such expenditures.

The executive shall be entitled to such additional and other fringe benefits as the Board shall from time to time authorize, including but not limited to: health insurance coverage for the executive, spouse and dependent children and a monthly automotive allowance of \$550, which the executive is to use to obtain an automobile to be available for company needs. All operating expenses such as maintenance, insurance and fuel (excluding fuel for Company travel) will be the responsibility and expense of the executive.

Constructive Discharge. If during the Term, the employment agreement is terminated by the Company (other than pursuant to the provisions of the termination section detailed below) or by the executive due to Constructive Discharge then the executive shall receive termination pay in an amount equal to 2.99 times the average of the last three years compensation as quantified above. For purposes of the employment agreements, Constructive Discharge shall mean:

any reduction in salary below the Minimum Rate;

a material change diminishing the executive's job function, authority, duties or responsibilities, or

a similar change deteriorating executive's working conditions that would not be in accordance

with the spirit of the employment agreement;

a required relocation of the executive of more than 100 miles from the executive's current job location, or requires the executive to travel away from the executive's office in the course of discharging responsibilities in excess of that typically required in similar positions; or

any breach of any of the terms of the employment agreement by the Company which is not cured within 14 days following written notice by the executive.

The amount payable by the Company is due in a lump sum cash payment no later than 30 days following termination.

Termination. The Company cannot terminate the employment agreement except for: the intentional, unapproved material misuse of corporate funds; professional incompetence (i.e., the intentional refusal to perform or the inability to perform the duties associated with executive's position with the Company in a competent manner, which is not cured within 15 days following written notice to executive); or willful neglect of duties or responsibilities in either

case not otherwise related to or triggered by the occurrence of any event or events described in or prescribed by or in the items detailed above.

Indemnification. The Company has agreed to indemnify and hold the executive harmless from any loss for any corporate undertaking, as contemplated per the employment agreement, whereby a claim, allegation or cause of action shall be made against the executive in the performance of his contractual duties except for willful illegal misconduct. Said indemnification shall include but not be limited to reasonable cost incurred in defending the executive in his faithful performance of contractual duties.

Table of Contents

Change in Control Agreement

The Company has also entered into an employment agreement with Ron H. Dekelbaum, dated July 7, 2006, which provides for severance benefits in the amount of one year's salary in the event of termination as a result of change in control. The agreement expires October 31, 2007. If triggered on December 31, 2006, the compensation due Mr. Dekelbaum would be approximately \$160,000.

Indemnification Agreements

We have entered into an indemnification agreement with each of the independent, non-management trust managers and each executive officer. These agreements provide for the Company to, among other things, indemnify such persons against certain liabilities that may arise by reason of their status or service as trust managers or officers, to advance their expenses incurred as a result of a proceeding as to which they may be indemnified and to cover such person under any trust managers' and officers' liability insurance policy the Company chooses, in its discretion, to maintain. These indemnification agreements are intended to provide indemnification rights to the fullest extent permitted under applicable indemnification rights statutes in the State of Texas and shall be in addition to any other rights the indemnity may have under the Company's Declaration of Trust, Bylaws and applicable law. Management believes these indemnification agreements enhance the Company's ability to attract and retain knowledgeable and experienced executives and independent, non-management trust managers.

COMPENSATION DISCUSSION AND ANALYSIS

General

The Compensation Committee recommends to the Board the compensation of the CEO and administers all employment benefit plans established by the Company. The Compensation Committee reviews the overall compensation program to assure that it is reasonable and, in consideration of all the facts, including practices of comparably sized Real Estate Investment Trusts (REITs), adequately recognizes performance tied to creating shareholder value and meets overall Company compensation and business objectives. The Compensation Committee's philosophy for compensating executive officers is that an incentive-based compensation system tied to the Company's financial performance and shareholder return will best align the interests of its executive officers with the objectives of the Company and its shareholders. The Compensation Committee attempts to promote financial and operational success by attracting, motivating and assisting in the retention of key employees who demonstrate the highest levels of ability and talent. The Compensation Committee has determined that the Company's compensation program should reward performance measured by the creation of value for shareholders. In accordance with this philosophy, the Compensation Committee oversees the implementation of the compensation system designed to meet the Company's financial objectives by making a portion of an executive officer's compensation dependent upon the Company's and such executive's performance. The Company's executive compensation program includes:

- base salary, which results from an assessment of each executive's level of responsibility and experience, individual performance and contributions to the Company;

- annual incentives that are directly related to the performance of the executive's department and the financial performance of the Company as a whole; and

- grants of restricted shares and/or share options designed to motivate individuals to enhance long-term profitability of the Company and the value of the common shares.

The Compensation Committee does not allocate a fixed percentage to each of these elements, but works with management to design compensation structures that best serve its goals.

Base Salary

The base salary of Mr. Lance B. Rosemore, the Company's CEO, was recommended to the Board by the Compensation Committee. Recommendations for compensation of executive officers, other than Mr. Rosemore, are provided by the CEO after annual evaluations of individual contributions to the business of the Company are held with each such executive officer. Factors considered by the Compensation Committee in recommending base salaries include the performance of the Company, measured by both financial and non-financial objectives, individual accomplishments, any planned change of responsibilities for the forthcoming year, salaries paid for similar positions

within the real estate and REIT industry available in public filings and proposed base salary relative to that of other executive officers. However, the Company does not require that the compensation of executives be tied directly to

Page 15

Table of Contents

that of those comparable companies. The predominating factor is the performance of the Company. The application of the remaining factors is subjective.

Management Cash Bonus Incentive Plan

The Compensation Committee administers the Company's bonus plan (Bonus Plan), which is designed to compensate key management personnel for reaching certain performance milestones and to aid the Company in attracting, retaining and motivating personnel required for the Company's continued performance. The size of the pool of funds available to be paid to Mr. Rosemore, Mr. Berlin, Dr. Rosemore and Mr. Salit (Key Executives) under the Bonus Plan is set by the Compensation Committee, subject to approval by the Board, as a pool of maximum available funds. The size of the pool is based on a review of the Company's performance for the previous year as it relates to the corporate performance objectives for that year. Bonuses are paid to eligible participants during the first quarter of the fiscal year.

Under the Company's Bonus Plan, \$244,000, \$122,000, and \$145,000 were approved by the Compensation Committee for payment to the Company's Key Executives in fiscal 2006, 2005, and 2004, respectively.

Long-term Incentives

In keeping with the Compensation Committee's philosophy to provide long-term incentives to executive officers and other key employees, it is anticipated that restricted share awards and share options will be granted to executive officers and other key employees on a periodic basis. The Compensation Committee is responsible for administration of the 2005 Equity Incentive Plan, and establishes the number of options granted based upon REIT industry data and upon each individual's base salary.

Options awards and restricted stock awards granted under the 2005 Equity Incentive Plan vest over varying terms as determined by the Compensation Committee at the time of grant. Individual grants were made by the Compensation Committee based upon recommendations of the Chief Executive Officer and the Compensation Committee's own deliberations as to the individual's contribution to the Company, overall level of compensation, and seniority.

Severance and Change in Control Agreements

The Compensation Committee believes that severance and, in selective circumstances, change in control arrangements are necessary to attract and retain the talent necessary for our long-term success. However, the Compensation Committee does not view severance programs for executives as an additional element of compensation. Rather the Compensation Committee believes that severance programs allow the Company's executives to focus on duties at hand and provide security should their employment be terminated through no fault of their own. Currently, all of the named executive officers are covered by severance or change in control programs in their employment agreement.

Each of our Key Executives have entered into agreements with the Company (which are discussed under Employment Agreements) pursuant to which they are granted enhanced severance benefits. The enhanced benefits provided by these agreements include severance in the event any of the Key Executives is asked to take a demotion or is terminated for reasons other than cause (as defined in the employment agreement). The Compensation Committee believes that these arrangements are appropriate and consistent with similar provisions agreed upon between comparable sized public companies and their key executives.

Other Compensation Plans

The Company maintains a defined contribution plan (the 401(k) Plan) and a profit sharing plan (the Profit Sharing Plan) that is intended to satisfy the tax qualification requirements of Section 401(a), 401(k), and 401(m) of the Code. The Company's full time employees, including the Company's executive officers, are eligible to participate in the 401(k) Plan and are permitted to contribute up to the maximum percentage allowable without exceeding the limits of Internal Revenue Code Sections 401(k), 404 and 415 (i.e., \$15,000, or \$20,000 for eligible participants over the age of 50, in calendar year 2006). All amounts deferred by a participant under the 401(k) Plan's salary reduction feature vest immediately in the participant's account. While the Company may make matching contributions, during fiscal 2006, the Company did not make any. In lieu of 401(k) matching contributions, pursuant to the Profit Sharing Plan, the Board elected to contribute \$244,000 during each of the plan years ended October 31, 2006 and 2005 and \$240,000 during the plan year ended October 31, 2004. Contributions to the Profit

Table of Contents

Sharing Plan are available to all full-time employees who meet the eligibility requirements of the plan. In general, vesting in the Profit Sharing Plan occurs ratably between years two (2) to seven (7) of employment.

CEO Performance Evaluation

The Compensation Committee recommends to the Board for its approval the compensation of all executives, including the CEO. Mr. Rosemore's current annual salary, as established by his employment agreement, was set at \$374,453 on July 1, 2006. In 2006, Mr. Rosemore was paid base compensation of \$360,602. Also, during 2006 he was awarded a cash bonus of \$72,000 pursuant to the Bonus Plan.

Tax Considerations

The Compensation Committee is aware of the tax law which makes certain (non-performance based) compensation to certain executive officers in excess of \$1,000,000 non-deductible to the Company. While none of the executive officers currently receives performance-based compensation at or near the \$1,000,000 maximum, the Compensation Committee has carefully considered the impact of these tax provisions and has taken steps which are designed to minimize their future effect, if any.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has (1) reviewed and discussed the foregoing Compensation Discussion and Analysis (CD&A) with the Company's CEO, Chief Financial Officer, and General Counsel; and (2) based upon the review and discussion recommended to the Board that the CD&A be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K.

This report is submitted by the following members of the Compensation Committee:

Irving Munn (Chair)

Barry A. Imber

Roy H. Greenberg

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee consists of members of the Board who are neither former nor current officers or employees of the Company or any of its subsidiaries. The Compensation Committee of the Board for the last fiscal year consisted of Mr. Irving Munn, Dr. Ira Silver and Mr. Roy H. Greenberg.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our trust managers and executive officers and persons who own more than 10% of a registered class of our equity securities, to file reports of holdings and transactions in our securities with the SEC. Executive officers, trust managers and greater than 10% beneficial owners are required by applicable regulations to furnish us with copies of all Section 16(a) forms they file with the SEC.

Based solely upon a review of these reports, we believe that all SEC filing requirements applicable to our trust managers and executive officers were satisfied on a timely basis.

APPROVAL OF RELATED PERSON TRANSACTIONS

In general, the Company will enter into or ratify related person transactions only when the Board determines that the related person transaction is reasonable and fair to the Company.

A Related Person Transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds \$5,000, and in which a related person had, has or will have a direct or indirect material interest. A Related Person means:

Table of Contents

any person who is, or at any time during the applicable period was a trust manager of the Company or nominee for trust manager;

any person who is known to the Company to be the beneficial owner of more than 5% of the Shares;

any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the trust manager, nominee for trust manager or more than 5% beneficial owner of the Shares and any person (other than a tenant or employee) sharing the household of such trust manager, nominee for trust manager or more than 5% beneficial owner of the Shares; and

any firm, corporation or other entity in which any of the foregoing persons is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

If a new Related Person Transaction is identified, it is initially brought to the attention of the Chief Financial Officer to determine if the proposed transaction is reasonable and fair to the Company. The Board would then consider, among other things, the recommendation of the individuals directly involved in the transaction and the recommendation of the Chief Financial Officer.

Identifying possible Related Person Transactions involves the following procedures in addition to the completion and review of the customary Trust Managers and Executive Officers Questionnaires.

The Company annually requests each trust manager to verify and update the following information:

a list of entities where the trust managers is an employee, director or executive officer;

each entity where an immediate family member of trust manager is an executive officer;

each firm, corporation or other entity in which the trust manager or an immediate family member is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest; and

each charitable or non-profit organization where the trust manager or an immediate family member is an employee, executive officer, director or trustee.

During 2006, the Company did not enter into, nor was the Company party to, any Related Person Transactions.

Page 18

Table of Contents**PROPOSAL ONE ELECTION OF TRUST MANAGERS**

At the Meeting, seven (7) trust managers will be elected by the shareholders, each trust manager to serve for a one (1) year term, until his successor has been duly elected and qualified, or until the earliest of his death, resignation or retirement. The affirmative vote of the holders of two-thirds of the votes cast by the holders of Shares entitled to vote and present at the Meeting is required to elect trust managers.

The persons named in the enclosed proxy will vote your Shares as you specify on the enclosed proxy form. If you return your properly executed proxy but fail to specify how you want your Shares voted, the Shares will be voted in favor of the nominees listed below. The Board has proposed the following nominees for election as trust managers at the Meeting. All nominees are currently serving as trust managers whose term will expire at the Meeting.

Nominees Name	Age	Principal Occupation	Trust Manager Since
Nathan G. Cohen	61	Mr. Cohen was the Chief Financial Officer of Institution Solutions LLC, a third Person administrator, from June 2005 through December 2006. He remains President, since August 2001, of Consultants Unlimited, a management and financial consulting firm. From November 1984 to 2001, he was the Controller of Atco Rubber Products, Inc.	May 1994
Martha R. Greenberg	55	Dr. Greenberg has practiced optometry for 31 years in Russellville, Alabama and is the President of the Alabama Optometric Association. Dr. Greenberg was a director of PMC Capital from 1984 to February 2004. Dr. Greenberg is not related to Mr. Roy H. Greenberg, but is the sister of Mr. Lance B. Rosemore and Dr. Andrew S. Rosemore.	May 1996
Roy H. Greenberg	49	Mr. Greenberg has been the President of Whitehall Real Estate, Inc., a real estate management firm, since December 1989. From June 1985 to December 1989, he was Vice President of GHR Realty Holding Group, Inc., a real estate management company.	September 1993
Barry A. Imber	60	Mr. Imber has been a principal of Imber and Company, Certified Public Accountants, or its predecessor, since 1982. Mr. Imber	February 2004

was a trust manager of PMC Commercial from September 1993 to March 1995 and a director of PMC Capital from March 1995 to February 2004.

Irving Munn	58	Mr. Munn has been the President of Munn & Morris Financial Advisors, Inc. since July 1999. He has been a registered representative with Raymond James Financial Services since 1997. Mr. Munn was a principal of Kaufman, Munn and Associates, P.C., a public accounting firm, from 1991 to November 2000 and President from 1993 to November 2000. He is currently the President of Irving Munn, P.C., a public accounting firm. Mr. Munn is a certified public accountant and certified financial planner.	September 1993
Andrew S. Rosemore	60	Dr. Rosemore has been Chairman of the Board of Trust Managers since January 1994 and has been Executive Vice President, Chief Operating Officer and Treasurer of PMC Commercial since June 1993. He was the Chief Operating Officer of PMC Capital from May 1992 to February 2004 and Executive Vice President of PMC Capital from 1990 to February 2004. Dr. Rosemore was a director of PMC Capital from 1989 to August 1999. Dr. Rosemore is the brother of Dr. Martha R. Greenberg and Mr. Lance B. Rosemore.	June 1993
Lance B. Rosemore	58	Mr. Rosemore has been President, Chief Executive Officer and Secretary of PMC Commercial since June 1993. He was the Chief Executive Officer of PMC Capital from May 1992 to February 2004 and President of PMC Capital from 1990 to February 2004. Mr. Rosemore was a director and the Secretary of PMC Capital from 1983 to February 2004. Mr.	June 1993

Rosemore was a director of PMC
Capital from 1983 to
February 2004. Mr. Rosemore is the
brother of Dr. Martha R. Greenberg
and Dr. Andrew S. Rosemore.

The Board unanimously recommends that you vote FOR the election of each trust manager as set forth in Proposal One. Proxies solicited by the Board will be so voted unless you specify otherwise in your proxy.

Page 19

Table of Contents**AUDIT COMMITTEE REPORT**

Since inception, the Company's Audit Committee (the Audit Committee) has been composed entirely of Independent Trust Managers. The members of the Audit Committee meet the independence and experience requirements of Section 803 of the AMEX Listing Standards and those established by the SEC. In 2006, the Audit Committee held seven meetings. The Audit Committee has adopted, and annually reviews, a charter outlining the practices it follows. The charter complies with all current regulatory requirements.

During 2006, at each of its regularly scheduled meetings, the Audit Committee met with the senior members of the Company's financial management team. Additionally, the Audit Committee, either through separate private sessions or during its regularly scheduled meetings with independent auditors and the director of internal control testing, had candid discussions regarding financial management, legal, accounting, auditing, and internal control issues.

The Audit Committee has been provided with quarterly updates on management's process to assess the adequacy of the Company's system of internal control over financial reporting, the framework used to make the assessment, and management's conclusions on the effectiveness of the Company's internal control over financial reporting. The updates include discussions with the independent auditors about the Company's internal control assessment process, management's assessment with respect thereto and the independent auditors' evaluation of the Company's system of internal control over financial reporting.

The Audit Committee reviewed with executive management, and the director of internal control testing, (1) the Company's policies and procedures with respect to risk assessment and risk management and (2) the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs, including the Codes of Conduct.

The Audit Committee recommended to the Board the engagement of PricewaterhouseCoopers LLP as the independent auditors for the year ended December 31, 2006, and reviewed with senior members of the Company's financial management team and the independent auditors, the overall audit scope and plans, the results of internal and external audit examinations, evaluations by management and the independent auditors of the Company's internal controls over financial reporting and the quality of the Company's financial reporting. The Audit Committee has the sole authority to appoint the independent auditors. Nonetheless, the Audit Committee will continue the practice of recommending a shareholder vote, at their annual meeting, to ratify their appointment of the independent auditors.

Management has reviewed and discussed the audited financial statements in the Company's Annual Report on Form 10-K with the Audit Committee including a discussion of the accounting principles, the reasonableness of significant accounting judgments and estimates, and the clarity of disclosures in the financial statements.

The Audit Committee also discussed with the independent auditors, who are engaged to audit and report on the consolidated financial statements of the Company and subsidiaries, management's assessment of the effectiveness of the Company's internal control over financial reporting, and the effectiveness of the Company's internal control over financial reporting, those matters required to be discussed by the auditors with the Audit Committee under Statement on Auditing Standards (SAS) No. 61, as amended by SAS No. 90 (communications with audit committees). The Audit Committee received and discussed with the independent auditors their annual written report on their independence from the Company and its management, as required by Independence Standards Board Standard No. 1 (independence discussions with audit committees), and considered with the independent auditors whether the non-audit services provided by them to the Company during 2006 was compatible with their independence.

In performing all of these functions, the Audit Committee acts in an oversight capacity. The Audit Committee reviews the Company's quarterly and annual reports on Form 10-Q and Form 10-K prior to filing with the SEC. In its oversight role, the Audit Committee relies on the work and assurances of the Company's management, which has the primary responsibility for establishing and maintaining adequate internal control over financial reporting and for preparing the financial statements, and other reports.

In reliance on these reviews and discussions, and the reports of the independent auditors, the Audit Committee has recommended to the Board, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the SEC.

Table of Contents

The Audit Committee also recommended the appointment, subject to shareholder ratification, of PricewaterhouseCoopers LLP as the independent auditors for 2007 and the Board concurred with such recommendation.

This section of the proxy statement is not deemed filed with the SEC and is not incorporated by reference into the Company's Annual Report on Form 10-K.

This report is submitted by the following members of the Audit Committee:

Nathan G. Cohen (Chair)

Barry A. Imber

Irving Munn

PROPOSAL TWO RATIFICATION OF INDEPENDENT AUDITORS

Based upon the recommendation of the Audit Committee, the shareholders are urged to ratify the appointment by the Audit Committee of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2007. PricewaterhouseCoopers LLP has served as our independent auditor since June 1993 and is familiar with the Company's affairs and financial procedures. A representative of PricewaterhouseCoopers LLP is expected to be present at the Meeting to respond to appropriate questions and will have an opportunity to make a statement if he or she desires to do so.

Principal Accounting Firm Fees

Aggregate fees billed to the Company for the years ended December 31, 2006 and 2005 by the Company's principal accounting firm, PricewaterhouseCoopers LLP were as follows:

	2006	2005
Audit Fees ^(a)	\$ 753,000	\$ 762,000
Audit Related Fees ^(b)	12,000	11,000
Tax Fees ^(c)	94,000	67,000
All Other Fees	2,000	2,000
Total	\$ 861,000	\$ 842,000

(a) Audit fees consisted of professional services performed in connection with (i) the audit of the Company's annual financial statements and internal control over financial reporting and (ii) review of financial statements included in its Form 10-Q's.

(b) Consists of fees incurred in connection with the Company's compliance with the minimum servicing standards identified in the Mortgage Bankers Association of America's Uniform Single Attestation Program (USAP).

(c) Tax fees consisted principally of assistance with matters related to tax compliance, tax planning, tax advice and the performance of a transfer pricing analysis.

Pre-Approval Policies

The Company's Audit Committee, pursuant to its exclusive authority, has reviewed and approved the Company's engagement of PricewaterhouseCoopers LLP as its independent auditors, and the incurrence of all of the fees described above, for 2006. The Audit Committee has selected PricewaterhouseCoopers LLP as independent auditors for 2007, subject to review and approval of the final terms of its engagement as such and its audit fees. The Audit Committee has also adopted Pre-Approval Policies for all other services PricewaterhouseCoopers LLP may perform for the Company in 2007. The Pre-Approval Policies detail with specificity the services that are authorized within each of the above-described categories of services and provide for aggregate maximum dollar amounts for such pre-approved services. Any additional services not described or otherwise exceeding the maximum dollar amounts prescribed by the Pre-Approval Policies for 2007 will require the further advance review and approval of the Audit Committee. For each proposed service, the independent auditors are required to provide detailed back-up documentation at the time of approval to permit the Audit Committee to make a determination whether the provision

Page 21

Table of Contents

of such services would impair the independent auditors' independence. The Audit Committee has delegated the authority to grant any such additional required approval to its Chairman between meetings of the Audit Committee, provided that the Chairman reports the details of the exercise of any such delegated authority at the next meeting of the Audit Committee.

Ratification of the appointment of the independent auditors requires the affirmative vote of a majority of the votes cast by the holders of the Shares voting in person or by proxy at the Annual Meeting of Shareholders. If the shareholders do not ratify the appointment of PricewaterhouseCoopers LLP, the Audit Committee will reconsider the appointment.

The Board unanimously recommends that you vote FOR this proposal. Proxies solicited by the Board will be so voted unless you specify otherwise in your proxy.

SHAREHOLDER PROPOSALS

To be included in the proxy statement, any proposals of holders of Shares intended to be presented at the Meeting of shareholders of the Company to be held in 2008 must be received by the Company, addressed to Mr. Lance B. Rosemore, Secretary of the Company, 17950 Preston Road, Suite 600, Dallas, Texas, 75252, no later than December 31, 2007 and must otherwise comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934. Pursuant to Rule 14a-4(c)(1) promulgated under the Securities and Exchange Act of 1934, a proposal shall be considered untimely and the Company's management will have discretionary authority to vote on any matter which the Company does not receive notice by March 14, 2008, with respect to proxies submitted to the 2008 Meeting of the Company's shareholders.

ANNUAL REPORT

We have provided without charge a copy of the annual report to shareholders for fiscal year 2006, which includes a copy of the Form 10-K as filed with the SEC (excluding exhibits) to each person being solicited by this proxy statement. **Upon the written request by any person being solicited by this proxy statement, we will provide without charge a copy of the Annual Report on Form 10-K as filed with the SEC (excluding exhibits, for which a reasonable charge shall be imposed).** All requests should be directed to the Company's Investor Relations Department at 17950 Preston Road, Suite 600, Dallas, Texas 75252.

BY ORDER OF THE BOARD OF TRUST MANAGERS

/s/ Lance B. Rosemore

Lance B. Rosemore
Chief Executive Officer and Secretary

Page 22

Table of Contents

0 § PROXY PROXY

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF TRUST MANAGERS OF
PMC COMMERCIAL TRUST**

The undersigned hereby appoints Barry N. Berlin and Jan F. Salit, and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as designated on the reverse side, all the common shares of beneficial interest (each a Share) of PMC Commercial Trust (PMC Commercial) which the undersigned is entitled to vote, and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of shareholders of PMC Commercial to be held at 9:00 a.m. Central time, on Saturday, June 9, 2007 or any adjournment thereof, with all powers which the undersigned would possess if present at the Meeting.

(Continued and to be signed on the reverse side)

§

14475 §

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.