

PMC COMMERCIAL TRUST /TX

Form DEF 14A

April 29, 2004

Table of Contents

OMB APPROVAL

OMB Number:	3235-0059
Expires:	February 28, 2006
Estimated average burden hours per response	12.75

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

**SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o 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):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:

o Fee paid previously with preliminary materials.

o 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:

SEC 1913 (02-02)

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table of Contents

**PMC COMMERCIAL TRUST
17950 Preston Road, Suite 600
Dallas, Texas 75252**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be Held June 10, 2004**

To Our Shareholders:

You are invited to attend the meeting of shareholders of PMC Commercial Trust, to be held at 17950 Preston Road, Suite 600, Dallas, Texas, on Thursday, June 10, 2004, at 10:00 a.m., Dallas time. The purpose of the meeting is to vote on the following proposals:

- Proposal 1: To elect eight 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, 2004.
- 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 19, 2004 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, 2003 are enclosed with this notice of meeting and proxy statement.

Your proxy vote is important. Accordingly, you are asked 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.

**BY ORDER OF THE BOARD
OF TRUST MANAGERS**

/s/ Lance B. Rosemore

Lance B. Rosemore
*Chief Executive Officer,
President and Secretary*

April 29, 2004
Dallas, Texas

TABLE OF CONTENTS

PROXY STATEMENT

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

MANAGEMENT

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

PERFORMANCE GRAPH

PROPOSAL ONE

ELECTION OF TRUST MANAGERS

PROPOSAL TWO

RATIFICATION OF INDEPENDENT AUDITORS

SHAREHOLDER PROPOSALS

ANNUAL REPORT

Table of Contents

PROXY STATEMENT

**ANNUAL MEETING OF SHAREHOLDERS
Thursday, June 10, 2004**

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

The Board of Trust Managers of PMC Commercial Trust is soliciting proxies to be used at the 2004 meeting of shareholders to be held at 17950 Preston Road, Suite 600, Dallas, Texas, on Thursday, June 10, 2004, at 10:00 a.m., Dallas time (the Meeting). This proxy statement, accompanying proxy and annual report to shareholders for the fiscal year ended December 31, 2003 are first being mailed to shareholders on or about April 29, 2004. Although the annual report is being mailed to shareholders with this proxy statement, it does not constitute part of this proxy statement.

Who Can Vote

Only shareholders of record as of the close of business on April 19, 2004, are entitled to notice of and to vote at the Meeting. As of April 19, 2004, we had 10,844,091 shares of beneficial interest (collectively, 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.

How You Can Vote

Shareholders cannot vote at the Meeting unless the shareholder is present in person or represented by proxy. You are urged to complete, sign, date and promptly return the proxy in the enclosed postage-paid envelope after reviewing the information contained in this proxy statement and in the annual report. Valid proxies will be voted at the Meeting and at any adjournments of the Meeting as you direct in the proxy.

Revocation of Proxies

You may revoke your proxy at any time prior to the start of the Meeting in three ways:

- (1) by delivering written notice to our Corporate Secretary, Lance B. Rosemore, at PMC Commercial Trust, 17950 Preston Road, Suite 600, Dallas, Texas 75252;
- (2) by submitting a duly executed proxy bearing a later date; or
- (3) by attending the Meeting and voting in person.

Voting by proxy will in no way limit your right to vote at the Meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, to be able to vote at the Meeting. If no direction is given and the proxy is validly executed, the shares represented by the proxy will be voted as recommended by our board of trust managers. The persons authorized under the proxies will vote upon any other business that may properly come before the Meeting according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. At the time of mailing this proxy statement, we do not anticipate that any other matters would be raised at the Meeting.

Required Vote

The presence, in person or represented by proxy, of the holders of a majority of the Shares (5,422,046 Shares) entitled to vote at the Meeting is necessary to constitute a quorum at the Meeting. However, if a quorum is

Table of Contents

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.

The affirmative vote of the holders of a majority of the Shares present in person or represented by proxy is required to elect trust managers.

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

Votes cast by proxy or in person will be counted by two persons appointed by the Company to act as inspectors for the Meeting. The election inspectors will treat shares represented by proxies that reflect abstentions as shares that are present and entitled to vote for the purpose of determining the presence of a quorum and of determining the outcome of any matter submitted to the shareholders for a vote; however, abstentions will not be deemed outstanding and, therefore, will not be counted in the tabulation of votes cast on proposals presented to shareholders.

The Texas Real Estate Investment Trust Act and the Company's Bylaws do not specifically address the treatment of abstentions and broker non-votes. The election inspectors 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 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).

Cost of Proxy Solicitation

The cost of soliciting proxies will be borne by us. Proxies may be solicited on our behalf by our trust managers, officers or employees in person, by telephone, facsimile or by other electronic means.

In accordance with SEC regulations, we will also reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials and soliciting proxies from the beneficial owners of Shares.

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 of trust managers (the Board). Members of our Board are kept informed of our business through discussions with the chairman of the board and officers, by reviewing materials provided to them and by participating in meetings of our Board and its committees. Board members have complete access to the Company's management team and the independent auditors. Our Board and each of the key committees-Audit, Compensation, Nominating and Corporate Governance (collectively, the Committees)-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 trust managers 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 our shareholders. The major

Table of Contents

changes approved by the Board, through the adoption of a code of business conduct and ethics and corporate governance guidelines and enacted by the Company include:

prohibiting the repricing of options under our incentive plan;

increasing the overall independence of our Board and the Committees;

scheduling executive sessions of the non-management trust managers on a regular basis;

conducting annual evaluations of our Board, the Committees and individual trust managers;

establishing share ownership guidelines for senior officers of the Company;

requesting trust managers to visit properties every year;

limiting members of its Audit Committee to service on not more than three other public company audit committees;

adopting a Pre-Approval Policy for Audit and Non-Audit Services;

limiting the CEO's service to not more than three other public company boards;

revising the existing Audit Committee Charter; and

adopting formal charters for the Committees.

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. Our Board welcomes your questions and comments. If you would like to communicate directly with our 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 our Secretary of the Company. All communications will be forwarded to the Chairman of our Audit Committee.

Code of Business Conduct and Ethics. Our 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 principal financial and accounting officer. The purpose of the Code of Business Conduct and Ethics is 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 our Board amends any provisions of the Code of Business Conduct and Ethics that apply to the Company's chief executive officer or senior financial officers or grants a waiver in favor of any such persons, the Company will promptly publish the text of the amendment or the specifics of the waiver on its website.

As all shareholders are aware, there has been a dramatic and continuing evolution of ideas about sound corporate governance. We intend to continue to act promptly to incorporate not only the actual requirements of rules adopted but additional voluntary measures we deem appropriate. Charters for the Audit, Compensation, Nominating and Corporate Governance Committees and the Company's Corporate Governance Guidelines and Code of Business Conduct and

Ethics will be able to be viewed on the Company's website at www.pmctrust.com under the Corporate Governance section. In addition, the Committee Charters are attached to this proxy statement as Appendices A, B and C and the Company will mail copies of the Corporate Governance Guidelines to shareholders upon their written request.

Meetings and Committees of the Board of Trust Managers

General. During the fiscal year ended December 31, 2003, our Board held four (4) regular meetings and three (3) special meetings. Each of the trust managers attended all meetings held by our Board and all meetings of each standing committee of our Board on which such trust managers served during the fiscal year ended December 31, 2003. Our Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. In addition, a special committee comprised of the independent trust managers was formed during 2002 in connection with the merger with PMC Capital, Inc. and held five (5) meetings.

Table of Contents

During our 2003 fiscal year, our Board had two standing committees: an Audit Committee and an independent trust managers committee. Our Board established our Nominating and Corporate Governance Committee and Compensation Committee in March 2004.

Audit Committee. The Audit Committee currently consists of Nathan G. Cohen, Irving Munn, Theodore J. Samuel and Ira Silver. The Audit Committee, which, during 2003, consisted of Mr. Cohen, Mr. Munn and Dr. Silver, met four (4) times during the fiscal year ended December 31, 2003. The Audit Committee is comprised entirely of trust managers who meet the independence and financial literacy requirements of AMEX listing standards as well as the standards established under the Sarbanes-Oxley Act of 2002. In addition, our Board has determined that Mr. Munn qualifies as an audit committee financial expert as defined in SEC rules. The Audit Committee's responsibilities include providing assistance to our 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, determine who reports 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 party transactions. The Audit Committee holds separate executive sessions, outside the presence of senior management, with the Company's independent auditors.

Compensation Committee. The Compensation Committee consists of Dr. Silver, Roy H. Greenberg and Barry A. Imber. 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 in light of these criteria and establishing the chief executive officer's compensation level based on such evaluation, evaluating the performance of the other executive officers and their salaries, bonus and incentive and equity compensation, reviewing and making recommendations concerning proposals by management regarding compensation, bonuses, employment agreements, loans to non-executive employees and other benefits and policies respecting such matters for employees of the Company. The Compensation Committee was not constituted until March 2004 and, therefore, did not meet during the fiscal year ended December 31, 2003.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee (the Nominating Committee) consists of Mr. Greenberg, Mr. Cohen and Mr. Munn. The Nominating Committee's duties include adopting criteria for recommending candidates for election or re-election to our Board and its committees considering issues and making recommendations considering the size and composition of our Board. The Nominating Committees will also consider nominees for trust manager suggested by shareholders in written submissions to the Company's Secretary. The Nominating Committee was not constituted until March 2004 and, therefore, did not meet during the fiscal year ended December 31, 2003.

Trust Manager Nomination Procedures

Trust Manager Qualifications. The Company's Nominating Committee has established policies for the desired attributes of our Board as a whole. The Board will seek to ensure that a majority of its members are independent within AMEX listing standards. Each trust manager generally may not serve as a member of more than six other public company boards. Each member of our 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 the shareholders. In addition, trust managers must be committed to devoting the time and effort necessary to be responsible and productive members of our Board. Our Board values diversity, in its broadest sense, reflecting, but not limited to, profession, geography, gender, ethnicity, skills and experience.

Table of Contents

Identifying and Evaluating Nominees. The Nominating Committee regularly assesses the appropriate number of trust managers comprising our Board, and whether any vacancies on our 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 our Board, certain factors may be weighed more or less heavily by the Nominating Committee. In considering candidates for our 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 our 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 Meeting in the year 2005, the Secretary must receive this notice after the close of business on March 7, 2005, and prior to the close of business on March 25, 2005.

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 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 AMEX corporate governance standards, our Board undertook a review of the independence of trust managers nominated for election at the Meeting. During this review, our Board considered transactions and relationships during the prior year between each trust manager or any member of his or her immediate family and the Company. 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, our 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 Dr. Martha R. Greenberg, Dr. Andrew S. Rosemore and Mr. Lance B. Rosemore.

Compensation of Trust Managers

The non-employee trust managers are paid an annual retainer of \$5,000, payable quarterly. The Company reimburses the non-employee trust managers for their expenses related to attending Board or committee meetings. For the year ended December 31, 2003, Ira Silver received \$21,250, Nathan G. Cohen received \$20,500, Irving Munn

received \$19,500, Roy H. Greenberg received \$15,000 and Martha R. Greenberg received \$12,000 for services rendered as trust managers, including the annual retainer.

The Company's 1993 Trust Managers Share Option Plan, as amended (the Trust Managers Plan), automatically grants options to purchase 2,000 Shares to each non-employee trust manager on the first business day of June after such trust manager initially takes office and additional options to purchase 1,000 Shares are granted on

Table of Contents

the first business day of June thereafter so long as such trust manager is re-elected to serve as a trust manager. Such options are priced at the fair market value of the Shares (the closing price) on the date of grant. The options granted under the Trust Managers Plan become exercisable one year after date of grant and expire if not exercised on the earlier of (1) thirty (30) days after the option holder no longer holds office as a trust manager for any reason and (2) five (5) years after the date of grant. Each of Mr. Cohen, Mr. Greenberg, Mr. Munn, Dr. Greenberg and Dr. Silver was granted an option to acquire 1,000 Shares on June 11, 2003, at an exercise price of \$13.78 per Share.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our Shares as of April 19, 2004 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.

Name	Common Shares Owned	Unexercised Options Exercisable	Common Shares Owned Beneficially	Percent of Common Shares Owned Beneficially
Andrew S. Rosemore(1)	508,980	32,750	541,730	5.0%
Lance B. Rosemore(2)	174,875	35,710	210,585	2.0%
Jan F. Salit (3)	11,089	34,156	45,245	*
Barry N. Berlin(4)	9,631	34,230	43,861	*
Cheryl T. Murray	2,274	18,505	20,779	*
Nathan G. Cohen(5)	6,600	2,000	8,600	*
Martha R. Greenberg(6)	320,498	2,000	322,498	3.0%
Roy H. Greenberg	7,000	3,000	10,000	*
Thomas Hamill	4,136		4,136	*
Barry A. Imber(7)	11,577		11,577	*
Irving Munn	2,800	4,000	6,800	*
Theodore J. Samuel				*
Ira Silver	4,000	2,000	6,000	*
Trust Managers and Executive Officers as a group (13 persons)	1,063,460	168,351	1,231,811	11.4%

* Less than 1%.

- (1) Includes 292,132 shares held in his individual retirement accounts, 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 wife are general partners and 4,471 shares held in the name of his children.
- (2) Includes 6,383 shares in which his children have a beneficial interest, 74,805 shares held jointly with his wife, 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 and 1,569 shares held in an IRA by

Mr. Rosemore's wife.

- (3) Includes 362 shares held in an IRA.
- (4) Includes 171 shares held in the name of his minor child.
- (5) Includes 1,500 shares held in the name of his wife.
- (6) Includes 14,618 shares held in an IRA, 99,879 shares held jointly with her husband, 98,479 shares held in a pension trust, 1,938 shares held by a partnership for the benefit of Dr. Greenberg, and 14,141 shares held in trust for the benefit of Dr. Greenberg and her children. Does not include 64,628 shares owned by her husband, as to which shares she disclaims any beneficial interest.
- (7) Includes 396 shares held in an IRA for the benefit of his wife and 793 shares held in an IRA for Mr. Imber.

-6-

Table of Contents**MANAGEMENT**

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

Name	Age	Title
Andrew S. Rosemore	57	Chairman of the Board, Executive Vice President, Chief Operating Officer and Treasurer
Lance B. Rosemore	55	President, Chief Executive Officer and Secretary
Jan F. Salit	53	Executive Vice President, Chief Investment Officer and Assistant Secretary
Barry N. Berlin	43	Chief Financial Officer
Cheryl T. Murray	37	General Counsel

Business Experience

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

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.

Barry N. Berlin has been Chief Financial Officer of PMC Commercial since June 1993. Mr. Berlin was also Chief Financial Officer of 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.

Cheryl T. Murray has been General Counsel of PMC Commercial since March 1994. Ms. Murray was also General Counsel of PMC Capital from March 1994 to February 2004. From 1992 to 1994 she was associated with the law firm of Johnson & Gibbs, P.C. and practiced in the financial services department. Ms. Murray earned her law degree from Northwestern University School of Law.

Compensation of Executive Officers

The below table represents the compensation paid to each of the executive officers in their capacities as executive officers of PMC Capital, Inc. On February 29, 2004, PMC Capital, Inc. was merged into the Company (the Merger) and, as a result, each of the former PMC Capital executive officers became employees of the Company. Prior to the Merger, the Company had not paid any compensation to any of its executive officers. The table sets forth all compensation, cash and options, received during the fiscal years 2003, 2002 and 2001, all of which was paid by PMC Capital.

Table of Contents

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation
		Salary	Cash Bonus	Options (1)	(2)(3)
Lance B. Rosemore	2003	\$315,000	\$32,700	3,700	\$46,890
Chief Executive Officer	2002	315,000	34,900	3,330	42,697
President	2001	315,000	62,000	2,960	37,569
Secretary					
Andrew S. Rosemore	2003	\$284,500	\$32,700	3,700	\$26,294
Chairman of the Board	2002	287,500	34,900	3,330	22,041
Chief Operating Officer	2001	287,000	62,000	2,960	22,349
Executive Vice President					
Jan F. Salit	2003	\$191,500	\$22,100	3,330	\$32,459
Chief Investment Officer	2002	187,500	23,600	2,960	26,996
Executive Vice President	2001	185,500	41,000	2,590	28,087
Barry N. Berlin	2003	\$191,500	\$22,100	3,330	\$34,301
Chief Financial Officer	2002	187,500	23,600	2,960	27,886
	2001	185,500	41,000	2,590	28,644
Cheryl T. Murray	2003	\$139,050	\$10,900	1,665	\$18,554
General Counsel	2002	136,351	11,600	1,665	19,267
	2001	132,750	20,000	1,480	18,184

- (1) Reflects options granted as employees of PMC Capital, Inc. (number of options after conversion at 0.37 ratio).
- (2) The Company has determined that the amount of perquisites and other personal benefits paid to each of the executive officers not listed in the compensation table does not exceed the lesser of \$50,000 or 10% of each such person's annual salary and bonus reported in such table and that the aggregate amount of perquisites and other personal benefits paid to all executive officers and directors as a group does not exceed the lesser of 10% of all such person's annual salary and bonus or \$600,000 (\$50,000 multiplied by 12, the number of executive officers and directors). Accordingly, none of such perquisites and other personal benefits is included in the above table.
- (3) All other compensation consists of the following:

Name and Principal Position	Year	Car	Unused	Deferred
		Allowance	Vacation Pay	Compensation Plan
Lance B. Rosemore	2003	\$ 6,600	\$20,596	\$ 19,694
Chief Executive Officer	2002	6,600	20,596	15,441
President	2001	5,667	15,144	16,758

Secretary				
Andrew S. Rosemore	2003	\$ 6,600		\$ 19,694
Chairman of the Board	2002	6,600		15,441
Chief Operating Officer	2001	5,591		16,758
Executive Vice President				
Jan F. Salit	2003	\$ 5,400	\$ 7,365	\$ 19,694
Chief Investment Officer	2002	4,420	7,135	15,441
Executive Vice President	2001	4,194	7,135	16,758
Barry N. Berlin	2003	\$ 5,400	\$ 9,207	\$ 19,694
Chief Financial Officer	2002	5,080	7,365	15,441
	2001	4,751	7,135	16,758
Cheryl T. Murray	2003		\$ 3,744	\$ 14,810
General Counsel	2002		4,932	14,335
	2001		3,260	14,934

-8-

Table of Contents**Option Grants**

There were no stock options granted to executive officers under the Employee Plan in the fiscal year ended December 31, 2003.

Option Exercises and Year End Option Values

The following table sets forth, for each of the executive officers, information regarding exercise of stock options during the fiscal year ended December 31, 2003 and the value of unexercised stock options as of December 31, 2003. The closing price for the Shares, as reported by the American Stock Exchange, on December 31, 2003 (the last trading day of the fiscal year) was \$15.23.

Name	Shares Acquired on		Number of Securities Underlying Unexercised Options at December 31, 2003	Value of Unexercised In-the-Money Options at December 31, 2003
	Exercise (#)	Value Realized (\$)	(exercisable/unexercisable) (#)	(exercisable/unexercisable) (\$)
Andrew S. Rosemore	--	--	23,500 (e)/-(u)	\$ 65,899 (e)/-(u)
Lance B. Rosemore	--	--	23,500 (e)/-(u)	65,899 (e)/-(u)
Jan F. Salit	--	--	23,500 (e)/-(u)	65,899 (e)/-(u)
Barry N. Berlin	--	--	23,500 (e)/-(u)	65,899 (e)/-(u)
Cheryl T. Murray	--	--	14,000 (e)/-(u)	44,950 (e)/-(u)

(u) Options are not exercisable within 60 days of the date hereof.

(e) Options are currently exercisable.

Employment Agreements

PMC Capital entered into employment agreements with Lance B. Rosemore, Andrew S. Rosemore, Jan F. Salit, Barry N. Berlin and Cheryl T. Murray. These agreements were assumed by the Company pursuant to the Merger. 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 June 1, 1998. In addition, the Board may determine, in its discretion, to award bonuses to each of the foregoing persons based on the Company'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 by the Company an amount equal to 2.99 times the average of the last three years annual compensation paid to the executive. Each of the employment agreements, other than Ms. Murray's, expires on September 30, 2006.

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 the reports furnished to us with respect to our 2003 fiscal year, we believe that all SEC filing requirements applicable to our trust managers and executive officers were satisfied.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As a result of the Merger effective February 29, 2004, there are no longer any related party transactions.

-9-

Table of Contents**PERFORMANCE GRAPH**

Set forth below is a line graph comparing the percentage change in the cumulative total shareholder return on the PMC Commercial Shares with the cumulative total return of the S&P 500 Index, Russell 2000, the SNL All Hybrid REITs index and PMC Commercial's peer group which consists of the publicly traded mortgage REITs listed on the New York Stock Exchange, the American Stock Exchange and the Nasdaq Stock Market's National Market for the period from January 1, 1998 through December 31, 2003 assuming an investment of \$100 on January 1, 1998 and the reinvestment of dividends. The SNL All Hybrid REITs index consists of those REITs identified by SNL Financial LC which own both mortgage loans and equity interests in real estate and are traded on the New York Stock Exchange, the American Stock Exchange and the Nasdaq Stock Market's National Market. The entities included in the SNL All Hybrid REITs index include substantially all of the members of PMC Commercial's peer group. The share price performance shown on the graph is not necessarily indicative of future price performance.

The graph shall not be deemed to be soliciting material or to be filed with the SEC under the Securities Act of 1933, or the Securities Exchange Act of 1934, or incorporated by reference in any document so filed.

Index	Period Ending					
	12/31/98	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
PMC Commercial Trust	100.00	70.03	71.69	123.97	128.38	175.17
S&P500*	100.00	121.11	110.34	97.32	75.75	97.51
Russell 2000	100.00	121.26	117.59	120.52	95.83	141.11
SNL All Hybrid REITs	100.00	63.12	47.58	94.12	97.85	179.48
PMC Commercial Trust Peer Group**	100.00	46.40	57.31	100.32	130.51	194.54

* Source: CRSP, Center for Research in Security Prices, Graduate School of Business, The University of Chicago 2004. Used with permission. All rights reserved. crsp.com

** The PMC Commercial Trust Peer Group consists of mortgage REITs traded on NYSE, AMEX, and NASDAQ.

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

At the Meeting, eight trust managers will be elected by the shareholders, each trust manager to serve until his successor has been duly elected and qualified, or until the earliest of his death, resignation or retirement.

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. Our Board has proposed the following nominees for election as trust managers at the Meeting.

Nominees

Name	Age	Principal Occupation	Trust Manager Since
Nathan G. Cohen	58	Mr. Cohen has been President of Consultants Unlimited, a management and financial consulting firm, since August 2001. From November 1984 to 2001, he was the Controller of Atco Rubber Products, Inc.	May 1994
Martha R. Greenberg	52	Dr. Greenberg has practiced optometry for 30 years in Russellville, Alabama and is the President Elect of the Alabama Optometric Association. Dr. Greenberg was a director of PMC Capital from 1984 to February 2004. Dr. Greenberg is not related to Roy H. Greenberg, but is the sister of Lance B. Rosemore and Andrew S. Rosemore.	May 1996
Roy H. Greenberg	46	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	57	Mr. Imber has been a principal of Imber and Company,	February 2004

Certified Public Accountants, or its predecessor, since 1982. Mr. Imber 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	55	Mr. Munn is a financial advisor and 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. As a certified public accountant, he was a principal of Kaufman, Munn and Associates, P.C., a public accounting firm, since 1990 and President from 1993 to November 2000. He is currently the President of Irving Munn, P.C., a public accounting firm.	September 1993
Andrew S. Rosemore	57	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 Martha R. Greenberg and Lance B. Rosemore.	June 1993

Table of Contents

Name	Age	Principal Occupation	Trust Manager Since
Lance B. Rosemore	55	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 Secretary of PMC Capital from 1983 to February 2004. Mr. Rosemore was a director of PMC Capital from 1983 to February 2004. Mr. Rosemore is the brother of Martha R. Greenberg and Andrew S. Rosemore.	June 1993
Ira Silver	59	Dr. Silver is Associate Professor of Professional Practice in Managerial Economics at TCU's Neeley School of Business where he teaches economics and finance to MBA and executive MBA students. He is also an economic consultant to the G7 Group, a political and economic research and advisory firm.. Formerly, he was Assistant Director of Planning and Analysis and Chief Economist at JCPenney where he spent 22 years. Dr. Silver was a director of PMC Capital from 1992 through 1994. Dr. Silver holds a Ph.D. in Economics from the City University of New York.	May 1996

Our Board recommends that you vote **FOR** the election of trust managers as set forth in Proposal One. Proxies solicited by our Board will be so voted unless you specify otherwise in your proxy.

Table of Contents

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed the audited financial statements with management and PricewaterhouseCoopers LLP, our independent auditors. The Audit Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, written communication from the independent auditors required by Independence Standards Board Standard No. 1, and has discussed their independence with the independent auditors. Based upon these reviews and discussions, the Audit Committee recommended to our Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 for filing with the SEC.

Based on the foregoing review and discussions and relying thereon, we have recommended to our Board that the audited financial statement for the year ended December 31, 2003 be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the Securities and Exchange Commission.

The members of the Audit Committee are independent, as independence is defined in Rule 4200(a)(15) of the National Association of Securities Dealers' Listing Standards.

The Audit Committee also recommended the appointment, subject to shareholder ratification, of PricewaterhouseCoopers as our independent auditors for 2004 and our 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 our Annual Report on Form 10-K.

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

Nathan Cohen
Irvin G. Munn
Ira Silver

Table of Contents

**PROPOSAL TWO
RATIFICATION OF INDEPENDENT AUDITORS**

Based upon the recommendation of the Audit Committee, the shareholders are urged to ratify the appointment by our Audit Committee of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2004. PricewaterhouseCoopers LLP has served as our independent auditor since June 1993 and is familiar with our affairs and financial procedures. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Meeting to answer any questions you may have.

Principal Accounting Firm Fees

Aggregate fees billed to the Company for the years ended December 31, 2003 and 2002 by the Company's principal accounting firm, PricewaterhouseCoopers LLP were as follows:

	2003	2002
	<hr/>	<hr/>
Audit Fees	\$225,430(a)	\$104,735(a)
Tax Returns and Compliance	32,351(b)	33,847(b)
	<hr/>	<hr/>
Total Fees	\$257,781	\$138,582