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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **March 14, 2011**

PMC COMMERCIAL TRUST

(Exact name of registrant as specified in its charter)

TEXAS

(State or other jurisdiction
of incorporation)

1-13610

(Commission File Number)

75-6446078

(IRS Employer Identification No.)

17950 Preston Road, Suite 600, Dallas, TX

(Address of principal executive offices)

75252

(Zip Code)

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

NONE

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On March 14, 2011, PMC Commercial Trust issued a press release describing, among other things, its results of operations for the three months and year ended December 31, 2010. A copy of the press release is attached as Exhibit 99.1 to this report. This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

Exhibits:

99.1 Press Release dated March 14, 2011.

SIGNATURE

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 15, 2011

PMC COMMERCIAL TRUST

By: /s/ Barry N. Berlin
Barry N. Berlin, Chief Financial Officer

FOR IMMEDIATE PRESS RELEASE

FOR: PMC Commercial Trust
17950 Preston Road, Suite 600
Dallas, TX 75252

CONTACT: Investor Relations
972-349-3235
www.pmctrust.com

PMC Commercial Trust Announces Fourth Quarter and Year-End Financial Results

PMC Commercial Trust
NYSE Amex (Symbol PCC)
www.pmctrust.com

Dallas, TX

March 14, 2011

PMC Commercial Trust (NYSE Amex: PCC) announced fourth quarter and year-end financial results today.

- *Income from continuing operations was \$4,842,000 for the year ended December 31, 2010*
- *Income from continuing operations was \$1,107,000 for the quarter ended December 31, 2010*
- *SBA 7(a) loan originations and cash premiums reached record levels in 2010*
- *The Board of Trust Managers maintained the quarterly dividend at \$0.16 per share, payable in April 2011*

Income from continuing operations for 2010 decreased to \$4,842,000 (\$0.46 per share) from \$6,057,000 (\$0.57 per share) during 2009. Net income decreased to \$4,297,000, or \$0.41 per share, during 2010 compared to \$6,761,000, or \$0.64 per share, for 2009. As described below, our income from continuing operations and net income were negatively impacted by a change in accounting principles that required deferral of gain recognition on certain of our SBA 7(a) loan sales, including non-refundable cash premiums. The cash premiums received in 2010 were \$2.2 million, a 69% increase over cash premiums of \$1.3 million received in 2009.

Income from continuing operations for the fourth quarter of 2010 decreased to \$1,107,000 (\$0.11 per share) from \$1,448,000 (\$0.14 per share) during the fourth quarter of 2009. Net income decreased to \$589,000, or \$0.06 per share, during the fourth quarter of 2010 compared to \$1,676,000, or \$0.16 per share, for the fourth quarter of 2009.

SBA 7(a) Loan Originations

During 2008, we changed our focus to originating SBA 7(a) loans. As we transitioned in 2008, we originated approximately \$11.0 million of SBA 7(a) loans compared to \$2.9 million in 2007. With increased emphasis, originations reached \$28.0 million in 2009 and \$33.5 million in 2010. We are forecasting 2011 SBA 7(a) loan originations to be between \$40 million and \$50 million.

Impact of Accounting Changes

The comparability of our financial statements was affected by two accounting rule changes, both effective January 1, 2010.

The first accounting change affected all SBA 7(a) loan originators as it significantly modified the accounting for secondary market loan sale transactions (the sale of the guaranteed portion of our SBA 7(a) loans to investors). We are now required to permanently treat proceeds received from certain legally sold loans as secured borrowings. Accordingly, even though non-refundable, the cash premiums on these loans are reflected as a liability when received and then amortized as a reduction to interest expense over the life of the loan.

An effect of this accounting treatment is to drive a new temporary difference between recognized GAAP net income versus taxable income. The following table demonstrates the effect of the new accounting standard on our taxable income:

| | Year Ended December 31, | |
|-----------------------------------|-------------------------|--------------|
| | 2010 | 2009 |
| Principal Sold | \$28,445,000 | \$24,996,000 |
| Cash Premium Received | \$ 2,210,000 | \$ 1,320,000 |
| Book Gain Recorded | \$ 709,000 | \$ 1,343,000 |
| Tax Gain Recorded | \$ 3,256,000 | \$ 2,120,000 |
| Tax Gain as a % of Principal Sold | 11.4% | 8.5% |
| Book vs. Tax Timing Difference | \$ 2,547,000 | \$ 777,000 |

As of December 31, 2010 we have received \$1.4 million in cash premiums recorded as a liability, which will be recognized as income in future periods.

Primarily as a result of the timing differences for gain recognition on secondary market loan sales, the combined taxable income of the REIT and the taxable REIT subsidiaries ("TRSs") (net of income tax expense) is materially different than our net income. The following table reconciles our net income to our taxable income, net of current tax expense:

| | Year Ended December 31, 2010 | | |
|---|---|-----------------|----------------------|
| | Combined | REIT | TRS's |
| | <i>(In thousands, except footnotes)</i> | | |
| Net income | \$ 4,297 | \$ 4,637 | \$ (340) |
| Book vs. tax timing differences | 2,274 | 454 | 1,820 ⁽¹⁾ |
| Taxable income | 6,571 | 5,091 | 1,480 |
| Dividends paid from TRS to REIT | (300) | (300) | — |
| Taxable income adjusted for special item | 6,271 | 4,791 | 1,480 |
| Current income tax expense | (514) | — | (514) |
| Taxable Income, Net of Current Tax Expense ⁽²⁾ | <u>\$ 5,757</u> | <u>\$ 4,791</u> | <u>\$ 966</u> |

| | Year Ended December 31, 2009 | | |
|---|---|-----------------|--------------------|
| | Combined | REIT | TRS's |
| | <i>(In thousands, except footnotes)</i> | | |
| Net income | \$ 6,761 | \$ 7,175 | \$ (414) |
| Book vs. tax timing differences | (1,912) | (2,587) | 675 ⁽¹⁾ |
| Taxable income | 4,849 | 4,588 | 261 |
| Severance payments ⁽³⁾ | 1,435 | 1,435 | — |
| Taxable income adjusted for special item | 6,284 | 6,023 | 261 |
| Current income tax expense | (89) | — | (89) |
| Taxable Income, Net of Current Tax Expense ⁽²⁾ | <u>\$ 6,195</u> | <u>\$ 6,023</u> | <u>\$ 172</u> |

(1) Includes the \$2,547,000 and \$777,000 timing difference during December 31, 2010 and 2009, respectively as detailed above.

(2) This is a non-GAAP financial measure. Non-GAAP financial measures have inherent limitations and are not required to be uniformly applied. Non-GAAP measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP.

(3) Relates to our 2008 reduction in force expensed for GAAP purposes in 2008 and for income tax purposes in 2009.

Taxable Income, Net of Current Tax Expense is defined as reported net income, adjusted for book versus tax timing differences and special items. Special items may include, but are not limited to, unusual and infrequent non-operating items and dividends paid between affiliates. The Company uses Taxable Income, Net of Current Tax Expense to measure and evaluate our operations. We believe that the results provide a useful analysis of ongoing operating trends.

We anticipate a continuation of our SBA 7(a) loan originations and secondary market loan sales to remain robust throughout 2011. We sold approximately \$8.5 million of the guaranteed portion of SBA 7(a) loans during the first two months of 2011 and have collected cash premiums of approximately \$825,000. Of those cash premiums, \$450,000 relate to loan sales that meet the criteria for gain recognition.

The second accounting change was the consolidation of the assets and liabilities of our off-balance sheet entities. Previously our interest in these entities was reflected as retained interests in transferred assets. The impact to our balance sheet was a "gross up" of approximately \$20 million in assets and liabilities at January 1, 2010.

Management Remarks

Lance B. Rosemore, Chairman of the Board of Trust Managers, stated; “We are pleased to report our 68th consecutive profitable quarter and 17th consecutive profitable year, not an easy task for a specialty commercial finance lender. This feat was even more impressive considering that over 70% of our portfolio yield is tied to variable rates which remained at historically low levels. Our variable rate portfolio can provide us with substantial upside revenue potential when rates rise.

“Starting in 2010, because of a change in accounting rules, we accumulated deferred cash premiums on sales of SBA 7(a) loans of \$1.4 million or \$0.13 per share. These cash premiums are deferred for book purposes, but not for tax.

“As a result of the cash provided by these loan sales combined with our current and future anticipated results of operations, the Board of Trust Managers has maintained our quarterly dividend of \$0.16 per share.

“Subsequent to year end, we collected \$450,000 in cash premiums on loan sales to be recognized in the first quarter of 2011 and will defer additional gains of \$375,000. As our portfolio is predominantly to hospitality operators, we are reassured by lodging industry reports that have shown improvements during 2010 and forecasts for continued positive trends during 2011. We are optimistic that these trends will continue and 2011 will be a year of continued strong portfolio performance.”

Financial Results***Fourth Quarter of 2010 vs. Fourth Quarter of 2009***

Significant changes included:

- Revenues decreased by approximately \$400,000 when comparing the fourth quarter of 2010 to the fourth quarter of 2009 due primarily to:
 - an increase in interest income of approximately \$625,000 resulting primarily from consolidation of our securitizations effective January 1, 2010 partially offset by decreases in LIBOR;
 - a reduction of income from retained interests in transferred assets (“Retained Interests”) of approximately \$450,000 resulting from the reduced outstanding balance of our Retained Interests; and
 - a reduction in other income by approximately \$600,000 primarily due to a reduction in premium income recognized.
- Discontinued operations decreased by \$746,000 during the fourth quarter of 2010 compared to the fourth quarter of 2009 as a result of operating costs and impairment charges on our real estate owned (“REO”).

Fourth Quarter of 2010 vs. Third Quarter of 2010

Our income from continuing operations decreased \$135,000 to \$1,107,000 (\$0.11 per share) during the fourth quarter of 2010 from \$1,242,000 (\$0.11 per share) during the third quarter of 2010. Net income decreased by \$618,000 to \$589,000, or \$0.06 per share, during the fourth quarter of 2010 compared to \$1,207,000, or \$0.11 per share, for the third quarter of 2010.

The decreases were primarily due to operating costs and impairment losses on our REO included in discontinued operations during the fourth quarter of 2010.

Year Ended December 31, 2010 vs. Year Ended December 31, 2009

Net income decreased by \$2,464,000 primarily due to:

- A reduction in premium income of \$634,000 due to the change in accounting described above; and
- A decrease in discontinued operations of \$1,249,000 due to operating costs and impairment losses on our real estate owned.

Interest Rate Sensitivity

- Approximately 73% of our retained loans at December 31, 2010 had variable interest rates.
- Approximately 54% of our retained loans at December 31, 2010 had interest rates based on LIBOR.
- The base LIBOR charged to our borrowers during the fourth quarter of 2010 was 0.29% compared to 0.53% during the third quarter of 2010 and 0.29% during the fourth quarter of 2009.
- The base LIBOR for the first quarter of 2011 has been set at 0.30%.
- The average base LIBOR charged to our borrowers during 2010 was 0.34% compared to 0.88% during 2009.

Financial Position

- Our total assets increased to \$252.1 million at December 31, 2010 compared to \$228.2 million at December 31, 2009 and \$250.5 million at September 30, 2010.
- Our total serviced loan portfolio increased to \$284.5 million at December 31, 2010 up from \$284.1 million at September 30, 2010 and \$273.7 million at December 31, 2009.
- Our outstanding retained loan portfolio increased to \$234.9 million at December 31, 2010 up from \$233.1 million at September 30, 2010 and from \$198.2 million at December 31, 2009.

Originations

- During the fourth quarter of 2010 we originated \$6.0 million of SBA 7(a) loans compared to \$4.9 million in the third quarter of 2010 and \$11.8 million during the fourth quarter of 2009.
- During the year ended December 31, 2010, we originated \$33.5 million of SBA 7(a) loans compared to \$28.0 million during 2009.
- During the year ended December 31, 2010, our total loan originations were \$38.4 million compared to \$30.4 million during 2009.
- Our pipeline of outstanding loan commitments was \$16.5 million at December 31, 2010 compared to \$20.7 million at December 31, 2009.
- We anticipate our 2011 SBA 7(a) loan fundings to be between \$40 million and \$50 million.

Liquidity

- Our revolving credit facility (the "Revolver") was extended during September 2010 until December 31, 2011.
- The maximum amount available under our revolving credit facility was increased to \$30 million.
- There can be no assurance that we will be able to extend or replace our Revolver at maturity.

Dividends

- Dividends on our common shares of \$0.64 were declared during 2010 which includes the quarterly dividend declared in December 2010 of \$0.16 per share that was paid on January 10, 2011 to shareholders of record on December 31, 2010.
- We declared a \$0.16 per common share dividend in March 2011 payable in April. There has been no additional guidance provided by the Board of Trust Managers for dividends to be declared in 2011.

- Since our inception in 1993, we have paid approximately \$171.1 million in dividends or \$23.16 per common share.

Financial Position Information

| | December 31, 2010 | September 30, 2010 | June 30, 2010 | March 31, 2010 | December 31, 2009 |
|--|---|-------------------------------|--------------------------|---------------------------|------------------------------|
| | <i>(In thousands, except per share information)</i> | | | | |
| Loans receivable, net | \$ 233,218 | \$ 231,326 | \$237,882 | \$ 232,852 | \$ 196,642 |
| Retained interests in transferred assets | \$ 1,010 | \$ 1,029 | \$ 901 | \$ 910 | \$ 12,527 |
| Total assets | \$ 252,127 | \$ 250,523 | \$257,372 | \$ 251,033 | \$ 228,243 |
| Debt | \$ 92,969 | \$ 90,881 | \$ 97,045 | \$ 91,042 | \$ 68,509 |
| Total beneficiaries' equity | \$ 150,560 | \$ 151,623 | \$151,897 | \$ 152,241 | \$ 152,458 |
| Shares outstanding | 10,560 | 10,560 | 10,558 | 10,548 | 10,548 |
| Net asset value per share | \$ 14.26 | \$ 14.36 | \$ 14.39 | \$ 14.43 | \$ 14.45 |

PMC Commercial Trust and Subsidiaries
Comparative Results of Operations

| | Years Ended December 31, | | | Three Months Ended December 31, | | |
|---|--------------------------|-----------------|---------------|---------------------------------|-----------------|---------------|
| | 2010 | 2009 | Inc (Dec) % | 2010 | 2009 | Inc (Dec) % |
| <i>(Dollars in thousands, except per share information)</i> | | | | | | |
| Income: | | | | | | |
| Interest income | \$ 13,537 | \$ 11,180 | 21% | \$ 3,339 | \$ 2,714 | 23% |
| Income from retained interests in transferred assets | 163 | 2,862 | (94%) | 50 | 493 | (90%) |
| Other income | 1,763 | 2,225 | (21%) | 381 | 960 | (60%) |
| Total revenues | 15,463 | 16,267 | (5%) | 3,770 | 4,167 | (10%) |
| Expenses: | | | | | | |
| Interest | 4,016 | 2,869 | 40% | 974 | 629 | 55% |
| Salaries and related benefits | 3,927 | 3,871 | 1% | 1,030 | 1,007 | 2% |
| General and administrative | 2,168 | 2,096 | 3% | 506 | 716 | (29%) |
| Impairments and provisions | 641 | 1,541 | (58%) | 252 | 430 | (41%) |
| Total expenses | 10,752 | 10,377 | 4% | 2,762 | 2,782 | (1%) |
| Income before income tax benefit (provision) and discontinued operations | 4,711 | 5,890 | (20%) | 1,008 | 1,385 | (27%) |
| Income tax benefit (provision) | 131 | 167 | (22%) | 99 | 63 | 57% |
| Income from continuing operations | 4,842 | 6,057 | (20%) | 1,107 | 1,448 | (24%) |
| Discontinued operations | (545) | 704 | (177%) | (518) | 228 | (327%) |
| Net income | \$ 4,297 | \$ 6,761 | (36%) | \$ 589 | \$ 1,676 | (65%) |
| Basic weighted average shares outstanding | 10,554 | 10,573 | | 10,560 | 10,548 | |
| Basic and diluted earnings per share: | | | | | | |
| Income from continuing operations | \$ 0.46 | \$ 0.57 | | \$ 0.11 | \$ 0.14 | |
| Discontinued operations | (0.05) | 0.07 | | (0.05) | 0.02 | |
| Net income | \$ 0.41 | \$ 0.64 | | \$ 0.06 | \$ 0.16 | |

PMC Commercial Trust and Subsidiaries
Quarterly Operating Results

| | Three Months Ended | | | | |
|---|-----------------------|-------------------|------------------|-------------------|------------------|
| | Dec. 31, 2010 | Sept. 30, 2010 | June 30, 2010 | March 31, 2010 | Dec. 31, 2009 |
| | <i>(In thousands)</i> | | | | |
| Revenues: | | | | | |
| Interest income | \$ 3,339 | \$ 3,483 | \$ 3,498 | \$ 3,217 | \$ 2,714 |
| Income from retained interests in transferred assets | 50 | 38 | 34 | 41 | 493 |
| Other income | 381 | 782 | 403 | 197 | 960 |
| Total revenues | <u>3,770</u> | <u>4,303</u> | <u>3,935</u> | <u>3,455</u> | <u>4,167</u> |
| Expenses: | | | | | |
| Interest | 974 | 1,042 | 1,011 | 989 | 629 |
| Salaries and related benefits | 1,030 | 986 | 970 | 941 | 1,007 |
| General and administrative | 506 | 450 | 644 | 568 | 716 |
| Impairments and provisions | 252 | 487 | 104 | (202) | 430 |
| Total expenses | <u>2,762</u> | <u>2,965</u> | <u>2,729</u> | <u>2,296</u> | <u>2,782</u> |
| Income before income tax benefit (provision) and discontinued operations | 1,008 | 1,338 | 1,206 | 1,159 | 1,385 |
| Income tax benefit (provision) | 99 | (96) | 20 | 108 | 63 |
| Income from continuing operations | 1,107 | 1,242 | 1,226 | 1,267 | 1,448 |
| Discontinued operations | (518) | (35) | (3) | 11 | 228 |
| Net income | <u>\$ 589</u> | <u>\$ 1,207</u> | <u>\$ 1,223</u> | <u>\$ 1,278</u> | <u>\$ 1,676</u> |

Real Estate Investment Trust ("REIT") Taxable Income

REIT taxable income is presented to assist investors in analyzing our performance and is a measure that is presented quarterly in our consolidated financial statements and is one of the factors utilized by our Board of Trust Managers in determining the level of dividends to be paid to our shareholders.

The following reconciles net income to REIT taxable income:

| | Years Ended December 31, | | | Three Months Ended December 31, | |
|--|--------------------------|-----------------|------------------|------------------------------------|-----------------|
| | 2010 | 2009 | 2008 | 2010 | 2009 |
| | <i>(In thousands)</i> | | | | |
| Net income | \$ 4,297 | \$ 6,761 | \$ 9,806 | \$ 589 | \$ 1,676 |
| Book/tax difference on depreciation | (53) | (56) | (60) | (13) | (14) |
| Book/tax difference on gains related to real estate | 387 | (1,110) | (784) | — | (468) |
| Book/tax difference on Retained Interests, net | — | (212) | 57 | — | (146) |
| Severance accrual (payments) | (33) | (1,435) | 1,596 | (14) | (6) |
| Impairment losses | 317 | — | — | 317 | — |
| Book/tax difference on amortization and accretion | (102) | (232) | (345) | (26) | (31) |
| Loan valuation | (241) | 497 | 430 | (52) | 258 |
| Other book/tax differences, net | (121) | (38) | (177) | 43 | 43 |
| | <u>4,451</u> | <u>4,175</u> | <u>10,523</u> | <u>844</u> | <u>1,312</u> |
| Adjustment for taxable REIT subsidiaries net loss (income) | 340 | 413 | (587) | 216 | 145 |
| Dividend distribution from taxable REIT subsidiary | 300 | — | 2,000 | 300 | — |
| REIT taxable income | <u>\$ 5,091</u> | <u>\$ 4,588</u> | <u>\$ 11,936</u> | <u>\$ 1,360</u> | <u>\$ 1,457</u> |
| Distributions declared | <u>\$ 6,756</u> | <u>\$ 7,445</u> | <u>\$ 10,908</u> | <u>\$ 1,689</u> | <u>\$ 1,688</u> |
| Weighted average common shares outstanding | <u>10,554</u> | <u>10,573</u> | <u>10,767</u> | <u>10,560</u> | <u>10,548</u> |

Forward Looking Statements

Certain matters discussed in this press release are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company "expects," "anticipates" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, including the financial performance of the Company, real estate conditions and market valuations of its shares, which could cause actual results to differ materially from those currently anticipated. The Company's ability to meet targeted financial and operating results, including loan originations, operating income, net income and earnings per share depends on a variety of economic, competitive, and governmental factors, including changes in real estate market conditions, changes in interest rates and the Company's ability to access capital under its credit facility or otherwise, many of which are beyond the Company's control and which are described in the Company's filings with the Securities and Exchange Commission. Although the Company believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, the Company can give no assurance that its expectations will be attained. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements made herein are only made as of the date of this press release and the Company undertakes no obligation to publicly update such forward-looking statements to reflect any changes in expectations, subsequent events or circumstances.