

PMC COMMERCIAL TRUST /TX

Form 10-Q

November 09, 2006

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

FORM 10 - Q

(Mark One)

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

For the quarterly period ended **September 30, 2006**

OR

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

For the transition period from _____ to _____ .

Commission File Number 1-13610

PMC COMMERCIAL TRUST

(Exact name of registrant as specified in its charter)

TEXAS

75-6446078

(State or other jurisdiction
of incorporation or organization)

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

17950 Preston Road, Suite 600, Dallas, TX 75252

(972) 349-3200

(Address of principal executive offices)

(Registrant's telephone number)

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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Indicate by check mark whether the Registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). YES NO

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

As of November 3, 2006, the Registrant had outstanding 10,750,981 Common Shares of Beneficial Interest, par value \$.01 per share.

PMC COMMERCIAL TRUST AND SUBSIDIARIES

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Section 302 Officer Certification - CEO

Section 302 Officer Certification - CFO

Section 906 Officer Certification - CEO

Section 906 Officer Certification - CFO

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PART I

Financial Information

ITEM 1.

Financial Statements

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Table of Contents**PMC COMMERCIAL TRUST AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(In thousands, except share data)*

	September 30, 2006	December 31, 2005
	<i>(Unaudited)</i>	
ASSETS		
Loans receivable, net	\$ 144,301	\$ 157,574
Retained interests in transferred assets	57,715	62,991
Real estate investments, net	4,454	8,080
Real estate investments held for sale, net		15,470
Cash and cash equivalents	3,555	3,967
Restricted investments	2,738	3,532
Mortgage-backed security of affiliate	670	833
Rent and related receivables, net	567	1,489
Deferred tax asset, net	237	349
Other assets	4,758	4,907
Total assets	\$ 218,995	\$ 259,192
LIABILITIES AND BENEFICIARIES EQUITY		
Liabilities:		
Junior subordinated notes	\$ 27,070	\$ 27,070
Notes and debentures payable	12,328	26,900
Credit facilities	4,715	24,205
Debt and accrued expenses — real estate investments held for sale		6,273
Redeemable preferred stock of subsidiary	3,645	3,575
Dividends payable	3,288	3,293
Borrower advances	2,815	4,418
Accounts payable and accrued expenses	2,273	2,920
Deferred gains on property sales	1,553	345
Due to affiliates, net	133	856
Other liabilities	969	1,420
Total liabilities	58,789	101,275
<i>Commitments and contingencies</i>		
Cumulative preferred stock of subsidiary	900	900

Beneficiaries equity:

Common shares of beneficial interest; authorized 100,000,000 shares of \$0.01 par value; 11,037,331 and 11,028,271 shares issued at September 30, 2006 and December 31, 2005, respectively, 10,750,981 and 10,766,021 shares outstanding at September 30, 2006 and December 31, 2005, respectively	110	110
Additional paid-in capital	152,158	152,047
Net unrealized appreciation of retained interests in transferred assets	4,007	4,519
Cumulative net income	134,967	122,300
Cumulative dividends	(128,705)	(119,031)
	162,537	159,945
Less: Treasury stock; at cost, 286,350 shares and 262,250 shares at September 30, 2006 and December 31, 2005, respectively	(3,231)	(2,928)
Total beneficiaries equity	159,306	157,017
Total liabilities and beneficiaries equity	\$ 218,995	\$ 259,192

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

Table of Contents**PMC COMMERCIAL TRUST AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME***(In thousands, except per share data)*

	Nine Months Ended		Three Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
	<i>(Unaudited)</i>			
Revenues:				
Interest income	\$ 11,588	\$ 8,201	\$ 3,977	\$ 2,889
Income from retained interests in transferred assets	7,319	6,953	2,384	2,527
Hotel property revenues	1,653		639	
Lease income	58	769		180
Other income	3,170	2,597	1,324	741
Total revenues	23,788	18,520	8,324	6,337
Expenses:				
Interest	4,197	3,383	1,303	1,190
Salaries and related benefits	3,437	3,356	1,164	1,127
General and administrative	1,976	2,200	746	919
Hotel property expenses	1,319		526	
Provision for loss on rent and related receivables	925	1,083	500	1,083
Permanent impairments on retained interests in transferred assets	875	387	291	156
Depreciation	177	221	58	59
Provision for loan losses, net	90	394	37	125
Impairment losses		435		
Total expenses	12,996	11,459	4,625	4,659
Gain on early extinguishment of debt	563		563	
Income before income tax provision, minority interest and discontinued operations	11,355	7,061	4,262	1,678
Income tax provision	(629)	(508)	(295)	(214)
Minority interest (preferred stock dividend of subsidiary)	(67)	(67)	(22)	(22)
Income from continuing operations	10,659	6,486	3,945	1,442

Discontinued operations:

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Net gains on sales of real estate	2,024	2,152	5	1,038
Impairment losses	(94)	(1,554)		(135)
Net earnings (losses)	78	1,269	26	(341)
	2,008	1,867	31	562
Net income	\$ 12,667	\$ 8,353	\$ 3,976	\$ 2,004
<i>Weighted average shares outstanding:</i>				
Basic	10,747	10,886	10,751	10,894
Diluted	10,748	10,894	10,756	10,894
<i>Basic and diluted earnings per share:</i>				
Income from continuing operations	\$ 0.99	\$ 0.59	\$ 0.37	\$ 0.14
Discontinued operations	0.19	0.17		0.05
Net income	\$ 1.18	\$ 0.76	\$ 0.37	\$ 0.19

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

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PMC COMMERCIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Nine Months Ended		Three Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
	<i>(Unaudited)</i>			
Net income	\$ 12,667	\$ 8,353	\$ 3,976	\$ 2,004
Change in unrealized appreciation (depreciation) of retained interests in transferred assets:				
Net unrealized appreciation (depreciation) arising during period	(38)	(482)	451	(432)
Net realized gains included in net income	(474)	(450)	(140)	(169)
	(512)	(932)	311	(601)
Comprehensive income	\$ 12,155	\$ 7,421	\$ 4,287	\$ 1,403

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

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PMC COMMERCIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF BENEFICIARIES EQUITY
(In thousands, except share and per share data)

Nine Months Ended September 30, 2005

(Unaudited)

	Common	Net Unrealized Appreciation of Retained Interests						Total
Beneficial Interest Outstanding	Par Value	Additional Paid-in Capital	in Transferred Assets	Cumulative Net Income	Cumulative Dividends	Treasury Stock	Beneficiaries Equity	
Balances, January 1, 2005	10,876,961	\$ 110	\$ 151,818	\$ 5,120	\$ 111,003	\$ (105,462)	\$ (1,285)	\$ 161,304
Net unrealized depreciation				(932)				(932)
Shares repurchased	(21,200)					(285)		(285)
Shares issued through exercise of stock options	9,400		123					123
Issuance of share options and restricted shares	9,060		91					91
Dividends (\$0.95 per share)					(10,340)			(10,340)
Net income				8,353				8,353
Balances, September 30, 2005	10,874,221	\$ 110	\$ 152,032	\$ 4,188	\$ 119,356	\$ (115,802)	\$ (1,570)	\$ 158,314

Nine Months Ended September 30, 2006

(Unaudited)

	Common	Net Unrealized Appreciation of Retained Interests						Total
Beneficial Interest Outstanding	Par Value	Additional Paid-in Capital	in Transferred Assets	Cumulative Net Income	Cumulative Dividends	Treasury Stock	Beneficiaries Equity	
	10,766,021	\$ 110	\$ 152,047	\$ 4,519	\$ 122,300	\$ (119,031)	\$ (2,928)	\$ 157,017

**Balances,
January 1, 2006**

Net unrealized depreciation			(512)				(512)
Shares repurchased	(24,100)					(303)	(303)
Issuance of share options and restricted shares	9,060	111					111
Dividends (\$0.90 per share)						(9,674)	(9,674)
Net income				12,667			12,667

Balances,

September 30, 2006	10,750,981	\$ 110	\$ 152,158	\$ 4,007	\$ 134,967	\$ (128,705)	\$ (3,231)	\$ 159,306
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The accompanying notes are an integral part of these consolidated financial statements.

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PMC COMMERCIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended	
	September 30,	
	2006	2005
	<i>(Unaudited)</i>	
Cash flows from operating activities:		
Net income	\$ 12,667	\$ 8,353
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	186	1,166
Permanent impairments on retained interests in transferred assets	875	387
Net gains on sales of real estate	(2,024)	(2,152)
Gain on early extinguishment of debt	(563)	
Deferred income taxes	112	(32)
Provision for loan losses	90	394
Provision for losses on rent and related receivables	925	1,083
Impairment losses	94	1,989
Premium income adjustment	116	70
Amortization and accretion, net	(234)	(156)
Share-based compensation	111	91
Capitalized loan origination costs	(141)	(112)
Loans funded, held for sale	(4,867)	(6,350)
Proceeds from sale of guaranteed loans	6,373	6,690
Loan fees collected, net	16	351
Change in operating assets and liabilities:		
Due to/from affiliates, net	(723)	(1,045)
Other assets	(10)	(1,898)
Borrower advances	(1,603)	870
Accounts payable and accrued expenses	(1,076)	(132)
Other liabilities	(276)	(554)
Net cash provided by operating activities	10,048	9,013
Cash flows from investing activities:		
Loans funded	(12,165)	(21,178)
Principal collected on loans receivable	40,049	11,769
Principal collected on notes receivable		292
Principal collected on retained interests in transferred assets	4,052	5,139
Proceeds from assets acquired in liquidation held for sale, net	1,180	2,931
Proceeds from sales of hotel properties, net	3,128	7,485
Proceeds from mortgage-backed security of affiliate	187	154
Investment in retained interests in transferred assets	(97)	(1,830)
Distribution from unconsolidated subsidiary	452	
Investment in PMC Preferred Capital Trust-A		(820)
Proceeds from (investment in) restricted investments, net	794	(206)

Purchase of furniture, fixtures and equipment	(100)	(351)
Net cash provided by investing activities	37,480	3,385
Cash flows from financing activities:		
Proceeds from issuance of common shares		123&