

PMC COMMERCIAL TRUST /TX

Form 10-Q

August 07, 2009

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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 June 30, 2009

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). YES NO

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of July 31, 2009, the Registrant had outstanding 10,548,354 Common Shares of Beneficial Interest, par value \$.01 per share.

**PMC COMMERCIAL TRUST AND SUBSIDIARIES
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PART I

Financial Information

ITEM 1.

Financial Statements

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

	June 30, 2009	December 31, 2008
	<i>(Unaudited)</i>	
ASSETS		
Loans receivable, net	\$ 184,415	\$ 179,807
Retained interests in transferred assets	25,399	33,248
Cash and cash equivalents	8,945	10,606
Restricted investments	2,723	
Other assets	3,961	3,863
Total assets	\$ 225,443	\$ 227,524
LIABILITIES AND BENEFICIARIES EQUITY		
Liabilities:		
Junior subordinated notes	\$ 27,070	\$ 27,070
Revolving credit facility	23,800	22,700
Structured notes and debentures payable	13,428	8,168
Redeemable preferred stock of subsidiary	1,947	3,876
Dividends payable	1,741	3,967
Accounts payable and accrued expenses	1,629	2,884
Borrower advances	1,557	2,819
Deferred gains on property sales	1,358	1,408
Other liabilities	264	270
Total liabilities	72,794	73,162
 <i>Commitments and contingencies</i>		
Beneficiaries equity:		
Common shares of beneficial interest; authorized 100,000,000 shares of \$0.01 par value; 11,084,683 and 11,066,283 shares issued at June 30, 2009 and December 31, 2008, respectively, 10,548,354 and 10,694,788 shares outstanding at June 30, 2009 and December 31, 2008, respectively	111	111
Additional paid-in capital	152,563	152,460
Net unrealized appreciation of retained interests in transferred assets	759	620
Cumulative net income	164,115	160,925
Cumulative dividends	(160,898)	(156,829)
	156,650	157,287

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Less: Treasury stock; at cost, 536,329 and 371,495 shares at June 30, 2009 and December 31, 2008, respectively	(4,901)	(3,825)
Total parent company beneficiaries equity	151,749	153,462
Noncontrolling interests cumulative preferred stock of subsidiary	900	900
Total beneficiaries equity	152,649	154,362
Total liabilities and beneficiaries equity	\$ 225,443	\$ 227,524

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

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
	<i>(Unaudited)</i>			
Revenues:				
Interest income	\$ 5,636	\$ 7,285	\$ 2,785	\$ 3,519
Income from retained interests in transferred assets	1,697	4,196	781	2,277
Other income	530	1,155	306	418
Total revenues	7,863	12,636	3,872	6,214
Expenses:				
Salaries and related benefits	1,920	2,591	999	1,352
Interest	1,596	2,210	790	977
General and administrative	977	1,123	534	654
Provision for (reduction of) loan losses, net	203	12	56	(61)
Permanent impairments on retained interests in transferred assets	77	377	17	96
Total expenses	4,773	6,313	2,396	3,018
Income before income tax benefit (provision) and discontinued operations	3,090	6,323	1,476	3,196
Income tax benefit (provision)	50	(173)	68	(91)
Income from continuing operations	3,140	6,150	1,544	3,105
Discontinued operations:				
Gains on sales of real estate	50	762	20	424
Net income	\$ 3,190	\$ 6,912	\$ 1,564	\$ 3,529
Weighted average shares outstanding:				
Basic	10,599	10,766	10,548	10,767
Diluted	10,599	10,766	10,548	10,767

Basic and diluted earnings per share:

Income from continuing operations	\$	0.30	\$	0.57	\$	0.15	\$	0.29
Discontinued operations				0.07				0.04
Net income	\$	0.30	\$	0.64	\$	0.15	\$	0.33

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)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2009	2008	2009	2008
	<i>(Unaudited)</i>			
Net income	\$ 3,190	\$ 6,912	\$ 1,564	\$ 3,529
Change in unrealized appreciation of retained interests in transferred assets:				
Net unrealized appreciation (depreciation) arising during period	182	(844)	80	(901)
Net realized gains included in net income	(43)	(102)	(28)	(42)
	139	(946)	52	(943)
Comprehensive income	\$ 3,329	\$ 5,966	\$ 1,616	\$ 2,586

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)

Six Months Ended June 30, 2008

(Unaudited)

Common	Net Unrealized Appreciation of Retained Interests				Cumulative		Cumulative		Total
Shares of	Additional	Transferred	in	Cumulative	Net	Cumulative	Treasury	Preferred	Total
Beneficial	Capital	Assets	Interests	Income	Dividends	Stock	Subsidiary	Stock	Beneficiaries
Interest	Par	Paid-in	Transferred	Net	Cumulative	Treasury	Subsidiary	Stock	Beneficiaries
Outstanding	Value	Capital	Assets	Income	Dividends	Stock	Subsidiary	Stock	Equity
Balances, January 1, 2008	10,765,033	\$ 111	\$ 152,331	\$ 1,945	\$ 151,119	\$ (145,921)	\$ (3,231)	\$ 900	\$ 157,254
Net unrealized depreciation			(946)						(946)
Share-based compensation expense	16,500		96						96
Dividends (\$0.425 per share)						(4,579)			(4,579)
Net income				6,912					6,912
Balances, June 30, 2008	10,781,533	\$ 111	\$ 152,427	\$ 999	\$ 158,031	\$ (150,500)	\$ (3,231)	\$ 900	\$ 158,737

Six Months Ended June 30, 2009

(Unaudited)

Common	Net Unrealized Appreciation of Retained Interests				Cumulative		Cumulative		Total
Shares of	Additional	Transferred	in	Cumulative	Net	Cumulative	Treasury	Preferred	Total
Beneficial	Capital	Assets	Interests	Income	Dividends	Stock	Subsidiary	Stock	Beneficiaries
Interest	Par	Paid-in	Transferred	Net	Cumulative	Treasury	Subsidiary	Stock	Beneficiaries
Outstanding	Value	Capital	Assets	Income	Dividends	Stock	Subsidiary	Stock	Equity
Balances, January 1,	10,694,788	\$ 111	\$ 152,460	\$ 620	\$ 160,925	\$ (156,829)	\$ (3,825)	\$ 900	\$ 154,362

2009

Net unrealized appreciation		139		139
Share-based compensation expense	18,400	103		103
Treasury shares, net	(164,834)		(1,076)	(1,076)
Dividends (\$0.385 per share)			(4,069)	(4,069)
Net income			3,190	3,190

Balances,

June 30, 2009	10,548,354	\$ 111	\$ 152,563	\$ 759	\$ 164,115	\$ (160,898)	\$ (4,901)	\$ 900	\$ 152,649
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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)

	Six Months Ended	
	June 30,	
	2009	2008
	<i>(Unaudited)</i>	
Cash flows from operating activities:		
Net income	\$ 3,190	\$ 6,912
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13	13
Permanent impairments on retained interests in transferred assets	77	377
Gains on sales of real estate	(50)	(762)
Deferred income taxes	(109)	6
Provision for loan losses, net	203	12
Premium income adjustment	156	(6)
Amortization and accretion, net	(223)	(128)
Share-based compensation	103	96
Capitalized loan origination costs	(85)	(92)
Loans funded, held for sale	(6,454)	(3,404)
Proceeds from sale of guaranteed loans	7,677	1,856
Loan fees remitted, net	(17)	(3)
Change in operating assets and liabilities:		
Other assets	199	214
Borrower advances	(1,262)	49
Accounts payable and accrued expenses	(1,236)	(177)
Other liabilities	(19)	(82)
Net cash provided by operating activities	2,163	4,881
Cash flows from investing activities:		
Loans funded	(1,348)	(24,700)
Principal collected on loans	7,541	20,661
Principal collected on retained interests in transferred assets	143	818
Principal collected on mortgage-backed security of affiliate	22	51
Investment in retained interests in transferred assets	(338)	(2,820)
Release of (investment in) restricted investments, net	(1,313)	1,046
Net cash provided by (used in) investing activities	4,707	(4,944)
Cash flows from financing activities:		