

PMC COMMERCIAL TRUST /TX

Form S-4/A

December 17, 2013

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As filed with the Securities and Exchange Commission on December 17, 2013

Registration No. 333-190934

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

**AMENDMENT No. 3**  
**To**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**PMC Commercial Trust**

(Exact name of registrant as specified in its charter)

<b>Texas</b> (State or other jurisdiction of incorporation or organization)	<b>6798</b> (Primary Standard Industrial Classification Code Number)	<b>75-6446078</b> (I.R.S. Employer Identification Number)
---	--	---

**17950 Preston Road, Suite 600, Dallas, Texas 75252**  
**(972) 349-3200**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Jan F. Salit**  
**Chief Executive Officer and President**  
**PMC Commercial Trust**

**17950 Preston Road, Suite 600**  
**Dallas, Texas 75252**  
**(972) 349-3200**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*With copies to:*

**X. Lane Folsom**  
**John B. McKnight**  
**Locke Lord LLP**  
**2200 Ross Avenue, Suite 2200**  
**Dallas, Texas 75201-6776**

**Gregory R.A. Dahlgren**  
**Neal Aizenstein**  
**DLA Piper LLP (US)**  
**203 North LaSalle Street, Suite 1900**  
**Chicago, IL 60601-1293**

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this Registration Statement is declared effective and the satisfaction or waiver of all other conditions to the closing of the merger and other transactions described herein.

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If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this proxy statement/prospectus is not complete and may be changed. PMC Commercial Trust may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities nor should it be considered a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED DECEMBER 17, 2013**

**PROXY STATEMENT/PROSPECTUS**

**PMC COMMERCIAL TRUST**

**17950 PRESTON ROAD, SUITE 600**

**DALLAS, TEXAS 75252**

Dear PMC Commercial Trust Shareholder:

You are cordially invited to attend a special meeting of the shareholders of PMC Commercial Trust, a Texas real estate investment trust ( PMC Commercial ), at 9:00 a.m., Central Daylight Time, on [ ], 2014 at [ ].

At the special meeting, PMC Commercial shareholders will be asked to consider and vote upon a proposal to approve the issuance of common shares and preferred shares of PMC Commercial pursuant to the terms of the agreement and plan of merger dated as of July 8, 2013, by and among PMC Commercial, CIM Urban REIT, LLC ( CIM REIT ), and their respective merger subsidiaries. We refer to this document as the Merger Agreement in this proxy statement/prospectus, which references include amendments thereto, including the consent to assignment and limited waiver to agreement and plan of merger dated as of November 20, 2013 (the Consent and Waiver ), and both the Merger Agreement itself and the Consent and Waiver are attached as Annex A to this proxy statement/prospectus.

Pursuant to the Merger Agreement: (a) a merger subsidiary of CIM REIT will merge with and into a merger subsidiary of PMC Commercial, at which time PMC Commercial will become the parent company of CIM Urban Partners L.P. ( CIM Urban ) and its subsidiaries; and (b) PMC Commercial will issue to Urban Partners II, LLC ( Urban II ), the members of which will be CIM REIT and CIM Urban Partners GP, LLC (the current general partner of CIM Urban), 22,000,003 common shares of PMC Commercial (the PMC Commercial Common Shares ) and 65,028,571 Class A convertible cumulative preferred shares of PMC Commercial (the PMC Commercial Preferred Shares ). Each PMC Commercial Preferred Share will be convertible into seven PMC Commercial Common Shares.

Under the terms of the Merger Agreement, the board of trust managers of PMC Commercial shall, on the last business day prior to consummation of the merger and the related transactions provided for in the Merger Agreement and the annexes, agreements and other documents referenced therein (the Merger ), declare a special dividend payable to each shareholder on that day of \$5.50 per PMC Commercial Common Share (plus that portion of PMC Commercial's regular quarterly dividend accrued through that day), which special dividend shall be payable on or prior to the tenth business day after consummation of the Merger. All of the PMC Commercial Common Shares outstanding immediately prior to the Merger will remain outstanding following the Merger. Assuming conversion of the PMC Commercial Preferred Shares, Urban II will receive approximately 97.8% of the PMC Commercial Common Shares issued and outstanding immediately after consummation of the Merger. PMC Commercial expects that, following the Merger, the PMC Commercial Common Shares will be listed on The NASDAQ Stock Market LLC.

PMC Commercial is providing this proxy statement/prospectus and accompanying proxy card to its shareholders in connection with the solicitation of proxies to be voted at the special meeting and at any adjournments or postponements of the special meeting. This proxy statement/prospectus also constitutes a prospectus of PMC Commercial. Whether or not you plan to attend the special meeting, we urge you to read this proxy statement/prospectus (and any documents incorporated into this proxy statement/prospectus by reference) carefully. Please pay particular attention to the section titled RISK FACTORS beginning on page 40.

**PMC Commercial's board of trust managers has unanimously (i) determined that the Merger Agreement and the Merger, including the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares as provided in the Merger Agreement, are advisable, fair to and in the best interests of PMC Commercial and its shareholders, and (ii) approved the Merger Agreement and the annexes attached thereto, as well as the Merger and the issuance of the PMC Commercial Common Shares and the PMC Commercial**

**Preferred Shares, as provided in the Merger Agreement. PMC Commercial's board of trust managers unanimously recommends that PMC Commercial shareholders vote FOR the proposal to approve the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares as provided in the Merger Agreement (including the issuance of PMC Commercial Common Shares upon the conversion of such PMC Commercial Preferred Shares) (the Share Issuance Proposal). CIM REIT's director, CIM Urban Partners GP, LLC, has also approved the Merger Agreement and the Merger.**

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The Merger cannot be completed unless the Share Issuance Proposal is approved by the affirmative vote of the holders of at least a majority of the PMC Commercial Common Shares that are present in person or by proxy at the special meeting. No other vote of the holders of PMC Commercial Common Shares is required to complete the Merger.

**Your vote is very important. If you are a registered shareholder, please vote your shares as soon as possible using one of the following methods to ensure that your vote is counted, regardless of whether you expect to attend the special meeting in person: (1) call the toll-free number specified on the enclosed proxy card and follow the instructions when prompted, (2) access the internet website specified on the enclosed proxy card and follow the instructions provided to you, or (3) complete, sign, date and return the enclosed proxy card in the postage-paid envelope provided. If you hold your shares in street name through a bank, broker or other nominee, you will need to follow the instructions provided to you by your bank, broker or other nominee to ensure that your shares are represented and voted at the special meeting. If you are a registered shareholder and you attend the special meeting and wish to vote in person, you may withdraw your proxy with proper documentation and vote in person. A form of photo identification will be required for admission to the special meeting. For further information on admission, please refer to the question entitled Who can attend the special meeting? on page 7 of the proxy statement/prospectus.**

On behalf of our board of trust managers, I thank you for your support and look forward to the successful completion of the Merger.

Sincerely,

[ ], 2013

Jan F. Salit

Chief Executive Officer and President

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

This proxy statement/prospectus is dated [ ], 2013, and is first being mailed to the shareholders of PMC Commercial on or about [ ], 2013.

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**PMC COMMERCIAL TRUST**  
**17950 PRESTON ROAD, SUITE 600**  
**DALLAS, TEXAS 75252**  
**NOTICE OF SPECIAL MEETING**  
**OF SHAREHOLDERS OF PMC COMMERCIAL TRUST**  
**TO BE HELD ON [                    ], 2014**

To the Shareholders of PMC Commercial Trust:

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of PMC Commercial Trust, a Texas real estate investment trust ( PMC Commercial ), will be held at 9:00 a.m., Central Daylight Time, on [                    ], 2014, at [                    ]. You are cordially invited to attend the special meeting of shareholders for the following purposes:

- (1) *The Share Issuance Proposal* to consider and vote upon a proposal to approve the issuance of the common shares and preferred shares of PMC Commercial (including the common shares issuable upon conversion of such preferred shares) pursuant to the terms of that certain agreement and plan of merger, dated as of July 8, 2013 (as it may be amended from time to time and including the consent to assignment and limited waiver to agreement and plan of merger dated November 20, 2013, the Merger Agreement ), by and among PMC Commercial, Southfork Merger Sub, LLC, a newly formed Delaware limited liability company and wholly-owned subsidiary of PMC Commercial ( PMC Merger Sub ), CIM REIT, and CIM Merger Sub, LLC, a newly formed Delaware limited liability company and wholly-owned subsidiary of CIM REIT ( CIM Merger Sub ) (the Share Issuance Proposal );
- (2) *The Merger-Related Compensation Proposal* to consider and vote upon, through a non-binding advisory vote, certain compensation arrangements for PMC Commercial s named executive officers in connection with the merger and other transactions contemplated by the Merger Agreement (the Merger-Related Compensation Proposal );
- (3) *The Adjournment Proposal* to consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal; and
- (4) to consider and transact such other procedural matters as may properly come before the special meeting of shareholders or any adjournment or postponement thereof.

The Share Issuance Proposal is not conditioned on the approval of the Merger-Related Compensation Proposal or the adjournment proposal, as approval of the Share Issuance Proposal is the only PMC Commercial shareholder approval required for consummation of the merger described in the Merger Agreement.

Only shareholders of PMC Commercial at the close of business on [                    ], 2013 are entitled to notice of the special meeting of shareholders and to vote and have their votes counted at the special meeting of shareholders and any adjournments or postponements of the special meeting of shareholders. A complete list of PMC Commercial registered shareholders entitled to vote at the special meeting of shareholders will be available for ten days before the special meeting of shareholders at the principal executive offices of PMC Commercial for inspection by shareholders during usual business hours for any purpose germane to the special meeting of shareholders.

The transactions contemplated by the Merger Agreement will be consummated only if the holders of at least a majority of the shares that are present in person or by proxy at the special meeting vote in favor of the Share Issuance Proposal.

Thank you for your participation. We look forward to your continued support.

[                    ], 2013

By Order of the Board of Trust Managers



Jan F. Salit

Chief Executive Officer and President  
], 2013.

This notice was mailed by PMC Commercial on [

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**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about PMC Commercial from other documents that are not included in or delivered with this proxy statement/prospectus. This information is available for you to review at the public reference room of the Securities and Exchange Commission, or SEC, located at 100 F Street, N.E., Washington, D.C. 20549, and through the SEC's website at [www.sec.gov](http://www.sec.gov). You can also obtain the documents incorporated by reference into this proxy statement/prospectus free of charge by requesting them in writing or by telephone at the following address and telephone number:

**PMC Commercial Trust**

17950 Preston Road, Suite 600

Dallas, Texas 75252

(972) 349-3235

Attention: Investor Relations

or

**AST Phoenix Advisors**

6201 15th Avenue

Brooklyn, NY 11219

(800) 780-7314

**If you would like to request any documents, please do so by [                    ], 2013 in order to receive them before the special meeting.**

**You also may obtain additional proxy cards and other information related to the proxy solicitation by contacting the appropriate contact listed above. You will not be charged for any of the documents that you request.**

For a more detailed description of the information incorporated by reference in this proxy statement/prospectus and how you may obtain it, see the section entitled "Where You Can Find More Information" beginning on page 210.

**ABOUT THIS DOCUMENT**

This document, which forms part of a Registration Statement on Form S-4 filed with the SEC by PMC Commercial, constitutes a prospectus of PMC Commercial under Section 5 of the Securities Act of 1933, as amended (the "Securities Act"), with respect to the PMC Commercial Common Shares to be issued to Urban II pursuant to the terms of the Merger Agreement. This document also constitutes a proxy statement of PMC Commercial under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

You should rely only on the information contained or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated as of the date set forth on the cover hereof. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of any date other than the date of

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such incorporated document. Neither the mailing of this proxy statement/prospectus to PMC Commercial shareholders nor the issuance by PMC Commercial of its securities in connection with the Merger will create any implication to the contrary.

Information contained or incorporated by reference in this proxy statement/prospectus regarding PMC Commercial has been provided by PMC Commercial, and information contained in this proxy statement/prospectus regarding CIM Group has been provided by CIM REIT.

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**QUESTIONS AND ANSWERS**

The following questions and answers are intended to address briefly some commonly asked questions regarding the Merger Agreement, the Merger, the Share Issuance Proposal and the special meeting. These questions and answers do not address all questions that may be important to you as a shareholder. Please refer to the SUMMARY TERM SHEET beginning on page 12 and the more detailed information contained elsewhere in this proxy statement/prospectus and the annexes to this proxy statement/prospectus, which you should read carefully.

Unless otherwise indicated or the context requires otherwise:

all references to the Advisor refer to CIM Urban REIT Management L.P., a California limited partnership that provides day-to-day management of CIM Urban's operations;

all references to the Board of Trust Managers refer to the board of trust managers of PMC Commercial, and all references to a Trust Manager refer to a member thereof;

all references to CIM Group refer to CIM Group LLC, a Delaware limited liability company, and its affiliates;

all references to CIM Merger Sub refer to CIM Merger Sub, LLC, a newly formed Delaware limited liability company and wholly-owned subsidiary of CIM REIT;

all references to CIM REIT refer to CIM Urban REIT, LLC, a Delaware limited liability company;

all references to CIM Urban refer to CIM Urban Partners L.P., a Delaware limited partnership and subsidiary of CIM REIT;

all references to the Consent and Waiver refer to the Consent to Assignment and Limited Waiver to Agreement and Plan of Merger dated as of November 20, 2013 by and among PMC Commercial, CIM REIT, PMC Merger Sub, and CIM Merger Sub, the terms of which were acknowledged and agreed to by a new subsidiary formed by CIM REIT, Urban II, a copy of which is attached and included in Annex A to this proxy statement/prospectus;

all references to Manager refer to CIM Service Provider, LLC, a Delaware limited liability company, together with any of its affiliates appointed to act as manager pursuant to the Master Services Agreement;

all references to Master Services Agreement refer to the Master Services Agreement to be entered into by the Manager and PMC Commercial and its subsidiaries effective upon consummation of the Merger;

all references to the Merger refer to the merger of CIM Merger Sub with and into PMC Merger Sub, as contemplated by the Merger Agreement, together with the related transactions provided for in the Merger Agreement and the annexes, agreements and other documents referenced therein;

all references to the Merger Agreement refer to the Agreement and Plan of Merger, dated as of July 8, 2013, as it may be amended from time to time and including the Consent and Waiver, among PMC Commercial, PMC Merger Sub, CIM REIT and CIM Merger



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Sub, a copy of which is attached and included in Annex A to this proxy statement/prospectus;

all references to the Merger-Related Compensation Proposal refer to the proposed compensation arrangements for PMC Commercial's named executive officers in connection with the Merger;

all references to PMC Commercial refer to PMC Commercial Trust;

all references to PMC Commercial Common Shares refer to the common shares of beneficial interest, par value \$0.01 per share, of PMC Commercial;

all references to PMC Commercial Preferred Shares refer to the Class A convertible cumulative preferred shares of beneficial interest, par value \$0.01 per share, of PMC Commercial;

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all references to **PMC Merger Sub** refer to Southfork Merger Sub, LLC, a newly formed Delaware limited liability company and wholly-owned subsidiary of PMC Commercial;

all references to the **Share Issuance Proposal** refer to the proposed issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares pursuant to the Merger Agreement (including the issuance of PMC Commercial Common Shares upon the conversion of such PMC Commercial Preferred Shares);

all references to the **Special Dividend** refer to the dividend to be declared by the Board of Trust Managers to the holders of PMC Commercial Common Shares on the last business day prior to consummation of the Merger, providing for the payment of \$5.50 per PMC Commercial Common Share plus that portion of PMC Commercial's regular quarterly dividend accrued through that day, which in accordance with the terms of the Merger Agreement shall be payable on or prior to the tenth business day after consummation of the Merger, and

all references to **Urban II** refer to Urban Partners II, LLC, the member of which is CIM REIT.

**Q: What is the proposed transaction?**

**A:** The proposed Merger, as described in the Merger Agreement. If the Share Issuance Proposal is approved by PMC Commercial shareholders and the other closing conditions specified in the Merger Agreement are satisfied or waived, the Merger will be consummated.

**Q: What will happen in the Merger?**

**A:** As a result of the Merger:

PMC Commercial will become the parent of CIM Urban and its subsidiaries; and

PMC Commercial will issue to Urban II 22,000,003 PMC Commercial Common Shares and 65,028,571 PMC Commercial Preferred Shares.

**Q: What will PMC Commercial shareholders receive as a result of the Merger?**

**A:** Pursuant to the declaration of the Board of Trust Managers, PMC Commercial shareholders on the last business day prior to consummation of the Merger will receive payment of the Special Dividend. In addition, each existing shareholder of PMC Commercial at the time of the Merger will continue to own the PMC Commercial Common Shares that such shareholder owned before the Merger. Assuming conversion of the PMC Commercial Preferred Shares issued in connection with the Merger, the shareholders of PMC Commercial prior to the Merger, on an aggregate basis, will own approximately 2.2% of the issued and outstanding PMC Commercial Common Shares immediately after the Merger.

**Q: What vote is required for PMC Commercial shareholders to approve the Share Issuance Proposal?**

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- A:** Approval of the Share Issuance Proposal will require the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting. Approval of the Share Issuance Proposal is the only PMC Commercial shareholder approval required for consummation of the Merger.
- Q:** **What are some of the key terms of the PMC Commercial Preferred Shares to be issued to Urban II in connection with the Merger?**
- A:** The holder of each PMC Commercial Preferred Share is entitled to a cumulative dividend at the rate of 2.0% of \$35.00 per year, which is subject to increase to 3.5% under certain conditions, and is convertible into seven PMC Commercial Common Shares.

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**Q: What will be the equity capitalization of PMC Commercial immediately after the Merger?**

**A:** Upon consummation of the Merger, existing shareholders of PMC Commercial will continue to own approximately 10.6 million PMC Commercial Common Shares and Urban II will own approximately 22.0 million PMC Commercial Common Shares and approximately 65.0 million PMC Commercial Preferred Shares. Assuming conversion of the PMC Commercial Preferred Shares, Urban II will hold approximately 97.8% of the PMC Commercial Common Shares issued and outstanding immediately following the consummation of the Merger.

**Q: What are some of the key actions required to consummate the Merger?**

**A:** The following are some of the key actions that must be taken to consummate the Merger:

the approval of the Share Issuance Proposal by PMC Commercial's shareholders;

any waiting period applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") shall have been terminated or expired;

a national securities exchange mutually acceptable to CIM REIT and PMC Commercial shall have approved for listing the PMC Commercial Common Shares;

the Small Business Administration (the "SBA") shall have approved those aspects of the Merger subject to its jurisdiction (which approvals include submitting license applications for the two SBIC licenses and filing an application for approval of change in ownership for the SBA 7(a) license held by First Western SBLC, Inc.) (see "RISK FACTORS" The Merger is subject to receipt of consents and approvals from government entities and third parties that could delay completion of the Merger beginning on page 41), and such approvals shall not contain any terms or conditions that are unacceptable to CIM REIT or PMC Commercial or inconsistent with the Merger Agreement;

the Registration Statement on Form S-4 to be filed with the SEC by PMC Commercial, of which this proxy statement/prospectus constitutes a part, shall have been declared effective, and no stop order or proceeding suspending the effectiveness of the Form S-4 has been initiated or threatened by the SEC;

the filing of the certificate of merger with the Secretary of State of the State of Delaware (or at such later time as PMC Commercial and CIM REIT shall agree and specify in the certificate of merger to be filed with the Secretary of State of the State of Delaware) so that CIM Merger Sub will be merged with and into PMC Merger Sub; and

the issuance by PMC Commercial to Urban II of 22,000,003 PMC Commercial Common Shares and 65,028,571 PMC Commercial Preferred Shares.

**Q: What dividend rate does PMC Commercial expect to pay on PMC Commercial Common Shares after the Merger?**

**A:**

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Subject to declaration by the then Board of Trust Managers, PMC Commercial expects to initially pay an annual dividend of \$0.175 per PMC Commercial Common Share following the Merger, to be paid on a quarterly basis. For historical dividend information, please see COMPARATIVE SHARE INFORMATION Comparative PMC Commercial and CIM Urban Market Price and Dividend Information beginning on page 38 of this proxy statement/prospectus. Although property real estate investment trusts ( REITs ) usually pay shareholders a lower yield than mortgage REITs, PMC Commercial believes over time property REITs experience higher price appreciation on average than do mortgage REITs.

**Q: What will be the composition of the Board of Trust Managers following the Merger?**

**A:** The post-Merger Board of Trust Managers will consist of the following Trust Managers: Richard Ressler, Avraham Shemesh, Shaul Kuba, Kelly Eppich, Douglas Bech, Robert Cresci and Frank Golay.

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**Q: Why are PMC Commercial and CIM REIT proposing the Merger?**

**A:** The decision of the Board of Trust Managers to approve entry into the Merger Agreement and the annexes attached thereto was the result of careful consideration by the Board of Trust Managers of numerous factors, including the following material factors:

PMC Commercial is not a diversified company, as it is dependent on its SBA 7(a) mortgage loan product that is made to borrowers primarily in the limited service hospitality industry. Following the Merger, PMC Commercial's business will be diversified by product type, industry, tenant and asset class.

It is expected that the Merger will provide PMC Commercial with the ability to obtain capital on more attractive terms than are currently available and the opportunity to participate in the enhanced future growth potential of the combined company, including any potential growth as a result of its increased size.

The Merger provides PMC Commercial with the ability to increase significantly its size in the short term rather than building over time in an effort to achieve a critical asset mass.

Although property REITs usually pay shareholders a lower yield than mortgage REITs, PMC Commercial believes over time property REITs experience higher price appreciation on average than do mortgage REITs.

PMC Commercial's Common Shares have historically traded at a discount to the book value per PMC Commercial Common Share. The Board of Trust Managers believes that the Merger (including payment of the Special Dividend) will be accretive to the value of PMC Commercial Common Shares and provide a premium to the then-current market price of PMC Commercial Common Shares.

The Board of Trust Managers believes that the Merger is more favorable to PMC Commercial shareholders than remaining independent, liquidating, or the other strategic alternatives available to PMC Commercial, which belief was formed based on a number of factors, including its evaluation of PMC Commercial's current operations and projections and the potential strategic alternatives available to PMC Commercial and consideration of the bids submitted during the third party solicitation process with respect to a possible business combination transaction in 2011 and 2012, as well as discussions with various market participants in early 2013 and during the Go-Shop Period in 2013 (see the section titled "THE MERGER Background of the Merger" beginning on page 68).

The Board of Trust Managers believes that PMC Commercial's shareholders will likely benefit, over time, from the enhanced liquidity that should result from a much greater number of PMC Commercial Common Shares being held by a broader shareholder base.

PMC Commercial is a small public company that must bear the substantial fixed costs associated with being a public company, and the Merger will result in a substantially larger combined company with a larger base of business over which these costs can be spread, thus reducing these costs as a percentage of revenue.

The Board of Trust Managers believes that CIM Group's understanding of the business, operational and financial aspects of operating a real estate business will accrue to the benefit of PMC Commercial and its shareholders.

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The Merger will provide PMC Commercial with the opportunity to invest in a portfolio of high quality performing real property assets that is managed by an experienced senior management team.

The Board of Trust Managers expects that PMC Commercial's lending operations and management team will continue and it will have enhanced opportunities for liquidity, growth and an expanded business model and platform.

The Merger Agreement provisions permit PMC Commercial to enter into or participate in discussions or negotiations with a third party that makes an unsolicited written acquisition proposal to engage in a business combination or similar transaction, if the Board of Trust Managers determines in good faith, after consultation with outside legal counsel, that the failure to do so would reasonably be expected to

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be inconsistent with its fiduciary duties and that the third party proposal, after consultation with outside legal counsel and its financial advisor, constitutes a superior proposal or could reasonably be expected to result in a superior proposal (see the section titled "THE MERGER AGREEMENT - Acquisition Proposals - Unsolicited Offers" beginning on page 99).

The opinion of Sandler O'Neill + Partners, L.P., dated July 8, 2013, to the Board of Trust Managers, as to the fairness, from a financial point of view, of the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares pursuant to the terms of the Merger Agreement together with the payment of the Special Dividend (the "Merger Consideration"), to PMC Commercial and its shareholders, which opinion was based on and subject to the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken, as more fully described below in the section "THE MERGER - Opinion of PMC Commercial's Financial Advisor" beginning on page 77.

See the section titled "THE MERGER - Reasons of PMC Commercial's Board of Trust Managers for the Merger" beginning on page 74.

CIM REIT's director, CIM Urban Partners GP, LLC, approved the Merger Agreement and the Merger. CIM REIT is proposing the Merger:

to provide CIM Urban with a flexible capital structure with which to efficiently pursue its business strategy of owning and growing its portfolio of substantially stabilized assets in submarkets in which CIM Group's opportunistic funds have targeted investment;

to allow potential investors who were previously unable to invest in CIM REIT, due to an inability to meet the minimum capital commitment requirements, to own interests in CIM Urban assets;

to allow potential investors who were previously unable to invest in CIM REIT, due to a restriction a potential investor may have faced regarding making investments in non-public vehicles, to own interests in CIM Urban assets;

to allow existing investors in CIM REIT who wish to continue owning interests in CIM Urban assets to do so through a publicly-traded, perpetual life liquid entity; and

as an economically efficient path to liquidity, over time, for existing investors in CIM REIT through a public vehicle.

**Q: What will be the strategy of PMC Commercial and its subsidiaries, including CIM Urban, after the Merger?**

**A:** PMC Commercial and/or its subsidiaries plan to (i) invest primarily in substantially stabilized real estate and real estate-related assets in high density, high barrier-to-entry urban markets throughout North America, in a manner similar to the current investment strategy of CIM Urban and (ii) continue to originate loans to small businesses collateralized by first liens on the real estate of the related business, in accordance with the current investment strategy of PMC Commercial but with a focus on expanding PMC Commercial's existing business of originating loans through the Small Business Administration's 7(a) Guaranteed Loan Program. The Advisor will provide the day-to-day management of CIM Urban's operations. CIM Group will manage most aspects of PMC Commercial's real estate business after the completion of the Merger, and it is anticipated that PMC Commercial will be the principal investment vehicle through which CIM Group will place substantially stabilized real estate investments.

PMC Commercial expects to generate additional value by:

expanding the existing CIM Urban portfolio through the acquisition of substantially stabilized real estate and real estate-related assets at yields which are accretive relative to the targeted dividend;





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increasing the leverage of the CIM Urban portfolio from its current 15.8% ratio<sup>1</sup> to a ratio more in line with the broad universe of REITs, which currently averages approximately 40%<sup>2</sup>, and to the extent additional borrowing is then available, subsequently investing the proceeds of approximately \$1.0 billion into additional investments; and

expanding, over time, into new real estate-related activities supported by CIM Group's broad real estate investment capabilities. These activities may include (i) originating and/or investing in a variety of loan products, including, but not limited to, mezzanine loans, commercial real estate loans and other types of loans, (ii) real estate development activities to create core property or otherwise, and/or (iii) forming an open-ended REIT to raise additional capital from institutional investors, which would involve a joint venture with CIM Urban. These new activities may be internally managed or externally managed by the Advisor or its affiliates.

**Q: What will happen in the post-Merger shareholder meeting contemplated by the Merger Agreement?**

**A:** If the Merger is consummated, PMC Commercial will hold another meeting of shareholders as soon as practicable thereafter to approve an increase in the number of authorized PMC Commercial Common Shares to one billion (thereby satisfying the condition provided for in the Merger Agreement for the automatic conversion of the PMC Commercial Preferred Shares issued in connection with the Merger into an aggregate of 455,199,997 PMC Commercial Common Shares). At this meeting, PMC Commercial shareholders may also be asked to approve (i) a reverse stock split of the outstanding PMC Commercial Common Shares, and/or (ii) the reincorporation of PMC Commercial from Texas to Maryland (the Reincorporation) so that PMC Commercial's corporate governance and the rights of shareholders will be governed by Maryland law and a proposed new Maryland charter (as attached hereto as Annex F, the Maryland Charter) and proposed new Maryland bylaws (as attached hereto as Annex G, the Maryland Bylaws) instead of Texas law and the Declaration of Trust of PMC Commercial and existing bylaws of PMC Commercial. The Reincorporation would be effected by a merger of PMC Commercial with and into a newly formed, wholly-owned Maryland corporate subsidiary. Urban II has agreed to vote its 97.8% post-Merger ownership of PMC Commercial Common Shares in favor of each of the proposals presented to shareholders at this meeting; as a consequence, if the Merger is consummated, there is a very high probability that the proposals to be presented at this subsequent shareholders meeting will be approved.

**Q: What are the reasons for the potential Reincorporation?**

**A:** The Maryland Charter and Maryland Bylaws and being governed by Maryland law would bring PMC Commercial's corporate governance more in line with that of other public REITs, as over 70% of which are currently organized under Maryland law. The Maryland Charter would also increase the number of authorized PMC Commercial Common Shares so that the condition provided for in the Merger Agreement for automatically converting the PMC Commercial Preferred Shares into PMC Commercial Common Shares would be satisfied.

<sup>1</sup> Leverage ratio reflects the total debt outstanding, inclusive of CIM Urban's unsecured revolving credit lines of approximately \$378 million, as of September 30, 2013, divided by CIM Urban's determination of the fair value of its total assets of approximately \$2.4 billion, as of September 30, 2013. CIM Urban's determination of the fair value of its total assets as of September 30, 2013 reflects independent third-party appraised values for each of its investments as of December 31, 2012, increased by the cost of capital expenditures made during the period from January 1, 2013 to September 30, 2013. CIM Urban's real estate investments were appraised at December 31, 2012 using either the discounted cash flow or direct capitalization method. The weighted average discount rate, terminal capitalization rate and revenue growth rate for those investments valued using discounted cash flows were 8.1%, 6.9% and 3.4%, respectively. The weighted average terminal capitalization rate for those investments valued under the direct capitalization method was 4.8%.

<sup>2</sup> This average reflects the ratio of debt to gross asset value of each REIT covered by Morgan Stanley Equity Research; source: Weekly REIT Insights: Fall NAREIT Recap, November 18, 2013.

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For additional information about the Reincorporation, including a comparison of the rights of PMC Commercial shareholders and PMC Commercial's corporate governance before and after the potential Reincorporation, please see STRATEGY OF PMC COMMERCIAL AFTER THE MERGER The Reincorporation on page 188.

**Q: When and where is the special meeting?**

A: The special meeting of shareholders of PMC Commercial will be held on [ ], 2014, at [ ], starting at 9:00 a.m. Central Daylight Time.

**Q: Who can attend the special meeting?**

A: Only persons who are holders of PMC Commercial Common Shares as of the record date for the special meeting or who are invited guests of PMC Commercial may attend and be admitted to the special meeting. All shareholders attending the special meeting will be required to show photo identification (a valid driver's license, state identification or passport) prior to admission. If a shareholder's shares are registered in the name of a bank, broker or other custodian, the shareholder must also bring a proxy or a letter from that bank, broker or other custodian or their most recent brokerage account statement that confirms that the shareholder was a beneficial owner of PMC Commercial Common Shares as of the record date.

**Q: What matters will be voted on at the special meeting?**

A: You will be asked to consider and vote on the following proposals:

to consider and vote to approve the Share Issuance Proposal;

to consider and vote to approve, through a non-binding advisory vote, the Merger-Related Compensation Proposal;

to consider and vote on the adjournment of the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal; and

to consider and transact such other procedural matters as may properly come before the special meeting or any adjournments or postponements of the special meeting.

**Q: How does the PMC Commercial Board of Trust Managers recommend that I vote on the proposals?**

A: The Board of Trust Managers unanimously recommends that you vote:

FOR approval of the Share Issuance Proposal;

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FOR approval of the Merger-Related Compensation Proposal; and

FOR adjournment of the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal.

**Q: What vote is required for PMC Commercial shareholders to approve the Share Issuance Proposal?**

**A:** Approval of the Share Issuance Proposal will require the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting. The Share Issuance Proposal is not conditioned on the approval of the Merger-Related Compensation Proposal or the adjournment proposal, as approval of the Share Issuance Proposal is the only PMC Commercial shareholder approval required for consummation of the Merger.

**Q: What vote is required for PMC Commercial shareholders to approve the Merger-Related Compensation Proposal?**

**A:** In accordance with Section 14A of the Securities Exchange Act of 1934 (as amended, the Exchange Act ), PMC Commercial is providing its shareholders with the opportunity to approve, through a non-binding

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advisory vote, certain compensation arrangements for PMC Commercial's named executive officers in connection with the Merger, as described in THE MERGER Advisory Vote on Merger-Related Compensation Proposal. Approval of the Merger-Related Compensation Proposal will require the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting.

**Q: What vote is required for PMC Commercial shareholders to approve the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal?**

**A:** Approval of the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal will require the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting. Less than a quorum may adjourn the special meeting.

**Q: How are votes counted?**

**A:** For the proposal to approve the Share Issuance Proposal, you may vote FOR, AGAINST or ABSTAIN. Abstentions will count for the purpose of determining whether a quorum is present at the special meeting. If you abstain, it will have the same effect as a vote against the approval of the Share Issuance Proposal. In addition, if your shares are held in the name of a bank, broker or other custodian, your bank, broker or other custodian will not vote your shares in the absence of specific instructions from you on how to vote your shares. Inasmuch as no routine matters will be voted upon at the special meeting, no broker non-votes will be cast at the special meeting, and therefore broker non-votes will have no effect on the vote count for the Share Issuance Proposal.

For the proposal to approve the Merger-Related Compensation Proposal through a non-binding advisory vote, you may vote FOR, AGAINST or ABSTAIN. If you abstain, it will have the same effect as a vote against the approval of the Merger-Related Compensation Proposal. No broker non-votes will be cast at the special meeting, and therefore broker non-votes will have no effect on the vote count for the Merger-Related Compensation Proposal.

For the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal, you may vote FOR, AGAINST or ABSTAIN. Abstentions will have the same effect as a vote against the proposal to adjourn the special meeting. No broker non-votes will be cast at the special meeting, and therefore broker non-votes will have no effect on the vote count for the proposal to adjourn the special meeting.

If you hold your shares in your name and you sign and return your proxy card without indicating your vote, your shares will be voted FOR the approval of the Share Issuance Proposal, FOR the approval of the Merger-Related Compensation Proposal, and FOR the adjournment of the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal.

**Q: Who is entitled to vote at the special meeting?**

**A:** All holders of record of PMC Commercial Common Shares as of the close of business on [ ], 2013, which is the record date for the special meeting, are entitled to vote at the special meeting, unless a new record date is fixed for any adjournment or postponement of the special meeting. As of the record date, there were [ ] issued and outstanding PMC Commercial Common Shares. The holder of each PMC Commercial Common Share outstanding on the record date is entitled to one vote per share on each proposal presented at the special meeting.

**Q: What happens if I sell my PMC Commercial Common Shares before the special meeting?**

**A:**

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The record date of the special meeting is earlier than the date of the special meeting, the date that the Merger is expected to be completed and the record date for the Special Dividend in connection therewith. If

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you sell your PMC Commercial Common Shares after the record date for the special meeting, but before the record date for the Special Dividend, you will retain your right to vote at the special meeting, but you will have forfeited your right to receive the Special Dividend. In order to receive the Special Dividend, you must hold your PMC Commercial Common Shares through the record date of the Special Dividend, which is expected to be declared on the last business day prior to consummation of the Merger.

**Q: How do I vote?**

**A:** You may submit your proxy either by telephone, through the Internet or by mailing the enclosed proxy card, or you may vote in person at the special meeting.

To submit your proxy by telephone, dial 1-800-[ ] using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. To submit your proxy through the Internet, visit [www.\[ \]](http://www.[ ]). You will be asked to provide the company number and control number from the enclosed proxy card. Proxies submitted by telephone or through the Internet must be received by [ ], [ ].m., Central Daylight Time, on [ ], 2013.

To submit your proxy by mail, complete, date and sign each proxy card you receive and return it as promptly as practicable in the enclosed prepaid envelope. If you sign and return your proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the proposal to approve the Share Issuance Proposal, FOR the Merger Related Compensation Proposal and FOR the adjournment proposal.

If you hold your shares in street name, please read the immediately following question and answer.

**Q: My shares are held in street name by my bank, broker or other custodian. Will my bank, broker or other custodian vote my shares for me?**

**A:** Your bank, broker or other custodian will only be permitted to vote your shares if you instruct your bank, broker or other custodian how to vote. You should follow the procedures provided by your bank, broker or other custodian regarding the voting of your shares. If you do not instruct your bank, broker or other custodian how to vote your shares, your shares will not be voted and will have no effect on the vote count for the Share Issuance Proposal, the Merger-Related Compensation Proposal or the proposal to adjourn the special meeting. If you wish to vote in person at the special meeting, you will need to obtain a legal proxy from your bank, broker or other custodian in order to do so.

**Q: How can I revoke or change my vote?**

**A:** You may revoke your proxy at any time before the vote is taken at the special meeting in any of the following ways:

submitting a later proxy by telephone or through the Internet prior to [ ], [ ].m., Central Daylight Time, on [ ], 2013,

filing with the Corporate Secretary of PMC Commercial, before the taking of the vote at the special meeting, a written notice of revocation bearing a later date than the proxy card,

duly executing a later dated proxy card relating to the same shares and delivering it to the Corporate Secretary of PMC Commercial before the taking of the vote at the special meeting, or

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voting in person at the special meeting.

Your attendance at the special meeting does not automatically revoke your previously submitted proxy. If you have instructed your bank, broker or other custodian to vote your shares, the options described above for revoking your proxy do not apply. Instead, you must follow the directions provided by your bank, broker or other custodian to change your vote.



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**Q: What if I do not vote?**

**A:** If you are not represented (in person or by proxy) at the special meeting, it will have no effect on the vote count for any of the proposals. If you are represented (in person or by proxy) at the special meeting but do not vote, your presence will have the same effect as a vote cast against the Share Issuance Proposal, the Merger-Related Compensation Proposal and the proposal to adjourn the special meeting.

**Q: When do you expect to complete the Merger?**

**A:** We are working to complete the Merger during the first quarter of 2014.

**Q: What happens if the Merger is not completed?**

**A:** If the Share Issuance Proposal is not approved by PMC Commercial shareholders or if the Merger is not completed for any other reason, PMC Commercial would remain an independent company. Under certain circumstances, PMC Commercial may be required to pay CIM REIT a termination fee and reimburse CIM REIT for certain of its out-of-pocket expenses as described under THE MERGER AGREEMENT Termination Fees and Expenses beginning on page 103.

**Q: Am I entitled to exercise dissenters' rights?**

**A:** No. Shareholders of PMC Commercial will not be entitled to exercise dissenters' rights with respect to any matter to be voted upon at the special meeting. Any shareholder may abstain from or vote against any matters to be voted on at the special meeting.

**Q: Is the Merger expected to be taxable to me?**

**A:** The Special Dividend should be treated as a distribution from PMC Commercial to the holders of PMC Commercial Common Shares under Section 301 of the Internal Revenue Code of 1986, as amended (the Code).

You should consult your tax advisor for a complete analysis of the effect of the Merger on your federal, state and local and/or foreign taxes. Additional information relating to material U.S. federal income tax consequences of the Merger can be found in MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 114.

**Q: How can I obtain additional information about PMC Commercial?**

**A:** PMC Commercial files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). PMC Commercial will provide copies of its reports, proxy statements and other information, including this proxy statement/prospectus, without charge to any shareholder who makes a request to PMC Commercial Trust, 17950 Preston Road, Suite 600, Dallas, Texas 75252, Attention: Investor Relations, or at (972) 349-3235. PMC Commercial's filings with the SEC may also be accessed on the Internet at [www.sec.gov](http://www.sec.gov) or on the Investor Resources page of PMC Commercial's website at [www.pmctrust.com](http://www.pmctrust.com). The information provided on PMC Commercial's website is not part of this proxy statement/prospectus and is not incorporated by reference into this proxy statement/prospectus. For a more detailed description of the information available, please see WHERE YOU CAN FIND MORE INFORMATION on page 210.

**Q: Who can help answer my questions?**

**A:** If you have additional questions about the Merger or the special meeting after reading this proxy statement/prospectus, please call PMC Commercial's proxy solicitor, AST Phoenix Advisors toll-free at (800) 780-7314. If your bank, broker or other custodian holds your shares, you may also call your bank, broker or other custodian for additional information.

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**Q: What else do I need to do now?**

**A:** You are urged to read this proxy statement/prospectus carefully and in its entirety, including its annexes, and to consider how the Merger affects you. Even if you plan to attend the special meeting, if you hold your shares in your own name as the registered shareholder, please vote your shares by completing, signing, dating and returning the enclosed proxy card. You can also attend the special meeting and vote, or change your prior vote, in person. If you hold your shares in street name through a bank, broker or other custodian, then you should have received this proxy statement/prospectus from that custodian, along with that custodian's proxy card which includes voting instructions and instructions to vote.

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**SUMMARY TERM SHEET**

The following summary highlights selected information in this proxy statement/prospectus and may not contain all the information that may be important to you with respect to the Merger Agreement, the Merger or the special meeting. Accordingly, you are encouraged to read this proxy statement/prospectus, including its annexes, carefully and in its entirety. Each item in this summary includes a page reference directing you to a more complete description of that topic. See also WHERE YOU CAN FIND MORE INFORMATION on page 210.

**Parties to the Merger (Page 65)**

**PMC Commercial Trust**

17950 Preston Road, Suite 600

Dallas, Texas 75252

(972) 349-3200

PMC Commercial is a Texas real estate investment trust organized in 1993 that primarily originates loans to small businesses collateralized by first liens on the real estate of the related business, predominantly in the hospitality industry (94% at September 30, 2013). Its operations are located in Dallas, Texas and include originating, servicing and selling the government guaranteed portions of certain loans. PMC Commercial originates loans, either directly or through its wholly-owned lending subsidiaries, as follows: First Western SBLC, Inc., PMC Investment Corporation and Western Financial Capital Corporation. First Western is licensed as a small business lending company that originates loans through the Small Business Administration's 7(a) Guaranteed Loan Program. PMCI and Western Financial are licensed small business investment companies.

**Southfork Merger Sub, LLC**

c/o PMC Commercial Trust

17950 Preston Road, Suite 600

Dallas, Texas 75252

(972) 349-3200

Southfork Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of PMC Commercial, or PMC Merger Sub, was formed solely for the purpose of completing the Merger and has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Merger Agreement.

**CIM Urban REIT, LLC**

c/o CIM Group

6922 Hollywood Blvd., Ninth Floor

Los Angeles, California 90028

Attn: General Counsel

(323) 860-4900

CIM Urban REIT, LLC, a Delaware limited liability company, invests, through its operating partnership subsidiary, CIM Urban Partners L.P., primarily in substantially stabilized real estate and real estate-related assets in high density, high barrier to entry urban markets throughout North America, which CIM Group has targeted for opportunistic investment and which are likely, in CIM Group's opinion, to experience

above-average rent growth relative to national averages and/or their neighboring central business district ( CBDs ).

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### **CIM Merger Sub, LLC**

c/o CIM Group

6922 Hollywood Blvd., Ninth Floor

Los Angeles, California 90028

Attn: General Counsel

(323) 860-4900

CIM Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of CIM REIT, was formed solely for the purpose of completing the Merger and has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Merger Agreement.

### **The Special Meeting (Page 66)**

**Date, Time and Place.** The special meeting of the PMC Commercial shareholders will be held at [ ] on [ ], 2014 at 9:00 a.m., Central Daylight Time.

**Purpose.** At the special meeting, PMC Commercial shareholders will be asked to approve the Share Issuance Proposal and to approve any adjournment of the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal.

**Record Date; Voting Rights.** You are entitled to vote at the special meeting if you owned PMC Commercial Common Shares at the close of business on [ ], 2013, the record date for the special meeting, unless a new record date is fixed for any adjournment or postponement of the special meeting. As of the record date, there were [ ] PMC Commercial Common Shares issued and outstanding. The holder of each PMC Commercial Common Share outstanding on the record date is entitled to one vote per share.

**Quorum.** The presence (in person or by proxy) of shareholders entitled to cast a majority of the votes of the PMC Commercial Common Shares at the special meeting shall constitute a quorum at the special meeting.

**Required Vote.** The approval of the Share Issuance Proposal requires the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting.

The approval of the Merger-Related Compensation Proposal requires the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting.

The approval of the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal will require the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting. Less than a quorum may adjourn the special meeting.

**Voting; Proxies.** Votes may be cast either in person or by a properly executed proxy at the special meeting. Abstentions will have the same effect as votes against the approval of the Share Issuance Proposal, the Merger-Related Compensation Proposal and the proposal to adjourn the special meeting. Inasmuch as no routine matters will be voted upon at the special meeting, no broker non-votes will be cast at the special meeting, and therefore broker non-votes will have no effect on the vote count for the Share Issuance Proposal, the Merger-Related Compensation Proposal or the proposal to adjourn the special meeting.

**Revocation.** Any proxy given by a shareholder pursuant to this solicitation may be revoked at any time before the vote is taken at the special meeting in any of the following ways:

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submitting a later proxy by telephone or through the Internet prior to [ ], [ ].m., Central Daylight Time, on [ ], 2013,

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filing with the Corporate Secretary of PMC Commercial, before the taking of the vote at the special meeting, a written notice of revocation bearing a later date than the proxy card,

duly executing a later dated proxy card relating to the same shares and delivering it to the Corporate Secretary of PMC Commercial before the taking of the vote at the special meeting, or

voting in person at the special meeting, although attendance at the special meeting will not by itself constitute a revocation of a proxy.

***Solicitation of Proxies; Costs.*** PMC Commercial is soliciting proxies on behalf of the Board of Trust Managers. PMC Commercial will bear the costs of soliciting proxies. In addition to the solicitation of proxies by use of the mails, proxies may be solicited from shareholders by Trust Managers, officers and employees of PMC Commercial in person or by telephone, by facsimile, on the Internet or other appropriate means of communications. No additional compensation, except for reimbursement of reasonable out-of-pocket expenses, will be paid to Trust Managers, officers and employees of PMC Commercial in connection with this solicitation. PMC Commercial has retained AST Phoenix Advisors to solicit, and for advice and assistance in connection with the solicitation of, proxies for the special meeting at a cost of \$80,000, including out-of-pocket expenses, which cost may vary depending upon the specific services provided.

**The Merger (Page 68)**

Under the Merger Agreement, CIM Merger Sub will be merged with and into PMC Merger Sub. PMC Merger Sub will be the surviving entity in the Merger. Upon completion of the Merger:

PMC Commercial will become the parent of CIM Urban and its subsidiaries; and

PMC Commercial will issue to Urban II 22,000,003 PMC Commercial Common Shares and 65,028,571 PMC Commercial Preferred Shares.



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### **Post-Merger Structure**

The following diagram summarizes the structure of PMC Commercial after the Merger, assuming that it is completed as provided in the Merger Agreement:

- (1) Following the Merger, Urban II will own PMC Commercial Common Shares and PMC Commercial Preferred Shares representing ownership of approximately 97.8% of the total PMC Commercial Common Shares (assuming conversion of the PMC Commercial Preferred Shares). The pre-Merger holders of PMC Commercial Common Shares will own the remaining 2.2% of the total PMC Commercial Common Shares (assuming conversion of the PMC Commercial Preferred Shares).*
- (2) Effective upon the closing of the Merger, the Manager and PMC Commercial will enter into a Master Services Agreement pursuant to which an affiliate of CIM Group will become the manager of the general partner of CIM Urban.*
- (3) Pursuant to an Investment Management Agreement, the Advisor manages CIM Urban and its investments.*
- (4) The Manager and the Advisor are wholly-owned subsidiaries of the CIM Group. Shaul Kuba, Richard Ressler and Avi Shemesh, together with their respective heirs and trusts for the benefit of their respective heirs, directly and indirectly, control and are the majority owners of CIM Group and its subsidiaries. Messrs. Kuba, Ressler and Shemesh will, following the consummation of the Merger, serve as Trust Managers of PMC Commercial.*

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Following the consummation of the Merger, PMC Commercial's lending business will continue to be managed by PMC Commercial's existing employees and management team, and the Advisor will manage most aspects of PMC Commercial's real estate business pursuant to the Investment Management Agreement. See BUSINESS OF CIM URBAN Investment Management Agreement beginning on page 163 and STRATEGY OF PMC COMMERCIAL AFTER THE MERGER Business Strategy beginning on page 187. The Advisor is a wholly-owned subsidiary of CIM Group. Shaul Kuba, Richard Ressler and Avi Shemesh, together with their respective heirs and trusts for the benefit of their respective heirs, directly and indirectly, control and are the majority owners of CIM Group and its subsidiaries. Following the consummation of the Merger, Shaul Kuba, Richard Ressler, Avi Shemesh, Kelly Eppich, Douglas Bech, Robert Cresci and Frank Golay will serve as Trust Managers, Jan Salit will serve as President and Secretary, and David Thompson will serve as Chief Financial Officer of PMC Commercial. See MANAGEMENT OF PMC COMMERCIAL AFTER THE MERGER Management and Board of Trust Managers beginning on page 183.

### **Effective Time of the Merger (Page 91)**

The Merger will become effective:

at such time as the certificate of merger has been filed with the Secretary of State of the State of Delaware, or

at such later time as PMC Commercial and CIM REIT shall agree and specify in the certificate of merger to be filed with the Secretary of State of the State of Delaware.

PMC Commercial and CIM REIT will cause the effective time to occur on the closing date, which will occur no later than the second business day after satisfaction or waiver of the conditions to consummation of the Merger.

### **Conditions to Complete the Merger (Page 100)**

The obligations of PMC Commercial and CIM REIT to complete the Merger are subject to the satisfaction or waiver of a number of conditions, including, but not limited to, the following:

the approval of the Share Issuance Proposal by PMC Commercial's shareholders;

any waiting period applicable to the Merger under the HSR Act shall have been terminated or expired;

a national securities exchange mutually acceptable to CIM REIT and PMC Commercial shall have approved for listing the PMC Commercial Common Shares;

the SBA shall have approved those aspects of the Merger subject to its jurisdiction (which approvals include submitting license applications for the two SBIC licenses and filing an application for approval of change in ownership for the SBA 7(a) license held by First Western SBLC, Inc.) (see RISK FACTORS The Merger is subject to receipt of consents and approvals from government entities and third parties that could delay completion of the Merger beginning on page 41), and such approvals shall not contain any terms or conditions that are unacceptable to CIM REIT or PMC Commercial or are inconsistent with the Merger Agreement;

the registration statement on Form S-4 filed with the SEC by PMC Commercial, of which this proxy statement/prospectus constitutes a part, shall have been declared effective, and no stop order or proceeding suspending the effectiveness of the Form S-4 shall have been initiated or threatened by the SEC and not withdrawn;

no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger shall be in effect;

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PMC Commercial shall have received all state securities or blue sky permits and other authorizations necessary to issue the PMC Commercial Common Shares and the PMC Commercial Preferred Shares pursuant to the Merger Agreement;

all other consents, approvals, orders, authorizations, registrations, and declarations of any governmental entity required to consummate the Merger shall have been obtained and remain in full force and effect, except for such consents, approvals, orders, authorizations, registrations, or declarations which, if not obtained or made, would not prevent or delay in any material respect the consummation of the Merger or otherwise prevent the parties from performing their respective obligations under the Merger Agreement in any material respect or have a material adverse effect;

CIM REIT and PMC Commercial shall have received opinions of counsel to CIM REIT, dated as of the closing date, reasonably satisfactory to CIM REIT and PMC Commercial, that (A) after giving effect to the Merger, PMC Commercial's proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code, and (B) the Merger should qualify as a transfer of property by CIM REIT to PMC Commercial solely in exchange for shares of PMC Commercial, as described in section 351(a) of the Code;

since the date of the Merger Agreement, there shall have been no CIM Material Adverse Change or PMC Commercial Material Adverse Change (as such terms are defined under the section entitled THE MERGER AGREEMENT Conditions to Compete the Merger );

all consents and waivers from third parties necessary in connection with the consummation of the Merger shall have been obtained, other than such consents and waivers from third parties, which, if not obtained, would not result, individually or in the aggregate, in a CIM Material Adverse Effect or PMC Commercial Material Adverse Effect;

PMC Commercial shall have received an opinion of counsel to CIM REIT dated as of the closing date, reasonably satisfactory to PMC Commercial, to the effect that each REIT subsidiary of CIM Urban has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code at all times since the formation of such REIT subsidiary through the closing date; and

CIM REIT shall have received an opinion of counsel to PMC Commercial dated as of the closing date, reasonably satisfactory to CIM REIT, to the effect that, at all times since its taxable year ended December 31, 2007 through the closing date, PMC Commercial has been organized and operated in conformity with the requirements for qualification as a REIT under the Code.

### **Recommendation of PMC Commercial's Board of Trust Managers (Page 77)**

After careful consideration, the Board of Trust Managers has unanimously (i) determined that the Merger Agreement and the Merger, including the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares as provided in the Merger Agreement, are advisable, fair to and in the best interests of PMC Commercial and its shareholders, and (ii) approved the Merger Agreement and the annexes attached thereto, as well as the Merger and the issuance of the PMC Commercial Common Shares and the PMC Commercial Preferred Shares to Urban II, as provided in the Merger Agreement. **The Board of Trust Managers unanimously recommends that you vote FOR the approval of the Share Issuance Proposal and FOR adjournment of the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal.**

### **Opinion of PMC Commercial's Financial Advisor (Page 77)**

In connection with the Merger, the Board of Trust Managers received an opinion, dated July 8, 2013, of Sandler O'Neill + Partners, L.P. as to the fairness, from a financial point of view, of the Merger Consideration to PMC Commercial and its shareholders. The full text of the written opinion is attached as Annex E to this proxy statement/prospectus and is incorporated herein by reference. The written opinion sets forth, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the review



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undertaken by Sandler O'Neill in rendering its opinion. **The opinion was addressed to the Board of Trust Managers (in its capacity as such) for its information and use in connection with its evaluation of the Merger Consideration from a financial point of view and did not address any other terms, aspects or implications of the Merger. Sandler O'Neill's opinion did not address the underlying business decision by PMC Commercial to enter into the Merger Agreement, the relative merits of the Merger compared with other alternative business strategies that might exist for PMC Commercial, or the effect of any other transaction in which PMC Commercial might engage. The opinion does not constitute a recommendation by Sandler O'Neill, the Board of Trust Managers or any other person or entity in respect of any aspect of the Merger, including as to how any shareholder should vote or act in connection with the Merger, the Share Issuance Proposal, or any other matters.**

**Interests of PMC Commercial Trust Managers and Executive Officers in the Merger (Page 83)**

In considering the recommendation of the Board of Trust Managers, you should be aware that some of PMC Commercial's Trust Managers and executive officers have interests in the Merger that are different from, or in addition to, your interests as a shareholder and that may present actual or potential conflicts of interest. These interests are as follows:

Accelerated vesting of an aggregate of 6,666 PMC Commercial Common Shares subject to vesting conditions, of which 3,333 shares are held by each of Jan F. Salit and Barry N. Berlin upon a change of control, including the Merger. The value of such PMC Commercial Common Shares held by each of Messrs. Salit and Berlin, based on the per share closing price on December 13, 2013, was \$28,997.

Benefits to be provided to Messrs. Salit and Berlin under their Restated Executive Employment Agreements, a summary of which follows. Under the Restated Executive Employment Agreements, each of Messrs. Salit and Berlin is entitled to a minimum annual salary of \$425,000 and \$350,000, respectively (which since November 2012 are the salary amounts currently being paid to each of them). The Board of Trust Managers may, in its discretion, increase the annual base salary and may also consider bonus compensation. However, under the Restated Executive Employment Agreements, if (1) in the case of Mr. Salit, the executive voluntarily resigns his employment no earlier than 12 months following the effective date of the agreement but no later than December 31, 2015 or, in the case of Mr. Berlin, the executive voluntarily resigns his employment on or before December 31, 2015 or (2) PMC Commercial terminates the executive's employment without Cause on or before December 31, 2015, the executive will be entitled to receive cash compensation equal to 2.99 times the average of the last three years' compensation calculated as of the termination date, subject to certain other qualifications. As described in THE MERGER Advisory Vote on Merger Related Compensation Proposal beginning on page 85, such cash severance payments are estimated at approximately \$1,480,000 and \$1,410,000 for each of Messrs. Salit and Berlin, respectively. For purposes of the Restated Executive Employment Agreements, Cause means (1) the intentional, unapproved material misuse of corporate funds, (2) professional incompetence or (3) acts or omissions constituting gross negligence or willful misconduct of executive's obligations or otherwise relating to the business of PMC Commercial.

In addition, to the extent Mr. Salit or Mr. Berlin is employed by PMC Commercial on January 1, 2016 and such executive is not entitled to any disability, death or the severance payments detailed above under the Restated Executive Employment Agreement, the executive would receive, in the case of Mr. Salit, 300,000 restricted share awards (as defined in PMC Commercial's 2005 Equity Incentive Plan) and in the case of Mr. Berlin, 225,000 restricted share awards, as an equity retention bonus. Such restricted share awards would vest immediately upon grant. As described in THE MERGER Advisory Vote on Merger Related Compensation Proposal beginning on page 85, the estimated values of such grants for each of Messrs. Salit and Berlin are \$960,000 and \$720,000, respectively. In no event can either of Messrs. Salit and Berlin be entitled to receive both (a) the cash severance payment described above and (b) the aforementioned equity retention bonus.

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Continued employee benefits provided generally for PMC Commercial employees, including Messrs. Salit and Berlin, under the terms of the Merger Agreement, a summary of which follows. The Merger Agreement provides that (a) following the effective time of the Merger, PMC Commercial must honor all PMC Commercial benefit plans identified pursuant to the Merger Agreement, and (b) if the closing date occurred prior to December 31, 2013, PMC Commercial is obligated to (i) continue to sponsor through at least December 31, 2013 such benefit plans, and (ii) permit the continuing employees and their eligible dependents to participate in such benefit plans. In addition, subject to certain exceptions, CIM Group benefit plans must give each such continuing employee full credit for all service with PMC Commercial prior to the closing date of the Merger to the same extent as such continuing employee was entitled to under any similar PMC Commercial benefit plan.

The Merger Agreement also provides that, following the closing date of the Merger, CIM Group benefit plans providing benefits to any PMC Commercial continuing employee, including Messrs. Salit and Berlin, must, with respect to such continuing employee and their eligible dependents: (i) waive any pre-existing conditions, (ii) provide credit for prior service with PMC Commercial for purposes of satisfying any applicable waiting periods and (iii) give credit in the year in which the closing date occurs for any copayments, deductibles and out of pocket limits paid in such year prior to the closing date, in each case, as would have been applicable under the existing plans of PMC Commercial.

If the closing of the Merger occurred prior to December 31, 2013, PMC Commercial, as controlled by Urban II, consistent with past practices, is obligated to pay to each continuing employee, including Messrs. Salit and Berlin, an annual bonus payment due to such continuing employee under PMC Commercial's 2013 annual bonus plan. The annual bonus plan is administered by PMC Commercial's Compensation Committee, and the amounts payable thereunder are discretionary and recommended to the Board of Trust Managers. Additionally, prior to January 15, 2014, PMC Commercial, as controlled by Urban II, consistent with past practices, shall fund an employer profit sharing contribution to the PMC Commercial 401(k) plan for the plan year ending December 31, 2013 with at least the same funding level as was funded for the plan year ending December 31, 2012. For the plan year ending December 31, 2012, PMC Commercial funded a profit sharing contribution of \$24,224 for each of Messrs. Salit and Berlin.

Indemnification and insurance coverage for PMC Commercial Trust Managers and executive officers, as provided in the Merger Agreement. See THE MERGER AGREEMENT Certain Other Covenants Indemnification beginning on page 97. The aggregate premiums that PMC Commercial expects to pay with respect to such insurance coverage is \$250,000.

**Estimated Transaction Fees**

The following table sets forth the transaction fees incurred by PMC Commercial in connection with the Merger through September 30, 2013, as well as management's estimate of transaction fees to be incurred from October 1, 2013 through the date of consummation of the Merger.

	Through September 30, 2013	October 1, 2013- Consummation of the Merger <i>(in thousands)</i>	Total Fees(1)
Legal	\$ 838	\$ 500	\$ 1,338
Accounting	155	150	305
SEC Registration Fee	196		196
Financial Advisory Fee	350	3,350(2)	3,700
<b>Total</b>	<b>\$ 1,539</b>	<b>\$ 4,000(3)</b>	<b>\$ 5,539</b>

- (1) Excludes non-professional fee transaction costs incurred through September 30, 2013 of \$76,000 and expected non-professional fee transaction costs from October 1, 2013 through the consummation of the

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Merger of approximately \$600,000. These non-professional fee transaction costs include printing, proxy solicitation, insurance and other miscellaneous costs incurred or expected to be incurred in connection with the Merger. Also excludes fees and costs related to defense of the lawsuit described under THE MERGER Litigation Relating to the Merger.

- (2) Payment of up to this amount is contingent upon the consummation of the Merger.
- (3) Total anticipated transaction fees and costs of PMC Commercial to be incurred subsequent to October 1, 2013 are approximately \$4.6 million.

### **No Dissenters Rights (Page 209)**

PMC Commercial shareholders will not be entitled to exercise dissenters or appraisal rights with respect to any matter to be voted upon at the special meeting.

### **Material U.S. Federal Income Tax Consequences (Page 114)**

The Special Dividend should be treated as a distribution from PMC Commercial to the holders of PMC Commercial Common Shares under Section 301 of the Code.

You should consult your tax advisor for a complete analysis of the effect of the Merger on your federal, state and local and/or foreign taxes. Additional information of the material U.S. federal income tax consequences of the Merger can be found in MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 114.

### **Acquisition Proposals; Go-Shop Period (Page 98)**

The Go-Shop Period (as defined in THE MERGER AGREEMENT Acquisition Proposals Go-Shop Period ) provided for in the Merger Agreement ended on August 6, 2013. During the Go-Shop Period, PMC Commercial and its representatives had the right to:

initiate, solicit and encourage any inquiry or the making of any proposals or offers that constitute Acquisition Proposals (as defined in THE MERGER AGREEMENT Acquisition Proposals Go-Shop Period ), including by way of providing access to non-public information to any person pursuant to a confidentiality agreement, and

engage or enter into or otherwise participate in any discussions or negotiations with any persons or groups of persons with respect to any Acquisition Proposals or otherwise cooperate with or assist or participate in, or facilitate any such inquiries, proposals, discussions or negotiations or any effort or attempt to make any Acquisition Proposals.

See THE MERGER AGREEMENT Acquisition Proposals Go-Shop Period beginning on page 99 and THE MERGER AGREEMENT Termination Fees and Expenses beginning on page 103.

### **No-Shop Period (Page 99)**

The No-Shop Period began after the Go-Shop Period terminated. Upon termination of the Go-Shop Period, PMC Commercial and its officers and representatives were obligated to immediately cease any discussions or negotiations with any persons that were ongoing with respect to an Acquisition Proposal.

During the No-Shop Period, PMC Commercial and its officers and representatives shall not (A) initiate, solicit or encourage any inquiries or the making of any proposal or offer that constitutes an Acquisition Proposal, (B) engage in or otherwise participate in any discussions or negotiations regarding, or provide any non-public information or data concerning PMC Commercial or its subsidiaries to any person relating to any Acquisition Proposal, (C) enter into any agreement or agreement in principle with respect to any Acquisition Proposal, or (D) otherwise knowingly facilitate any effort or attempt to make an Acquisition Proposal.



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See THE MERGER AGREEMENT No-Shop Period beginning on page 99 and THE MERGER AGREEMENT Termination Fees and Expenses beginning on page 103.

### **Termination of the Merger Agreement (Page 102)**

The Merger Agreement may be terminated by mutual written consent of PMC Commercial and CIM REIT at any time before the completion of the Merger (including after PMC Commercial shareholders have approved the Merger Agreement). In addition, either PMC Commercial or CIM REIT may terminate the Merger Agreement at any time before the completion of the Merger if:

the Merger shall not have been consummated by March 31, 2014;

the PMC Commercial shareholders meeting shall have been held and completed and PMC Commercial shareholder approval of the Merger shall not have been obtained at such PMC Commercial shareholders meeting or at any adjournment or postponement thereof; or

any injunction permanently restraining, enjoining or otherwise prohibiting consummation of the Merger shall become final and non-appealable (whether before or after PMC Commercial shareholder approval has been obtained).

PMC Commercial may also terminate the Merger Agreement if any of the following occurs:

(i) the Board of Trust Managers authorizes PMC Commercial to enter into definitive transaction documentation providing for a superior proposal, (ii) immediately prior to or substantially concurrently with the termination of the Merger Agreement, PMC Commercial enters into an alternative acquisition agreement with respect to a superior proposal and (iii) PMC Commercial pays to CIM REIT the applicable termination fee; or

there has been a breach of any representation, warranty, covenant or agreement made by CIM REIT or CIM Merger Sub in the Merger Agreement such that the conditions set forth therein would not be satisfied and such breach or condition is not curable or, if curable, is not cured prior to the earlier of (i) 30 days after written notice thereof is given by PMC Commercial to CIM REIT and (ii) March 31, 2014.

CIM REIT may also terminate the Merger Agreement if any of the following occurs:

the Board of Trust Managers fails to recommend in the Proxy Statement the Merger or shall make a change of recommendation or shall approve, recommend or endorse an alternative Acquisition Proposal or resolves or publicly proposes to do any of the foregoing; or there shall have been a material breach by any of PMC Commercial's Trust Managers, officers or managers of certain of PMC Commercial's covenants which cannot be or is not cured within five business days after written notice thereof; or

there has been a breach of any representation, warranty, covenant or agreement made by PMC Commercial or PMC Merger Sub in the Merger Agreement such that the conditions set forth therein would not be satisfied and such breach cannot be or is not cured prior to the earlier of (i) 30 days after written notice thereof is given by CIM REIT to PMC Commercial and (ii) March 31, 2014.

### **Termination Fees and Expenses (Page 103)**

If the Merger Agreement is terminated under certain circumstances, PMC Commercial shall pay CIM REIT a termination fee of (i) \$4,000,000 (except that in the event the Merger Agreement was terminated by PMC Commercial in order to enter into an alternative acquisition agreement prior to the commencement of the No-Shop Period, the termination fee would have been equal to \$3,000,000), plus (ii) all reasonable documented out-of-pocket expenses of CIM REIT up to \$700,000 (exclusive of expenses incurred by PMC Commercial prior to the execution of

the Merger Agreement and reimbursed by CIM REIT or its affiliates).

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**Summary of Key Risk Factors (Page 40)**

You should consider carefully all the risk factors together with all of the other information included in this proxy statement/prospectus before deciding how to vote. The risks are described in detail under the section **RISK FACTORS** beginning on page 40, and a summary of some key risk factors follows.

PMC Commercial shareholders will experience significant immediate dilution in percentage ownership and effective voting power;

there is no certainty as to the market value of the PMC Commercial shares to be issued to Urban II if the Merger is completed;

the market price of the PMC Commercial Common Shares may decline as a result of the Merger;

the Merger may not be completed, which could adversely affect PMC Commercial's business and the market price of PMC Commercial Common Shares;

the Board of Trust Managers will initially include a majority of Trust Managers affiliated with the Advisor, and Urban II will after the Merger have effective control over the outcome of all actions requiring PMC Commercial shareholder approval;

after the Merger, Urban II will control the vote required for conversion of the PMC Commercial Preferred Shares, which if not timely converted could materially adversely affect the PMC Commercial Common Shares (as well as the PMC Commercial Preferred Shares);

inasmuch as a majority of CIM Urban's properties, by aggregate net operating income and square feet, are located in Oakland, California and the District of Columbia, CIM Urban is particularly susceptible to events or conditions that could adversely affect those markets;

the Advisor's fees are based on the gross asset value of CIM Urban's assets, including any assets acquired by CIM Urban in the future. This fee arrangement may lead the Advisor to recommend riskier investments regardless of their long-term performance in an effort to maximize its compensation;

certain of the Trust Managers and executive officers of PMC Commercial after the Merger may face conflicts of interests related to positions they hold with the Advisor, CIM Group and their affiliates, which could result in decisions that are not in the best interests of PMC Commercial's shareholders;

CIM Urban competes with current and future investment entities affiliated with the Advisor for access to the benefits that CIM Urban's relationship with the Advisor provides to CIM Urban, including access to investment opportunities;

after the Merger, the business of CIM Urban will be managed by Urban GP Manager (as defined under the section entitled **RISK FACTORS**), an affiliate of Urban II, and PMC Commercial will have limited rights with respect to the management and control of CIM Urban;

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CIM Urban is subject to certain investment limitations that may inhibit CIM Urban's ability to make investments that otherwise meet its investment strategy;

PMC Commercial cannot assure you that it will in the future be able to pay dividends;

following the Merger, subject to the Board of Trust Manager's supervision, the Manager will have the right to manage the business of PMC Commercial and its subsidiaries pursuant to the Master Services Agreement and other investment management agreements, which agreements may be assigned in certain circumstances without PMC Commercial's consent and may not be terminated by PMC Commercial, except in the case of the Master Services Agreement, in limited circumstances for cause, either or both of which contractual features may have a material adverse effect on PMC Commercial; and

the market price of PMC Commercial Common Shares may decline as a result of actual or potential sales of the PMC Commercial Common Shares, even if PMC Commercial's business is doing well.

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**Share Ownership of Trust Managers and Executive Officers of PMC Commercial**

At the close of business on [ ], 2013, the Trust Managers and executive officers of PMC Commercial and their affiliates held and were entitled to vote [ ] PMC Commercial Common Shares, collectively representing less than [ ]% of the PMC Commercial Common Shares outstanding and entitled to vote on that date. The Trust Managers and executive officers of PMC Commercial have each indicated that they expect to vote FOR the Share Issuance Proposal, FOR the Merger-Related Compensation Proposal and FOR the proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the Share Issuance Proposal.

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**SELECTED HISTORICAL CONSOLIDATED  
FINANCIAL DATA OF PMC COMMERCIAL**

The following table sets forth selected consolidated historical financial information derived from (i) PMC Commercial's unaudited consolidated financial statements as of and for the nine months ended September 30, 2013 and 2012 contained in its Quarterly Report on Form 10-Q filed with the SEC on November 12, 2013, a copy of which is incorporated herein by reference, and (ii) PMC Commercial's audited financial statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 contained in its Annual Report on Form 10-K filed with the SEC on March 18, 2013, a copy of which is incorporated herein by reference. The selected historical financial information for each of the years ended December 31, 2009 and 2008 and the selected balance sheet data as of December 31, 2010, 2009 and 2008 have been derived from PMC Commercial's audited consolidated financial statements for such years contained in PMC Commercial's reports filed with the SEC, which are not incorporated by reference into this proxy statement/prospectus.

You should read the selected historical financial information presented below together with the financial statements included in PMC Commercial's Quarterly Report on Form 10-Q for the nine months ended September 30, 2013, filed with the SEC on November 12, 2013, and Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed with the SEC on March 18, 2013, each of which is incorporated herein by reference, and the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations of PMC Commercial contained in such reports. See also WHERE YOU CAN FIND MORE INFORMATION on page 210.

	Nine Months Ended September 30,		Years Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	<i>(Dollars in thousands, except per share information)</i>						
Total revenues(1)	\$ 13,587	\$ 12,615	\$ 17,065	\$ 16,076	\$ 15,463	\$ 16,267	\$ 23,117
Total expenses(2)	\$ 9,805	\$ 11,758	\$ 17,856	\$ 11,270	\$ 10,752	\$ 10,377	\$ 13,776
Income (loss) from continuing operations	\$ 2,836	\$ 546	\$ (1,356)	\$ 4,692	\$ 4,842	\$ 6,057	\$ 9,022
Discontinued operations(3)	\$ (323)	\$ (643)	\$ (823)	\$ (1,045)	\$ (545)	\$ 704	\$ 784
Net income (loss)(4)	\$ 2,513	\$ (97)	\$ (2,179)	\$ 3,647	\$ 4,297	\$ 6,761	\$ 9,806
Basic weighted average common shares outstanding	10,594	10,584	10,585	10,570	10,554	10,573	10,767
Basic and diluted earnings (loss) per common share:							
Income (loss) from continuing operations(1)	\$ 0.27	\$ 0.05	\$ (0.13)	\$ 0.44	\$ 0.46	\$ 0.57	\$ 0.84
Net income (loss)	\$ 0.24	\$ (0.01)	\$ (0.21)	\$ 0.34	\$ 0.41	\$ 0.64	\$ 0.91
Dividends declared, common	\$ 3,974	\$ 5,083	\$ 6,353	\$ 6,767	\$ 6,757	\$ 7,445	\$ 10,908
Dividends per common share	\$ 0.375	\$ 0.48	\$ 0.60	\$ 0.64	\$ 0.64	\$ 0.705	\$ 1.015
Return on total assets(5)	3.19%	1.51%	0.73%	2.96%	3.41%	4.15%	6.15%
Return on equity(6)	2.44%	-0.09%	-1.53%	2.46%	2.85%	4.43%	6.33%

	At September 30,		At December 31,				
	2013	2012	2012	2011	2010 (7)	2009	2008
	<i>(In thousands)</i>						
Loans receivable, net	\$ 230,052	\$ 241,914	\$ 238,991	\$ 234,427	\$ 233,218	\$ 196,642	\$ 179,807
Retained interests in transferred assets	\$ 699	\$ 797	\$ 773	\$ 996	\$ 1,010	\$ 12,527	\$ 33,248
Total assets	\$ 249,901	\$ 254,344	\$ 247,707	\$ 251,247	\$ 252,127	\$ 228,243	\$ 227,524
Debt	\$ 104,505	\$ 100,544	\$ 97,168	\$ 95,861	\$ 92,969	\$ 68,509	\$ 61,814
Total beneficiaries' equity	\$ 136,899	\$ 141,658	\$ 138,326	\$ 146,836	\$ 149,660	\$ 151,558	\$ 153,462
Net asset value per common share	\$ 13.00	\$ 13.46	\$ 13.15	\$ 13.97	\$ 14.26	\$ 14.45	\$ 14.43

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- (1) *The decrease in total revenues and income from continuing operations from 2008 to 2010 is primarily due to declines in LIBOR. At December 31, 2012 and September 30, 2013, approximately 53% and 55%, respectively, of PMC Commercial's loans were based on LIBOR. In addition, due to a change in accounting rules effective January 1, 2010, PMC Commercial's total revenues will fluctuate significantly based on secondary market loan sales and recorded premium income.*
- (2) *During the nine months ended September 30, 2013, includes \$1.6 million of transaction fees and costs related to the Merger. During the nine months ended September 30, 2012, includes \$3.6 million related to evaluation of strategic alternatives. During 2012, includes \$3.9 million related to the evaluation of strategic alternatives and \$2.1 million of severance and related benefits expense.*
- (3) *PMC Commercial foreclosed on the underlying collateral of three hospitality properties during 2010 which generated significant operating and impairment losses during the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013.*
- (4) *The decrease in net income (loss) from 2011 to 2012 is due primarily to costs associated with the evaluation of strategic alternatives of \$3.9 million and severance and related benefits expense of \$2.1 million during 2012. The increase in net income (loss) from the nine months ended September 30, 2012 to the nine months ended September 30, 2013 is primarily due to the elimination of fees and costs associated with evaluation of strategic alternatives of \$3.6 million during the nine months ended September 30, 2012 partially offset by \$1.6 million of transaction fees and costs during the nine months ended September 30, 2013.*
- (5) *Earnings (loss) before interest expense and income taxes as a percentage of average total assets, percentages for the periods ending September 30, 2013 and 2012 have been annualized.*
- (6) *Earnings (loss) as a percentage of average total beneficiaries' equity, percentages for the periods ending September 30, 2013 and 2012 have been annualized.*
- (7) *Effective January 1, 2010, due to a change in accounting rules, the assets and liabilities of the off-balance sheet securitizations were consolidated. In addition, effective January 1, 2010, due to a change in accounting rules, proceeds received from legally sold portions of loans pursuant to secondary market loan sales (those sold for excess spread or those sold for a 10% cash premium and excess spread) are permanently treated as secured borrowings for the life of the loan.*

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED****FINANCIAL DATA OF CIM URBAN**

The following table sets forth selected historical financial information derived from (i) CIM Urban's unaudited financial statements included elsewhere in this proxy statement/prospectus as of and for the nine months ended September 30, 2013 and 2012, (ii) CIM Urban's audited financial statements included elsewhere in this proxy statement/prospectus as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 and (iii) CIM Urban's audited financial statements not included in this proxy statement/prospectus as of December 31, 2010, 2009 and 2008 and for the years ended December 31, 2009 and 2008. You should read the following selected financial data in conjunction with the section entitled CIM Urban's Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the related notes appearing elsewhere in this proxy statement/prospectus.

**Selected Historical Financial Data**

*In Thousands*

	Nine Months Ended September 30,			Years Ended December 31,			
	2013	2012	2012	2011	2010	2009	2008
<b>Statement of Operations Data:</b>							
Revenues	\$ 175,633	\$ 174,238	\$ 232,513	\$ 213,293	\$ 210,662	\$ 196,296	\$ 140,947
Expenses	163,244	157,236	212,716	206,984	205,117	201,678	135,777
<b>Income (loss) from continuing operations(1)</b>	<b>12,389</b>	<b>17,002</b>	<b>19,797</b>	<b>6,309</b>	<b>5,545</b>	<b>(5,382)</b>	<b>5,170</b>
Income (loss) from discontinued operations(2)					8,120	187	(1,794)
<b>Net income (loss)</b>	<b>12,389</b>	<b>17,002</b>	<b>19,797</b>	<b>6,309</b>	<b>13,665</b>	<b>(5,195)</b>	<b>3,376</b>
Noncontrolling interest	(103)	(99)	(208)	(187)	(137)	15	(292)
<b>Net income (loss) attributable to CIM Urban</b>	<b>\$ 12,286</b>	<b>\$ 16,903</b>	<b>\$ 19,589</b>	<b>\$ 6,122</b>	<b>\$ 13,528</b>	<b>\$ (5,180)</b>	<b>\$ 3,084</b>
Funds From Operations (FFO)	\$ 63,679	\$ 68,805	\$ 89,740	\$ 75,113	\$ 78,357	\$ 76,643	\$ 53,251
Dividends declared by CIM REIT(3)	\$ 63,000	\$ 56,000	\$ 76,000	\$ 68,000	\$ 65,500	\$ 57,500	\$ 49,000
	At September 30,			At December 31,			
	2013	2012	2012	2011	2010	2009	2008
<b>Balance Sheet Data:</b>							
Total assets	\$ 1,833,916	\$ 1,881,446	\$ 1,870,712	\$ 1,916,009	\$ 1,888,418	\$ 2,024,172	\$ 1,506,293
Debt	378,371	341,919	345,631	324,537	241,581	332,460	289,255
Equity	1,395,309	1,483,393	1,466,073	1,519,521	1,581,547	1,629,970	1,156,014

(1) The loss from continuing operations in 2009 reflects the impact of the loss of the primary tenant in two of CIM Urban's office properties located in the District of Columbia market during the period.

(2) The income (loss) from discontinued operations for the years ended December 31, 2010, 2009 and 2008 represent the activities of a hotel property that was sold in December 2010.

(3) Represents dividends declared by CIM REIT, which are funded by distributions from CIM Urban.



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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma financial information is intended to show how the Merger might have affected historical financial statements as if the Merger had been completed on January 1, 2012, the beginning of the earliest period being presented, for the purposes of the statements of operations for the year ended December 31, 2012 and the nine months ended September 30, 2013, and on September 30, 2013 for balance sheet presentation. The unaudited pro forma condensed combined financial statements (the Pro Forma Financial Statements ) are based on the historical consolidated financial position and results of operations of CIM Urban and PMC Commercial. The following should be read in conjunction with the audited and unaudited historical financial statements of CIM Urban and the notes thereto beginning on pages F-1 and F-7 respectively, the sections entitled CIM Urban s Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 166, the audited and unaudited historical financial statements of PMC Commercial and the notes thereto incorporated herein by reference, Management s Discussion and Analysis of Financial Condition and Results of Operations in PMC Commercial s Annual Report on Form 10-K for the year ended December 31, 2012 and Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013, each of which are incorporated herein by reference, and the other financial information contained in this proxy statement/prospectus.

U.S. Generally Accepted Accounting Principles ( GAAP ), require that for each business combination, one of the combining entities shall be identified as the acquirer, and the existence of a controlling financial interest shall be used to identify the acquirer in a business combination. In a business combination effected primarily by exchanging equity interests, the acquirer usually is the entity that issues its equity interests. However, the acquirer for accounting purposes may not be the legal acquirer (i.e., the entity that issues its equity interest to effect the business combination).

After taking in consideration all relevant facts, CIM Urban is considered to be the acquirer for accounting purposes primarily because it will obtain effective control of PMC Commercial. The Merger will constitute the acquisition of a business for purposes of Financial Accounting Standards Board s Accounting Standards Codification 805, Business Combinations, or ASC 805. As a result, PMC Commercial s assets and liabilities will be recorded at their estimated fair values. The allocation of the purchase price used in the unaudited pro forma condensed combined financial statements is based upon a preliminary valuation. Estimates and assumptions are subject to change upon finalization of these preliminary valuations within one year of consummation of the Merger.

As a result, the Merger will be accounted for as a reverse acquisition. At the transaction date, CIM Urban s assets and liabilities will be presented at their pre-combination amounts, and PMC Commercial s assets and liabilities will be recorded and measured at fair value. In addition, the consolidated equity will reflect PMC Commercial Common Shares and PMC Commercial Preferred Shares, at par value, as PMC Commercial is the legal acquirer. The total consolidated equity will consist of CIM Urban s equity just before the Merger, plus the fair value of assumed assets of PMC Commercial, net, as well as adjustments to equity caused by the consummation of the Merger, as per the guidance for business combinations in ASC 805.

The Pro Forma Financial Statements were prepared in accordance with Article 11 of SEC Regulation S-X. The pro forma adjustments reflecting the completion of the Merger are based upon the acquisition method of accounting in accordance with GAAP, and upon the assumptions set forth in the notes to the unaudited pro forma condensed combined financial statements.

The unaudited Pro Forma Financial Statements are not intended to represent or be indicative of the consolidated results of operations or financial position that would have been reported had the Merger been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial position. The Pro Forma Financial Statements are based upon available information and certain assumptions that management believes are reasonable.

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The historical financial data has been adjusted to give pro forma effect to events that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results. The unaudited Pro Forma Financial Statements do not reflect any revenue enhancements, anticipated synergies, operating efficiencies, or cost savings that may be achieved. The allocation of the purchase price to the assets and liabilities acquired reflected in the pro forma financial data is preliminary and is based on management's estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the acquisition and certain other adjustments. Accordingly, the actual financial position and results of operations may differ from these pro forma amounts as additional information becomes available and as additional analyses are performed. There can be no assurance that the final valuations will not result in material changes to the preliminary estimated purchase price allocation.

The pro forma adjustments included in this proxy statement/prospectus are subject to change depending on changes in interest rates and the components of assets and liabilities and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price will be determined after the Merger is completed and after completion of thorough analyses to determine the fair value of PMC Commercial's tangible and identifiable intangible assets and liabilities as of the date the Merger is completed. Increases or decreases in the fair values of the net assets as compared with the information shown in the Pro Forma Financial Statements may change the amount of the purchase price allocated to goodwill, if any, and other assets and liabilities and may impact CIM Urban's statements of operations due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to PMC Commercial's equity, including results of operations from September 30, 2013 through the date the Merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill and/or bargain purchase gain. The final adjustments may be materially different from the Pro Forma Financial Statements presented in this proxy statement/prospectus.

The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the effects of expected cost savings or expected increases in costs, or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical benefits of the combined company would have been had the two companies been combined during these periods.

**The unaudited pro forma equity and net income from continuing operations are qualified by the statements set forth under this caption and should not be considered indicative of the market value of PMC Commercial Common Shares or the actual or future results of operations of PMC Commercial for any period. Actual results may be materially different than the pro forma information presented.**

**Table of Contents****CIM Urban Partners****Unaudited Pro Forma Condensed Combined Balance Sheet**

as of September 30, 2013

*(In Thousands)*

	Historical CIM Urban	Historical PMC Commercial (A)	Pro Forma Adjustments	Pro Forma Combined
<b>Assets:</b>				
Investments in real estate	\$ 1,648,812	\$	\$	\$ 1,648,812
Loans receivable	40,100	230,052	(28,810)(B)	241,342
Deferred rent receivable and charges	79,625			79,625
Cash and cash equivalents	17,305	12,589	(4,600)(C) 58,279(D)	83,573
Other intangible assets, net	18,674		2,000(E)	20,674
Other assets	29,400	7,260	(1,555)(F)	35,105
<b>Total assets</b>	<b>\$ 1,833,916</b>	<b>\$ 249,901</b>	<b>\$ 25,314</b>	<b>\$ 2,109,131</b>
<b>Liabilities and Equity:</b>				
<b>Liabilities:</b>				
Debt	\$ 378,371	\$ 104,505	\$ 58,279(D) (2,910)(G)	\$ 538,245
Accounts payable and accrued expenses	23,838	2,975		26,813
Intangible liabilities, net	9,481			9,481
Due to related parties	6,181			6,181
Dividends payable		1,347	58,279(D)	59,626
Security deposits, deferred revenues, advances and other liabilities	20,736	3,275	1,475(H)	25,486
<b>Total liabilities</b>	<b>438,607</b>	<b>112,102</b>	<b>115,123</b>	<b>665,832</b>
<b>Equity:</b>				
Partners equity	1,392,559		(1,392,559)(I)	
Common stock		111	220(I)	331
Preferred stock			650(I)	650
Additional paid-in-capital		153,113	1,391,689(I) (103,333)(I)	1,441,469
Treasury stock		(4,901)		(4,901)
Retained earnings and net unrealized appreciation		(11,424)	11,424(I)	
	1,392,559	136,899	(91,909)	1,437,549
Noncontrolling interests	2,750	900	2,100(J)	5,750
	1,395,309	137,799	(89,809)	1,443,299
<b>Total liabilities and equity</b>	<b>\$ 1,833,916</b>	<b>\$ 249,901</b>	<b>\$ 25,314</b>	<b>\$ 2,109,131</b>

*The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.*



**Table of Contents****Unaudited Pro Forma Condensed Combined Statement of Operations****For the Nine Months Ended September 30, 2013***(in Thousands, except per share amounts)*

	Historical CIM Urban	Historical PMC Commercial (A)	Pro Forma Adjustments	Pro Forma Combined
<b>Revenue:</b>				
Rent	\$ 136,762	\$	\$	\$ 136,762
Expense reimbursements	7,637			7,637
Hotel	28,696			28,696
Interest and fees	332	12,456	2,161(K)	14,949
Other income	2,206	1,131		3,337
	175,633	13,587	2,161	191,381
<b>Expenses:</b>				
Rental operating	56,020			56,020
Hotel operating	19,805			19,805
Asset management fees	16,282		750(L)	17,032
Interest	14,013	2,511	1,028(M)	17,552
Provision for loan losses		562		562
General and administrative	1,821	5,117	630(N)	7,568
Transaction costs	4,013	1,615	(4,235)(C)	1,393
Depreciation and amortization	51,290		300(E)	51,590
	163,244	9,805	(1,527)	171,522
<b>Income before income tax and noncontrolling interests</b>	12,389	3,782	3,688	19,859
Provision for income taxes		(946)	111(O)	(835)
Noncontrolling interests	(103)			(103)
<b>Income from continuing operations</b>	\$ 12,286	\$ 2,836	\$ 3,799	\$ 18,921
<b>Income from continuing operations per share:</b>				
Basic		\$ 0.27		\$ 0.04(P)
Diluted		\$ 0.27		\$ 0.04
<b>Weighted average common shares outstanding:</b>				
Basic		10,594		487,794(P)
Diluted		10,596		487,796

*The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.*

**Table of Contents****Unaudited Pro Forma Condensed Combined Statement of Operations****For the Year Ended December 31, 2012***(In Thousands, except per share amounts)*

	Historical CIM Urban	Historical PMC Commercial (A)	Pro Forma Adjustments	Pro Forma Combined
<b>Revenue:</b>				
Rent	\$ 181,042	\$	\$	\$ 181,042
Expense reimbursements	9,194			9,194
Hotel	36,858			36,858
Interest and fees	3,890	15,785	2,881(K)	22,556
Other income	1,529	1,280		2,809
	232,513	17,065	2,881	252,459
<b>Expenses:</b>				
Rental operating	74,006			74,006
Hotel operating	25,582			25,582
Asset management fees	20,924		1,000(L)	21,924
Interest	18,856	3,538	1,400(M)	23,794
Provision for loan losses		1,934		1,934
Acquisition related costs and strategic alternatives	632	3,870		4,502
Severance and related benefits		2,114		2,114
General and administrative	2,773	6,400	840(N)	10,013
Depreciation and amortization	69,943		400(E)	70,343
	212,716	17,856	3,640	234,212
<b>Income (loss) before income tax and noncontrolling interests</b>				
	19,797	(791)	(759)	18,247
Provision for income taxes		(565)	148(O)	(417)
Noncontrolling interests	(208)			(208)
<b>Income (loss) from continuing operations</b>	\$ 19,589	\$ (1,356)	\$ (611)	\$ 17,622
<b>Income (loss) from continuing operations per share:</b>				
Basic		\$ (0.13)		\$ 0.04(P)
Diluted		\$ (0.13)		\$ 0.04
<b>Weighted average common shares outstanding:</b>				
Basic		10,585		487,785(P)
Diluted		10,585		487,785

*The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.*



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### **Notes to Unaudited Pro Forma Condensed Combined Financial Statements**

*(In Thousands, except share and per share data)*

#### **Note 1: Description of the Merger**

The Merger Agreement provides for the business combination of CIM Urban and PMC Commercial. Pursuant to the terms of the Merger Agreement, PMC Commercial will issue to Urban II 22,000,003 PMC Commercial Common Shares and 65,028,571 PMC Commercial Preferred Shares in connection with the Merger. Each PMC Commercial Preferred Share is entitled to a cumulative dividend at the rate of 2.0% of \$35.00 per year, which is subject to increase to 3.5% under certain conditions, and is convertible into seven PMC Commercial Common Shares. In addition, pursuant to the declaration of the Board of Trust Managers, each holder of record of PMC Commercial Common Shares on the last day of business prior to the consummation of the Merger will be entitled to receive the Special Dividend of \$5.50 per share, payable on or prior to the tenth business day after the consummation of the Merger. For purposes of the Pro Forma Financial Statements only, the total consideration to the holders of PMC Commercial Common Shares is comprised of the Special Dividend and the estimated fair value of the equity issuance which is based on the December 13, 2013 closing price of PMC Commercial Common Shares of \$8.70 per share adjusted by the \$5.50 Special Dividend per PMC Commercial Common Share. This amount of total consideration is not necessarily indicative of the actual consideration that holders of PMC Commercial Common Shares will receive in the Merger.

#### **Note 2: Basis of Presentation**

The foregoing unaudited pro forma financial information is based on the historical consolidated financial statements of CIM Urban and PMC Commercial after giving effect to the Merger and the assumptions and adjustments described in these notes to the unaudited Pro Forma Financial Statements.

The historical financial statements are presented under GAAP and, as such, the historical statements of income have been adjusted to remove the impact of any asset sales that qualify for discontinued operations treatment. The historical statements of operations present results through income from continuing operations.

The unaudited pro forma balance sheet as of September 30, 2013 is presented as if the Merger had occurred on September 30, 2013. The unaudited pro forma statements of operations for the nine months ended September 30, 2013 and the year ended December 31, 2012 are presented as if the Merger had taken place on January 1, 2012.

CIM Urban is considered to be the acquirer for accounting purposes because it will obtain effective control of PMC Commercial. The Merger will constitute the acquisition of a business for purposes of ASC 805. As a result, PMC Commercial's assets and liabilities will be recorded at their fair values. The allocation of the purchase price used in the unaudited Pro Forma Financial Statements is based upon a preliminary valuation. Goodwill will be recognized as of the acquisition date in the amount equal to the excess of the purchase price (consideration) over the fair value of the identifiable net assets acquired. A bargain purchase gain will be recorded as of the acquisition date in the amount equal to the excess of the fair value of the identifiable net assets acquired over the excess of the purchase price (consideration). Based on CIM Urban's preliminary purchase price allocation, a bargain purchase gain of \$11,082 is currently estimated to be recorded in the period the Merger is completed. Estimates and assumptions are subject to change upon finalization of these preliminary valuations.

The unaudited Pro Forma Financial Statements are not intended to represent or be indicative of the consolidated results of operations or financial position that would have been reported had the Merger been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial position of the combined company. The Pro Forma Financial Statements are based upon available information and certain assumptions that the managements of CIM Urban and PMC Commercial believe are reasonable.



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The unaudited Pro Forma Financial Statements do not reflect any revenue enhancements, operating efficiencies, or cost savings that may be achieved. The allocation of the purchase price to the assets and liabilities acquired reflected in this pro forma financial data is preliminary. Accordingly, the actual financial position and results of operations may differ from these pro forma amounts.

**Note 3: Preliminary Purchase Accounting Allocation**

The total purchase price is estimated based on the December 13, 2013 PMC Commercial Common Share closing price of \$8.70 per share and is comprised of the following:

PMC Commercial shares outstanding (in thousands)(a)	10,596
Equity consideration price per common share(b)	\$ 3.20
Estimated fair value of the equity consideration(c)	\$ 33,908
Estimated payment in cash Special Dividend(d)	58,279
Estimated total purchase price	\$ 92,187
Net book value of net assets at September 30, 2013	\$ 136,899
Less transaction costs to be incurred by acquiree	(4,600)
<b>Net tangible book value of net assets acquired</b>	<b>132,299</b>
Fair value adjustments to net book value of net assets:	
Loans receivable	(28,810)
Debt	2,910
Noncontrolling interests	(2,100)
Deferred financing costs	(1,555)
Record identifiable intangible	2,000
Deferred tax liability	(1,475)
Special dividend liability	(58,279)
<b>Total fair value adjustments</b>	<b>(87,309)</b>
<b>Fair value of net assets acquired</b>	<b>\$ 44,990</b>
<b>Computation of Bargain Purchase Gain:</b>	
Fair value of net assets acquired	\$ 44,990
Fair value of PMC Commercial shares(b)	33,908
Bargain purchase gain	\$ 11,082

- (a) Number of shares of PMC Commercial Common Shares issued and outstanding as of September 30, 2013.
- (b) Closing price of PMC Commercial Common Shares on the NYSE MKT on December 13, 2013 of \$8.70 per share, adjusted by the \$5.50 per PMC Commercial Common Share impact of the Special Dividend cash payment as discussed in (d) below.
- (c) Number of PMC Commercial Common Shares outstanding multiplied by the estimated equity consideration price per common share.
- (d) The cash payment is the Special Dividend, made in connection with the Merger to the PMC Commercial shareholders. PMC Commercial will make the \$58,279 cash payment (or \$5.50 per share) on or prior to the tenth business day after the consummation of the Merger, without interest, in the aggregate to the holders of PMC Commercial Common Shares on the last business day prior to the consummation of the Merger.

For pro forma purposes, the fair value of the PMC Commercial Common Shares used in determining the purchase price was \$8.70 per share, representing the closing price as of December 13, 2013. The final purchase consideration could significantly differ from the amounts presented in the unaudited pro forma condensed financial information due to movement in the price of PMC Commercial Common Shares as of the closing of the Merger. A hypothetical change of 10% of the closing price of PMC Commercial Common Shares from \$8.70 per share would result in a

\$9.2 million change in estimated purchase price and goodwill / bargain purchase gain.

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**Note 4: Reclassifications and Pro Forma Adjustments**

(A) Certain reclassifications have been made to the historical balances of PMC Commercial to conform to the financial presentation of CIM Urban. PMC Commercial's premium income of \$1,960 for the nine months ended September 30, 2013, and \$1,889 for the year ended December 31, 2012, has been reclassified to interest and fees, and salaries and related benefits expense of \$3,172 for the nine months ended September 30, 2013, and \$4,273 for the year ended December 31, 2012, has been reclassified to general and administrative expense.

(B) The fair value of the loan portfolio acquired from PMC Commercial is estimated by CIM Urban to be less than book value. Based on management's judgment, CIM Urban applied an approximate discount of \$28,810 to PMC Commercial's gross loan portfolio to estimate the fair value adjustment as of September 30, 2013. The adjustment reflects CIM Urban's estimates of the market interest rate differential on pools of loans. In addition, the estimated value of the loan portfolio reflects discounting to the anticipated cash flow from these loans receivable to reflect the value that would be attained on a sale of certain portions of the portfolio assuming they are not held to maturity. There can be no assurance that any portion of the loan portfolio will be sold prior to maturity or whether the adjusted value based on the pro forma discount will be achieved. The final value will be determined after the Merger is completed and after completion of a thorough analysis of the portfolio. The loan fair value adjustment will be amortized over the estimated remaining life of the loan portfolio. As adjusted, PMC Commercial's loans receivable estimated fair market value was \$201,242 as of September 30, 2013.

(C) The estimated transaction fees and costs related to the Merger to be incurred by the acquiree are approximately \$4,600. These fees and costs are included in the Pro Forma Condensed Combined Balance Sheet, but are not included in the Pro Forma Condensed Combined Statements of Operations. For purposes of the pro forma presentation, these fees and costs are assumed to be paid out in cash by PMC Commercial at September 30, 2013. However, several of these fees and costs may not actually be paid out in cash and would be accrued for or paid by PMC Commercial subsequent to consummation of the Merger.

These fees and costs consist of advisory fees of approximately \$3,400, and legal, accounting, printing, proxy solicitation and other costs and fees of approximately \$1,200.

In addition, fees and costs of \$1,615 incurred by PMC Commercial and \$2,620 incurred by CIM Urban during the nine months ended September 30, 2013 that specifically related to the Merger have been eliminated. There were no transaction costs eliminated during 2012.

The plan to integrate the operations of PMC Commercial and CIM Urban following the Merger is still being developed. The specific details of the plan will continue to be refined throughout the period prior to closing and will include assessments of employee benefit plans and contracts to determine the extent of any redundancies that may be eliminated. Certain decisions arising from these assessments may involve changing information systems and canceling contracts with service providers. Costs associated with these actions will be recorded based on the nature of the cost and timing of the integration actions.

(D) To reflect the increase in cash from borrowings on CIM Urban's credit facility in order to fund the Special Dividend, which is payable on or prior to the tenth business day following the effective date of the Merger in the amount of \$5.50 per share for a total dividend of \$58,279.

(E) To record an identifiable intangible asset of PMC Commercial. Adjustments to other intangible assets include an intangible of approximately \$2,000 relating to the value of PMC Commercial's licenses to operate under programs of the SBA. The amortization of the value of the SBA license intangible is estimated at approximately \$400 for the year ended December 31, 2012, and \$300 for the nine months ended September 30, 2013 based on an estimated life of five years. Additional intangible assets may be identified and recorded upon completion of the detailed purchase price allocation.

(F) To write-off deferred financing costs of PMC Commercial totaling \$1,555 as of the date of the Merger.

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- (G) The fair value of the debt acquired from PMC Commercial is estimated by CIM Urban to be less than book value. Based on management's judgment, CIM Urban applied a discount of \$2,910 to PMC Commercial's

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debt to estimate the fair value adjustment as of September 30, 2013. As adjusted estimated fair value of PMC Commercial's debt was \$101,595 as of September 30, 2013.

(H) To reflect the deferred tax liability associated with the net increase in value of the loan portfolio of PMC Commercial's taxable REIT subsidiaries. The estimated fair value increase was approximately \$4,338 at September 30, 2013.

(I) Reflects the acquisition method of accounting based on the estimated fair value of the assets and liabilities of PMC Commercial as summarized below and the elimination of PMC Commercial's retained earnings and net unrealized appreciation accounts since PMC Commercial is not considered to be the accounting acquirer.

The adjustment reflects the reclassification of CIM Urban's partners equity to additional paid-in-capital and to reflect the issuance of 22,000,003 shares of \$0.01 par value common stock and the issuance of 65,028,571 shares of \$0.01 par value preferred stock. The 65,028,571 shares of PMC Commercial Preferred Shares are automatically converted into 455,199,997 PMC Commercial Common Shares upon an increase in the number of authorized PMC Commercial Common Shares that will accommodate a full conversion. This conversion is not assumed as of the September 30, 2013 date of the pro forma balance sheet, as the vote to increase the authorized number of shares will not occur concurrently with the Merger.

In addition to the reclassification described above, the equity of PMC Commercial has been adjusted as follows:

<b>Adjustments:</b>	
Additional Paid-in-Capital	\$ (103,333)
Retained Earnings	11,424
	\$ (91,909)
<b>Detail:</b>	
Fair value adjustments (Note 3)	\$ (87,309)
Transaction costs to be incurred (Note 4C)	(4,600)
	\$ (91,909)

(J) To adjust PMC Commercial's noncontrolling interests, representing cumulative preferred stock of a subsidiary, to estimated fair value of \$3,000 as of the date of the Merger.

(K) To record the portion of the fair value adjustment to PMC Commercial's loans receivable classified as accretable yield that will be amortized over the estimated remaining life of the loan portfolio of ten years.

(L) To reflect the base services fee of \$1,000 annually to be paid to the Manager pursuant to the Master Services Agreement.

(M) To record the estimated increase in interest expense related to the Merger, including (a) incremental interest expense associated with assumed borrowings to fund the Special Dividend of \$874 and \$1,166 during the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively, (b) the amortization of debt discount associated with the fair value adjustment to PMC Commercial's outstanding debt balance at the assumed date of the Merger of \$218 and \$291 during the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively, and (c) the elimination of the amortization of deferred financing charges of \$64 and \$57 recorded by PMC Commercial during the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively.

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The estimated increase in interest expense related to the Merger is computed at an assumed floating interest rate of 2.00% for both the year ended December 31, 2012 and the nine months ended September 30, 2013. Each 12.5 basis point change in the assumed interest rate would result in a change in interest expense of approximately \$73 for the year ended December 31, 2012 and \$54 for the nine months ended September 30, 2013.

- (N) To record estimated incremental compensation expense associated with equity compensation awards that will be awarded to certain PMC Commercial executive officers as a result of the Merger. The total award is 525,000 restricted shares that amortize over a two-year service period. The value of the awards was

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determined to be \$3.20 per share, which was the equity consideration price per common share which is based on the closing price of PMC Commercial of \$8.70 per share on December 13, 2013 less the Special Dividend of \$5.50 per share, which the executive officers are not entitled to receive. The related expense is recorded over the two-year service period post-Merger.

- (O) Adjustments to income tax expense represent the tax effect of the pro forma adjustments relating to PMC Commercial's taxable REIT subsidiaries using a statutory rate of 34%.
  
- (P) For purposes of calculating basic earnings per share, the 65,028,571 PMC Commercial Preferred Shares to be issued in connection with the Merger have been assumed to have been converted into 455,199,997 PMC Commercial Common Shares, as Urban II has agreed to vote its 97.8% post-Merger ownership of PMC Commercial Common Shares in favor of an increase in the number of authorized PMC Commercial Common Shares to one billion, thereby satisfying the condition for the automatic conversion of these shares.

**Table of Contents****COMPARATIVE SHARE INFORMATION****Consolidated Per Share Information**

The following table sets forth selected historical equity ownership information for PMC Commercial and CIM Urban and unaudited pro forma combined per share ownership information after giving effect to the Merger. This information is being provided to aid you in your analysis of the financial aspects of the Merger. The historical information should be read in conjunction with Selected Historical Consolidated Financial Data of CIM Urban, and Selected Historical Consolidated Financial Data of PMC Commercial included elsewhere in this proxy statement/prospectus and the historical consolidated and combined financial statements of PMC Commercial and CIM Urban and the related notes thereto included elsewhere in this proxy statement/prospectus. The unaudited pro forma combined per share information is derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial information and related notes included elsewhere in this proxy statement/prospectus.

CIM Urban is considered to be the acquirer for accounting purposes because it will obtain effective control of PMC Commercial. The Merger will constitute the acquisition of a business for purposes of ASC 805. As a result, PMC Commercial's assets and liabilities will be recorded at their fair values. The allocation of the purchase price used in the unaudited Pro Forma Financial Statements is based upon a preliminary valuation. Estimates and assumptions are subject to change upon finalization of these preliminary valuations.

The unaudited pro forma combined per share information does not purport to represent what the actual results of operations of PMC Commercial and CIM Urban would have been had the Merger been completed on the dates indicated or to project PMC Commercial's or CIM Urban's results of operations that may be achieved after the completion of the Merger. The unaudited pro forma book value per share information below does not purport to represent what the value of PMC Commercial and CIM Urban would have been had the Merger been completed on the dates indicated or the book value per share for any future date or period.

	Historical PMC Commercial(1)	Historical CIM Urban(2)	Unaudited Pro Forma Combined
<b>Year Ended December 31, 2012</b>			
Basic and diluted earnings (loss) per share (4)	\$ (0.13)	\$ 0.04	\$ 0.04
Book value per share at December 31, 2012	\$ 13.15	\$ 3.07	
Dividends declared per share	\$ 0.60	\$ 0.16(3)	\$ 0.17(5)
<b>Nine Months Ended September 30, 2013</b>			
Basic and diluted earnings per share (4)	\$ 0.27	\$ 0.03	\$ 0.04
Book value per share at September 30, 2013	\$ 13.00	\$ 2.92	\$ 2.96(6)
Dividends declared per share	\$ 0.375	\$ 0.13(3)	\$ 0.13(5)

- (1) *These per share amounts have been calculated based on the weighted average shares outstanding which includes all issued and outstanding PMC Commercial Common Shares.*
- (2) *CIM Urban is currently organized as a limited partnership. Accordingly, these per share amounts have been calculated assuming the conversion of all PMC Commercial Preferred Shares issued in the Merger, which together with the 22,000,003 PMC Commercial Common Shares issued directly to Urban II in the Merger, yields an aggregate of 477,200,000 PMC Commercial Common Shares used in the calculations.*
- (3) *Represents dividends declared by CIM REIT, which are funded by distributions from CIM Urban.*
- (4) *Based upon income (loss) from continuing operations.*
- (5) *No change in dividend policy is expected pursuant to the proposed Merger. Share information includes the 477,200,000 PMC Commercial Common Shares as discussed above in (2) and the basic weighted average of 10,585,000 and 10,594,000 PMC Commercial Common Shares during the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively.*
- (6) *Share information used in the calculation includes the 477,200,000 PMC Commercial Common Shares as discussed above in (2) and 10,596,000 PMC Commercial Common Shares outstanding as of September 30, 2013.*



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	PMC Commercial	CIM Urban
<b>Year Ended December 31, 2012</b>		
Earnings (loss) (1)	\$ (1,356)	\$ 19,589
Book value at December 31, 2012	\$ 139,226	\$ 1,466,073
Dividends declared	\$ 6,353	\$ 76,000(2)
<b>Nine Months Ended September 30, 2013 (unaudited)</b>		
Earnings (1)	\$ 2,836	\$ 12,286
Book value at September 30, 2013	\$ 137,799	\$ 1,395,309
Dividends declared	\$ 3,974	\$ 63,000(2)

*(1) Represents income (loss) from continuing operations**(2) Represents dividends declared by CIM REIT, which are funded by distributions from CIM Urban.***Comparative PMC Commercial and CIM Urban Market Price and Dividend Information****PMC Commercial's Market Price and Dividend Data**

PMC Commercial Common Shares are traded on the NYSE MKT under the symbol PCC. The following table sets forth, for the periods indicated, the high and low sales prices as reported on the NYSE MKT (previously NYSE Amex) and the regular dividends per share declared by PMC Commercial for each such period.

Quarter Ended	High	Low	Regular Dividends Per Share
October 1, 2013 to December 13, 2013	\$ 9.15	\$ 8.55	\$ 0.125
September 30, 2013	\$ 10.24	\$ 8.30	\$ 0.125
June 30, 2013	\$ 8.54	\$ 7.28	\$ 0.125
March 31, 2013	\$ 7.60	\$ 6.71	\$ 0.125
December 31, 2012	\$ 7.76	\$ 6.06	\$ 0.120
September 30, 2012	\$ 8.25	\$ 7.35	\$ 0.160
June 30, 2012	\$ 8.76	\$ 7.50	\$ 0.160
March 31, 2012	\$ 9.00	\$ 6.95	\$ 0.160
December 31, 2011	\$ 8.00	\$ 6.84	\$ 0.160
September 30, 2011	\$ 8.56	\$ 7.50	\$ 0.160
June 30, 2011	\$ 8.97	\$ 8.19	\$ 0.160
March 31, 2011	\$ 9.45	\$ 8.25	\$ 0.160

As of December 13, 2013, there were approximately 660 holders of record of PMC Commercial Common Shares, excluding shareholders whose shares were held by brokerage firms, depositories and other institutional firms in street name for their customers.

**Table of Contents****CIM Urban s Market Price and Dividend Data**

There is no established public trading market for the equity interests of CIM Urban. At the close of business on September 30, 2013, CIM REIT was the sole holder of record of equity interests of CIM Urban. The following table sets forth, for the periods indicated, the dividends declared by CIM REIT per PMC Commercial Common Share which Urban II would have received after giving effect to the Merger.

Quarter Ended	CIM REIT Dividends Declared per PMC Commercial Common Share to be received(1)(2)		CIM REIT Dividends Declared(2) (In thousands)
September 30, 2013	\$	0.044	\$ 21,000
June 30, 2013	\$	0.044	\$ 21,000
March 31, 2013	\$	0.044	\$ 21,000
December 31, 2012	\$	0.042	\$ 20,000
September 30, 2012	\$	0.042	\$ 20,000
June 30, 2012	\$	0.040	\$ 19,000
March 31, 2012	\$	0.036	\$ 17,000
December 31, 2011	\$	0.036	\$ 17,000
September 30, 2011	\$	0.036	\$ 17,000
June 30, 2011	\$	0.036	\$ 17,000
March 31, 2011	\$	0.036	\$ 17,000

- (1) Assuming the conversion of all PMC Commercial Preferred Shares issued in the Merger, which together with the 22,000,003 PMC Commercial Common Shares issued to Urban II in the Merger yields an aggregate of 477,200,000 PMC Commercial Common Shares used in the calculations.
- (2) Represents dividends declared by CIM REIT, which are funded by distributions from CIM Urban.

**Recent Closing Prices**

The following table sets forth the closing per share sales prices of PMC Commercial Common Shares as reported on the NYSE MKT on December 13, 2013, the latest practicable trading day before the date of this proxy statement/prospectus, and on July 5, 2013, the last full trading day before the public announcement of the execution of the Merger Agreement by PMC Commercial:

	PMC Commercial Common Shares
December 13, 2013	\$ 8.70
July 5, 2013	\$ 8.44

Following the effective time of the Merger, the PMC Commercial Common Shares are expected to be listed on The NASDAQ Stock Market LLC.

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**RISK FACTORS**

*In addition to the other information contained in or incorporated by reference in this proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote or instruct your vote to be cast to approve the proposals described in this proxy statement/prospectus.*

**Risks Related to the Merger**

***PMC Commercial's shareholders will experience significant immediate dilution in percentage ownership and effective voting power as a consequence of the issuance of the PMC Commercial Common Shares and PMC Commercial Preferred Shares to Urban II as consideration in the Merger.***

The Merger will significantly dilute the ownership position and effective voting power of the current PMC Commercial shareholders. Following the issuance of the PMC Commercial Common Shares and PMC Commercial Preferred Shares to Urban II pursuant to the Merger Agreement (and assuming conversion of the PMC Commercial Preferred Shares pursuant to the Merger Agreement), the current PMC Commercial shareholders will hold approximately 2.2% of the PMC Commercial Common Shares issued and outstanding immediately after consummation of the Merger.

***PMC Commercial's shareholders cannot be certain of the market value of the PMC Commercial Common Shares and PMC Commercial Preferred Shares that will be issued to Urban II if the Merger is completed.***

In connection with the closing of the Merger, PMC Commercial will issue 22,000,003 PMC Commercial Common Shares and 65,028,571 PMC Commercial Preferred Shares to Urban II. Because the number of shares to be issued in connection with the Merger is fixed, the market value of the PMC Commercial shares issued in connection with the Merger will depend upon the market price of a PMC Commercial Common Share upon completion of the Merger. The market value of PMC Commercial Common Shares will fluctuate prior to completion of the Merger and therefore may be different at the time the Merger is consummated than it was at the time the Merger Agreement was negotiated, signed and at the time of the special meeting. Share price changes may result from a variety of factors that are beyond PMC Commercial's control, including general market and economic conditions and changes in business prospects. Accordingly, PMC Commercial shareholders cannot be certain of the market value of the PMC Commercial shares that will be issued to Urban II in connection with the Merger or the market value of PMC Commercial Common Shares at any time after the Merger.

***The market price of the PMC Commercial Common Shares may decline as a result of the Merger.***

The market price of the PMC Commercial Common Shares may decline as a result of the Merger if PMC Commercial does not achieve the perceived benefits of the Merger as rapidly as or to the extent anticipated by its shareholders or financial or industry analysts, or the effect of the Merger on PMC Commercial's financial results is not consistent with the expectations of its shareholders or financial or industry analysts.

In addition, following the Merger, PMC Commercial shareholders will own interests in a company with an expanded business with a different mix of assets, risks and liabilities. Existing PMC Commercial shareholders may not wish to continue to invest in PMC Commercial post-Merger, or for other reasons may wish to dispose of some or all of their PMC Commercial Common Shares. If, following the Merger, large amounts of PMC Commercial Common Shares are sold, the price of PMC Commercial Common Shares could decline substantially.

***The Merger may not be completed, which could adversely affect PMC Commercial's business.***

Completion of the Merger is subject to the satisfaction of various conditions, including approval of the Share Issuance Proposal by PMC Commercial shareholders and the other conditions described in the Merger

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Agreement. Neither PMC Commercial nor CIM REIT can guarantee when or if these conditions will be satisfied or that the Merger will be successfully completed. In the event that the Merger is not completed, PMC Commercial may be subject to several risks, including the following:

PMC Commercial management's and employees' attention from day-to-day business may be diverted.

PMC Commercial would still be required to pay significant transaction costs related to the Merger, including legal, accounting, financial adviser, filing, printing and mailing expenses, and under certain circumstances would be required to pay a termination fee of \$4,000,000 and reimburse CIM REIT's out-of-pocket transaction expenses up to \$700,000 (exclusive of expenses incurred by PMC Commercial prior to the execution of the Merger Agreement and reimbursed by CIM REIT or its affiliates). See THE MERGER AGREEMENT Termination Fees and Expenses beginning on page 103.

To the extent the costs incurred by PMC Commercial were to cause it to be unable to comply with the covenants under its revolving credit facility, an event of default would occur. The existence of an event of default could restrict PMC Commercial from borrowing under the revolving credit facility and from paying dividends to its shareholders. The occurrence of an event of default would also permit the lender to accelerate repayment of all amounts due and to terminate its commitment to lend thereunder.

If the Merger is not completed, these risks could materially affect the business and financial results of PMC Commercial and the market price of PMC Commercial Common Shares.

***The Merger is subject to the receipt of consents and approvals from government entities and third parties that could delay completion of the Merger or impose conditions that could have a material adverse effect on PMC Commercial or CIM Urban or cause abandonment of the Merger, which may adversely affect the value of PMC Commercial Common Shares.***

Completion of the Merger is conditioned upon the consent of the SBA. As a part of the approval process, license applications must be submitted for the SBIC licenses held by PMC Investment Corporation and Western Financial Capital Corporation. The licensing application process can be a lengthy and time consuming process. There can be no assurance that the SBA will approve either or both of the applications or that the timeframe for obtaining any such approval will be acceptable to the parties. The failure to obtain the SBA's approval of the SBIC license applications in a timely manner or at all could result in the suspension or forfeiture of the licenses and may require the repayment in full of approximately \$27.5 million in outstanding SBIC debentures and \$3.0 million in preferred stock obligations. In addition, an application for approval of change in ownership has been filed for the SBA 7(a) license held by First Western SBLC Inc. A substantial delay in obtaining approval from the SBA or the imposition of unfavorable terms and conditions by the SBA could have an adverse effect on the business, financial condition or results of operations of PMC Commercial, or may cause the abandonment of the Merger.

Completion of the Merger is also subject to approval by certain third parties. A substantial delay in obtaining such approvals, the failure to obtain such approvals or the imposition of unfavorable terms or conditions could have an adverse effect on the business, financial condition or results of operations of PMC Commercial or CIM Urban, or may cause the abandonment of the Merger.

***The Merger will result in changes to the Board of Trust Managers and initially, a majority of the Trust Managers will be affiliated with the Advisor and will not be independent; and Urban II will have effective control over the outcome of all actions requiring the approval of PMC Commercial shareholders, which might adversely affect the market price of the PMC Commercial Common Shares.***

After the closing of the Merger and assuming conversion of the PMC Commercial Preferred Shares, Urban II will own approximately 97.8% of the outstanding PMC Commercial Common Shares. As a result, PMC Commercial will be a controlled company, which is a company in which over 50% of the voting power is held by an individual, a group or another company. As a controlled company, PMC Commercial will not be

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required to comply with certain national securities exchange rules requiring a board of directors with a majority of independent directors, a compensation committee composed entirely of independent directors and a nominating committee composed entirely of independent directors. PMC Commercial's other shareholders will not have the same corporate governance protections that they would otherwise have if PMC Commercial were not a controlled company.

Urban II will have the ability to determine the outcome of all corporate actions of PMC Commercial requiring shareholder approval, including the ability to elect or remove all of the Trust Managers. Following the closing of the Merger, the Board of Trust Managers will consist of four Trust Managers who are affiliated with the Advisor and three independent Trust Managers who are recommended for membership on the Board of Trust Managers by the Advisor. Accordingly, PMC Commercial will not have the benefit of a Board of Trust Managers with a majority of independent Trust Managers, and there is a risk that the interests of Urban II and these Trust Managers will not be consistent with the interests of other holders of PMC Commercial Common Shares.

In addition to the effects described above, this concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of the PMC Commercial Common Shares.

***The Merger Agreement may be terminated by either PMC Commercial or CIM REIT if the Merger is not consummated by March 31, 2014.***

Either PMC Commercial or CIM REIT may terminate the Merger Agreement if the Merger has not been consummated by March 31, 2014, whether such date is before or after the approval of PMC Commercial's shareholders is obtained. However, this termination right will not be available to a party if that party failed to fulfill its obligations under the Merger Agreement and that failure was the primary cause of, or the primary factor that resulted in, the failure to consummate the Merger. For more information, see THE MERGER AGREEMENT Termination of the Merger Agreement beginning on page 102.

***After the Merger is completed, Urban II will control the vote required for the conversion of the PMC Commercial Preferred Shares into PMC Commercial Common Shares to occur, which could materially and adversely affect the holders of PMC Commercial Common Shares (and PMC Commercial Preferred Shares) if such conversion is delayed or does not occur at all.***

The Board of Trust Managers has authorized the issuance of the PMC Commercial Preferred Shares, consisting of 65,028,571 Class A Convertible Cumulative Preferred Shares, \$.01 par value per share (liquidation preference \$17.50 per share). The PMC Commercial Preferred Shares will rank senior to the PMC Commercial Common Shares, as to distributions and with respect to distribution rights or payments upon liquidation, dissolution or winding up of PMC Commercial. The holders of the PMC Commercial Preferred Shares will be entitled to receive, when and as authorized by the Board of Trust Managers and declared by PMC Commercial, cumulative distributions at the rate of 2% of \$35.00 per share per year; provided that if the PMC Commercial Preferred Shares are converted on or before the date that is six months from the effective date of the Merger (which date may be extended due to certain force majeure events as provided in the Statement of Designation setting forth the terms of the PMC Commercial Preferred Shares), the distribution amount payable on the PMC Commercial Preferred Shares will be calculated at the rate of 3.5% of \$35.00 per year. Pursuant to the Merger Agreement, each PMC Commercial Preferred Share will automatically convert into seven PMC Commercial Common Shares on the first business day on which, pursuant to the PMC Commercial Declaration of Trust, there are sufficient authorized but unissued shares to convert all of the PMC Commercial Preferred Shares into PMC Commercial Common Shares.

Pursuant to the Merger Agreement, if the Merger is completed, CIM REIT has agreed to cause PMC Commercial, and PMC Commercial has agreed, to hold another meeting of PMC Commercial shareholders as soon as practicable thereafter to approve, among other things, an increase in the number of authorized

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PMC Commercial Common Shares to one billion (thereby satisfying the condition for the automatic conversion of the PMC Commercial Preferred Shares issued in connection with the Merger into an aggregate of 455,199,997 PMC Commercial Common Shares). After the Merger is completed, Urban II will hold a sufficient number of shares to control the vote required for the conversion of the PMC Commercial Preferred Shares to occur. In the event that the conversion of the PMC Commercial Preferred Shares into PMC Commercial Common Shares is delayed or does not occur at all, the rights of the holders of PMC Commercial Common Shares (as well as the PMC Commercial Preferred Shares) could be materially and adversely affected. For more information, see *THE TERMS OF THE PMC COMMERCIAL PREFERRED SHARES* beginning on page 104.

***After the Merger is completed, Urban II will have the ability to make the Reincorporation occur, which will cause the holders of PMC Commercial Common Shares to have different rights that may be less advantageous than their current rights.***

After the closing of the Merger, PMC Commercial shareholders may be asked to approve the Reincorporation so that PMC Commercial's corporate governance and the rights of its shareholders will be governed by Maryland law, the Maryland Charter and the Maryland Bylaws, instead of Texas law, PMC Commercial's existing Declaration of Trust and existing bylaws. In the event that Urban II decides to make the Reincorporation occur, Urban II will hold a sufficient number of shares to control the vote required to make the Reincorporation occur. Following any Reincorporation, holders of PMC Commercial Common Shares will have different rights that may be less advantageous than the rights they currently have. You may conclude that your rights as a shareholder of PMC Commercial after the Reincorporation may be less advantageous than the rights you currently have as a shareholder of PMC Commercial. For a detailed discussion of your rights as a shareholder of PMC Commercial after the Reincorporation and the significant differences between your current rights as a shareholder of PMC Commercial and your rights as a shareholder of PMC Commercial after the Reincorporation, see *STRATEGY OF PMC COMMERCIAL AFTER THE MERGER - The Reincorporation* beginning on page 188.

***Uncertainties associated with the Merger may have a negative impact on business relationships.***

The announcement of the Merger may have a negative impact on PMC Commercial business relationships. Moreover, due to operating covenants in the Merger Agreement, PMC Commercial may be unable, during the pendency of the Merger, to pursue certain strategic transactions and otherwise pursue actions that are not in the ordinary course of business even if such actions would prove beneficial. These events could have a material negative impact on PMC Commercial's results of operations and financial condition.

***Some of the Trust Managers and executive officers of PMC Commercial have interests in seeing the Merger completed that are different from, or in addition to, those of the PMC Commercial shareholders.***

Some of the Trust Managers and executive officers of PMC Commercial have arrangements that provide them with interests in the Merger that are different from, or in addition to, those of the shareholders of PMC Commercial. These interests include, among other things, acceleration of equity awards, benefits under employment agreements and continuation of employee benefits and indemnification and insurance arrangements. These interests, among other things, may influence the Trust Managers and executive officers of PMC Commercial to support or approve the Merger. See *THE MERGER - Interests of PMC Commercial Trust Managers and Executive Officers in the Merger* beginning on page 83.

***The Merger Agreement contains provisions that could discourage a potential competing acquirer of PMC Commercial from submitting an alternative Acquisition Proposal or that could result in any competing Acquisition Proposal being at a lower price than it might otherwise be.***

Under the Merger Agreement, PMC Commercial agreed not to, beginning on the date that is 31 days after the date of the Merger Agreement, (i) solicit proposals relating to alternative Acquisition Proposals or (ii) engage

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or participate in discussions or negotiations with, or provide non-public information to, any person relating to any such alternative Acquisition Proposal, subject to certain limited exceptions where the failure to take certain action would be inconsistent with the legal duties of the Board of Trust Managers under applicable law. See THE MERGER AGREEMENT Acquisition Proposals Go Shop Period beginning on page 99. Even if a person submitted an alternative Acquisition Proposal, prior to recommending such alternative Acquisition Proposal to its shareholders as a superior proposal and terminating the Merger Agreement, PMC Commercial would be required to negotiate with CIM REIT in good faith for a period of five business days (to the extent CIM REIT desires to negotiate) to revise the terms of the Merger Agreement in response to such alternative Acquisition Proposal. In addition, upon termination of the Merger Agreement in certain circumstances, PMC Commercial may be required to pay a termination fee and expense reimbursement as directed by CIM REIT. See THE MERGER AGREEMENT Termination Fees and Expenses beginning on page 103. These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of PMC Commercial from considering or submitting an alternative Acquisition Proposal. These provisions could also result in a potential competing acquirer proposing to pay a lower price per share than it might otherwise have proposed to pay because of the incremental expense of the termination fee and expense reimbursement that may become payable by PMC Commercial in certain circumstances.

***In connection with the proposed Merger, one lawsuit has been filed and is pending, as of December 17, 2013, seeking, among other things, to enjoin the Merger and damages for lost shareholder value; an adverse judgment in this lawsuit may prevent the Merger from becoming effective within the expected timeframe or at all.***

Shareholders of PMC Commercial have filed a lawsuit against PMC Commercial, members of the Board of Trust Managers and CIM REIT challenging the Merger. The complaint alleges, among other things, that the Trust Managers and PMC Commercial breached PMC Commercial's Declaration of Trust and have conspired to deprive PMC Commercial's shareholders of the right to approve or decline the Merger, to approve or decline of the sale of PMC Commercial and to approve or decline the authorization of the PMC Commercial Common Shares necessary to support the conversion rights of the PMC Commercial Preferred Shares. The complaint alleges that CIM REIT is liable as a principal and for tortiously interfering with the rights of shareholders under the PMC Commercial Declaration of Trust and causing or inducing the foregoing breaches. The complaint further alleges the Trust Managers breached their fiduciary duties to PMC Commercial shareholders in connection with the Merger, and claims that CIM REIT aided and abetted those alleged breaches of fiduciary duty. The complaint seeks an order enjoining consummation of the Merger, an order certifying the matter as a class action for damages, damages for lost shareholder value, exemplary damages, attorney's fees and costs, appointment of a receiver, if justice so demands, in order to preserve and maximize shareholder value, and all other such relief as the court may find reasonable and necessary to which plaintiffs may be entitled. On November 12, 2013, the plaintiffs filed an amended petition to add PMC Merger Sub as a defendant to the lawsuit.

While PMC Commercial and CIM REIT management deny the allegations in the complaint and intend to defend vigorously against these allegations, PMC Commercial and CIM REIT cannot assure you as to the outcome of this, or any similar future lawsuits, including the costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation or settlement of these claims. If the plaintiffs are successful in obtaining an injunction prohibiting the parties from completing the Merger on the agreed-upon terms, such an injunction may prevent the completion of the Merger in the expected time frame, or may prevent it from being completed altogether. Whether or not the plaintiffs' claims are successful, this type of litigation is often expensive and diverts management's attention and resources, which could adversely affect the operation of the businesses of PMC Commercial and CIM REIT. For more information about the litigation related to the Merger, see THE MERGER Litigation Relating to the Merger beginning on page 89.

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### **Risks Related to CIM Urban s Business and Properties**

*The following risk factors apply to the business and operations of CIM Urban and also will apply to the consolidated business and operations of PMC Commercial following the completion of the Merger. Any of the risk factors described below could significantly and adversely affect CIM Urban s business, prospects, revenues, gross profit, cash flows, financial condition and results of operations.*

***Capital and credit market conditions may adversely affect demand for CIM Urban s properties and the overall availability and cost of credit.***

In periods when the capital and credit markets experience significant volatility, demand for CIM Urban s properties and the overall availability and cost of credit may be adversely affected. No assurances can be given that the capital and credit market conditions will not have a material adverse effect on CIM Urban s business, financial condition or results of operations.

In addition, CIM Urban s business and results of operations could be adversely affected by significant volatility in the capital and credit markets as follows:

The tenants in CIM Urban s office properties may experience a deterioration in their sales or other revenue, or experience a constraint on the availability of credit necessary to fund operations, which in turn may adversely impact those tenants ability to pay contractual base rents and tenant recoveries. Some tenants may terminate their occupancy due to an inability to operate profitably for an extended period of time, impacting CIM Urban s ability to maintain occupancy levels.

Constraints on the availability of credit to tenants, necessary to purchase and install improvements, fixtures and equipment and to fund start-up business expenses, could impact CIM Urban s ability to procure new tenants for spaces currently vacant in existing office properties or properties under development.

CIM Urban s joint venture and other co-investment partners could experience difficulty obtaining financing in the future for the same reasons discussed above. Their inability to obtain financing on acceptable terms, or at all, could negatively impact CIM Urban s ability to acquire additional properties.

***Current general economic conditions could have an adverse effect on the office, lodging and apartment communities industries.***

The United States continues to be in a post-recessionary slow-growth environment, which has experienced historically high levels of unemployment. Uncertainty over the depth and duration of this economic environment continues to have a negative impact on the office, lodging and apartment communities industries. There is some general consensus among economists that the economy in the United States emerged from a recessionary environment in 2009, but high unemployment levels were evident in 2010, 2011, 2012 and 2013. As a result, CIM Urban and the office, lodging and apartment communities industries may, among other things, experience reductions in revenue resulting from lower rental rates and occupancy levels. Accordingly, CIM Urban s financial results could be impacted by the economic environment, and future financial results and growth could be further harmed until a more expansive national economic environment is prevalent. A weaker than anticipated economic recovery, or a return to a recessionary national economic environment, could result in low or decreased levels of business and consumer travel, negatively impacting the lodging industry. Moreover, in the event of another recession, the office and apartment communities industries could experience reductions in rental rates, occupancy levels, property valuations and increases in operating costs such as advertising and turnover expenses. Such an economic outcome could also negatively impact CIM Urban and its tenants future growth prospects and could significantly impact their results of operations.



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***CIM Urban s operating performance is subject to risks associated with the lodging industry.***

The success of CIM Urban s hotel properties depends largely on the property operators ability to adapt to dominant trends in the lodging industry as well as disruptions such as greater competitive pressures, increased consolidation, industry overbuilding, dependence on consumer spending patterns and changing demographics, the introduction of new concepts and products, availability of labor, price levels and macroeconomic and microeconomic conditions. The success of a particular hotel brand, the ability of a hotel brand to fulfill any obligations to operators of its business, and trends in the lodging industry may affect CIM Urban s income and cash available for dividends.

The lodging industry could also experience a significant decline in occupancy and average daily rates due to a reduction in business and/or leisure travel. General economic conditions, increased fuel costs, natural disasters and terrorist attacks are a few factors that could affect an individual s willingness to travel.

***A majority of CIM Urban s properties, by aggregate net operating income and square feet, are located in California and the District of Columbia. CIM Urban is dependent on the California and the District of Columbia office and hotel markets and economies, and is therefore susceptible to risks of events in those markets that could adversely affect CIM Urban s business, such as adverse market conditions, changes in local laws or regulations and natural disasters.***

Because CIM Urban s properties in California (and particularly, in Oakland, California) and the District of Columbia represent a significant portion of CIM Urban s portfolio by aggregate net operating income and square feet, CIM Urban is exposed to greater economic risks than if it owned a more geographically dispersed portfolio. CIM Urban is susceptible to adverse developments in the California (and particularly, in Oakland) and the District of Columbia economic and regulatory environments (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation and other factors) as well as natural disasters that occur in these areas (such as earthquakes, floods and other events). In addition, the State of California is also regarded as more litigious and more highly regulated and taxed than many states, which may reduce demand for office and hotel space in California. Any adverse developments in the economy or real estate markets in California (and particularly, in Oakland) or the District of Columbia, or any decrease in demand for office or hotel space resulting from the California (and particularly, in Oakland) or the District of Columbia regulatory or business environments, could adversely impact CIM Urban s financial condition, results of operations and cash flow.

***Investments in office buildings that have government tenants are subject to the risks associated with conducting business with the U.S. federal government.***

Investments in office buildings that have government tenants are subject to risks associated with conducting business with the U.S. federal government. Congressional action to reduce budgetary spending by the United States could limit the funding of government agencies or other organizations. Adverse developments and/or conditions affecting government tenants could reduce demand for space, impact the credit-worthiness of such tenants or force such tenants to curtail operations, which could impair their ability to meet their rent obligations to CIM Urban and, accordingly, could have a material adverse effect on CIM Urban s results of operations. The risks of conducting business with the U.S. federal government also include the risk of civil and criminal fines and the risk of public scrutiny of CIM Urban s performance at high profile sites.

***CIM Urban s operating performance is subject to risks associated with the real estate industry.***

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond the control of CIM Urban. Certain events may decrease cash available for dividends, as well as the value of CIM Urban s properties. These events include, but are not limited to:

adverse changes in economic and socioeconomic conditions;

vacancies or CIM Urban s inability to rent space on favorable terms;

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adverse changes in financial conditions of buyers, sellers and tenants of properties;

inability to collect rent from tenants;

competition from other real estate investors with significant capital, including other real estate operating companies, publicly-traded REITs and institutional investment funds;

reductions in the level of demand for office, hotel and apartment community space and changes in the relative popularity of properties;

increases in the supply of office, hotel and apartment community space;

fluctuations in interest rates, which could adversely affect CIM Urban's ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;

dependence on third parties to provide leasing, brokerage, property management and other services with respect to CIM Urban's investments;

increases in expenses, including insurance costs, labor costs, utility prices, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies, and CIM Urban's inability to pass on some or all of these increases to CIM Urban's tenants; and

changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the Americans with Disabilities Act (ADA) of 1990.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases. If CIM Urban cannot operate its properties so as to meet its financial expectations, CIM Urban's financial condition, results of operations, cash flow and ability to satisfy its debt service obligations and to pay dividends could be adversely affected. There can be no assurance that CIM Urban can achieve its economic objectives.

***Tenant concentration increases the risk that cash flow could be interrupted.***

CIM Urban is, and expects that it will continue to be, subject to a degree of tenant concentration at certain of its properties. In the event that a tenant occupying a significant portion of one or more of CIM Urban's properties or whose rental income represents a significant portion of the rental revenue at such property or properties were to experience financial weakness or file bankruptcy, it would more negatively impact CIM Urban's financial condition and results of operations than if the tenant did not occupy multiple properties or occupied a smaller portion of a single property.

CIM Urban has a concentration of government tenants across its portfolio. The reduction of government funding for such government agencies and other organizations and changes in regulations governing such agencies and organizations could have a material adverse effect on CIM Urban's investments in office buildings with government tenants.

***CIM Urban has incurred indebtedness and expects to incur significant additional indebtedness on a consolidated basis, which may affect its ability to pay dividends, may expose it to interest rate fluctuation risk and may expose it to the risk of default under CIM Urban's debt obligations.***

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As of September 30, 2013, the total consolidated indebtedness of CIM Urban was approximately \$378 million. CIM Urban expects to incur significant additional indebtedness, including through the use and potential expansion of its existing revolving credit lines or the use of a new credit line, and there are no restrictions on the amount of indebtedness that CIM Urban may incur. The degree of leverage could make CIM Urban more vulnerable to a downturn in business or the economy generally.

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Payments of principal and interest on borrowings may leave CIM Urban's property-owning entities with insufficient cash resources to operate its properties and/or pay distributions. The incurrence of substantial outstanding indebtedness by CIM Urban, and the limitations imposed by the debt agreements of CIM Urban, could have significant other adverse consequences, including the following:

the cash flow of CIM Urban may be insufficient to meet its required principal and interest payments;

CIM Urban may be unable to borrow additional funds as needed or on favorable terms, which could adversely affect CIM Urban's liquidity for acquisitions or operations;

CIM Urban may be unable to refinance its indebtedness at maturity or the refinancing terms may be less favorable than the terms of CIM Urban's original indebtedness;

CIM Urban may be forced to dispose of one or more of its properties, possibly on disadvantageous terms;

CIM Urban will be exposed to interest and future interest rate volatility with respect to indebtedness that is variable rate; and

any property-owning entity may default on its obligations and the lenders or mortgagees may foreclose on CIM Urban's properties and execute on any collateral that secures their loans.

If any one of these events were to occur, CIM Urban's financial condition, results of operations, cash flow, and ability to satisfy its debt service obligations and to pay dividends could be adversely affected. In addition, any foreclosure on CIM Urban's properties could create taxable income without accompanying cash proceeds, which could adversely affect CIM Urban's ability to meet the REIT distribution requirements imposed by the Code.

***CIM Urban may be unable to refinance its indebtedness at maturity or the refinancing terms may be less favorable than the terms of CIM Urban's original indebtedness.***

Upon maturity of indebtedness obtained by CIM Urban, there is no assurance that replacement financing can be obtained or, if it is obtained, that interest rates and other terms would be as favorable as for the original indebtedness. Inability to refinance indebtedness on favorable terms may compel CIM Urban to attempt to dispose of the property or other properties on terms less favorable than might be obtained at a later date. In addition, if the indebtedness matured before refinancing could be procured, the lender could foreclose on the collateral and CIM Urban might suffer losses as a result of that foreclosure. Further, lenders may require insurance against terrorist acts, particularly for large properties in urban areas, and the unavailability of such insurance may make it difficult to finance or refinance investments.

***Third parties seeking to satisfy a liability of CIM Urban may have recourse against all of CIM Urban's assets generally.***

CIM Urban's assets, including any investments made by CIM Urban and any funds held by CIM Urban, may be available to satisfy all liabilities and other obligations of CIM Urban. If CIM Urban becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to CIM Urban's assets generally and not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. In particular, CIM Urban has a recourse, unsecured line of credit. In the event CIM Urban is unable to pay its obligations as they become due under the line of credit, the lender may pursue any or all of CIM Urban's assets.

***CIM Urban may become subject to risks and liabilities unique to joint venture relationships.***

As of the date of this proxy statement/prospectus, CIM Urban owns two properties through joint venture investments in which it co-invests with another investor. CIM Urban's business plan contemplates further acquisitions of properties through joint ventures and sales to institutions of partial ownership of properties that it wholly owns. Real estate is relatively difficult to sell quickly. CIM Urban may be unable to realize its investment



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objectives by a sale of equity at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in domestic or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. Joint venture investments involve certain risks, including that joint venture partners may control or share certain approval rights over major decisions or might have economic or other business interests or goals that are inconsistent with the business interests of CIM Urban or goals that would affect CIM Urban's ability to operate the property. The occurrence of one or more of the foregoing events could adversely affect CIM Urban's financial condition, results of operations and cash flow and CIM Urban's ability to pay dividends.

***CIM Urban's success depends on the ability of the Advisor to manage its investments, and the Advisor's failure to manage its investments in a sufficient manner could have a material adverse effect on CIM Urban's business strategy, the value of its real estate investments and results of operations.***

CIM Urban presently has no employees. CIM Urban depends on the Advisor's ability to manage its investments in a manner sufficient to maintain or increase revenues and to generate sufficient revenues in excess of its operating and other expenses. The Advisor is not required to dedicate any particular number of employees or employee hours to CIM Urban's business in order to fulfill its obligations under the Investment Management Agreement entered into between CIM Urban and the Advisor (the "Investment Management Agreement"). CIM Urban believes that its success depends to a significant extent upon the experience of the Advisor's senior management team, whose continued service is not guaranteed. CIM Urban is subject to the risk that upon termination of the Investment Management Agreement, no suitable replacement will be found to manage CIM Urban. If the Investment Management Agreement is terminated, CIM Urban may not be able to execute its business plan and may suffer losses, which could have a material adverse effect on its ability to make distributions. The Advisor's failure to manage CIM Urban and its investments will adversely affect the underlying value of CIM Urban's real estate investments, the results of its operations and its ability to make distributions and to pay amounts due on its indebtedness. The terms of the Investment Management Agreement provide that it can only be terminated by the mutual agreement of CIM Urban and the Advisor. Accordingly, CIM Urban is subject to the further risk that it does not have the ability to unilaterally terminate the Investment Management Agreement in the event of the Advisor's poor performance.

***The Manager's and Advisor's fees are payable regardless of CIM Urban's and PMC Commercial's performance, which may reduce their incentive to devote time and resources to CIM Urban's portfolio.***

Pursuant to the Master Services Agreement, the Manager is entitled to receive a base services fee of \$1 million per year, regardless of the performance of PMC Commercial, and is also entitled to receive fees related to the provision of transactional and other services. The Advisor is entitled to receive an asset management fee based upon the gross asset value of CIM Urban's assets, including any assets acquired by CIM Urban in the future. See "BUSINESS OF CIM URBAN Investment Management Agreement" beginning on page 163. The Manager's and the Advisor's entitlement to substantial non-performance based compensation might reduce their incentive to devote their time and effort to seeking profitable opportunities for CIM Urban's portfolio.

***The Advisor's fees are based on the gross asset value of CIM Urban's assets, including any assets acquired by CIM Urban in the future. This fee arrangement may lead the Advisor to recommend riskier investments regardless of their long-term performance in an effort to maximize its compensation.***

The Advisor's fees are based on the gross asset value of CIM Urban's assets, including any assets acquired by CIM Urban in the future, which may provide incentive for the Advisor to invest in assets that are riskier investments regardless of their performance. Consequently, the Advisor may recommend investments that are not necessarily in the best interest of PMC Commercial's shareholders in order to maximize its compensation.

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Neither CIM Urban nor PMC Commercial has the right pursuant to the terms of the Investment Management Agreement to terminate unilaterally the Investment Management Agreement in the event of CIM Urban's poor investment performance or mismanagement by the Advisor.

***The Advisor, the Manager and their respective affiliates may engage in additional management or investment opportunities which compete with PMC Commercial and its subsidiaries, which could result in decisions that are not in the best interests of PMC Commercial's shareholders.***

The Investment Management Agreement with the Advisor and the Master Services Agreement with the Manager do not prevent the Advisor and the Manager, as applicable, and their respective affiliates from engaging in additional management or investment opportunities, some of which could compete with PMC Commercial and its subsidiaries. The Advisor, the Manager and their respective affiliates may engage in additional management or investment opportunities that have overlapping objectives with CIM Urban, and may thus face conflicts in the allocation of investment opportunities to these other investments. Allocation of investment opportunities is at the discretion of the Advisor and/or the Manager and there is no guarantee that this allocation would be made in the best interest of the PMC Commercial shareholders.

***CIM Urban competes with current and future investment entities affiliated with the Advisor for access to the benefits that CIM Urban's relationship with the Advisor provides to CIM Urban, including access to investment opportunities.***

There may be conflicts of interest in allocating investment opportunities to CIM Urban and other funds, investment vehicles and ventures managed by the Advisor. For example, the Advisor currently serves as the investment manager of CIM VI (Urban REIT), LLC and its parallel funds (collectively, CIM VI), a private fund formed to invest in substantially stabilized real estate and real estate-related assets located in urban areas that CIM Group has already qualified for investment. There will be a significant overlap in the assets and investment strategies of CIM Urban and CIM VI, and many of the same investment personnel will provide services to both entities. Although there are no contractual restrictions limiting the ability of CIM Urban to acquire additional properties, it is the intention of CIM Group not to provide CIM Urban with acquisition opportunities until the equity capital of CIM VI is fully committed. As of the date of this proxy statement/prospectus, approximately \$100 million of equity in CIM VI remains uncommitted; since January 1, 2013, CIM VI has committed and/or invested \$509 million of equity in connection with the purchase, or commitment to purchase, of \$713 million of real estate assets. Further, the Advisor and its affiliates may in the future form additional funds or sponsor additional investment vehicles and ventures that have overlapping objectives with CIM Urban and therefore may compete with CIM Urban for investment opportunities. The ability of the Advisor, the Manager and their officers and employees to engage in other business activities, including the management of other investment vehicles sponsored by CIM Group, may reduce the time the Advisor and the Manager spend managing the activities of CIM Urban and PMC Commercial.

***The business of CIM Urban will be managed by Urban GP Manager, an affiliate of CIM Group, and PMC Commercial will have limited rights with respect to the management and control of CIM Urban.***

Pursuant to the Master Services Agreement, PMC Commercial has agreed to appoint a member of the Manager or any of its affiliates, as designated by the Manager, as the manager (the Urban GP Manager) of Urban Partners GP, LLC, the general partner of CIM Urban (the CIM Urban GP). Subject to the limitations set forth in the governing documents of CIM Urban and the CIM Urban GP, the Urban GP Manager will have the power and authority to manage, to direct the management, business and affairs of and to make all decisions to be made by or on behalf of (x) the CIM Urban GP and (y) CIM Urban. PMC Commercial will be an indirect limited partner of CIM Urban; the rights and obligations of PMC Commercial will be subject to the limitations set forth in CIM Urban's partnership agreement (the CIM Urban Partnership Agreement); and, except as set forth in the Master Services Agreement and the rights specifically reserved to limited partners by the CIM Urban Partnership Agreement and applicable law, PMC Commercial will have no part in the management and control of CIM Urban.

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PMC Commercial may only remove the Urban GP Manager as the manager of the CIM Urban GP for cause (as defined in the Master Services Agreement). Removal for cause also requires the approval of the holders of at least 66 2/3% of the outstanding shares of PMC Commercial (excluding for this purpose any shares held by the Manager and any affiliates of the Manager, except to the extent set forth in the immediately following sentence). Notwithstanding the foregoing, CIM REIT will have the right to vote any shares of PMC Commercial that it owns with respect to any vote held to remove the Urban GP Manager as the manager of the CIM Urban GP; provided, however, if any such removal vote is held after the second anniversary of the Master Services Agreement, CIM REIT shall obtain voting instructions from certain of its non-affiliated investors with respect to voting the shares beneficially owned by such non-affiliated investors and CIM REIT shall vote the number of shares beneficially owned by each such non-affiliated investor as so instructed by such non-affiliated investor. Upon removal, a replacement manager will be appointed by the independent Trust Managers.

***Following consummation of the Merger, the CIM Urban Partnership Agreement will remain in place and CIM Urban will continue to be subject to the investment limitations set forth therein, unless approved by CIM Urban's advisory committee, which may inhibit CIM Urban's ability to make investments that otherwise meet its investment strategy.***

Following consummation of the Merger, the CIM Urban Partnership Agreement, as may be amended from time to time, will remain in place. Accordingly, CIM Urban will continue to be subject to the investment limitations set forth therein, and, without the approval of its advisory committee, which consists of representatives of certain non-affiliated members of CIM REIT, it may not:

invest more than the lesser of (x) 25% of the aggregate capital commitments of its partners and (y) \$500 million of capital contributions in any one asset or company; provided, however, that the foregoing limitation shall not apply to an investment consisting of a portfolio of, or a company or other entity owning, multiple assets (i.e., the foregoing limitation shall apply to each individual asset in any such portfolio or entity);

(i) invest more than 25% of the aggregate capital commitments of its partners in any metropolitan statistical area (MSA) with a population of 1,000,000 or less or in any recognized real estate submarket of an MSA with a population of more than 1,000,000 or  
(ii) invest more than 50% of the aggregate capital commitments of its partners in any MSA with a population of more than 1,000,000;

invest in the securities of a publicly-traded company, except as part of a transaction or series of transactions designed for the purpose of acquiring control of the company and/or its underlying assets; and

acquire or originate any senior debt (i.e., first mortgage loans) if the acquisition or origination by CIM Urban of such senior debt would cause the aggregate adjusted fair value of all CIM Urban investments that are senior debt to equal or exceed 25% of the aggregate adjusted fair value of all CIM Urban investments (including, without duplication, any property level reserves with respect to such investments).

Accordingly, CIM Urban may not be able to acquire certain investments that otherwise meet its investment strategy. See BUSINESS OF CIM URBAN CIM Urban Partnership Agreement beginning on page 161.

***The CIM Urban Partnership Agreement contains provisions that give rights to certain unaffiliated members of CIM REIT to influence the business and operations of CIM Urban; such members may have interests that are adverse to PMC Commercial's shareholders and the exercise of such rights may negatively impact the rights of PMC Commercial's shareholders, the ability of CIM REIT and PMC Commercial to effect the Merger or the business of PMC Commercial after the consummation of the Merger.***

The CIM Urban Partnership Agreement requires that CIM Urban maintain an advisory committee composed of certain members of CIM REIT who are not affiliated with the general partner of CIM Urban. As discussed in Business of CIM Urban CIM Urban Partnership Agreement, the advisory committee is responsible for resolving conflicts of interest and selecting a new audit firm for CIM Urban. CIM Urban also may not take certain actions (including those described below) or make certain investments without the consent of the advisory





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committee. Since the CIM Urban Partnership Agreement will remain in place following the consummation of the Merger and will not be amended to modify or eliminate the rights of the advisory committee, the advisory committee will also remain in place and will continue to be comprised of members of CIM REIT. If the advisory committee refuses to consent to certain actions or arrangements of CIM Urban, it may adversely affect the ability of CIM Urban to manage or expand its business.

The CIM Urban Partnership Agreement requires the consent of a majority in interest of certain members of CIM REIT in order to amend the CIM Urban Partnership Agreement and the Investment Management Agreement. In certain situations, upon a two-thirds vote of certain members of CIM REIT, the general partner of CIM Urban may be removed and replaced. The refusal to permit amendment of the CIM Urban Partnership Agreement or the removal of the general partner by the members of CIM REIT may adversely impact PMC Commercial. Removal of the general partner by such members of CIM REIT prior to the consummation of the Merger may impair the ability of CIM REIT to consummate the Merger.

The CIM Urban Partnership Agreement specifies that CIM Urban is responsible for the operating expenses and obligations of CIM REIT, as well as certain out-of-pocket operating expenses of CIM Urban GP. CIM Urban also has indemnity obligations to CIM Urban GP, the Advisor, any member of the advisory committee and their respective affiliates under the terms of the CIM Urban Partnership Agreement. These obligations may result in material liabilities to CIM Urban.

### ***CIM Urban may be unable to renew leases or lease vacant office space.***

As of September 30, 2013, leases representing approximately 3.7% of the approximately 5.4 million rentable square feet of CIM Urban's office portfolio were scheduled to expire during the remainder of 2013, and approximately an additional 12.7% of the rentable square footage of CIM Urban's office portfolio was available for lease. These leases may not be renewed, or may be re-leased at rental rates equal to or below existing rental rates. Substantial rent abatements, tenant improvements, concessions, early termination rights or below-market renewal options may be offered to attract new tenants or retain existing tenants. Accordingly, portions of CIM Urban's office properties may remain vacant for extended periods of time. In addition, some existing leases currently provide tenants with options to renew the terms of their leases at rates that are less than the current market rate or to terminate their leases prior to the expiration date thereof. If CIM Urban is unable to obtain rental rates that are on average comparable to its asking rents across its office portfolio, then its ability to generate cash flow growth will be negatively impacted.

### ***Potential losses may not be covered by insurance.***

CIM Urban's business operations in California, New York, North Carolina, Texas and the District of Columbia are susceptible to, and could be significantly affected by, adverse weather conditions and natural disasters such as earthquakes, tsunamis, hurricanes, volcanoes, wind, blizzards, floods, landslides, drought and fires. These adverse weather conditions and natural disasters could cause significant damage to the properties in its portfolio, the risk of which is enhanced by the concentration of its properties, by aggregate net income and square feet, in California and the District of Columbia. CIM Urban's insurance may not be adequate to cover business interruption or losses resulting from adverse weather or natural disasters. CIM Urban does not maintain insurance on its properties for earthquakes, except for those properties for which the lender requires such insurance coverage. In addition, CIM Urban's insurance policies include customary deductibles and limitations on recovery. As a result, CIM Urban may be required to incur significant costs in the event of adverse weather conditions and natural disasters. CIM Urban may discontinue part or all of any insurance coverage on some or all of its properties in the future if the cost of premiums for any of these policies in its judgment exceeds the value of the coverage discounted for the risk of loss.

Furthermore, CIM Urban may not carry insurance for certain losses, including, but not limited to, losses caused by war or by certain environmental conditions, such as mold or asbestos. In addition, its title insurance

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policies may not insure for the current aggregate market value of its portfolio, and CIM Urban does not intend to increase its title insurance coverage if the market value of its portfolio increases. As a result, CIM Urban may not have sufficient coverage against all losses that CIM Urban may experience, including from adverse title claims. If CIM Urban experiences a loss that is uninsured or that exceeds policy limits, it could incur significant costs and lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties.

In addition, CIM Urban's properties may not be able to be rebuilt to their existing height or size at their existing location under current land-use laws and policies. In the event that CIM Urban experiences a substantial or comprehensive loss of one of its properties, it may not be able to rebuild such property to its existing specifications and otherwise may have to upgrade such property to meet current code requirements.

### ***Terrorism and other factors affecting demand for the properties of CIM Urban could harm its operating results.***

The strength and profitability of CIM Urban's business depends on demand for and the value of its properties. Future terrorist attacks in the United States, such as the attacks that occurred in New York and the District of Columbia on September 11, 2001 and in Boston on April 15, 2013, and other acts of terrorism or war may have a negative impact on its operations. Such terrorist attacks could have an adverse impact on its business even if they are not directed at its properties. In addition, the terrorist attacks of September 11, 2001 have substantially affected the availability and price of insurance coverage for certain types of damages or occurrences, and CIM Urban's insurance policies for terrorism include large deductibles and co-payments. Although CIM Urban maintains terrorism insurance coverage on its portfolio, the lack of sufficient insurance for these types of acts could expose CIM Urban to significant losses and could have a negative impact on its operations.

### ***CIM Urban faces competition.***

CIM Urban's office portfolio competes with a number of developers, owners and operators of office real estate, many of which own properties similar to CIM Urban in the same markets in which its properties are located. If CIM Urban's competitors offer space at rental rates below current market rates, or below the rental rates CIM Urban currently charges its tenants, CIM Urban may lose existing or potential tenants and it may be pressured to reduce its rental rates below those it currently charges or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when its tenants' leases expire. In that case, CIM Urban's financial condition, results of operations, cash flow and ability to satisfy its debt service obligations and to pay dividends may be adversely affected.

CIM Urban's hotel portfolio competes for guests primarily with other hotels in the immediate vicinity of CIM Urban's hotels and secondarily with other hotels in the geographic market of CIM Urban's hotels. An increase in the number of competitive hotels in a particular area could have a material adverse effect on the occupancy, average daily rate and revenue per available room of CIM Urban's hotels in that area.

There are numerous housing alternatives that compete with CIM Urban's apartment communities in attracting residents. These include other apartment communities and single-family homes that are available for rent in the markets in which the communities are located. If the demand for CIM Urban's apartment communities is reduced or if competitors develop and/or acquire competing apartment communities, rental rates may drop, which may have a material adverse effect on CIM Urban's financial condition and results of operations. CIM Urban also faces competition from other real estate investment funds, businesses and other entities in the acquisition, development and operation of apartment communities. This competition may result in an increase in costs and prices of apartment communities that CIM Urban acquires and/or develops.

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***Because CIM Urban owns real property, it is subject to extensive environmental regulation which creates uncertainty regarding future environmental expenditures and liabilities.***

Environmental laws regulate, and impose liability for, releases of hazardous or toxic substances into the environment. Under some of these laws, an owner or operator of real estate may be liable for costs related to soil or groundwater contamination on or migrating to or from its property. In addition, persons who arrange for the disposal or treatment of hazardous or toxic substances may be liable for the costs of cleaning up contamination at the disposal site.

These laws often impose liability regardless of whether the person knew of, or was responsible for, the presence of the hazardous or toxic substances that caused the contamination. Contamination resulting from any of these substances, or the failure to properly remediate them, may adversely affect CIM Urban's ability to sell or rent its property or to borrow using the property as collateral. In addition, persons exposed to hazardous or toxic substances may sue for personal injury damages. For example, some laws impose liability for release of or exposure to asbestos-containing materials. In other cases, some of the properties of CIM Urban may have been impacted by contamination from past operations or from off-site sources. As a result, CIM Urban may be potentially liable for investigation and cleanup costs, penalties and damages under environmental laws.

Although most of CIM Urban's properties have been subjected to preliminary environmental assessments, known as Phase I assessments, by independent environmental consultants that identify certain liabilities, Phase I assessments are limited in scope, and may not include or identify all potential environmental liabilities or risks associated with the property. Unless required by applicable law, CIM Urban may decide not to further investigate, remedy or ameliorate the liabilities disclosed in the Phase I assessments. Further, these or other environmental studies may not identify all potential environmental liabilities or accurately assess whether CIM Urban will incur material environmental liabilities in the future. If CIM Urban does incur material environmental liabilities in the future, it may face significant remediation costs, and it may find it difficult to sell any affected properties.

***Compliance with the Americans with Disabilities Act (ADA) and fire, safety and other regulations may require CIM Urban to make unanticipated expenditures that could significantly reduce the cash available for dividends.***

Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Although CIM Urban believes that its properties substantially comply with present requirements of the ADA, it has not conducted an audit or investigation of all of its properties to determine its compliance. If one or more of its properties or future properties is not in compliance with the ADA, then CIM Urban would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws also may require modifications to its properties or restrict its ability to renovate its properties. CIM Urban cannot predict the ultimate amount of the cost of compliance with the ADA or other legislation.

In addition, CIM Urban properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If CIM Urban were to fail to comply with these various requirements, it might incur governmental fines or private damage awards. If CIM Urban incurs substantial costs to comply with the ADA or any other regulatory requirements, its financial condition, results of operations, cash flow, ability to satisfy its debt service obligations and to pay dividends could be adversely affected. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict its use of its properties and may require it to obtain approval from local officials or community standards organizations at any time with respect to its properties, including prior to acquiring a property or when undertaking renovations of any of its existing properties.

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*CIM Urban may be unable to complete acquisitions that would grow its business and, even if consummated, CIM Urban may fail to successfully integrate and operate acquired properties.*

CIM Urban plans to acquire additional properties as opportunities arise. CIM Urban's ability to acquire properties on favorable terms and successfully integrate and operate them is subject to the following significant risks:

CIM Urban may be unable to acquire desired properties because of competition from other real estate investors with better access to less expensive capital, including other real estate operating companies, publicly-traded REITs and investment funds;

CIM Urban may acquire properties that are not accretive to its results upon acquisition, and CIM Urban may not successfully manage and lease those properties to meet its expectations;

competition from other potential acquirers may significantly increase purchase prices;

CIM Urban may be unable to generate sufficient cash from operations or obtain the necessary debt or equity financing to consummate an acquisition on favorable terms or at all;

CIM Urban may need to spend more than anticipated amounts to make necessary improvements or renovations to acquired properties;

CIM Urban may spend significant time and money on potential acquisitions that CIM Urban does not consummate;

CIM Urban may be unable to quickly and efficiently integrate new acquisitions into its existing operations;

CIM Urban may suffer higher than expected vacancy rates and/or lower than expected rental rates; and

CIM Urban may acquire properties without any recourse, or with only limited recourse, for liabilities against the former owners of the properties.

If CIM Urban cannot complete property acquisitions on favorable terms, or operate acquired properties to meet its goals or expectations, its financial condition, results of operations, cash flow, ability to satisfy its debt service obligations and to pay dividends could be adversely affected.

*CIM Urban may be unable to successfully expand its operations into new markets.*

Each of the risks applicable to CIM Urban's ability to acquire and successfully integrate and operate properties in the markets in which its properties are located are also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, CIM Urban may not possess the same level of familiarity with the dynamics and market conditions of certain new markets that it may enter, which could adversely affect its ability to expand into those markets. CIM Urban may be unable to build a significant market share or achieve a desired return on its investments in new markets. If CIM Urban is unsuccessful in expanding into new markets, it could adversely affect its financial condition, results of operations, cash flow, ability to satisfy its debt service obligations and to pay dividends.

*Following the Merger, CIM Urban may expand into new real estate-related activities and investors will not have any approval rights regarding expansion strategies or specific future investments.*

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Following the Merger, CIM Urban may expand its operations into new real estate-related activities, including, without limitation, (i) originating and/or investing in a variety of loan products, including, but not limited to, mezzanine loans, commercial real estate loans and other types of loans and/or (ii) real estate development activities to create substantially stabilized properties. As of the date of this proxy statement/prospectus such new real estate-related activities have not been determined and CIM Urban has not yet identified any future investments for its portfolio. Investors will not have any approval rights with respect to expansion strategies or future investments. Investors will therefore be relying on the Advisor with respect to future investments to be made by CIM Urban.

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***CIM Urban may make investments outside of the U.S., which would subject it to additional risks that may affect its operations favorably or unfavorably.***

CIM Urban may invest some of its capital outside of the U.S. CIM Urban's investments in foreign countries will be affected favorably or unfavorably by changes in exchange rates due to political and economic factors, including inflation. Because non-U.S. companies are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about non-U.S. companies and their assets. This may affect CIM Urban's ability to underwrite and evaluate proposed investments in foreign countries or to obtain appropriate financial reports relating to such investments. In addition, with respect to certain countries, there may be an increased potential for corrupt business practices, or the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments that could affect CIM Urban's investments in those countries. Moreover, individual economies will differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, changes in currency rates and exchange control regulations and capital reinvestment.

***If CIM Urban were deemed an investment company under the Investment Company Act, applicable restrictions could make it impractical for CIM Urban to continue its business as contemplated and could have an adverse effect on CIM Urban's business.***

CIM Urban is not an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act") and intends to conduct its operations so that it will not be deemed an investment company. However, if it were to be deemed an investment company, restrictions imposed by the Investment Company Act, including limitations on the nature of investments and ability to transact with affiliates, could make it impractical for CIM Urban to continue its business as contemplated. In addition, the Investment Company Act imposes certain requirements on companies deemed to be within its regulatory scope, including registration as an investment company, adoption of a specific form of corporate structure and compliance with certain burdensome reporting, record keeping, voting, proxy, disclosure and other rules and regulations. In the event of the characterization of CIM Urban as an investment company, the failure by CIM Urban to satisfy such regulatory requirements, whether on a timely basis or at all, would, under certain circumstances, also have a material adverse effect on CIM Urban.

### **Risks Related to PMC Commercial after the Merger**

***PMC Commercial expects to incur substantial expenses related to the Merger.***

PMC Commercial expects to incur substantial expenses in connection with completing the Merger and integrating the business, operations, networks, systems, technologies, policies and procedures of CIM Urban with those of PMC Commercial. There are several systems that must be integrated, including accounting and finance and asset management. While PMC Commercial has assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond its control that could affect the total amount or the timing of its integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time.

***If PMC Commercial fails to maintain an effective system of internal control over financial reporting after the Merger, it may not be able to accurately report its financial results or prevent fraud. As a result, shareholders could lose confidence in PMC Commercial's financial and other public reporting, which would harm its business and the trading price of the PMC Commercial Common Shares.***

CIM Urban is currently privately owned and has not been subject to complying with the rules and regulations that are applicable to publicly-traded companies including, without limitation, those of the SEC, national securities exchanges and the Public Company Accounting Oversight Board, federal and state securities laws and the Sarbanes-Oxley Act of 2002. Upon completion of the Merger, PMC Commercial will continue as a

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public company subject to Section 404 of the Sarbanes-Oxley Act relating to internal controls over financial reporting, subject to a possible one year deferral as discussed below. PMC Commercial will be required to expand and integrate CIM Urban into its internal controls and procedures.

Effective internal controls over financial reporting are necessary for PMC Commercial to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to integrate CIM Urban into its controls and procedures or to implement required new or improved controls, or difficulties encountered in their integration or implementation, could cause PMC Commercial to fail to meet its reporting obligations. In addition, any testing by PMC Commercial or its independent registered public accounting firm conducted in connection with Section 404 of the Sarbanes-Oxley Act may reveal deficiencies in PMC Commercial's internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to its consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in PMC Commercial's reported financial information, which could have a negative effect on the trading price of the PMC Commercial Common Shares.

PMC Commercial is required to disclose changes made in its internal control procedures on a quarterly basis and its management is required to assess the effectiveness of these controls annually. However, as permitted by the SEC, management's assessment of these controls in PMC Commercial's annual report on Form 10-K for the calendar year ended December 31, 2013 will not cover CIM Urban and its subsidiaries. In addition, PMC Commercial may be able to exclude an assessment of internal controls for the calendar year ended December 31, 2013 as well. Moreover, PMC Commercial's independent registered public accounting firm will not attest to the effectiveness of PMC Commercial's internal control over financial reporting with respect to CIM Urban and its subsidiaries in PMC Commercial's annual report on Form 10-K for the calendar year ended December 31, 2013. An independent assessment of the effectiveness of PMC Commercial's internal controls could detect problems that its management's assessment might not. Undetected material weaknesses in PMC Commercial's internal controls could lead to financial statement restatements and require it to incur the expense of remediation.

***If PMC Commercial is unable to integrate successfully the operations of CIM Urban, its business and earnings may be negatively affected.***

The Merger will involve the integration of companies, which currently operate as a publicly-traded REIT and a privately owned limited partnership that have previously operated independently from each other. Successful integration of the operations of CIM Urban will depend primarily on PMC Commercial's ability to consolidate business, operations, networks, systems, technologies, policies and procedures. The Merger will also pose other risks commonly associated with similar transactions, including unanticipated liabilities, unexpected costs and the diversion of management's attention to the integration of the operations of PMC Commercial and CIM Urban. PMC Commercial may not be able to integrate CIM Urban's operations without encountering difficulties, including, but not limited to, the loss of key employees, the disruption of its respective ongoing businesses or possible inconsistencies in standards, controls, procedures and policies. If PMC Commercial has difficulties with any of these integrations, this may hurt its business and financial results.

***The historical and unaudited pro forma combined condensed financial information included elsewhere in this proxy statement/prospectus may not be representative of PMC Commercial's results following the Merger, and accordingly, this proxy statement/prospectus presents limited financial information on which to evaluate PMC Commercial on a post-Merger basis.***

The unaudited pro forma combined condensed financial information included elsewhere in this proxy statement/prospectus has been presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the Merger been completed as of the date indicated, nor is it indicative of the future operating results or financial position of PMC Commercial. The unaudited pro forma combined condensed financial information does not reflect future events that may occur



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after the effective time of the Merger, including the costs related to any future nonrecurring charges resulting from the Merger, and does not consider potential impacts of current market conditions on revenues or expense efficiencies. The unaudited pro forma combined condensed financial information presented elsewhere in this proxy statement/prospectus is based in part on certain assumptions regarding the Merger that PMC Commercial and CIM Urban believe are reasonable under the circumstances. PMC Commercial and CIM Urban cannot assure you that the assumptions will prove to be accurate over time.

***The future consolidated results of PMC Commercial and its subsidiaries, including CIM Urban, after the Merger may suffer if PMC Commercial does not effectively manage its expanded operations following the Merger.***

Following the Merger, PMC Commercial may continue to expand its operations through additional acquisitions and other strategic transactions, some of which may involve complex challenges. The future success of PMC Commercial and its subsidiaries after the Merger will depend, in part, upon its ability to manage its expansion opportunities, integrate new operations and business lines in an efficient and timely manner, successfully monitor its operations, costs, regulatory compliance and service quality, and maintain other necessary internal controls. PMC Commercial's expansion or acquisition opportunities may not be successful, and the combined company may not realize its expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

***PMC Commercial may be unable to secure funds for its future long-term liquidity needs, which could adversely impact PMC Commercial's business and results of operations.***

Following consummation of the Merger, PMC Commercial's long-term liquidity needs will consist primarily of funds necessary to pay for development or repositioning of properties, non-recurring capital expenditures, loan originations and refinancing of indebtedness. PMC Commercial may not have sufficient funds on hand or may not be able to obtain additional financing to cover all of these long-term cash requirements, although it should be noted that PMC Commercial does not currently have any significant property development or repositioning projects planned. The nature of PMC Commercial's business, and the requirements imposed by REIT rules that it distribute a substantial majority of its REIT taxable income on an annual basis in the form of dividends, may cause PMC Commercial to have substantial liquidity needs over the long-term. PMC Commercial will seek to satisfy its long-term liquidity needs through cash flows from operations, long-term secured indebtedness and property dispositions. These sources of funding may not be available on attractive terms or at all. If PMC Commercial cannot obtain additional funding for its long-term liquidity needs, its investments may generate lower cash flows or decline in value, or both, which may cause PMC Commercial to reduce its dividend or sell assets at a time when it would not otherwise do so.

***PMC Commercial cannot assure you that it will be able to pay dividends.***

PMC Commercial plans to pay a quarterly dividend of \$0.04375 per PMC Commercial Common Share following the Merger, which is less than the quarterly dividend that PMC Commercial is currently paying. The payment of such dividends to PMC Commercial shareholders may be impacted by various factors, including the following:

PMC Commercial may not have enough capital resources to pay such dividends due to changes in PMC Commercial's cash requirements, capital spending plans, cash flow or financial position;

holders of PMC Commercial Preferred Shares are entitled to receive dividends prior to holders of PMC Commercial Common Shares and there may be insufficient cash to pay dividends on PMC Commercial Common Shares after the payment of dividends to holders of PMC Commercial Preferred Shares;

decisions on whether, when and in which amounts to make any future dividends will remain at all times entirely at the discretion of the Board of Trust Managers, which reserves the right to change PMC Commercial's dividend practices at any time and for any reason;

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to the extent that PMC Commercial obtains credit ratings, PMC Commercial may desire to retain cash to maintain or improve its credit ratings; and

the amount of dividends that PMC Commercial's subsidiaries may distribute to PMC Commercial is subject to restrictions imposed by the SBA and may be subject to restrictions imposed by state law, restrictions that may be imposed by state regulators, and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur.

PMC Commercial's shareholders have no contractual or other legal right to dividends that have not been declared. Only if the Merger is approved and consummated will a holder of PMC Commercial Common Shares be entitled to receive the Special Dividend.

***PMC Commercial depends on the experience and expertise of its executive management team, and the loss of the services of its key personnel could have a material adverse effect on PMC Commercial's business strategy, financial condition and results of operations.***

PMC Commercial is dependent on the efforts, diligence, skill, network of business contacts and close supervision of all aspects of its business by its executive management team. The loss of these members of executive management or key personnel could harm PMC Commercial's business strategy, financial condition and results of operations. Following the Merger, PMC Commercial will also be dependent on the efforts, diligence, skill, network of business contacts and close supervision of certain aspects of its business by the senior management team of the Advisor.

***Following the Merger, the Manager will have the right to manage the business of PMC Commercial and its subsidiaries pursuant to the Master Services Agreement and other investment management agreements. Notwithstanding the fact that these agreements provide broad discretion and authority and the payment of fees to the Manager, the agreements may be assigned by the Manager in certain circumstances without PMC Commercial's consent and may not be terminated by PMC Commercial, except in the case of the Master Services Agreement, in limited circumstances for cause, either or both of which may have a material adverse effect on PMC Commercial.***

Effective upon the completion of the Merger, the Manager and PMC Commercial will enter into the Master Services Agreement pursuant to which the Manager will have the right to provide or designate third parties to provide various management and administrative services to PMC Commercial and its direct and indirect subsidiaries. PMC Commercial will be obligated to pay the Manager a quarterly base service fee of \$250,000 for the provision of base services and market rate transaction fees for transactional and other services that the Manager elects to provide to PMC Commercial. Pursuant to the terms of the Master Services Agreement, the Manager will have the right to provide any transactional services to PMC Commercial that PMC Commercial would otherwise engage a third party to provide.

Pursuant to the terms of the Master Services Agreement, the Manager may also recommend new business opportunities to PMC Commercial for its approval and will make a recommendation as to whether each such new business should be internally managed or externally managed and if externally managed, the external manager and the terms of the management agreement. If the proposed external manager is to be the Manager, PMC Commercial's independent Trust Managers must approve the decision to make such new business externally managed and the terms of the applicable management agreement. If such new business is to be internally managed, the Manager will oversee the hiring of personnel and the implementation of internal management as a transactional service.

The Master Services Agreement continues in full force and effect until December 31, 2018, and thereafter will renew automatically each year. PMC Commercial may generally only terminate the Master Services Agreement for the Manager's material breach of the Master Services Agreement, fraud, gross negligence or willful misconduct or if in certain limited circumstances, a change of control of the Manager occurs that PMC

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Commercial's independent Trust Managers determine to be materially detrimental to PMC Commercial and its subsidiaries as a whole. PMC Commercial does not have the right to terminate the Master Services Agreement solely for the poor performance of PMC Commercial's operations or any investment made by PMC Commercial on the recommendation of the Manager. In addition, any removal of Urban GP Manager as manager of CIM Urban GP pursuant to the Master Services Agreement will not affect the rights of the Manager under the Master Services Agreement. Accordingly, the Manager will continue to provide the Base Services and receive the Base Service Fee, and the Manager or the applicable service provider will continue to provide the Transactional Services and receive the Transaction Fees, under the Master Services Agreement.

Further, the Master Services Agreement may be assigned by the Manager without the consent of PMC Commercial in the case of an assignment by the Manager to an affiliate or an entity that is a successor through merger or acquisition of the business of the Manager. In certain circumstances, including the merger or other acquisition of the business of the Manager, the amount of fees being paid pursuant to the agreements or the poor performance by the Manager, PMC Commercial may desire to terminate one or more of the management agreements. As a result of the limited termination rights under these agreements, it may not have the right to terminate such agreement(s), which could have a material adverse effect on PMC Commercial. See THE REGISTRATION RIGHTS AND LOCKUP AGREEMENT; MASTER SERVICES AGREEMENT Master Services Agreement beginning on page 108.

***REITs are subject to a range of complex organizational and operational requirements.***

In order to continue to qualify as a REIT, PMC Commercial must distribute with respect to each taxable year at least 90% of its REIT taxable income (excluding capital gains) to its shareholders. A REIT must also meet certain requirements with respect to the nature of its income and assets, and the ownership of its shares. For any taxable year that PMC Commercial fails to qualify as a REIT, it will not be allowed a deduction for dividends paid to its shareholders in computing taxable income and thus would become subject to U.S. federal income tax as if it were a regular taxable corporation. In such an event, PMC Commercial could be subject to potentially significant tax liabilities. Unless entitled to relief under certain statutory provisions, PMC Commercial would also be disqualified from treatment as a REIT for the four taxable years following the year in which it lost its qualification. If PMC Commercial failed to qualify as a REIT, the market price of PMC Commercial Common Shares may decline, and PMC Commercial may need to reduce substantially the amount of distributions to its shareholders because of its increased tax liability.

The rules regulating REITs impose restrictions on the types of investments a REIT can make and the types of activities in which it can engage directly. PMC Commercial's activities will be limited by these restrictions. PMC Commercial might, however, also make certain investments or engage in certain activities that a REIT could not engage in directly (e.g., the sale of condominiums) through one or more taxable REIT subsidiaries ( TRSs ). Any income earned through a TRS would be subject to federal income tax at regular corporate rates.

***Future sales of the PMC Commercial Common Shares may cause its market price to drop significantly, even if PMC Commercial's business is doing well.***

Urban II will be entitled to registration rights, subject to certain limitations, with respect to the PMC Commercial securities it receives in the Merger pursuant to the Registration Rights and Lockup Agreement to be entered into in connection with the consummation of the Merger. Urban II will be entitled to require PMC Commercial, on up to eight occasions, to register under the Securities Act the PMC Commercial Common Shares it receives in the Merger and the PMC Commercial Common Shares issuable upon conversion of the PMC Commercial Preferred Shares it receives in the Merger.

In accordance with lockup provisions included in the Registration Rights and Lockup Agreement, Urban II will not be permitted to engage in public sales of the PMC Commercial Common Shares it receives in the Merger (and the PMC Commercial Common Shares issuable upon conversion of the PMC Commercial Preferred Shares

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it receives in the Merger) until after the 12-month anniversary of the consummation of the Merger without restriction, provided that these restrictions do not apply with respect to 40 million PMC Commercial Common Shares six months following the Merger with the prior approval of a majority of the independent Trust Managers. There shall be no lockup restrictions applied to private sales or transfer of such shares.

Following the expiration of the lockup restrictions, there may be significant pent-up demand by CIM REIT to sell its PMC Commercial Common Shares. A large volume of sales of PMC Commercial Common Shares could decrease the prevailing market price of the PMC Commercial Common Shares and could impair PMC Commercial's ability to raise additional capital through the sale of equity securities in the future. Even if a substantial number of sales of PMC Commercial Common Shares do not occur, the mere perception of the possibility of these sales could depress the market price of PMC Commercial Common Shares and have a negative effect on PMC Commercial's ability to raise capital in the future.

***Certain of PMC Commercial's Trust Managers and executive officers after the Merger may face conflicts of interest related to positions they hold with the Advisor, CIM Group and their affiliates, which could result in decisions that are not in the best interest of PMC Commercial's shareholders.***

Following the completion of the Merger, PMC Commercial anticipates that some of its Trust Managers and executive officers will be individuals who are also part owners, officers and directors of CIM Group, the Advisor, the Manager and their affiliates. As a result, they may owe fiduciary duties to these various other entities and their equity owners, which fiduciary duties may from time to time conflict with the fiduciary duties they owe to PMC Commercial and its shareholders. Further, these multiple responsibilities may create conflicts of interest for these individuals if they are presented with opportunities that may benefit PMC Commercial and their other affiliates. The individuals may be incentivized to allocate investment opportunities to other entities rather than to PMC Commercial. Their loyalties to other affiliated entities could result in actions or inactions that are detrimental to PMC Commercial's business, strategy and investment opportunities. See CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS Interests of Trust Managers in Fees Paid to CIM Group.

***If PMC Commercial and CIM Urban seek to internalize the management functions provided pursuant to the Master Services Agreement and the Investment Management Agreement, there is no assurance that PMC Commercial could reach agreements with the Manager and the Advisor and PMC Commercial could incur substantial costs and lose certain key personnel.***

At some point in the future, the Board of Trust Managers may determine that it is in the best interest of PMC Commercial and CIM Urban to become self-managed by internalizing the functions performed by the Manager and the Advisor and to terminate the Master Services Agreement and the Investment Management Agreement. However, neither PMC Commercial nor CIM Urban has the unilateral right to terminate the Master Services Agreement or the Investment Management Agreement, and neither the Manager nor the Advisor would be obligated to enter into an internalization transaction with PMC Commercial or CIM Urban. There is no assurance that a mutually acceptable agreement with these entities as to the terms of the internalization could be reached. In addition, the costs that PMC Commercial and CIM Urban would incur in any such internalization transaction are uncertain and could be substantial.

Further, if PMC Commercial and CIM Urban were to internalize these management functions, certain key employees may not become employees of PMC Commercial but may instead remain employees of the Manager and the Advisor or their respective affiliates, especially if the management functions are internalized but the Manager and the Advisor are not acquired by PMC Commercial. An inability to manage an internalization transaction could effectively result in PMC Commercial's incurring excess costs and suffering deficiencies in its disclosure controls and procedures or its internal control over financial reporting. These deficiencies could cause it to incur additional costs, and management's attention could be diverted from most effectively managing its investments, which could result in it incurring unanticipated costs in connection with any internalization transaction.

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***PMC Commercial may incur adverse tax consequences if PMC Commercial or any REIT subsidiary of CIM Urban has failed or fails to qualify as a REIT for U.S. federal income tax purposes.***

CIM Urban holds investments through REIT subsidiaries. Each of PMC Commercial and each REIT subsidiary of CIM Urban has operated in a manner that it believes has allowed it to qualify as a REIT for federal income tax purposes under the Code, and PMC Commercial and each such REIT subsidiary of CIM Urban intends to continue operating in such a manner. Neither of PMC Commercial nor any such REIT subsidiary of CIM Urban has requested or plans to request a ruling from the IRS that it qualifies as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT that holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within the control of PMC Commercial or any such REIT subsidiary of CIM Urban may affect its ability to qualify as a REIT. In order to qualify as a REIT, each of PMC Commercial and each such REIT subsidiary of CIM Urban must satisfy a number of requirements, including requirements regarding the ownership of its shares, requirements regarding the composition of its assets and a requirement that at least 95% of its gross income in any year must be derived from qualifying sources, such as rents from real property. Also, a REIT must make distributions to shareholders aggregating annually at least 90% of its net taxable income, excluding any net capital gains. If any REIT subsidiary of CIM Urban has failed or fails to qualify as a REIT for any reason, and the Merger is completed, PMC Commercial would succeed to or incur significant tax liabilities and its ownership of CIM Urban could result in PMC Commercial failing to qualify as a REIT.

If PMC Commercial loses its REIT status, it will face serious tax consequences that would substantially reduce its cash available for distribution, including cash available to pay dividends to its shareholders, for each of the years involved because:

it would not be allowed a deduction for dividends paid to shareholders in computing its taxable income and would be subject to federal income tax at regular corporate rates;

it also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

unless it is entitled to relief under applicable statutory provisions, it could not elect to be taxed as a REIT for four taxable years following the year during which it was disqualified.

In addition, if PMC Commercial fails to qualify as a REIT, it will not be required to make distributions to shareholders, and accordingly, distributions from CIM Urban could be similarly reduced. As a result of all these factors, PMC Commercial's failure to qualify as a REIT could impair its ability to expand its business and raise capital, and would materially adversely affect the value of its shares.

While (i) DLA Piper LLP (US) and Locke Lord LLP will provide opinions at the closing of the Merger to the effect that each REIT subsidiary of CIM Urban and PMC Commercial, respectively, has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and (ii) DLA Piper LLP (US) will provide an opinion at the closing of the Merger to the effect that, after giving effect to the Merger, PMC Commercial's proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code in the future, opinions of counsel are not binding upon the IRS or any court and there can be no assurances that each REIT subsidiary of CIM Urban or PMC Commercial has in fact met the requirements for taxation as a REIT. See THE MERGER AGREEMENT Conditions to Complete the Merger and MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES Taxation of PMC Commercial.

***After the Merger, the power of the Board of Trust Managers to revoke PMC Commercial's REIT election without shareholder approval may cause adverse consequences to its shareholders.***

If the Reincorporation occurs, PMC Commercial's organizational documents will permit its Board of Trust Managers to revoke or otherwise terminate its REIT election, without the approval of its shareholders, if the

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Board of Trust Managers determines that it is not in PMC Commercial's best interest to qualify as a REIT. In such a case, PMC Commercial would become subject to U.S. federal, state and local income tax on its net taxable income and PMC Commercial would no longer be required to distribute most of its net taxable income to its shareholders, which may have adverse consequences on the total return to its shareholders.

*In management's opinion, PMC Commercial and CIM Urban face the foregoing material risks.*

The risks set forth above reflect, in management's opinion, all material risks related to the Merger, to CIM Urban's business and properties, and to PMC Commercial after the Merger. The identification of such risks is not, however, exhaustive, and you should be aware that following the Merger, PMC Commercial and CIM Urban will face various other risks that in management's opinion are not material, including those discussed in the reports filed by PMC Commercial with the SEC. See **WHERE YOU CAN FIND MORE INFORMATION** beginning on page 210.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus and the annexes to this proxy statement/prospectus contain forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Further, statements that include words such as *may*, *will*, *project*, *might*, *expect*, *believe*, *anticipate*, *intend*, *could*, *would*, *estimate*, *continue* or *pursue*, or the negative or other words with similar meaning, may identify forward-looking statements, and statements regarding the benefits of the Merger or PMC Commercial's or CIM Urban's future financial condition, results of operations and business are also forward-looking statements. Without limiting the generality of the preceding sentence, certain information contained in the sections **THE MERGER** Background of the Merger, **The Merger** Reasons for the Merger and **THE MERGER** Recommendation of the PMC Commercial Board of Trust Managers constitute forward-looking statements.

PMC Commercial and CIM REIT base these forward-looking statements on particular assumptions that they have made in light of their industry experience, as well as their perception of historical trends, current conditions, expected future developments and other factors that they believe are appropriate under the circumstances. The forward-looking statements are necessarily estimates reflecting the judgment of PMC Commercial's and CIM REIT's management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. In addition to other factors and matters contained in this proxy statement/prospectus, including those disclosed under **RISK FACTORS** beginning on page 40, these forward-looking statements are subject to risks, uncertainties and other factors, including, among others:

the ability of PMC Commercial to implement the combined company's operating strategy and to achieve success after completion of the Merger;

the inability to complete the Merger due to the failure to obtain approval of the Share Issuance Proposal by PMC Commercial's shareholders or other conditions to completion of the Merger described in the Merger Agreement;

the failure of the Merger to be completed for any other reason or any significant delay in the expected completion of the Merger contemplated by the Merger Agreement;

the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement and the fact that a termination under certain circumstances could require PMC Commercial to pay CIM REIT a termination fee and expense reimbursement, as described under **THE MERGER AGREEMENT** Termination Fees and Expenses beginning on page 103;

the possibility that the Merger involves unexpected costs that may be in addition to or exceed PMC Commercial's and CIM REIT's estimates of Merger-related costs and expenses;

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the outcome of any litigation and judicial actions that may be instituted against PMC Commercial, CIM REIT and others relating to the Merger;

the risk that the announcement of the Merger disrupts PMC Commercial's or CIM REIT's ongoing business operations;

adverse changes in the real estate and real estate capital markets;

changes in laws, including increased tax rates, changes in regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulations and governmental bodies;

the outcome of current and future litigation, regulatory proceedings or inquiries;

changes in general political, economic and competitive conditions and specific market conditions;

and other risks detailed in PMC Commercial's filings with the SEC, including PMC Commercial's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, a copy of which is incorporated by reference into this proxy statement/prospectus. See also **WHERE YOU CAN FIND MORE INFORMATION** on page 210 of this proxy statement/prospectus.

As you read and consider the information in this proxy statement/prospectus, you are cautioned to not place undue reliance on these forward-looking statements. These statements are not guarantees of performance or results and speak only as of the date of this proxy statement/prospectus, in the case of forward-looking statements contained in this proxy statement/prospectus, or the dates of the documents attached as annexes to this proxy statement/prospectus, in the case of forward-looking statements made in those documents. These forward-looking statements involve risks, uncertainties and assumptions. In light of these risks and uncertainties, there can be no assurance that the results and events contemplated by the forward-looking statements contained in this proxy statement/prospectus or the annexes to this proxy statement/prospectus will in fact transpire. New factors emerge from time to time, and it is not possible for PMC Commercial or CIM REIT to predict all of them. Nor can PMC Commercial or CIM REIT assess the impact of each such factor or the extent to which any factor, or combination of factors may cause results to differ materially from those contained in any forward-looking statement.

Neither PMC Commercial nor CIM REIT undertake any obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the data of this proxy statement/prospectus or to reflect the occurrence of unanticipated events, except as required by law.

**All subsequent written or oral forward-looking statements concerning the Merger or the other transactions contemplated by the Merger Agreement or other matters addressed in this proxy statement/prospectus and attributable to PMC Commercial, on the one hand, and/or CIM REIT, on the other hand, or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section of this proxy statement/prospectus.**

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**THE PARTIES TO THE MERGER**

**PMC Commercial Trust**

17950 Preston Road, Suite 600

Dallas, Texas 75252

(972) 349-3200

PMC Commercial is a REIT organized in 1993 that primarily originates loans to small businesses collateralized by first liens on the real estate of the related business, predominantly in the hospitality industry (94% at September 30, 2013). Its operations are located in Dallas, Texas and include originating, servicing and selling the government guaranteed portions of certain loans. PMC Commercial originates loans, either directly or through its wholly-owned lending subsidiaries, as follows: First Western SBLC, Inc., PMC Investment Corporation and Western Financial Capital Corporation. First Western is licensed as a small business lending company that originates loans through the Small Business Administration's 7(a) Guaranteed Loan Program. PMCIIC and Western Financial are licensed small business investment companies.

**Southfork Merger Sub, LLC**

c/o PMC Commercial Trust

17950 Preston Road, Suite 600

Dallas, Texas 75252

(972) 349-3200

Southfork Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of PMC Commercial, or PMC Merger Sub, was formed solely for the purpose of completing the Merger and has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Merger Agreement.

**CIM Urban REIT, LLC c/o CIM Group**

6922 Hollywood Blvd., Ninth Floor

Los Angeles, California 90028

Attn: General Counsel

(323) 860-4900

CIM REIT, through its wholly-owned subsidiary, CIM Urban, invests primarily in substantially stabilized real estate and real estate-related assets in high density, high barrier to entry urban markets throughout North America, which CIM Group has targeted for opportunistic investment and which are likely, in CIM Group's opinion, to experience above-average rent growth relative to national averages and/or their neighboring CBDs.

**CIM Merger Sub, LLC c/o CIM Group**

6922 Hollywood Blvd., Ninth Floor

Los Angeles, California 90028

Attn: General Counsel



(323) 860-4900

CIM Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of CIM REIT, was formed solely for the purpose of completing the Merger and has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Merger Agreement.

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**THE SPECIAL MEETING**

This proxy statement/prospectus is being furnished in connection with the solicitation of proxies from PMC Commercial shareholders for use at the PMC Commercial special meeting. This proxy statement/prospectus and accompanying form of proxy are first being mailed to PMC Commercial shareholders on or about [ ], 2013.

**Date, Time and Place**

The special meeting of the PMC Commercial shareholders will be held at [ ], on [ ], 2014 at 9:00 a.m., Central Daylight Time.

**Purpose**

At the special meeting, PMC Commercial shareholders will be asked to approve the Share Issuance Proposal, to approve, by a non-binding advisory vote, the Merger-Related Compensation Proposal, and to approve any adjournment of the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal.

**Record Date; Voting Rights**

You are entitled to vote at the special meeting if you owned PMC Commercial Common Shares at the close of business on [ ], 2013, the record date for the special meeting, unless a new record date is fixed for any adjournment or postponement of the special meeting. As of the record date, there were [ ] PMC Commercial Common Shares issued and outstanding. The holder as of the record date of each PMC Commercial Common Share is entitled to one vote per share.

**Quorum**

The presence (in person or by proxy) of shareholders entitled to cast a majority of the votes of the PMC Commercial Common Shares at the special meeting shall constitute a quorum at the special meeting.

**Required Vote**

The approval of the Share Issuance Proposal requires the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting.

The approval of the Merger-Related Compensation Proposal, which is a non-binding advisory vote, requires the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting.

The approval of the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal will require the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting. Less than a quorum may adjourn the special meeting.

The Share Issuance Proposal is not conditioned on the approval of the Merger-Related Compensation Proposal or the adjournment proposal, as approval of the Share Issuance Proposal is the only PMC Commercial shareholder approval required for consummation of the Merger.

**Voting; Proxies**

Votes may be cast either in person or by a properly executed proxy. Abstentions will have the same effect as votes against the approval of the Share Issuance Proposal, the Merger-Related Compensation Proposal and the

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proposal to adjourn the special meeting. Inasmuch as no routine matters will be voted upon at the special meeting, no broker non-votes will be cast at the special meeting, and therefore broker non-votes will have no effect on the vote count for the Share Issuance Proposal, the Merger-Related Compensation Proposal or the proposal to adjourn the special meeting.

You may submit your proxy either by telephone, through the Internet or by mailing the enclosed proxy card, or you may vote in person at the special meeting. To submit your proxy by telephone, dial 1-800-[ ] using a touch tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. To submit your proxy through the Internet, visit [www.\[ \]](http://www.[ ]). You will be asked to provide the company number and control number from the enclosed proxy card. Proxies submitted by telephone or through the Internet must be received by [ ], [ ].m., Central Daylight Time, on [ ], 2013.

To submit your proxy by mail, complete, date and sign each proxy card you receive and return it as promptly as practicable in the enclosed prepaid envelope. If you sign and return your proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the proposal to approve the Share Issuance Proposal, FOR the proposal to approve the Merger-Related Compensation Proposal and FOR the adjournment proposal.

If you hold your shares in street name, your bank, broker or other custodian will only be permitted to vote your shares if you instruct your bank, broker or other custodian how to vote. You should follow the procedures provided by your bank, broker or other custodian regarding the voting of your shares. If you do not instruct your bank, broker or other custodian how to vote your shares, your shares will not be voted and will have no effect on the vote count for the Share Issuance Proposal, the Merger-Related Compensation Proposal or the proposal to adjourn the special meeting.

## **Revocation**

Any proxy given by a registered shareholder pursuant to this solicitation may be revoked at any time before the vote is taken at the special meeting in any of the following ways:

submitting a later proxy by telephone or through the Internet prior to [ ], [ ].m., Central Daylight time, on [ ], 2013,

filing with the Corporate Secretary of PMC Commercial, before the taking of the vote at the special meeting, a written notice of revocation bearing a later date than the proxy card,

duly executing a later dated proxy card relating to the same shares and delivering it to the Corporate Secretary of PMC Commercial before the taking of the vote at the special meeting, or

voting in person at the special meeting, although attendance at the special meeting will not by itself constitute a revocation of a proxy.

If you hold your shares in street name through a bank, broker or other nominee, you will need to follow the instructions for revocation provided to you by your bank, broker or other nominee.

## **Solicitation of Proxies; Costs**

PMC Commercial is soliciting proxies on behalf of the Board of Trust Managers. PMC Commercial will bear the costs of soliciting proxies. In addition to the solicitation of proxies by use of the mails, proxies may be solicited from shareholders by Trust Managers, officers and employees of PMC Commercial in person or by telephone, by facsimile, on the Internet or other appropriate means of communications. No additional compensation, except for reimbursement of reasonable out-of-pocket expenses, will be paid to Trust Managers, officers and employees of PMC Commercial in connection with this solicitation. PMC Commercial has retained AST Phoenix Advisors to solicit, and for advice and assistance in connection with the solicitation of, proxies for the special meeting at a cost of \$80,000, including out-of-pocket expenses, which cost may vary depending upon the specific services provided.



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**THE MERGER**

*This section and the sections entitled THE MERGER AGREEMENT, THE TERMS OF THE PMC COMMERCIAL PREFERRED SHARES, and THE REGISTRATION RIGHTS AND LOCKUP AGREEMENT; MASTER SERVICES AGREEMENT in this proxy statement/prospectus describe the material aspects of the Merger and related agreements. While PMC Commercial believes that this description covers the material terms of the Merger and related agreements, it may not contain all of the information that is important to you. You should read carefully this entire proxy statement/prospectus, including the Annexes attached to this proxy statement/prospectus and the other documents to which PMC Commercial has referred to or incorporated by reference herein. For a more detailed description of where you can find those other documents, please see the section entitled WHERE YOU CAN FIND MORE INFORMATION beginning on page 210 of this proxy statement/prospectus.*

**Background of the Merger**

From time to time, PMC Commercial's Board of Trust Managers, in consultation with its executive management, considered and reviewed alternative strategies for achieving PMC Commercial's business objectives and enhancing shareholder value, including, among others, potential strategic initiatives, strategic business combinations, business line expansion, joint ventures, property acquisitions and the acquisition of a private business.

In May 2011, PMC Commercial's former Chief Executive Officer and Chairman of the Board of Trust Managers and certain of his family members, including another Trust Manager of PMC Commercial (collectively, the Family Shareholders), received an unsolicited, non-binding indication of interest from a privately-owned manager of hedge and private equity funds, which together with its affiliates is referred to as Party A, to acquire approximately 1.3 million PMC Commercial Common Shares from the Family Shareholders for a purchase price of \$10.50 per share in cash. On June 2, 2011, PMC Commercial received a written presentation to the Board of Trust Managers from Party A together with a request to make an oral presentation to the Board of Trust Managers at the June 10, 2011 Board of Trust Managers meeting. The presentation at that meeting contemplated the purchase by Party A of 1.3 million PMC Commercial Common Shares from the Family Shareholders, the contribution by Party A to PMC Commercial of REIT-eligible assets valued by Party A at \$120 million in exchange for additional PMC Commercial Common Shares, the resignation of the two Trust Managers who were Family Shareholders and increasing the size of the Board of Trust Managers to seven members, and adding three representatives of Party A and one new independent member designated by Party A to the Board of Trust Managers.

Following discussions with PMC Commercial's legal counsel, Locke Lord LLP, in response to the receipt of Party A's request, as well as certain other inquiries that PMC Commercial had received during 2011 expressing a preliminary interest in potential strategic transactions, on June 23, 2011, PMC Commercial's audit committee engaged separate legal counsel to represent the independent Trust Managers.

On July 13, 2011, Nathan G. Cohen, PMC Commercial's lead independent Trust Manager, received a non-binding term sheet from Party A, which contemplated the purchase of PMC Commercial Common Shares from the Family Shareholders and (i) approval by the Board of Trust Managers of Party A as an Excepted Person (as defined in PMC Commercial's Declaration of Trust) so that PMC Commercial's 9.8% limitation on share ownership would not apply and Party A would be permitted to purchase up to 15% of the outstanding PMC Commercial Common Shares, (ii) the resignation of the two Trust Managers who were Family Shareholders, the increase in the size of the Board of Trust Managers from five to seven members, and the designation by Party A of four representatives of Party A to the Board of Trust Managers and the appointment of a representative of Party A as PMC Commercial's Chief Executive Officer, and (iii) the waiver of any provisions under the employment contracts of Jan F. Salit and Barry N. Berlin concerning severance and other change of control benefits triggered in connection with the transaction. Party A subsequently changed its proposal to designate two

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Trust Managers instead of four Trust Managers, thus eliminating the requirement that the size of the Board of Trust Managers be increased.

On August 18, 2011, the Board of Trust Managers formed a special committee of all of PMC Commercial's independent Trust Managers (the Special Committee) to consider and analyze Party A's proposal, as well as to engage, if deemed necessary by the Special Committee, a financial advisor and to consider and advise the full Board of Trust Managers as to whether the Special Committee believed PMC Commercial should pursue any strategic alternative that the financial advisor presented. On September 28, 2011, the Special Committee engaged a financial advisor, referred to as Advisor A. At the direction of the Special Committee, Advisor A contacted some potential strategic industry and financial partners, including certain parties that had previously expressed an interest directly to PMC Commercial or were referred to PMC Commercial, and solicited indications of interest in a strategic relationship or other transaction with PMC Commercial.

In connection with the multi-round process conducted by the Special Committee, referred to as the 2011 Process, Advisor A contacted 20 potential bidders, including four parties that had previously had discussions with PMC Commercial and/or made reverse inquiries, of which 12 parties executed confidentiality and standstill agreements. Seven preliminary bids were received based on public information (including a verbal indication from Party A). Six parties conducted due diligence and received access to non-public information regarding PMC Commercial through access to an online data room, discussions with executive management, and on-site visits to PMC Commercial's office in Dallas, Texas. Five updated non-binding bids were received (including a revised non-binding bid from Party A), of which one bid constituted a change of control transaction and the remaining four bids constituted minority stake investments for primary or secondary PMC Commercial Common Shares.

The Special Committee and its advisors evaluated the indications of interest received and concluded that it was in the best interest of PMC Commercial to negotiate with one interested strategic party, referred to as Party B, to the exclusion of Party A and all other parties. The Special Committee and its advisors entered into extensive discussions and due diligence with Party B. The Special Committee ultimately determined that it was in the best interest of PMC Commercial's shareholders to terminate the discussions with Party B. The Special Committee and the Board of Trust Managers further determined in connection with the strategic alternatives evaluation process that at that time it was in the best interest of PMC Commercial's shareholders to continue to operate PMC Commercial as an independent entity and focus aggressively on developing an expanded business plan to improve operating performance and long-term growth potential. On October 26, 2012, PMC Commercial announced that upon the recommendation of the Special Committee, the Board of Trust Managers had suspended the formal strategic alternatives process and that the Special Committee had concluded the engagement of Advisor A and was preparing to dissolve.

On October 26, 2012, PMC Commercial further announced that it had effected a change in its Chief Executive Officer and had promoted Jan F. Salit to Chief Executive Officer. Mr. Salit was also appointed to the Board of Trust Managers and elected as the Chairman of the Board of Trust Managers.

In connection with those events, PMC Commercial also announced that it intended to embark on the pursuit of strategic growth initiatives to build shareholder value, including evaluating complementary lines of business and other non-lending real estate-related investments that PMC Commercial believed would be accretive to value and provide a stronger growth platform. PMC Commercial stated that it would be committed to executing its core business plan while considering and implementing strategies to maximize shareholder value.

On January 18, 2013, PMC Commercial and Sandler O'Neill + Partners, L.P., referred to as Sandler O'Neill or Advisor B, executed an engagement letter providing for general financial advisory services to PMC Commercial in an effort to assist it with expansion of business lines, internal growth initiatives, increased focus on loan origination, and the identification of any potential strategic combinations for PMC Commercial.

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Following the execution of this engagement letter with Sandler O'Neill, in early 2013 PMC Commercial continued to evaluate complementary lines of business and other non-lending real estate-related investments that executive management believed would provide a stronger growth platform. In pursuit of these initiatives, Messrs. Salit and Berlin had informal preliminary discussions with various market participants introduced to them by Sandler O'Neill. However, these discussions were of a more general nature and were not designed to, nor did they result in, the receipt of a written offer or indication of interest with respect to a change of control transaction.

During the week of January 28, 2013, Mr. Salit received an unsolicited call from an individual affiliated with Orchard First Source Asset Management, LLC, stating that Richard Ressler, the founder and President of Orchard Capital Corp., was interested in speaking to him about a potential transaction between PMC Commercial and CIM REIT, a large, private externally managed REIT.

On February 14, 2013, Messrs. Salit and Ressler met over lunch in Addison, Texas. Mr. Ressler proposed a merger between PMC Commercial and a subsidiary of CIM REIT, with PMC Commercial being the surviving entity. At this meeting, Mr. Ressler proposed consideration to each of PMC Commercial's existing shareholders of a \$5.00 per share special dividend and the continued ownership of the PMC Commercial Common Shares that such shareholder owned before the Merger. This was a preliminary meeting to determine whether PMC Commercial had any interest in discussing a potential strategic transaction with CIM REIT. No negotiations took place at this meeting.

On February 19, 2013, Messrs. Salit and Berlin held a telephone conference with the Board of Trust Managers to advise the Board of Trust Managers of the meeting between Messrs. Salit and Ressler, discuss the opportunity proposed by Mr. Ressler, and determine whether the members of the Board of Trust Managers were interested in having PMC Commercial executive management continue the discussions with CIM REIT and pursue the proposed opportunity. The members of the Board of Trust Managers indicated that they were interested in having PMC Commercial executive management continue discussions with CIM REIT and authorized executive management to proceed accordingly.

On February 28, 2013, PMC Commercial received via email from CIM REIT (i) a draft of a non-binding term sheet, referred to as the Term Sheet, outlining CIM REIT's proposed offer providing for a \$5.00 per share special dividend to PMC Commercial's existing shareholders and the issuance of PMC Commercial shares such that CIM REIT and CIM Urban GP would beneficially own 97.8% of the issued and outstanding PMC Commercial Common Shares immediately after the Merger and shareholders of PMC Commercial prior to the Merger, on an aggregate basis, would own 2.2% of the issued and outstanding PMC Commercial Common Shares immediately after the Merger, (ii) a presentation providing an overview of CIM REIT, and (iii) a presentation providing a summary of each asset in CIM Urban's portfolio. PMC Commercial also received CIM Urban's audited financial statements for the year ending December 31, 2011, which included its financial statements for 2010 and 2009.

On March 4, 2013, a telephone conference was held among representatives of Sandler O'Neill, CIM REIT and Messrs. Salit and Berlin to discuss generally the proposed terms set forth in the draft Term Sheet, including CIM REIT's requirement that the existing investment management agreement between the Advisor and CIM Urban would remain in place and CIM Urban would be externally managed on a post-closing basis, and to obtain additional information about CIM REIT and CIM Urban.

On March 6, 2013, a special telephonic meeting of the Board of Trust Managers was held for the purpose of updating and discussing with the Board of Trust Managers the proposed terms of the draft Term Sheet and the related information about CIM REIT and CIM Urban, as well as continuing discussions that had taken place between and among Messrs. Salit and Berlin and CIM REIT and Sandler O'Neill. The Board of Trust Managers was advised that the existing investment management agreement between the Advisor and CIM Urban would remain in place and CIM Urban would be externally managed on a post-closing basis. The Board of Trust

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Managers was advised that this point was non-negotiable. After discussion, the Board of Trust Managers authorized executive management to proceed with discussions with CIM REIT, authorized the execution of a confidentiality and non-disclosure agreement with CIM REIT, and authorized the negotiation of the draft Term Sheet. The Board of Trust Managers further authorized using Sandler O Neill to assist in the evaluation and negotiation of the Term Sheet. Executive management was to obtain further authorization from the Board of Trust Managers prior to finalizing and executing the Term Sheet.

On March 8, 2013, PMC Commercial and CIM REIT entered into a confidentiality and non-disclosure agreement.

On March 14, 2013, at PMC Commercial's regularly scheduled Board of Trust Managers meeting, representatives of Sandler O Neill were present and made a presentation to the Board of Trust Managers, including an overview of the then current REIT market, an overview of CIM REIT and CIM Urban and an overview of the terms then under discussion in the Term Sheet. Following such presentation and discussion, members of the Board of Trust Managers authorized PMC Commercial's executive management to continue to negotiate the Term Sheet with CIM REIT.

On March 21, 2013, CIM REIT provided access to Sandler O Neill to CIM REIT's online data room. PMC Commercial and Locke Lord were also subsequently provided access to this online data room.

On March 30, 2013, PMC Commercial and Sandler O Neill executed a new engagement letter providing for specific advisory services to be provided by Sandler O Neill in connection with the proposed transaction with CIM REIT.

On April 5, 2013, Sandler O Neill provided CIM REIT comments to the Term Sheet on behalf of PMC Commercial, proposing to increase the \$5.00 per share special dividend payable to PMC Commercial's existing shareholders to \$5.50 per share and to change certain other terms favorable to PMC Commercial, including reducing the number of PMC Commercial shares that would be issued in connection with the Merger such that the shareholders of PMC Commercial prior to the Merger, on an aggregate basis, would own 2.9% of the issued and outstanding PMC Commercial Common Shares immediately after the Merger rather than the 2.2% ownership that had been proposed by CIM REIT.

During the week of April 8, 2013, representatives of PMC Commercial, Locke Lord, Sandler O Neill, CIM REIT and CIM REIT's legal counsel, DLA Piper LLP (US), negotiated the Term Sheet.

Messrs. Salit and Berlin and representatives of Sandler O Neill met with representatives of CIM REIT in Los Angeles, California on April 10 and 11, 2013 and visited certain properties owned by CIM Urban and other CIM Group funds. At various times, representatives of Sandler O Neill visited properties owned by CIM Urban located in Dallas, Texas, Washington, D.C., Oakland, San Francisco and Sacramento, California and New York, New York.

On April 12, 2013, a telephonic conference was held with the Board of Trust Managers for the purpose of updating the Board of Trust Managers about executive management's trip to Los Angeles, the meetings with representatives of CIM REIT and Sandler O Neill, and the status of the negotiations of the Term Sheet. The Board of Trust Managers was advised about the negotiations related to price and in particular, of CIM REIT's agreement to increase the amount of the special cash dividend to be paid to PMC Commercial's existing shareholders from \$5.00 to \$5.50 per share. However, the number of PMC Commercial Common Shares to be issued in connection with the Merger would remain the same such that the shareholders of PMC Commercial prior to the Merger, on an aggregate basis, would own 2.2% of the PMC Commercial Common Shares immediately after the Merger. Representatives of Sandler O Neill discussed certain aspects of the proposed transaction and the anticipated strategy of the combined company on a post-closing basis, as well as anticipated value and dividend yield. Representatives of Locke Lord and Sandler O Neill discussed execution risks related to the transaction and the magnitude of expenses that could be incurred. They further discussed other proposed changes relating to the Term Sheet, including the addition of a go-shop provision, CIM REIT's request for



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exclusivity, and the proposed addition of a lockup period and registration rights to be granted to holders of the PMC Commercial Common Shares and PMC Commercial Preferred Shares that would be issued in connection with the proposed Merger. After further discussion, the Board of Trust Managers approved the changes in the proposed transaction terms and authorized executive management to execute the Term Sheet in form and substance as modified consistent with the proposed changes, subject to any further substantive changes being approved by the Board of Trust Managers.

Later that day and into the evening of April 12, 2013, representatives of PMC Commercial, Locke Lord, Sandler O'Neill, CIM REIT and DLA Piper LLP (US) continued to negotiate and finalize the terms of the Term Sheet. That evening, PMC Commercial and CIM REIT executed the Term Sheet.

On April 16, 2013, a special telephonic meeting of the Board of Trust Managers was held for the purpose of updating the Board of Trust Managers on the status of the proposed transaction with CIM REIT, including the fact that the Term Sheet had been executed with no further substantive changes and that PMC Commercial would begin its formal due diligence process.

During the period of April 17 through April 29, 2013, the CIM REIT due diligence team conducted on-site due diligence at PMC Commercial's offices.

On April 29, 2013, PMC Commercial received the initial draft of the Merger Agreement from DLA Piper LLP (US). During the period from April 29 through July 7, 2013, the parties and their respective representatives negotiated the terms of the Merger Agreement and various ancillary agreements. In addition, representatives acting on behalf of PMC Commercial conducted legal and financial due diligence.

On May 7, 2013, the Board of Trust Managers held a special telephonic meeting for the purpose of updating the Board of Trust Managers on the status of the proposed transaction and authorizing the execution of a modification to the Term Sheet to provide for an agreement by CIM REIT to reimburse PMC Commercial for certain legal and due diligence expenses that would be incurred in connection with the proposed transaction in advance of the execution of any definitive agreement.

On June 3, 2013, a special telephonic meeting of the Board of Trust Managers was held for the purpose of updating the Board of Trust Managers on the status of and proposed changes to the terms of the transaction. Members of executive management and representatives of Sandler O'Neill gave the Board of Trust Managers a detailed update on the status of the negotiations regarding, and the contemplated timing of, the proposed transaction. Locke Lord provided the Board of Trust Managers with a detailed summary of the materials prepared and distributed by Locke Lord to the Board of Trust Managers prior to the meeting regarding the fiduciary duties of the Board of Trust Managers in connection with a sale of control transaction, and specifically with respect to the proposed transaction. Locke Lord and Sandler O'Neill provided the Board of Trust Managers with an overview of, among other things, the proposed terms of the go-shop process, including the reduced termination fee relating thereto, and the lockup period and the registration rights. After discussion, the Board of Trust Managers approved the proposed terms of the go-shop, lockup and registration rights. The Board of Trust Managers was further updated regarding the status and timing of the ongoing due diligence on CIM REIT and CIM Urban that was being performed by representatives acting on behalf of PMC Commercial.

On June 4, 2013, the parties executed a modified Term Sheet providing for the reimbursement of certain legal and due diligence expenses to PMC Commercial and the other modified terms approved by the Board of Trust Managers.

On June 14, 2013, PMC Commercial held a regular meeting of the Board of Trust Managers. Representatives of Locke Lord and Sandler O'Neill participated in the meeting and together with Messrs. Salit and Berlin, provided the Board of Trust Managers with information obtained through the due diligence process about CIM REIT, CIM Urban and the CIM Urban property portfolio and provided an update on the status of the proposed transaction and changes in the terms of the proposed transaction since the last meeting of the Board of Trust Managers.

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On July 2, 2013, PMC Commercial completed its due diligence work. Also on that date, Locke Lord distributed packages to each of the members of the Board of Trust Managers that included copies of the near-final versions of the Merger Agreement and other transaction documents, a detailed summary of the Merger Agreement and other transaction documents prepared by Locke Lord, Sandler O'Neill's financial analysis and various other materials.

On July 5, 2013, the Board of Trust Managers held a special meeting to definitively evaluate the proposed transaction. At the meeting, PMC Commercial's executive management first summarized the recent material changes to the terms of the transaction. Then, representatives of Locke Lord made a presentation to the Board of Trust Managers regarding (i) the principal terms and conditions of the Merger Agreement, including the go-shop period, the no-shop terms and termination expenses, and (ii) the ancillary documents, including the Statement of Designation, Registration Rights and Lockup Agreement and Master Services Agreement. Also at the meeting, representatives of Sandler O'Neill reviewed with the Board of Trust Managers Sandler O'Neill's financial analysis and then delivered Sandler O'Neill's oral opinion, which opinion was subsequently confirmed in writing, to the effect that, based on and subject to the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken, the Merger Consideration is fair, from a financial point of view, to PMC Commercial and its shareholders. Following these presentations and discussions, and other discussions and deliberations by the Board of Trust Managers concerning, among other things, the matters described below under "Reasons of PMC Commercial's Board of Trust Managers for the Merger", the Board of Trust Managers unanimously (i) determined that the Merger Agreement and the Merger, including the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares as provided in the Merger Agreement, are advisable, fair to and in the best interests of PMC Commercial and its shareholders, (ii) approved the Merger Agreement and the annexes attached thereto, as well as the Merger and the issuance of the PMC Commercial Common Shares and the PMC Commercial Preferred Shares, as provided in the Merger Agreement, (iii) recommended that PMC Commercial's shareholders approve the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares as provided in the Merger Agreement (including the issuance of PMC Commercial Common Shares issuable upon the conversion of such PMC Commercial Preferred Shares) and directed that the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares as provided in the Merger Agreement be submitted to PMC Commercial's shareholders for their approval and (iv) authorized PMC Commercial's executive management, in concert with Sandler O'Neill and Locke Lord, to manage, direct, supervise and advise upon the PMC Commercial go-shop process, as permitted under the terms of the Merger Agreement.

The Merger Agreement and related documents were finalized on Sunday, July 7, 2013, and were executed and delivered by PMC Commercial, CIM REIT and their respective merger subsidiaries as of July 8, 2013. On Monday morning, July 8, 2013, prior to the opening of trading of PMC Commercial Common Shares on the NYSE MKT, the parties issued a press release announcing the execution of the Merger Agreement and the commencement of the go-shop process during which proposals from third parties would be actively solicited.

Pursuant to the go-shop provisions of the Merger Agreement, at the direction of the Board of Trust Managers, representatives of Sandler O'Neill immediately began contacting prospective strategic and financial bidders that were believed to be potentially interested in, and capable of, consummating an acquisition of all or part of PMC Commercial. During the go-shop period, 36 parties were contacted. The 36 parties contacted included public REITs, specialty lenders, hedge funds/private equity firms, some private companies that have expressed an interest in becoming public and a few third party intermediaries.

The parties contacted included six parties, including Party A and Party B, that had submitted nonbinding proposals or indications of interest in the 2011 Process. Eighteen parties expressly declined and one party entered into a confidentiality agreement with PMC Commercial, but later indicated, prior to submitting an initial indication of interest, that it would not be making a proposal to acquire PMC Commercial. The Go-Shop Period ended at 11:59 p.m. (Eastern time) on August 6, 2013.

On October 24, 2013, PMC Commercial held a special meeting of the Board of Trust Managers for the purpose of updating the Board of Trust Managers regarding the status of the proposed transaction. At that

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meeting, the Board of Trust Managers considered the changes to the transaction related to CIM REIT's formation of Urban II and the other changes then-reflected in the proposed form of Consent and Waiver. Members of executive management and representatives of Locke Lord were also at the meeting. Following discussion, the Board of Trust Managers approved the changes to the proposed transaction related to Urban II and otherwise set forth in the then-proposed form of Consent and Waiver.

On November 20, 2013, PMC Commercial held a special meeting of the Board of Trust Managers for the purpose of updating the Board of Trust Managers regarding the status of the proposed transaction and consideration of further changes to the terms of the Consent and Waiver, including the extension of the Termination Date. Members of PMC Commercial's executive management and representatives of Sandler O'Neill and Locke Lord were also present at the meeting. Following discussion, the Board of Trust Managers approved the terms and the execution of the Consent and Waiver.

### **Reasons of CIM REIT for the Merger**

CIM REIT's director, CIM Urban Partners GP, LLC, approved the Merger Agreement and the Merger. CIM REIT is proposing the Merger:

to provide CIM Urban with a flexible capital structure with which to efficiently pursue its business strategy of owning and growing its portfolio of substantially stabilized assets in submarkets in which CIM Group's opportunistic funds have targeted investment;

to allow potential investors who were previously unable to invest in CIM REIT, due to an inability to meet the minimum capital commitment requirements, to own interests in CIM Urban assets;

to allow potential investors who were previously unable to invest in CIM REIT, due to a restriction a potential investor may have faced regarding making investments in non-public vehicles, to own interests in CIM Urban assets;

to allow existing investors in CIM REIT who wish to continue owning interests in CIM Urban assets to do so through a publicly-traded, perpetual life, liquid entity; and

as an economically efficient path to liquidity, over time, for existing investors in CIM REIT through a public vehicle.

### **Reasons of PMC Commercial's Board of Trust Managers for the Merger**

The Board of Trust Managers has unanimously determined that the Merger Agreement and the Merger, including the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares as provided in the Merger Agreement, are advisable, fair to and in the best interests of PMC Commercial and its shareholders. The decision of the Board of Trust Managers to approve into the Merger Agreement and the annexes attached thereto was the result of careful consideration by the Board of Trust Managers of numerous factors, including the following material factors:

PMC Commercial is not a diversified company as it is dependent on its SBA 7(a) mortgage loan product that is made to borrowers primarily in the limited service hospitality industry. Following the Merger, PMC Commercial's business will be diversified by product type, industry, tenant and asset class.

PMC Commercial is a microcap company with a limited ability to grow due to its limited ability to obtain leverage. Prior to 2005, PMC Commercial's primary source of long-term funds was structured loan sale transactions and the issuance of trust preferred securities. The limited market for structured loan sales of commercial loans has not been available to PMC Commercial and there is no current market for the issuance of trust preferred securities. The unavailability of these markets combined with the limited of access to other sources of capital has constrained PMC Commercial's ability to grow. It



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is expected that the Merger will provide PMC Commercial with the ability to obtain capital on more attractive terms than are currently available and the opportunity to participate in the enhanced future growth potential of the combined company, including any potential growth as a result of its increased size.

The Merger provides PMC Commercial with the ability to increase significantly its size in the short term rather than building over time in an effort to achieve a critical asset mass.

Although property REITs usually pay shareholders a lower yield than mortgage REITs, PMC Commercial believes over time property REITs experience higher price appreciation on average than do mortgage REITs.

PMC Commercial's Common Shares have historically traded at a discount to the book value per PMC Commercial Common Share. The Board of Trust Managers believes that the Merger (including payment of the Special Dividend) will be accretive to the value of PMC Commercial's Common Shares and provide a premium to the then-current market price of PMC Commercial Common Shares.

The Board of Trust Managers believes that the Merger is more favorable to PMC Commercial shareholders than remaining independent, liquidating, or the other strategic alternatives available to PMC Commercial, which belief was formed based on a number of factors, including its evaluation of potential strategic alternatives available to PMC Commercial and consideration of the bids submitted during the third party solicitation process with respect to a possible business combination transaction in 2011 and 2012, as well as discussions with various market participants in early 2013 and the Go-Shop Period in 2013 (see the section titled "Background of the Merger" beginning on page 68).

The Board of Trust Managers believes that PMC Commercial's shareholders will likely benefit, over time, from the enhanced liquidity that should result from a much greater number of PMC Commercial Common Shares being held by a broader shareholder base.

PMC Commercial is a small public company that must bear the substantial fixed costs associated with being a public company, and the Merger will result in a substantially larger combined company with a larger base of business over which these costs can be spread, thus reducing these costs as a percentage of revenue.

The Board of Trust Managers believes that CIM Group's understanding of the business, operational and financial aspects of operating a real estate business will accrue to the benefit of PMC Commercial and its shareholders.

The Merger will provide PMC Commercial with the opportunity to invest in a portfolio of high quality performing real property assets that is managed by an experienced senior management team.

The Board of Trust Managers expects that PMC Commercial's lending operations and management team will continue and it will have enhanced opportunities for liquidity, growth and an expanded business model and platform.

The Merger Agreement provisions permit PMC Commercial to enter into or participate in discussions or negotiations with a third party that makes an unsolicited written acquisition proposal to engage in a business combination or similar transaction, if the Board of Trust Managers determines in good faith, after consultation with outside legal counsel, that the failure to do so would reasonably be expected to be inconsistent with its fiduciary duties and that the third party proposal, after consultation with outside legal counsel and its financial advisor, constitutes a superior proposal or could reasonably be expected to result in a superior proposal (see the section titled "THE MERGER AGREEMENT - Acquisition Proposals - Unsolicited Offers" beginning on page 99).

The opinion of Sandler O'Neill, dated July 8, 2013, to the Board of Trust Managers, as to the fairness, from a financial point of view, of the Merger Consideration to PMC Commercial and PMC Commercial's shareholders, which opinion was based on and subject to the procedures followed,

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assumptions made, matters considered and qualifications and limitations on the review undertaken as more fully described below in the section Opinion of PMC Commercial's Financial Advisor beginning on page 77.

The Board of Trust Managers also considered a variety of risks and other potentially negative factors concerning the Merger Agreement and the Merger. These factors included:

PMC Commercial shareholders will experience significant immediate dilution in percentage ownership and effective voting power;

the market value for PMC Commercial Common Shares following the Merger may be adversely impacted by the overhang of shares held by Urban II and by the subsequent public sale or distribution of such shares;

the fact that almost all of the business operations and assets of PMC Commercial after the Merger will be externally managed by the Manager, the Advisor and their affiliates, which will subject PMC Commercial to certain expenses and conflicts of interest;

the Board of Trust Managers will initially include a majority of Trust Managers affiliated with the Advisor, and CIM REIT will after the Merger have effective control over the outcome of all actions requiring PMC Commercial shareholder approval;

after the Merger, Urban II will control the vote required for conversion of the PMC Commercial Preferred Shares, which if not timely converted could materially adversely affect the PMC Commercial Common Shares;

the termination fee of \$4.0 million and the expense reimbursement of up to \$700,000 (exclusive of expenses incurred by PMC Commercial prior to the execution of the Merger Agreement and reimbursed by CIM REIT or its affiliates) to be paid to CIM REIT if the Merger Agreement is terminated under certain circumstances specified in the Merger Agreement may discourage other parties that may otherwise have an interest in a business combination with, or an acquisition of, PMC Commercial (see the section entitled The Merger Agreement Termination Fee and Expenses beginning on page 103);

the terms of the Merger Agreement placing limitations on the ability of PMC Commercial to solicit, initiate, encourage or knowingly facilitate any inquiry or offer relating to an acquisition proposal, and to furnish non-public information to, or engage in discussions or negotiations with, a third party relating to an acquisition proposal (see the section entitled The Merger Agreement Acquisition Proposals No-Shop Period beginning on page 99);

the possibility that the Merger may not be completed, or that completion may be unduly delayed, including because PMC Commercial shareholders may not approve the Merger (see the section entitled The Merger Agreement Conditions to Complete the Merger beginning on page 100);

the risk that failure to complete the Merger could negatively affect liquidity alternatives available to PMC Commercial, the market value of PMC Commercial Common Shares, and PMC Commercial's operating results, particularly in light of the costs incurred in connection with the Merger;

certain of PMC Commercial's Trust Managers and executive officers after the Merger may face conflicts of interest related to positions they hold with the Advisor, CIM Group and their affiliates, which could result in decisions that are not in the best interests of PMC Commercial's shareholders;

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the incremental costs associated with bringing CIM Urban into compliance with the rules and regulations applicable to publicly-traded companies;

the substantial costs to be incurred in connection with the Merger and the expenses arising from the Merger;

the restrictions on the conduct of PMC Commercial's business between the date of the Merger Agreement and the date of the closing of the Merger;



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the potential risk of diverting management focus and resources from operational matters and other strategic opportunities while working to implement the Merger;

the possible disruption to PMC Commercial's and CIM REIT's business that may result from the announcement of the Merger; and

other matters described under the section **RISK FACTORS**.

The Board of Trust Managers also considered the interests that certain Trust Managers and executive officers of PMC Commercial may have with respect to the Merger in addition to their interests as shareholders of PMC Commercial generally (see the section entitled **Interests of PMC Commercial's Trust Managers and Executive Officers in the Merger** beginning on page 83 of this proxy statement/prospectus). Although the foregoing discussion sets forth the material factors considered by the Board of Trust Managers in reaching its recommendation that PMC shareholders approve the Share Issuance Proposal, it may not include all of the factors considered by the Board of Trust Managers, and each Trust Manager may have considered different factors or given different weights to different factors. In view of the variety of factors and the amount of information considered, the Board of Trust Managers did not find it practicable to, and did not, make specific assessments of, quantify or otherwise assign relative weights to the specific factors considered in reaching its recommendation. The Board of Trust Managers realized that there can be no assurance about future results, including results expected or considered in the factors above. However, the Board of Trust Managers concluded that the potential positive factors described above significantly outweighed the neutral and negative factors described above. The recommendation was made after consideration of all of the factors as a whole.

This explanation of the reasoning of the Board of Trust Managers and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled **Cautionary Statement Concerning Forward-Looking Statements**.

### **Recommendation of PMC Commercial's Board of Trust Managers**

After careful consideration, for the reasons set forth above, the Board of Trust Managers has unanimously (i) determined that the Merger Agreement and the Merger, including the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares as provided in the Merger Agreement, are advisable, fair to and in the best interests of PMC Commercial and its shareholders, and (ii) approved the Merger Agreement and the annexes attached thereto, as well as the Merger and the issuance of the PMC Commercial Common Shares and the PMC Commercial Preferred Shares, as provided in the Merger Agreement. **The Board of Trust Managers unanimously recommends that you vote FOR the approval of the Share Issuance Proposal and FOR adjournment of the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Share Issuance Proposal.**

### **Opinion of PMC Commercial's Financial Advisor**

By letter dated March 30, 2013, Sandler O'Neill was engaged by the Board of Trust Managers to provide certain financial advisory services, including rendering an opinion to the Board of Trust Managers in connection with the Board of Trust Managers' evaluation of a proposed business combination transaction, such as the Merger. At the Board of Trust Managers' July 5, 2013 meeting, Sandler O'Neill delivered to the Board of Trust Managers its oral opinion, which was subsequently confirmed in writing, that the Merger Consideration was fair to PMC Commercial and the holders of PMC Commercial Common Shares from a financial point of view. The full text of Sandler O'Neill's written opinion is attached as Annex E to this proxy statement/prospectus. Sandler O'Neill's opinion is directed only to the fairness, from a financial point of view, of the Merger Consideration to PMC Commercial and the holders of PMC Commercial Common Shares, and does not address the underlying business decision of PMC Commercial to engage in the Merger, the relative merits of the Merger as compared to any other alternative business strategies that might exist for PMC Commercial or the effect of any other transaction in which PMC Commercial might engage.

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Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions and REITs. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of REITs and their securities in connection with mergers and acquisitions and other corporate transactions. Sandler O'Neill was selected by the Board of Trust Managers based on Sandler O'Neill's qualifications, expertise and reputation.

Sandler O'Neill acted as financial advisor to the Board of Trust Managers in connection with the proposed Merger and participated in certain of the negotiations leading to the execution of the Merger Agreement. The Merger Consideration was determined through negotiations between PMC Commercial and CIM REIT, and was approved by the Board of Trust Managers. Sandler O'Neill's opinion was one of the many factors taken into consideration by the Board of Trust Managers in making its determination to approve the Merger Agreement and the Merger. The opinion rendered by Sandler O'Neill outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in presenting its opinion to the Board of Trust Managers. The description of Sandler O'Neill's opinion set forth below is qualified in its entirety by reference to the opinion. All shareholders of PMC Commercial are urged to read the entire opinion carefully. Sandler O'Neill's opinion only speaks as of the date of such opinion. In connection with rendering its opinion, Sandler O'Neill reviewed and considered, among other things:

internal financial projections for PMC Commercial for the years ending December 31, 2013 through December 31, 2015 as provided by senior management of PMC Commercial;

internal financial projections for CIM Urban for the years ending December 31, 2013 through December 31, 2014, as provided by senior management of CIM Group;

other financial information, such as major lease agreements, investment memoranda, capital expenditure budgets and straight-line lease analyses for CIM Urban, as provided by senior management of CIM Group;

the pro forma financial impact of the Merger on PMC Commercial, as a combined entity, based on assumptions relating to transaction expenses, projected increases in leverage, and other synergies as determined by the senior management of PMC Commercial and CIM Group;

a comparison of certain financial and other information for PMC Commercial and CIM Urban with similar publicly available information for certain other REITs, the securities of which are publicly-traded;

the terms and structures of other recent mergers and acquisition transactions in the REIT sector;

the current market environment generally and in the REIT sector in particular;

the current and historical market prices and trading activity for PMC Commercial Common Shares; and

such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

In addition, Sandler O'Neill discussed with certain members of senior management of PMC Commercial the business, financial condition, results of operations and prospects of PMC Commercial and held similar discussions with senior management of CIM Group regarding the business, financial condition, results of operations and prospects of CIM Urban.

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Sandler O'Neill has relied upon the accuracy and completeness of all of the financial and other information that was available to it from public sources, that was provided to it by PMC Commercial and CIM Group, or that was otherwise reviewed by it, and has assumed such accuracy and completeness for purposes of preparing its fairness opinion. The respective managements of PMC Commercial and CIM Group confirmed to Sandler O'Neill that such managements were not aware of any facts at the time of delivery of such information that would make any of such information inaccurate or misleading in any material respect. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities

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(contingent or otherwise) of PMC Commercial and CIM REIT or any of their respective subsidiaries. Sandler O Neill did not make an independent evaluation of the value of the assets to be contributed by CIM REIT to the combined entity.

With respect to the internal projections for PMC Commercial and CIM REIT, the respective senior managements of PMC Commercial and CIM Group confirmed to Sandler O Neill that they reflected the best then currently available estimates and judgments of the future financial performance of PMC Commercial and CIM REIT, respectively. With respect to the transaction expenses, projected increases in leverage, and other synergies determined by the senior managements of PMC Commercial and CIM Group, such managements confirmed that they reflected the best then currently available estimates of those managements. Sandler O Neill expresses no opinion as to the earnings estimates, growth rates and other estimates or the assumptions on which they are based, as contained in such internal projections. Sandler O Neill has assumed that there has been no material change in the respective assets, financial condition, results of operations, business or prospects of PMC Commercial and CIM Urban since the date of the most recent financial data made available to Sandler O Neill. Sandler O Neill has also assumed in all respects material to its analysis that all of the representations and warranties contained in the Merger Agreement and all related agreements are true and correct in all material respects, that each party to the agreements will perform in all material respects all of the covenants required to be performed by such party under the agreements and that the conditions precedent in the agreements are not waived. Sandler O Neill was not asked to and it does not express any opinion as to any of the legal, accounting and tax matters relating to the Merger and any other transactions contemplated in connection therewith.

In rendering its opinion, Sandler O Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O Neill, but is not a complete description of all the analyses underlying Sandler O Neill's opinion. In order to fully understand the financial analyses, this information must be read together with the accompanying text. The tables presented below alone do not constitute a complete description of the financial analyses. The preparation of Sandler O Neill's opinion was a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances of PMC Commercial and the Merger. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O Neill believes that its analysis must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O Neill's comparative analysis described below is identical to PMC Commercial or CIM REIT and no transaction is identical. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the values of PMC Commercial and the companies to which it is being compared.

Sandler O Neill assumed in all respects material to its analysis that the combined entity of PMC Commercial and CIM Urban (the Merged Company) would remain as a going concern for all periods relevant to its analysis, and that the Merged Company will qualify as a REIT in 2013 and 2014.

In performing its analyses, Sandler O Neill made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of PMC Commercial, CIM REIT and Sandler O Neill. The analysis performed by Sandler O Neill is not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O Neill prepared its analyses solely for the purposes of rendering its opinion and its analyses was intended only for the purpose of presentation to the Board of Trust Managers in connection with the proposed Merger.

Sandler O Neill's opinion does not address the underlying business decision of PMC Commercial to undertake the Merger and it is not and shall not be construed as an endorsement or recommendation of any aspect of the Merger to the holders of PMC Commercial Common Shares. Sandler O Neill's opinion is not to be reproduced, nor quoted or referred to, in whole or in part, in any document without Sandler O Neill's prior

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written consent, such consent not to be unreasonably withheld. Sandler O'Neill has consented to the inclusion of its opinion in this proxy statement/prospectus. Sandler O'Neill does not express any opinion as to the fairness of the amount or nature of the compensation to be received in the Merger by PMC Commercial's officers, directors, or employees, or class of such persons, relative to the compensation to be received in the Merger by any other shareholders of PMC Commercial, if any.

***Valuation Analysis******Stand Alone Comparable Company Analysis***

Sandler O'Neill reviewed and compared publicly available information for PMC Commercial's publicly-traded peers. For each of the selected companies, Sandler O'Neill calculated and compared certain financial information and various financial market multiples and ratios based on publicly available information obtained from filings made by the companies, Wall Street Equity Research, SNL Financial and Bloomberg. Although none of the following companies are identical or directly comparable to PMC Commercial, Sandler O'Neill chose the following selected companies for its analysis, in the exercise of its professional judgment and based on its knowledge of the industry, because each selected company had publicly-traded equity securities and was determined to be relevant for its analysis. Sandler O'Neill reviewed financial information of publicly available financial and stock market information of the following six publicly-traded REITs in the mortgage REIT sector:

Apollo Commercial Real Estate

Arbor Realty Trust, Inc.

BRT Realty Trust

Colony Financial, Inc.

RAIT Financial Trust

Resource Capital Corp.

***Stand Alone PMC Commercial Share Price and Trading Analysis***

Sandler O'Neill reviewed the history of the publicly reported trading prices of PMC Commercial Common Shares for the one-year, three-year and five-year periods ended June 26, 2013. Sandler O'Neill then compared the relationship between the movements in the price of PMC Commercial Common Shares from the beginning to the end of each such period against the movements in the prices of an index of the comparable company peer group, the SNL Finance REIT Index, and the Russell 2000 Index from the beginning to the end of each such period.

**PMC Commercial One-Year Stock Performance**

	<b>Beginning Index Value June 26, 2012</b>	<b>Ending Index Value June 26, 2013</b>
PMC	100.0%	109.0%

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Peer Group Index	100.0%	112.2%
SNL Financial REIT Index	100.0%	86.7%
Russell 2000	100.0%	126.0%

**PMC Commercial Three-Year Stock Performance**

	<b>Beginning Index Value June 25, 2010</b>	<b>Ending Index Value June 26, 2013</b>
PMC	100.0%	100.6%
Peer Group Index	100.0%	104.3%
SNL Financial REIT Index	100.0%	87.4%
Russell 2000	100.0%	149.4%

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	<b>Beginning Index Value June 26, 2008</b>	<b>Ending Index Value June 26, 2013</b>
PMC	100.0%	103.0%
Peer Group Index	100.0%	48.8%
SNL Financial REIT Index	100.0%	67.2%
Russell 2000	100.0%	138.0%

*Stand Alone Selected Precedent Transaction Analysis*

Sandler O'Neill reviewed financial data of the following six selected transactions that involved the specialty finance and mortgage REIT sector:

<b>Completion Date</b>	<b>Acquirer</b>	<b>Target</b>
June 13, 2013	Encore Capital Group, Inc.	Asset Acceptance Capital Corp.
May 23, 2013	Annaly Capital Management, Inc.	CreXus Investment Corp.
May 17, 2013	Varde Partners, Inc.	FirstCity Financial Corporation
April 2, 2013	BFC Financial Corporation	Bluegreen Corporation
February 14, 2013	Parthenon Capital Partners	White River Capital, Inc.
November 1, 2012	Aquiline Capital Partners LLC	First Investors Financial Services Group

Sandler O'Neill reviewed, among other things, equity values of the selected transactions, based on the purchase prices paid for the target company's equity, as multiples of, to the extent publicly available, trailing twelve months earnings and book value per share. Based on these analyses, the range observed for price to trailing earnings was 3.7x to 12.8x, and price to book value multiple of 0.98x to 1.52x. Financial data of the selected transactions were based on publicly available information.

Sandler O'Neill applied the range for the above price to trailing earnings analysis, which indicated an implied equity value range of \$18.7 million (\$1.76 per share) to \$64.3 million (\$6.06 per share) for PMC Commercial. In addition, Sandler O'Neill applied the range for the above price to book value multiple analysis, which indicated an implied equity value range of \$136.2 million (\$12.85 per share) to \$211.1 million (\$19.91 per share) for PMC Commercial. Financial data of PMC Commercial was based on historically available information included in PMC Commercial's 10-K and 10-Q filings, and excluded one-time charges for 2012.

*Stand Alone Discounted Cash Flow Analysis*

A discounted cash flow analysis estimates the present value of a company's equity value as a function of the company's estimated future cash flows over a period of several years. Sandler O'Neill performed a discounted cash flow analysis using financial projections prepared and provided to Sandler O'Neill by PMC Commercial's executive management for the years ending December 31, 2013 through December 31, 2015. Sandler O'Neill selected a terminal value for PMC Commercial by applying a range of earnings multiples of the selected comparable company peer group of PMC Commercial. For purposes of its analysis, Sandler O'Neill selected a reference range of discount rates of 9.0% to 12.0% based on the estimated weighted average cost of capital of PMC Commercial, which included consideration of current market data, historical rates of return for the companies analyzed in the comparable company analysis described above, market borrowing rates available to companies comparable to PMC Commercial, risks inherent in the industry, risks common to companies with comparable market capitalization and capital structures common to comparable companies. Sandler O'Neill applied these discount rates to the projected unlevered cash flows derived from PMC Commercial management's projections to determine the present value of PMC Commercial's projected cash flows. Sandler O'Neill subsequently divided these results by the number of outstanding shares of PMC Commercial to derive the implied per share equity value for PMC Commercial.

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Based on the discount rate and other assumptions set forth above, the discounted cash flow analysis indicated an implied per share equity value reference range of \$6.82 per share to \$7.67 per share for PMC Commercial.

### *Merged Company Comparable Company Analysis*

Sandler O'Neill reviewed and compared publicly available information for Merged Company's publicly-traded peers in its analysis. For each of the selected companies, Sandler O'Neill calculated and compared certain financial information and various financial market multiples and ratios based on publicly available information obtained from filings made by the companies, Wall Street Equity Research, SNL Financial and Bloomberg. Although none of the following companies is identical or directly comparable to Merged Company, Sandler O'Neill chose the following selected comparable companies for its analysis, in the exercise of its professional judgment and based on its knowledge of the industry, because they had publicly-traded equity securities and were determined to be relevant for its analysis. Sandler O'Neill reviewed financial information of publicly available financial and stock market information of the following six publicly-traded property REITs:

Boston Properties

Brookfield Office Properties

CommonWealth REIT

Douglas Emmett, Inc.

Hudson Pacific Properties, Inc.

SL Green Realty Corp.

For the purposes of its analyses, Sandler O'Neill reviewed a number of financial metrics, including price as of July 1, 2013 as a multiple of estimated funds from operations, or FFO, and price as of July 1, 2013 as a multiple of estimated Adjusted FFO, or AFFO, for calendar year 2014. Based on these analyses, the range observed for price as a multiple of FFO was 8.6x to 18.9x and the range observed for price as a multiple of AFFO was 16.5x to 33.0x.

Sandler O'Neill's comparison of selected companies to Merged Company and analysis of the results of such comparisons was not purely mathematical, but instead necessarily involved complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and Merged Company.

Sandler O'Neill applied the 2014 FFO multiple range to Merged Company's 2014 FFO per share, which indicated an implied equity value range of \$2.57 per share to \$5.64 per share for Merged Company (which, together with the \$5.50 per share dividend payment to be paid shortly following the closing of the Merger, would indicate an implied equity value range of \$8.07 per share to \$11.14 per share). In addition, Sandler O'Neill applied the 2014 AFFO multiple range to Merged Company's 2014 AFFO per share, which indicated an implied equity value range of \$4.23 per share to \$8.39 per share for Merged Company (which, together with the \$5.50 per share dividend payment to be paid shortly following the closing of the Merger, would indicate an implied equity value range of \$9.73 per share to \$13.89 per share).

### *Merged Company Discounted Cash Flow Analysis*

A discounted cash flow analysis estimates the present value of a company's per share equity value as a function of the company's estimated future cash flows over a period of several years.

Sandler O'Neill performed a discounted cash flow analysis using financial projections prepared and provided to Sandler O'Neill by CIM Group's management for the years ending December 31, 2013 through December 31, 2014, and Sandler O'Neill utilized CIM Group's major lease



agreements and investment

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memoranda, as well as general market statistics, to determine an estimated market growth rate for projections for 2015 through 2018. Sandler O'Neill selected a terminal value for Merged Company by applying a range of EBITDA multiples of the comparable companies of Merged Company. For purposes of its analysis, Sandler O'Neill selected a reference range of discount rates of 7.0% to 11.0% based on the estimated weighted average cost of capital of Merged Company, which included consideration of current market data, historical rates of return for the companies analyzed in the comparable company analysis described above, market borrowing rates available to companies comparable to Merged Company, risks inherent in the industry, risks common to companies with comparable market capitalization and capital structures common to comparable companies. Sandler O'Neill applied these discount rates to the projected unlevered cash flows to determine the present value of Merged Company's projected cash flows. Sandler O'Neill subsequently divided these results by the number of outstanding post-transaction PMC Commercial Common Shares (after giving effect to the conversion of PMC Commercial Preferred Shares) to derive the implied per share equity value for Merged Company.

Based on the discount rate and other assumptions set forth above, the discounted cash flow analysis indicated an implied per share equity value reference range of \$6.60 per share to \$7.78 per share for Merged Company (which, together with the \$5.50 per share dividend payment to be paid shortly following the closing of the Merger, would indicate an implied per share equity value reference range of \$12.10 per share to \$13.28 per share).

### ***General***

PMC Commercial agreed to pay Sandler O'Neill a transaction fee of approximately \$1.7 million, which is contingent upon the closing of the Merger. PMC Commercial also agreed to pay Sandler O'Neill a fee of \$350,000 to render an opinion in connection with the Merger, which became due and payable in immediately available funds at the time such opinion was rendered and is creditable against the transaction fee. PMC Commercial also agreed to reimburse Sandler O'Neill for its expenses up to a maximum amount of \$25,000, and to indemnify it against certain liabilities arising out of its engagement.

Sandler O'Neill may actively trade the debt and/or equity securities of PMC Commercial or its affiliates for its own accounts and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

During the last two years, Sandler O'Neill has not provided investment banking services to, or had any other material relationship with, PMC Commercial, CIM REIT, or their respective affiliates for which it received compensation, except that (1) on June 8, 2012 the Special Committee of the Board of Trust Managers retained Sandler O'Neill to provide financial advisory services, for which PMC Commercial paid Sandler O'Neill a fee of \$400,000, and (2) in January 2013 the Board of Trust Managers retained Sandler O'Neill to provide general financial advisory services, for which to date PMC Commercial has paid Sandler O'Neill \$50,000.

### **Interests of PMC Commercial Trust Managers and Executive Officers in the Merger**

In addition to their interests in the Merger as shareholders, some of the PMC Commercial Trust Managers and executive officers have interests in the Merger that differ from, or are in addition to, the interests of other PMC Commercial shareholders. In considering the recommendation of the Board of Trust Managers to vote FOR the approval of the Share Issuance Proposal, the Board of Trust Managers was aware of, and considered the interests of, the PMC Commercial Trust Managers and executive officers in approving the Merger Agreement and the Merger, including the matters described below.

### ***Treatment of Equity Awards***

As provided in PMC Commercial's 2005 Equity Incentive Plan, at the effective time of the Merger, all existing share options to purchase PMC Commercial Common Shares will become fully exercisable and all existing restricted PMC Commercial Common Shares will no longer be subject to any forfeiture or vesting

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condition. The Merger Agreement further provides that, in connection with the declaration of the Special Dividend, the compensation committee of the Board of Trust Managers may adjust the exercise price per share under each share option to appropriately account for such dividend, provided that the adjustment does not exceed \$5.50 per share and in no event reduces the exercise price below \$0. None of the Trust Managers or executive officers hold any options to purchase shares of PMC Commercial Common Shares. However, Jan F. Salit and Barry N. Berlin each hold 3,333 restricted PMC Commercial Common Shares subject to vesting conditions that will accelerate at the effective time of the Merger, the value of which shares for each of Messrs. Salit and Berlin, based on the per share closing price for PMC Commercial Common Shares on December 13, 2013, was \$28,997.

***Executive Employment Agreements***

Each of Messrs. Salit and Berlin entered into executive employment agreements with PMC Commercial dated December 11, 2012 (the Executive Employment Agreements). These agreements provide benefits to the executives upon a termination of employment by PMC Commercial for any reason other than Cause or by the executive due to Constructive Discharge, in each case within 12 months following a Change in Control (each as defined in the Executive Employment Agreements) or, subject to certain conditions described below, prior to a Change in Control in contemplation of that Change in Control. The Merger would constitute a Change in Control under the Executive Employment Agreements.

For purposes of the Executive Employment Agreements: (a) Cause means (1) the intentional, unapproved material misuse of corporate funds, (2) professional incompetence or (3) willful neglect of duties or responsibilities or events described; and (b) Constructive Discharge means the occurrence of any of the following: (1) the executive's base salary is reduced below \$425,000 for Mr. Salit or \$350,000 for Mr. Berlin, (2) a material reduction in the executive's job function, authority, duties or responsibilities, or other similar change deteriorating the executive's working conditions that violates the spirit of the employment agreement, (3) a required relocation to a location more than 35 miles from the executive's job location at the time of the employment agreement's execution, or excessive travel in comparison to other executives in similar situations or (4) any breach of the employment agreement that is not cured within 14 days following a written notice to PMC Commercial describing the situation.

If (1) there is a Change in Control during the executive's employment period, and within 12 months following the Change in Control, PMC Commercial (or its successor) terminates the executive's employment without Cause as described above, (2) the executive terminates his employment due to Constructive Discharge as described above, (3) PMC Commercial terminates the executive's employment without Cause while PMC Commercial is negotiating a transaction that reasonably could result in a Change in Control or (4) PMC Commercial terminates the executive's employment without Cause and a Change in Control occurs within three (3) months following the date the executive is terminated, the executive is entitled to receive compensation equal to 2.99 times the average of the last three years' compensation paid. All amounts due to a Change in Control are payable to the executive in a lump sum cash payment in accordance with the terms of the employment agreement.

Following execution of the Merger Agreement, CIM REIT proposed to each of Messrs. Salit and Berlin that the terms of their employment agreements then in effect be amended to incentivize them to remain with PMC Commercial following consummation of the Merger. Following negotiations, Messrs. Salit and Berlin entered into amended and restated executive employment agreements (the Restated Executive Employment Agreements), which will become effective upon consummation of the Merger and replace their existing Executive Employment Agreements.

Under the Restated Executive Employment Agreements, each of Messrs. Salit and Berlin is entitled to a minimum annual salary of \$425,000 and \$350,000, respectively (which since November 2012 are the salary amounts currently being paid to each of them). The Board of Trust Managers may, in its discretion, increase the annual base salary and may also consider bonus compensation.

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For purposes of the Restated Executive Employment Agreements, *Cause* means (1) the intentional, unapproved material misuse of corporate funds, (2) professional incompetence or (3) acts or omissions constituting gross negligence or willful misconduct of executive's obligations or otherwise relating to the business of PMC Commercial.

Under the Restated Executive Employment Agreements, if (1) in the case of Mr. Salit, the executive voluntarily resigns his employment no earlier than 12 months following the effective date of the agreement but no later than December 31, 2015 or, in the case of Mr. Berlin, the executive voluntarily resigns his employment on or before December 31, 2015 or (2) PMC Commercial terminates the executive's employment without *Cause* on or before December 31, 2015, the executive will be entitled to receive compensation equal to 2.99 times the average of the last three years' compensation calculated as of the termination date, based on the calculation methodology set forth in PMC Commercial's definitive proxy statement for its 2013 annual meeting; provided, however, that the amount of any annual equity awards included in such calculation shall be capped at \$25,000 per annum.

In addition, to the extent an executive is employed by PMC Commercial on January 1, 2016 and such executive is not entitled to any disability, death or severance payments under the Restated Executive Employment Agreement, the executive would receive, in the case of Mr. Salit, 300,000 restricted share awards (as defined in PMC Commercial's 2005 Equity Incentive Plan) and in the case of Mr. Berlin, 225,000 restricted share awards. Such restricted share awards would vest immediately upon grant.

### ***Employee Benefits***

The Merger Agreement provides that for one year following the effective date of the Merger, PMC Commercial will continue to provide PMC Commercial's employees (including its executive officers) compensation and employee benefits that are substantially comparable in value in the aggregate to those provided on July 8, 2013, the date of the Merger Agreement (excluding equity or equity awards compensation, defined benefit pension benefits, retiree medical benefits or transaction or retention bonuses).

### ***Indemnification***

PMC Commercial's Trust Managers and executive officers will have rights to indemnification and directors' and officers' liability insurance that will survive the Merger. The aggregate premiums that PMC Commercial expects to pay with respect to such insurance coverage is \$250,000.

### **Advisory Vote on Merger-Related Compensation Proposal**

PMC Commercial is required pursuant to Section 14A of the Exchange Act to include in this proxy statement/prospectus a proposal with respect to a non-binding advisory vote on the compensation payable to each of its named executive officers, as determined in accordance with Item 402(t) of Regulation S-K, in connection with the proposed Merger, and PMC Commercial is therefore asking its shareholders to approve the following resolution:

RESOLVED, that the compensation that will or may become payable to the named executive officers of PMC Commercial in connection with the Merger, as disclosed pursuant to Item 402(t) of Regulation S-K and as set forth in this proposal titled *Advisory Vote on Merger-Related Compensation Proposal*, is hereby approved.

Approval of the foregoing Merger-Related Compensation Proposal will require the affirmative vote of at least a majority of the shares that are present in person or by proxy at the special meeting. Abstentions will have the same effect as a vote against the Merger-Related Compensation Proposal. No broker non-votes will be cast at the special meeting, and therefore broker non-votes will have no effect on the vote count for the Merger-Related Compensation Proposal.

At the 2013 annual meeting of shareholders, PMC Commercial's shareholders approved the advisory vote on executive compensation, including the compensation set forth in the following table. The following table sets

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forth the amount of PMC Commercial's payment obligation if each of its named executive officers incurred a termination on December 31, 2012 as a result of the applicable scenario. All vacation days are assumed to have been taken, and all reasonable business expenses are assumed to have been previously reimbursed for purposes of the following table. Each of the amounts in the table is PMC Commercial's best estimate of the amounts that its executives would receive upon a termination or a change in control, but the precise amount would not be determinable until an actual termination occurred.

Name	Change in Control/			
	Death(1)	Disability(2)	Discharge(3)	Agreement(4)
Jan F. Salit	\$ 850,000	\$ 454,000	\$ 1,321,000	\$ 1,344,000
Barry N. Berlin	\$ 700,000	\$ 451,000	\$ 1,319,000	\$ 1,343,000

- (1) Amounts in this column approximate two times the annual base salary of each of the current named executive officers effective as of January 1, 2013.
- (2) Amounts in this column approximate the total amount of compensation earned by each of the current named executive officers with respect to the year ended December 31, 2012.
- (3) The amounts shown in this column are based upon the product of the three-year average total annual compensation and 2.99. Total annual compensation with respect to the calendar years ended December 31, 2012, 2011 and 2010 are reported under Executive Compensation in PMC Commercial's Definitive Proxy Statement on Schedule 14A filed on April 29, 2013.
- (4) Includes the compensation due for Constructive Discharge plus the accelerated vesting of the 3,333 unvested restricted shares held by each of Messrs. Salit and Berlin as of December 31, 2012 pursuant to PMC Commercial's 2005 Equity Incentive Plan upon a change in control transaction. Values were calculated based on a per share closing market price of \$7.10 on December 31, 2012.

PMC Commercial has entered into the Restated Executive Employment Agreements with Messrs. Salit and Berlin, each of which provide for double trigger severance payments and benefits that are only payable upon certain terminations of employment following the Merger. For more information relating to these agreements, see the section entitled THE MERGER Interests of PMC Commercial Trust Managers and Executive Officers in the Merger beginning on page 83. The information set forth in the table below describes only the compensation that may become payable to each PMC Commercial named executive officer pursuant to the Restated Executive Employment Agreements and that is based on or otherwise relates to the Merger, assuming the consummation of the Merger occurred on December 13, 2013 and the occurrence of a qualifying termination.

**Severance/Retention Compensation\***

Name	Cash(a) (\$)	or	Equity(b) (\$)
Jan F. Salit	\$ 1,480,000		\$ 960,000
Barry N. Berlin	\$ 1,410,000		\$ 720,000

- \* Each of Messrs. Salit and Berlin will, under the terms of his Restated Executive Employment Agreement, be entitled to receive the cash severance payment indicated in column (a) or the equity retention bonus indicated in column (b), but not both of such amounts.
- (a) Cash severance would be payable in a lump sum upon a qualifying termination, which means (i) with respect to Mr. Salit, a termination of Mr. Salit's employment by him for any reason no earlier than 12 months following the effective date of the Merger but no later than December 31, 2015 or by PMC Commercial without Cause on or before December 31, 2015 and (ii) with respect to Mr. Berlin, a termination of Mr. Berlin's employment by him for any reason or by PMC Commercial without Cause, in each case on or before December 31, 2015, subject, in each case, to the executive's timely execution of a general release of claims.



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*In such an event, pursuant to the Restated Executive Employment Agreements, the executive would be entitled to receive compensation equal to 2.99 times the average of the last three years' compensation paid, calculated as of the termination date, based on the calculation methodology in PMC Commercial's most recent definitive proxy statement; provided, however, that the amount of any annual equity awards included in such calculation shall be capped at \$25,000 per annum. Such payment would be less applicable state and federal taxes and withholding and paid out in a lump sum on the 60th day following the executive's termination date.*

*(b) If an executive is employed by PMC Commercial on January 1, 2016 and such executive is not entitled to any disability, death or severance payments under his Restated Executive Employment Agreement, the executive would receive, in the case of Mr. Salit, 300,000 restricted share awards and in the case of Mr. Berlin, 225,000 restricted share awards, in each case as a retention bonus. Such restricted share awards would vest immediately upon grant. Values were calculated based on an assumed per share market closing price of \$3.20 on the closing of the Merger which is based on the pro forma closing price of \$8.70 less the Special Dividend of \$5.50 per share. The actual value of the restricted shares on January 1, 2016 may vary from this assumed price based on, among other things, the actual financial position and results of operations of PMC Commercial.*

**The Board of Trust Managers recommends a non-binding advisory vote FOR the foregoing Merger-Related Compensation Proposal.**

**Security Ownership of PMC Commercial's Board of Trust Managers and Executive Officers and Current Beneficial Owners****Trust Managers and Executive Officers**

The following table sets forth certain information regarding the beneficial ownership of PMC Commercial Common Shares as of December 13, 2013 by (1) all current Trust Managers, (2) each current named executive officer and (3) all current Trust Managers and current executive officers as a group. Unless otherwise indicated, the PMC Commercial Common 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 PMC Commercial Common 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 PMC Commercial.

Name	PMC Commercial Common Shares Owned Beneficially	Percent of PMC Commercial Common Shares Owned Beneficially
Jan F. Salit(1)	34,336	*
Barry N. Berlin(2)	37,710	*
Martha Rosemore Morrow(3)	360,377	3.4%
Barry A. Imber(4)	33,580	*
Nathan G. Cohen(5)	15,770	*
Trust Managers and Executive Officers as a group (5 persons)	481,773	4.5%

\* Less than 1%.

(1) Includes 612 shares held in an IRA and 3,333 restricted shares.

(2) Includes 211 shares held in the name of his child and 6,823 shares held jointly with his spouse and 3,333 restricted shares.

(3) Includes 77,495 shares held in an IRA, 14,171 shares held in a trust for the benefit of Dr. Morrow, 16,909 shares held individually. All remaining shares are held by a partnership of which Dr. Morrow is the sole manager.

(4) Includes 3,274 shares held in an IRA for the benefit of his child and 1,202 shares held in an IRA.

(5) Includes 1,700 shares held in the name of his spouse.

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The following table sets forth certain information regarding the beneficial ownership of the PMC Commercial Common Shares based on filings with the SEC as of December 13, 2013, by each person known by PMC Commercial to own beneficially more than 5% of the PMC Commercial Common Shares.

Name and Address of Beneficial Owner	PMC Commercial Common Shares Owned Beneficially	Percent of PMC Commercial Common Shares Owned Beneficially
REIT Redux LP(1)  14901 Quorum Drive  Suite 900  Dallas, Texas 75254	583,140	5.50%
Hoak Public Equities, L.P.(2)  3963 Maple Avenue  Suite 450  Dallas, Texas 75219	769,254	7.26%

- (1) On April 1, 2013, REIT Redux LP filed a Schedule 13D reporting beneficial ownership as of March 22, 2013, of 582,085 shares. On October 25, 2013 REIT Redux LP filed Amendment No. 4 to Schedule 13D reporting beneficial ownership as of October 24, 2013 of 583,140 shares. The securities reported on Amendment No. 4 to Schedule 13D are beneficially owned by eight reporting persons. According to Amendment No. 4 to Schedule 13D, there are no agreements between the reporting persons, legal or otherwise, concerning the voting or dispositive power at this time other than between Robert J. Stetson and REIT Redux LP as stated below. According to Amendment No. 4 to Schedule 13D, in addition to their respective direct holdings, Robert J. Stetson may be deemed to beneficially own the 109,935 shares held by REIT Redux LP by virtue of his position as President of REIT Redux LLC, the general partner of REIT Redux LP, that has the power to vote and dispose of such shares; Lonnie B. Whatley III may be deemed to beneficially own the 65,418 shares held by B.T. Interest, Ltd. and the 39,212 shares held by Lonnie & Rosalie Whatley Family LLC as a result of his power to vote and dispose of such shares; and David West may be deemed to beneficially own the 65,350 shares held by West Partners L.P. and the 22,857 shares held by the David Martin West Asset Trust as a result of his power to vote and dispose of such shares.
- (2) On April 16, 2013, Hoak Public Equities, L.P. filed a Schedule 13D reporting beneficial ownership as of April 12, 2013, of 545,000 shares. On October 7, 2013, Hoak Public Equities, L.P. filed Amendment No. 3 to Schedule 13D reporting beneficial ownership as of October 4, 2013 of 769,254 shares. The securities reported on Amendment No. 3 to Schedule 13D are beneficially owned by six reporting persons. According to Amendment No. 3 to Schedule 13D, the reporting persons have shared voting and dispositive power with respect to 580,000 shares. One reporting person has sole voting and dispositive power with respect to 189,254 shares. According to Amendment No. 3 to Schedule 13D, J. Hale Hoak, together with Hoak Public Equities, L.P., Hoak Income Opportunity Fund, L.P., Hoak Fund Management, L.P., Hoak & Co. and James M. Hoak, has shared voting and dispositive power with respect to 580,000 shares; James M. Hoak has the sole voting and dispositive power with respect to 189,254 shares.

**Listing of PMC Commercial Shares**

The PMC Commercial Common Shares are currently listed on the NYSE MKT under the symbol PCC. The Merger Agreement provides that a condition to completion of the Merger is that the PMC Commercial Common Shares must be approved for listing on a national securities exchange mutually acceptable to PMC Commercial and CIM REIT. PMC Commercial has submitted a listing application to The NASDAQ Stock Market LLC and, consistent with the terms of the Merger Agreement, plans to use its commercially reasonable efforts to have The NASDAQ Stock Market LLC approve for listing the PMC Commercial Common Shares.





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### **Post-Merger Shareholders Meeting**

If the Merger is consummated, PMC Commercial will hold another meeting of shareholders as soon as practicable thereafter to approve an increase in the number of authorized PMC Commercial Common Shares to one billion (thereby satisfying the condition for the automatic conversion into PMC Commercial Common Shares of the PMC Commercial Preferred Shares issued in connection with the Merger). At this meeting, PMC Commercial shareholders may also be asked to approve a reverse stock split of the outstanding PMC Commercial Common Shares and the Reincorporation of PMC Commercial from Texas to Maryland. Please see STRATEGY OF PMC COMMERCIAL AFTER THE MERGER The Reincorporation on page 188 of this proxy statement/prospectus.

### **Regulatory Approvals**

PMC Commercial and CIM REIT must obtain certain regulatory approvals, including approval by the SBA of those aspects of the Merger subject to its jurisdiction (which approvals include submitting license applications for the two SBIC licenses and filing an application for approval of change in ownership for the SBA 7(a) license held by First Western SBLC, Inc.) (see RISK FACTORS The Merger is subject to receipt of consents and approvals from government entities and third parties that could delay completion of the Merger beginning on page 41), before they can complete the Merger. In addition, any applicable waiting period (and any extension thereof applicable to the Merger under the HSR Act) shall have been terminated or shall have expired.

PMC Commercial cannot predict whether all required regulatory approvals for the Merger will be obtained, or whether any approvals will include conditions that may be detrimental to PMC Commercial or CIM REIT, or to the consummation of the Merger in accordance with the terms of the Merger Agreement.

### **Accounting Treatment**

CIM Urban is considered to be the acquirer for accounting purposes because it will obtain effective control of PMC Commercial. The Merger will constitute the acquisition of a business for purposes of ASC 805. As a result, PMC Commercial's assets and liabilities will be recorded at their fair values.

### **Voting Rights**

You are entitled to vote at the special meeting if you owned PMC Commercial Common Shares at the close of business on [ ], 2013, the record date for the special meeting, unless a new record date is fixed for any adjournment or postponement of the special meeting. As of the record date, there were [ ] PMC Commercial Common Shares issued and outstanding. The holder of each PMC Commercial Common Share outstanding on the record date is entitled to one vote per share.

The approval of the Share Issuance Proposal requires the affirmative vote of at least a majority of the shares present or represented by proxy at the special meeting.

### **Litigation Relating to the Merger**

On October 9, 2013, a putative class action and derivative lawsuit was filed in the Dallas County Court at Law No. 5 in Dallas County, Texas against and purportedly on behalf of PMC Commercial captioned REIT Redux, L.P., et al. v. PMC Commercial Trust, et al. The complaint names as defendants PMC Commercial, the members of the Board of Trust Managers, its executive officers, and CIM REIT. The plaintiffs assert the action as a direct action, as well as a derivative action and allege, among other things, that the Trust Managers of PMC Commercial breached the PMC Commercial Declaration of Trust and have conspired to deprive the plaintiffs and the class of their right to vote to approve or decline the Merger, to approve or decline the sale of PMC Commercial and to approve or decline the authorization of the PMC Commercial Common Shares necessary to support the conversion rights of the PMC Commercial Preferred Shares. They allege that CIM REIT is liable as a

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principal and for tortiously interfering with the rights of shareholders under the PMC Commercial Declaration of Trust and causing or inducing the foregoing breaches. The plaintiffs further allege, among other things, that the Trust Managers breached their fiduciary duties by approving and recommending the transaction to the PMC Commercial shareholders without due regard for the fairness of the transaction either in substance or in the manner of its eventual execution to PMC Commercial's existing shareholders, failing to maximize value for shareholders, engaging in bad faith and self-dealing by preferring transactions that further enriched them at the expense of shareholders, and conspiring to deprive the shareholders of their voting power and voting prerogatives. The complaint alleges that CIM REIT aided, abetted and induced those breaches of fiduciary duty. The complaint further alleges that the causes of action were aggravated by gross negligence and intentional and malicious wrongdoing. The complaint seeks an order enjoining a vote on the transactions contemplated by the Merger Agreement, an order certifying the matter as a class action for damages, damages for lost shareholder value, exemplary damages, attorney's fees and costs, appointment of a receiver, if justice so demands, in order to preserve and maximize shareholder value, and all other such relief as the court may find reasonable and necessary to which plaintiffs may be entitled. On November 12, 2013, the plaintiffs filed an amended petition to add PMC Merger Sub as a defendant to the lawsuit.

While PMC Commercial and CIM REIT management deny the allegations in the complaint and intend to defend vigorously against these allegations, PMC Commercial and CIM REIT cannot assure you as to the outcome of this, or any similar future lawsuits.

**THE MERGER AGREEMENT**

*The following is a summary of the material terms of the Merger Agreement, as modified to reflect the terms of the Consent and Waiver. On November 20, 2013, PMC Commercial, CIM REIT, PMC Merger Sub, and CIM Merger Sub entered into the Consent and Waiver, the terms of which were acknowledged and agreed to by a new subsidiary formed by CIM REIT, Urban II. The Consent and Waiver provides for (a) the waiver of any requirements in the Merger Agreement that require the registration under applicable securities laws and listing on a national securities exchange of the PMC Commercial Preferred Shares to be issued pursuant to the Merger Agreement, including the PMC Commercial Common Shares issuable upon conversion of such PMC Commercial Preferred Shares, (b) certain clarifications to the Merger Agreement to reflect the formation of Urban II, (c) Urban II's succession to CIM REIT's and CIM Urban GP's ownership of the partnership interests of CIM Urban and certain of their rights and obligations under the Merger Agreement related to the ownership of the PMC Commercial Common Shares and PMC Commercial Preferred Shares issued pursuant to the Merger Agreement, and (d) a right of termination of the Merger Agreement after March 31, 2014, rather than after December 31, 2013 (as defined in the Merger Agreement, the Termination Date). As a result of Urban II's succession, it (i) will receive all of the PMC Commercial Common Shares and PMC Commercial Preferred Shares to be issued pursuant to the Merger Agreement, (ii) will enter into the Registration Rights and Lockup Agreement, and (iii) has agreed to vote its 97.8% post-Merger ownership of PMC Commercial Common Shares in favor of an increase in the number of authorized PMC Commercial Common Shares to one billion, thereby satisfying the condition for the automatic conversion of the PMC Commercial Preferred Shares.*

*This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. The summary of the material terms of the Merger Agreement below and elsewhere in this proxy statement/prospectus is qualified in its entirety by reference to the Merger Agreement, a copy of which is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus. You are urged to read the Merger Agreement carefully and in its entirety because it, and not the description below or elsewhere in this proxy statement/prospectus, is the legal document that governs the Merger.*

*The Merger Agreement has been included in this proxy statement/prospectus to provide you with information regarding the terms of the Merger. It is not intended to provide you with any other factual or financial information about PMC Commercial, CIM REIT, CIM Urban or their respective affiliates or*

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*businesses. Information about PMC Commercial can be found elsewhere in this proxy statement/prospectus and in the other filings PMC Commercial makes with the SEC, which are available without charge at [www.sec.gov](http://www.sec.gov). See WHERE YOU CAN FIND MORE INFORMATION on page 210 of this proxy statement/prospectus.*

### **The Merger**

The Merger Agreement provides for the merger of CIM Merger Sub with and into PMC Merger Sub. Upon completion of the Merger:

PMC Commercial will become the parent of CIM Urban and its subsidiaries; and

PMC Commercial will issue to Urban II 22,000,003 PMC Commercial Common Shares and 65,028,571 PMC Commercial Preferred Shares (which PMC Commercial Preferred Shares shall automatically be convertible into 455,199,997 PMC Commercial Common Shares once the authorized number of PMC Commercial Common Shares is increased to one billion).

Each PMC Commercial shareholder on the last business day prior to consummation of the Merger will, pursuant to the declaration of the Board of Trust Managers, be entitled to receive the Special Dividend, comprised of a special dividend of \$5.50 per PMC Commercial Common Share plus that portion of PMC Commercial's regular quarterly dividend accrued through that day, payable on or prior to the tenth business day after consummation of the Merger. Each existing shareholder of PMC Commercial at the time of the Merger will continue to own the PMC Commercial Common Shares that such shareholder owned before the Merger.

### **Effective Time of the Merger**

The Merger will become effective:

at such time as the certificate of merger has been filed with the Secretary of State of the State of Delaware, or

at such later time as PMC Commercial and CIM REIT shall agree and specify in the certificate of merger to be filed with the Secretary of State of the State of Delaware.

PMC Commercial and CIM REIT will cause the effective time of the Merger to occur on the closing date, which will occur no later than the second business day after satisfaction or waiver of the conditions described under Conditions to Complete the Merger beginning on page 100 (other than those conditions that by their terms are required to be satisfied or, if permissible, waived at the closing).

### **Representations and Warranties**

The Merger Agreement contains representations and warranties of each of the parties to the Merger Agreement to the other parties. These representations and warranties were made only for the purposes of the Merger Agreement, have been qualified by confidential disclosures and were made for the purpose of allocating contractual risk between the parties to the Merger Agreement. The representations and warranties may be subject to standards of materiality applicable to the parties to the Merger Agreement that differ from the standards applicable to you or other investors. You should not rely on the representations and warranties contained in the Merger Agreement or any descriptions of such representations and warranties as characterizations of the actual state of facts or condition of PMC Commercial, CIM REIT, CIM Urban or any of their respective affiliates or businesses.

In the Merger Agreement, CIM REIT and CIM Merger Sub made representations and warranties to PMC Commercial relating to, among other things:

due organization, valid existence, good standing and power and authority to carry on its business as now being conducted;



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its subsidiaries due incorporation or organization, valid existence, good standing and power and authority to carry on its business as now being conducted;

authority of CIM REIT and CIM Merger Sub to enter into the Merger Agreement and to complete the Merger and the other transactions contemplated by the Merger Agreement;

absence of conflicts with, violations of, or defaults under, its and its subsidiaries organizational documents, certain contracts applicable to it and its subsidiaries and applicable laws;

consents, approvals of, or registrations or filings with, governmental entities required in connection with executing and delivering the Merger Agreement or the consummation of the transactions contemplated by the Merger Agreement;

certain consolidated financial statements of CIM Urban;

absence of liabilities required to be reflected on a balance sheet by GAAP since December 31, 2012;

enforceability of the Merger Agreement against it;

absence of any CIM Material Adverse Change and certain other changes and events since December 31, 2012 through the date of the Merger Agreement;

absence of litigation or investigations against or affecting CIM Urban or its subsidiaries;

environmental matters affecting CIM Urban and its subsidiaries;

certain related party transactions;

ERISA and benefit plan rule compliance;

real property owned, leased or subleased by CIM Urban and its subsidiaries;

tax matters affecting CIM Urban and its subsidiaries;

any employment or severance contract requiring amounts payable upon a change of control to CIM Urban s or its subsidiaries employees, officers or directors;

absence of any undisclosed broker s or finder s fees;

compliance with laws by CIM Urban and its subsidiaries;

the absence of any breach or violation or default of any material contract or debt instrument by CIM Urban or its subsidiaries;

accuracy and compliance with applicable securities law of the information supplied by CIM REIT and CIM Merger Sub for inclusion in this proxy statement/prospectus;

insurance policies maintained by CIM Urban and its subsidiaries;

sufficiency of funds to consummate the transactions contemplated by the Merger Agreement; and

no ownership of PMC Commercial Common Shares by CIM REIT or its affiliates as of the date of the Merger Agreement.

In the Merger Agreement, PMC Commercial and PMC Merger Sub made representations and warranties to CIM REIT relating to, among other things:

due organization, valid existence, good standing and power and authority to carry on its business as now being conducted;

its subsidiaries due incorporation or organization, valid existence, good standing and power and authority to carry on its business as now being conducted;

the capital structure of PMC Commercial;

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authority of PMC Commercial and PMC Merger Sub to enter into the Merger Agreement and to complete the Merger;

absence of conflicts with, violations of, or defaults under, its and its subsidiaries' organizational documents, certain contracts applicable to it and its subsidiaries and applicable laws;

consents, approvals of, or registrations or filings with, governmental entities required in connection with executing and delivering the Merger Agreement or the consummation of the transactions contemplated by the Merger Agreement;

PMC Commercial's SEC filings since December 31, 2011, and the financial statements contained therein;

absence of liabilities required to be reflected on a balance sheet by GAAP since December 31, 2012;

enforceability of the Merger Agreement against it;

absence of any PMC Commercial Material Adverse Change and certain other changes and events since December 31, 2012 through the date of the Merger Agreement;

absence of litigation or investigations against or affecting PMC Commercial or its subsidiaries;

environmental matters affecting PMC Commercial;

certain related party transactions;

ERISA and benefit plan rule compliance;

loans by PMC Commercial and its subsidiaries;

tax matters affecting PMC Commercial, including PMC Commercial's REIT qualification;

any employment or severance contract requiring amounts payable upon a change of control to PMC Commercial or its subsidiaries' employees, officers or directors;

absence of any undisclosed broker's or finder's fees;

compliance with applicable laws;



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the absence of any breach or violation or default of any material contract or debt instrument by PMC Commercial or its subsidiaries;

opinion of financial advisor;

exemption of PMC Commercial from anti-takeover or similar statutes;

accuracy and compliance with applicable securities law of the information supplied by PMC Commercial for inclusion in this proxy statement/prospectus;

insurance policies maintained by PMC Commercial; and

vote of the PMC Commercial shareholders necessary to approve the Merger Agreement.

### **Conduct of CIM REIT's Business Pending the Merger**

Under the Merger Agreement, CIM REIT has agreed that, subject to certain exceptions in the disclosure schedules delivered in connection with the Merger Agreement, between the date of the Merger Agreement and the effective time of the Merger, CIM REIT shall use commercially reasonable efforts to cause CIM Urban and its subsidiaries to carry on their businesses in the usual, regular and ordinary course in substantially the same manner as conducted before the date of the Merger Agreement and, to the extent consistent with that conduct, use commercially reasonable efforts to preserve intact their current business organization, goodwill and ongoing business.

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CIM REIT also agreed that during the same time period, except as specifically permitted by the Merger Agreement, CIM REIT will use commercially reasonable efforts to cause CIM Urban and its subsidiaries not to (and not to authorize or commit or agree to):

except for regular quarterly dividend payments consistent with past practice, including a pro rata dividend payment which is consistent with past practice but paid prior to the effective time of the Merger, declare, set aside or pay any dividends on, or make any other distributions in respect of, any equity interests of CIM Urban, if any;

split, combine or reclassify any equity interests or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any such equity interests;

purchase, redeem or otherwise acquire any of its equity interests or any options, warrants or rights to acquire, or security convertible into, any such equity interests;

issue, deliver or sell, or grant any option or other right in respect of, any equity interests of any of its subsidiaries or any securities convertible into, or any rights, warrants or options to acquire, any such equity interests except to a subsidiary;

amend the articles or certificate of incorporation, bylaws, partnership agreement or other comparable charter or organizational documents of CIM Urban or any of its subsidiaries;

merge or consolidate with any person;

sell or otherwise dispose of any asset or property except in the ordinary course of business consistent with past practice;

amend any material contract, instrument or other agreement except in the ordinary course of business consistent with past practice;

enter into, amend, or terminate contracts with a CIM Related Party (as defined in the Merger Agreement);

acquire any assets other than in the ordinary course of business;

incur any liabilities for borrowed indebtedness except in the ordinary course of business consistent with past practice or to raise funds for the payment of the Special Dividend;

adopt any new employee benefit plan, incentive plan, severance plan, stock option or similar plan, grant new stock appreciation rights or amend any existing plan or rights, except such changes as are required by law or which are not more favorable to participants than provisions presently in effect; and

settle any shareholder derivative or class action claims arising out of or in connection with any of the transactions contemplated by the Merger Agreement.

**Conduct of PMC Commercial's Business Pending the Merger**

Under the Merger Agreement, PMC Commercial has agreed that, subject to certain exceptions in the disclosure schedules delivered in connection with the Merger Agreement, between the date of the Merger Agreement and the effective time of the Merger, PMC Commercial shall, and shall cause its subsidiaries to, carry on its businesses in the usual, regular and ordinary course in substantially the same manner as conducted before the date of the Merger Agreement and, to the extent consistent with that conduct, use commercially reasonable efforts to preserve intact their current business organization, goodwill and ongoing business.

PMC Commercial also agreed that during the same time period, except as specifically permitted by the Merger Agreement, PMC Commercial shall not, and shall cause its subsidiaries not to (and not to authorize or commit or agree to):

except for the payment of regular quarterly dividends not in excess of \$0.125 per PMC Commercial Common Share (including any pro rata portion thereof), declare, set aside or pay any dividends on, or make any other distributions in respect of, any of PMC Commercial's capital shares other than the Special Dividend;

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split, combine or reclassify any equity interests or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any such equity interests;

purchase, redeem or otherwise acquire any of its equity interests or any options, warrants or rights to acquire, or security convertible into, any such equity interests;

except as required pursuant to the exercise of options or the issuance of shares pursuant to share rights or warrants outstanding on the date of the Merger Agreement, issue, deliver or sell, or grant any option or other right in respect of, any equity interests of PMC Commercial or any of its subsidiaries or any securities convertible into, or any rights, warrants or options to acquire, any such equity interests except to PMC Commercial or a subsidiary thereof;

amend the declaration of trust, articles or certificate of incorporation, bylaws, partnership agreement or other comparable charter or organizational documents of PMC Commercial or any of its subsidiaries;

merge or consolidate with any person;

make or change any tax election or take any other action (or fail to take any action) that would result in PMC Commercial no longer qualifying as a REIT or no longer being entitled to the benefit of the provisions of Part II of subchapter M of the Code;

sell or otherwise dispose of any asset or property except in the ordinary course of business consistent with past practice;

amend any material contract, instrument or other agreement except in the ordinary course of business consistent with past practice;

enter into, amend, or terminate contracts with a Trust Related Party (as defined in the Merger Agreement);

acquire any assets other than in the ordinary course of business;

incur any liabilities for borrowed indebtedness except in the ordinary course of business consistent with past practice;

adopt any new employee benefit plan, incentive plan, severance plan, stock option or similar plan, grant new stock appreciation rights or amend any existing plan or rights, except such changes as are required by law or which are not more favorable to participants than provisions presently in effect; and

settle any shareholder derivative or class action claims arising out of or in connection with any of the transactions contemplated by the Merger Agreement.

**Preparation of the Registration Statement and the Proxy Statement**

As required by the Merger Agreement, CIM REIT and PMC Commercial were obligated to prepare, and PMC Commercial was obligated to file with the SEC, a registration statement that includes a preliminary version of this proxy statement/prospectus. Each of CIM REIT and PMC Commercial are obligated to use commercially reasonable efforts to (i) respond to any comments of the SEC and (ii) have the registration statement declared effective under the Securities Act and the rules and regulations promulgated thereunder as promptly as practicable after such

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filing and to keep the registration statement effective as long as is reasonably necessary to consummate the Merger.

PMC Commercial is obligated to use commercially reasonable efforts to cause this proxy statement/prospectus to be mailed to PMC Commercial's shareholders as promptly as practicable after the registration statement is declared effective under the Securities Act.

PMC Commercial is obligated to also take any action required to be taken under any applicable state securities or blue sky laws in connection with the issuance of PMC Commercial Common Shares and PMC Commercial Preferred Shares pursuant to the Merger Agreement, and CIM REIT shall furnish all information

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concerning CIM Urban as may be reasonably requested in connection with any such action. PMC Commercial will use commercially reasonable efforts to obtain, prior to the effective date of the registration statement of which this proxy statement/prospectus forms a part, all necessary state securities or blue sky permits or approvals required to carry out the transactions contemplated by the Merger Agreement and will pay or cause one of its subsidiaries to pay all expenses incident thereto.

**Shareholders Meeting**

PMC Commercial is required to call, give notice of, convene and hold a meeting of PMC Commercial shareholders for the purpose of obtaining shareholder approval of the Share Issuance Proposal as promptly as reasonably practicable after the date of mailing of this proxy statement/prospectus. Subject to certain exceptions in the Merger Agree