

PMC COMMERCIAL TRUST GOVERNANCE GUIDELINES

The Board of Trust Managers of PMC Commercial Trust (the “Company”) recognizes the importance of good corporate governance. These Guidelines, as established by the Nominative and Governance Committee of the Board of Trust Managers, along with the charters and key practices of the Board’s committees, reflect the Board’s commitment to monitor the effectiveness of policy and decision-making both at the Board and management level, with a view to enhancing long-term shareholder value.

I. Role of the Board

The Board of Trust Managers has four regularly scheduled meetings a year, held each quarter, at which the Board meets in person to review and discuss reports furnished by management on the performance of the Company, its plans and prospects, as well as other issues facing the Company. The Board also meets at other times, as needed, in person or by telephone. Committees of the Board also meet regularly, in person and by telephone, to carry out their functions and responsibilities. Each Trust Manager is expected to attend substantially all the meetings of the Board and substantially all the meetings of each committee on which the Trust Manager serves. Each Trust Manager is expected to review, before attending meetings of the Board or committees, all materials provided by the Company relating to matters to be considered at the meetings. The independent Trust Managers may meet in executive session at the conclusion of each of the Board’s regularly scheduled meetings, and additionally as needed, without the presence of any Trust Managers or other persons who are part of the Company’s management.

The Board’s role is to oversee the actions and results of management in conducting the business and affairs of the Company. In discharging its responsibilities, the Board will exercise its business judgment to act in what it reasonably believes to be in the best interests of the Company and its shareholders. The Board may consider, among other pertinent factors, the effect of its actions on the Company’s employees, customers and suppliers and on the communities in which the Company operates.

The Board is responsible for:

- Electing the Company’s officers and members of the Board’s committees;
- Evaluating the performance of the Company’s Chief Executive Officer and other executive officers;
- Ensuring that there is continuity of leadership;
- Designing and approving the compensation of the Company’s Chief Executive Officer and other executive officers and approving the Company’s compensation philosophy;

- Periodically reviewing the Company’s long-term strategic and business plans and monitoring performance against those plans;
- Ensuring that the Company’s systems of financial and internal controls are adequate to maintain the integrity of the Company, including its financial statements and compliance with applicable laws and ethics; and
- Evaluating annually the effectiveness of the Board and of Board members.

Except as prohibited by law or the Bylaws of the Company, the Board may form and delegate authority to committees when appropriate.

II. Board Selection and Composition

A. Independence. A majority of the Board shall be comprised of independent Trust Managers (as determined by the Board in accordance with the rules and the listing standards of the principal securities exchange on which the Company’s common shares are traded (the “Exchange”) and any applicable rules and regulations of the Securities and Exchange Commission (the “SEC”). The Board of Trust Managers and the Nominating and Governance Committee of the Board review periodically the mix of skills, experience and background of current and potential Trust Managers in light of the Company’s anticipated needs. Qualifications that are considered relevant include the following:

- Education and experience that provides knowledge of business, financial, governmental or legal matters that are relevant to the Company’s business or to its status as a publicly owned company;
- Reputation for integrity;
- Reputation for exercising good business judgment; and
- Sufficient available time to be able to fulfill his or her responsibilities as a member of the Board and of any committees to which he or she may be appointed.

B. Board Size. In terms of determining Board size, skill needs and group dynamics are determining factors. The Board attempts to balance the operational benefits of small size with the need for a large enough group of Trust Managers to ensure a broad range of talents and experience. The Company’s Bylaws limit the number of Trust Managers to 15 Trust Managers.

C. Limits on Number of Board Memberships. The Board recognizes that its members benefit from service on the boards of other companies. We encourage that service but also believe it is critical that Trust Managers have the opportunity to dedicate sufficient time to their service on the Board. To that end, employee Trust Managers may not serve on more than two public company boards in addition to the Company’s Board. Individuals who are not employees of the Company and who serve on more than six other public company boards will not normally be asked to join the Board, and individuals who serve on more than two other

public company audit committees will not normally be asked to join the Company's Audit Committee, unless, in any such case, the Board determines that such simultaneous service would not impair the ability of such individual to effectively serve on the Board or the Audit Committee. Current positions in excess of these limits may be maintained unless the Board determines that doing so would impair the Trust Manager's service on the Board or Audit Committee, as applicable.

D. Former Senior Officers. If any senior officer resigns or tenders a resignation to the Company, he or she should simultaneously tender a resignation from the Board, if applicable. The full Board will consider and decide upon the resignation. A former senior officer will not be considered an independent Trust Manager for purposes of corporate governance for a period of at least five years following termination of employment.

E. Employee Trust Managers. In normal circumstances, only the Chief Executive Officer and Chief Operating Officer of the Company may be members of the Board of Trust Managers. The Board may choose to elect other executive officer(s) to the Board in appropriate situations so long as a majority of the Board is comprised of independent Trust Managers.

F. Separation of Chairman and CEO Positions. The Bylaws of the Company permit the chief executive officer of the Company to be the Chairman of the Board.

G. Selection Process. The Board is responsible for nominating candidates for Trust Managers for election by shareholders at the annual meeting, as well as selecting new Trust Managers who will serve on the Board between annual shareholder meetings. The Board has delegated the recruitment and screening process to the Nominating and Governance Committee, which may at its discretion seek third-party resources to assist in the process. The Nominating and Governance Committee will make the final recommendation of candidates to the Board for nomination to the shareholders.

III. Board Committees

A. Standing Committees. The Board has established Audit, Compensation and Nominating and Governance committees to assist the Board in discharging its responsibilities. Other committees may be created and dissolved from time to time. The committee chairs report the highlights of their meetings to the full Board. The charters of these committees will be published on the Company's website. The committees meet regularly, typically in conjunction with regular Board meetings and otherwise as necessary.

B. Committee Composition. The Audit, Compensation, Nominating and Governance committees are composed solely of independent Trust Managers, as determined by the Board in accordance with the rules and listing standards of the Exchange and the applicable rules and regulations of the SEC. Members of the Audit Committee must also meet the additional experience requirements of the Exchange listing standards and the rules and regulations promulgated by the SEC, and may not directly or indirectly receive any compensation from the Company other than their committee or Trust Manager fees.

IV. Board Operation and Structure

A. Board Meetings. The Chairman of the Board will establish the agenda for the Board meetings. Any Board member may recommend the inclusion of specific agenda items to the Chairman or the appropriate committee chair. Such recommendations will be accommodated to the extent practicable. Materials important to the Board's understanding of agenda items will be distributed to the Board in a timely manner before it meets.

B. Private Sessions of Independent Trust Managers. Independent Trust Managers will meet regularly in private at least three times during the year and as otherwise determined by such Trust Managers.

C. Term Limits; Retirement Age. As a general matter, non-employee Trust Managers will not stand for election to a new term of service at any annual meeting following their 75th birthday. However, the Board may approve exceptions to this practice when it believes it is in the interest of the Company to do so. The Board does not believe it should establish term limits for Trust Manager service, instead preferring to rely upon the mandatory retirement age and the evaluation procedures described below as the primary methods of ensuring that each Trust Manager continues to act in a manner consistent with the best interests of the shareholders, the Board and the Company. The Board believes that term limits result in the loss of Trust Managers who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

D. Board Compensation. The Compensation Committee has responsibility for recommending to the Board the compensation for non-employee Trust Managers. To link Trust Manager compensation to performance and to more effectively align the Board's interests with the interests of shareholders, the Board believes that a substantial portion of the Trust Managers' annual compensation should be payable in some form of the Company equity. In fixing the compensation to be paid to Trust Managers who are not employees of the Company for serving on the Board and on committees, the Board may consider the following:

- The compensation that is paid to directors or trust managers of other companies that are comparable to the Company.
- The amount of time it is likely Trust Managers will be required to devote to preparing for and attending meetings of the Board and the committees on which they serve.
- The success of the Company (which may be reflected in compensation related to the price of the Company's shares).
- If a committee on which a Trust Manager serves undertakes a special assignment, the importance of that special assignment to the Company and its shareholders.
- The risks involved in serving as a Trust Manager and a member of Board committees.

E. Consulting and Similar Arrangements. Independent Trust Managers will not be paid for consulting or similar services nor will the Company retain any of their affiliates for consulting or other services without approval of the full Board.

V. Board Orientation and Evaluation

A. Orientation and Continuing Education. Each new Board member will receive an orientation that includes an extensive review of the Company and its business, general information about the Board and its committees, and a review of Trust Manager duties and responsibilities, including these Governance Guidelines. Some of these topics will be included in written materials and others will be covered in meetings with executive officers. Board members are encouraged to visit Company properties and to attend continuing Trust Manager education programs offered by various organizations.

B. Board and Committee Performance Evaluations. The Nominating and Governance Committee will initiate and oversee an annual assessment of the Board's performance, the results of which will be presented by the Chairman of the Nominating and Governance Committee to the full Board. The assessment will include a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of the Company. The purpose of the review will be to improve the performance of the Board as a unit, and not to target the performance of any individual Board member. The Nominating and Governance Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board. The Audit, Compensation and Nominating and Governance committees are also responsible for assessing their respective committee's performance and reviewing their charter on an annual basis.

VI. Board Planning and Oversight Functions

A. Succession Planning and Management Development. The Chief Executive Officer, working with the Board, is responsible for developing and maintaining a process for succession planning with respect to the position of Chief Executive Officer. The Chief Executive Officer will review these plans with the Board on an annual basis, including a discussion of assessments, leadership development plans and other relevant factors.

B. Board Involvement with Regard to Compensation Matters for the Chief Executive Officer and Other Executive Officers. The Board will be provided with a thorough annual review prepared by the Compensation Committee with respect to compensation matters for the Chief Executive Officer and other executive officers. The Board will be apprised with respect to compensation actions for the remaining officers.

C. Annual Evaluations of the CEO. The Compensation Committee, in consultation with the Chairman of the Board so long as the Chairman is not the Chief Executive Officer (or another executive officer), will perform an annual evaluation of the Chief Executive Officer. The evaluations will include objective criteria, including Company's performance and relative shareholder return, accomplishment of long-term goals and such other matters deemed pertinent

to performance. The full Board shall be apprised annually of such matters. Results of the annual evaluations will affect the Chief Executive Officer's annual compensation.

D. CEO's Death, Resignation or Disability. In the event of the death, resignation or disability of the Company's Chief Executive Officer, the Chair of the Compensation Committee will immediately call a meeting of the Committee to recommend to the full Board the selection of a temporary or permanent replacement for such position.

E. Trust Managers Have Access to Management. Board members have complete access to the Company's management team and the independent auditors. Providing advice and counsel to management occurs both in formal Board and committee meetings and through informal contact with executive officers. Trust Managers are encouraged to contact the Company's executive officers in order to keep themselves adequately informed of the Company's affairs. The Board encourages the continuation of the long-standing practice of the Chairman to bring department heads into Board meetings from time to time who can provide additional insight into the items being discussed.

F. Board's Outside Advisors. The Board may retain and have access to outside counsel of its choice, at the Company's expense, with respect to any issue relating to its activities. Board committees shall have access to accountants, compensation consultations, or other independent advisors whose expertise is deemed essential to carrying out the committees' respective missions.

G. Ethics Hotline. As part of the Company's commitment to maintaining a workplace free from discrimination, harassment, fraud and other illegal, dishonest or unethical activity, the Company has established an Ethics Hotline. The hotline provides individuals with a number to submit a voicemail messages on a confidential and anonymous basis regarding concerns of such activity or any questionable accounting or audit-relate matters. The Company's human resources department is responsible for reviewing and handling these complaints.

VII. Executive Ownership; Re-pricing Prohibition

A. Executive Share Ownership. To further support the Company's goal of achieving a strong link between shareholders and executive officers and to more fully tie compensation to long-term performance, executive officers may receive a portion of their annual bonuses in some form of Company equity.

B. Re-pricing Prohibition. Options to purchase common shares of the Company may not be re-priced. The exercise price for options will not be lowered even if the current market price of the Company's shares is below the exercise price.