

PennyMac Mortgage Investment Trust
Form DEF 14A
April 14, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14A-101)

Information Required in Proxy Statement

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the
Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

PennyMac Mortgage Investment Trust

(Name of Registrant as Specified In Its Charter)

(Name(s) of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

3043 TOWNSGATE ROAD
WESTLAKE VILLAGE, CALIFORNIA 91361

April 14, 2017

Dear Shareholder:

We would like to cordially invite you to attend the 2017 Annual Meeting of Shareholders, or the Meeting, of PennyMac Mortgage Investment Trust to be held on Thursday, May 25, 2017, at 11:00 a.m. Pacific Time. The Meeting will be held at our corporate offices located at 3043 Townsgate Road, Westlake Village, California 91361.

The Notice of 2017 Annual Meeting of Shareholders and Proxy Statement are attached to this letter and contain information about the matters on which you will be asked to vote at the Meeting. We will transact no other business at the Meeting, except for business properly brought before the Meeting or any postponement or adjournment thereof by our Board of Trustees. Only our common shareholders of record at the close of business on the record date are entitled to vote at the Meeting.

Your vote is very important. Please carefully read the Notice of 2017 Annual Meeting of Shareholders and Proxy Statement so that you will know the matters on which we plan to vote at the Meeting, and then vote your shares by proxy by mail, by Internet or by telephone as soon as possible to make sure that your shares are represented at the Meeting. You may also cast your vote in person at the Meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct that firm or bank as to how to vote your shares.

ANNUAL MEETING ADMISSION: In order to attend the Meeting in person, you will need to present your admission ticket, or an account statement showing your ownership of our common shares as of the record date, and valid government-issued photo identification. The indicated portion of your proxy card will serve as your admission ticket.

On behalf of our Board of Trustees, we thank you for your participation and look forward to seeing you on May 25th.

Sincerely,

STANFORD L. KURLAND DAVID A. SPECTOR

Executive Chairman

President and Chief Executive Officer

3043 TOWNSGATE ROAD
WESTLAKE VILLAGE, CALIFORNIA 91361

Notice of 2017 Annual Meeting of Shareholders

Time and Date: 11:00 a.m. Pacific Time on Thursday, May 25, 2017

Place: PennyMac Mortgage Investment Trust
3043 Townsgate Road
Westlake Village, California 91361

Items of Business: To elect the three (3) Class II trustees identified in the enclosed Proxy Statement to serve on our Board of Trustees, each for a term expiring at the 2020 annual meeting of shareholders;

To ratify the appointment of our independent registered public accounting firm for the fiscal year ending December 31, 2017;

To approve, by non-binding vote, our executive compensation;

To recommend, by non-binding vote, the frequency of our executive compensation vote; and

To transact such other business as may properly come before the annual meeting and any postponement or adjournment thereof.

Record Date and Meeting Admission: Only shareholders of record at the close of business on March 31, 2017, the record date, are entitled to attend the annual meeting.

Proxy Voting: Whether or not you plan to attend the annual meeting, we encourage you to vote your shares by proxy by mail, by Internet or by telephone as soon as possible to make sure that your shares are represented at the annual meeting. You may also cast your vote in person at the annual meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct that firm or bank as to how to vote your shares.

**Mailing of
Information:**

Pursuant to rules adopted by the Securities and Exchange Commission, we have elected to provide access to our proxy materials primarily via the Internet, rather than mailing paper copies of these materials to each shareholder. On or about April 14, 2017, we began mailing a Notice of Internet Availability of Proxy Materials, which contains instructions on how to access the proxy materials, vote, and request paper copies of the proxy materials. Access to the proxy materials and online voting will be available at www.proxyvote.com. We believe this process expedites shareholders' receipt of the proxy materials, lowers the cost of printing and distribution, and reduces the environmental impact associated with the annual meeting.

By Order of the Board of Trustees,

JEFFREY P. GROGIN
Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 25, 2017:

This Notice of 2017 Annual Meeting of Shareholders, Proxy Statement and 2016 Annual Report to Shareholders, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, are available at www.proxyvote.com.

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3043 TOWNSGATE ROAD
WESTLAKE VILLAGE, CALIFORNIA 91361

2017 Annual Meeting of Shareholders

PROXY STATEMENT

PennyMac Mortgage Investment Trust (“we,” “our,” “us” or the “Company”) is furnishing this Proxy Statement in connection with our solicitation of proxies to be voted at our 2017 Annual Meeting of Shareholders, or the Meeting. We will hold the Meeting at our corporate offices located at 3043 Townsgate Road, Westlake Village, California 91361, on Thursday, May 25, 2017 at 11:00 a.m. Pacific Time, subject to any postponements or adjournments thereof. We are delivering the Notice of Internet Availability of Proxy Materials, or the Notice, to our shareholders commencing on or about April 14, 2017, which contains instructions on how to access the proxy materials via the Internet, how to vote online at www.proxyvote.com, and how to request paper copies of the proxy materials.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

What am I voting on?

You will be entitled to vote on the following scheduled proposals at the Meeting:

The election of three (3) Class II trustees, Preston DuFauchard, Nancy McAllister and Stacey D. Stewart, each for a term expiring at the 2020 annual meeting of shareholders;

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The ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017;

The approval, by non-binding vote, of our executive compensation; and

The recommendation, by non-binding vote, of the frequency of the executive compensation vote.

How does our Board of Trustees recommend that I vote on these proposals?

Our Board of Trustees, or the Board, recommends that you vote “**FOR**” the election of each of the nominees as trustees identified in this Proxy Statement, “**FOR**” the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017, “**FOR**” the approval, by non-binding vote, of our executive compensation, and “**FOR**” the recommendation, by non-binding vote, of holding the executive compensation vote every year.

Who can attend the Meeting?

Our Board has set March 31, 2017 as the record date for the Meeting. If you were a shareholder of record as of the close of business on the record date, you are entitled to attend the Meeting, although seating is limited. If you plan to attend, please check the appropriate box on your proxy card and return it as directed on the proxy card.

If you hold your common shares through a brokerage firm or bank and you would like to attend, please either (1) write us at Investor Relations, PennyMac Mortgage Investment Trust, 3043 Townsgate Road, Westlake Village, California 91361, (2) email us at investorrelations@pnmac.com, or (3) bring to the Meeting a copy of your brokerage account statement or an omnibus proxy (which you can get from your broker).

In addition, you must bring valid, government-issued photo identification, such as a driver’s license or a passport. No cameras or recording devices of any kind, or signs, placards, banners or similar materials, may be brought into the Meeting. Anyone who refuses to comply with these requirements will not be admitted.

Who is entitled to vote at the Meeting?

If you were a shareholder of record as of the close of business on the record date, you are entitled to notice of, and to vote at, the Meeting and any postponement or adjournment thereof. As of the record date, 66,711,052 common shares were issued and outstanding. You are entitled to one vote on each proposal for each common share you held on the record date.

How many shares must be present to hold the Meeting?

The presence in person or by proxy of shareholders entitled to cast a majority of all votes entitled to be cast at the Meeting on any matter constitutes a quorum, which is required in order to hold the Meeting and conduct business. Since there were 66,711,052 eligible votes as of the record date, we will need at least 33,355,527 votes present in person or by proxy at the Meeting for a quorum to exist. If a quorum is not present at the Meeting, we expect that the Meeting will be adjourned to solicit additional proxies.

What shareholder approvals are required to approve the proposals?

Trustees will be elected by a plurality of the votes cast by the holders of our common shares voting in person or by proxy at the Meeting. Ratification of the appointment of our independent registered public accounting firm and approval, by non-binding vote, of our executive compensation will require the affirmative vote of a majority of the votes cast by the holders of our common shares voting in person or by proxy at the Meeting. The frequency of the non-binding executive compensation vote (i.e., every one, two or three years) that receives the highest number of votes cast will be treated as the option recommended by our shareholders.

How will voting on any other business be conducted?

Other than the four proposals described in this Proxy Statement, we know of no other business to be considered at the Meeting. If any other matters are properly presented at the Meeting, your signed proxy card or Internet or telephonic voting instructions will authorize Stanford L. Kurland, our Executive Chairman, and Jeffrey P. Grogan, our Secretary, to vote on those matters according to their best judgment.

How do I vote my shares as a shareholder of record?

If you were a shareholder of record as of the close of business on the record date, you may vote as instructed on the proxy card by using one of the following methods:

By Mail. If you received a printed copy of the proxy materials, please mark your selections on, and sign and date, the printed proxy card, and return the proxy card by mail in the postage-paid envelope provided.

By Internet. To vote by Internet, go to www.proxyvote.com and follow the instructions at that website. Internet voting is available 24 hours a day, although your vote by Internet must be received by 11:59 p.m. Eastern Time, May 24, 2017. If you vote by Internet, do not return your proxy card or voting instruction card. If you are a registered shareholder, you will need to have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form. If you hold your shares in "street name," please refer to the Notice or voting instruction card provided to you by your broker, bank or other holder of record for Internet voting instructions.

By Telephone. To vote by telephone, registered shareholders should dial 800-690-6903 and follow the recorded instructions. Telephone voting is available 24 hours a day, although your vote by phone must be received by 11:59 p.m. Eastern Time, May 24, 2017. You will need the control number found either on the Notice or on the proxy card if you are receiving a printed copy of these materials. If you vote by telephone, do not return your proxy card or voting instruction card. If you are a registered shareholder, you will need to have your proxy card in hand when you call and then follow the instructions. If you hold your shares in "street name," please refer to the Notice or voting instruction card provided to you by your broker, bank or other holder of record for telephone voting instructions.

In Person. If you attend the Meeting and plan to vote in person, you will be provided with a ballot at the Meeting. If your shares are registered directly in your name, you are considered the shareholder of record and you have the right to vote in person at the Meeting. If your shares are held in "street name" and you wish to vote at the Meeting, you must request a legal proxy by following the instructions at www.proxyvote.com. Whether you are a shareholder of record or your shares are held in "street name," you must bring valid, government-issued photo identification to gain admission to the Meeting.

If you vote prior to the Meeting, it will assure that your vote is counted. Even if you plan to attend the Meeting, we encourage you to vote in advance of the Meeting, so your vote will be counted if you later decide not to attend the Meeting. Whether you vote by mail, by Internet, by telephone or in person at the Meeting, the proxies identified will vote the shares as to which you are the shareholder of record in accordance with your instructions. If a printed proxy card is signed and returned and no instructions are marked, the shares will be voted as recommended by our Board in this Proxy Statement.

What is the difference between a shareholder of record and a “street name” holder?

If your shares are registered directly in your name, you are considered the shareholder of record with respect to those shares. If your shares are held in a stock brokerage account or by a bank, trust or other nominee, then the broker, bank, trust or other nominee is considered to be the shareholder of record with respect to those shares. However, you still are considered the beneficial owner of those shares, and your shares are said to be held in “street name.” Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares.

If my broker holds my shares in “street name,” how do I vote my shares?

If you own your shares in “street name,” you must vote your shares in the manner prescribed by your broker or other nominee. Your broker or other nominee has provided a voting instruction form for you to use in directing the broker or nominee how to vote your shares. Please follow the instructions provided on such voting instruction form.

What if I do not specify how I want my shares voted?

If you submit a signed proxy card and do not specify how you want to vote your shares, we will vote your shares in accordance with the Board’s recommendations as follows:

FOR the election of three (3) Class II trustees, Preston DuFauchard, Nancy McAllister and Stacey D. Stewart, each for a term expiring at the 2020 annual meeting of shareholders;

FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017;

FOR the approval, by non-binding vote, of our executive compensation; and

FOR the recommendation, by non-binding vote, of holding the executive compensation vote every year.

May I revoke my proxy and change my vote after submitting my proxy?

Yes. You may revoke your proxy and change your vote before it is taken at the Meeting by (1) delivering a written notice of revocation to the attention of our Secretary at 3043 Townsgate Road, Westlake Village, California 91361, (2) delivering a duly executed proxy bearing a later date, or (3) attending the Meeting and voting in person. As noted above, if you own your shares through a brokerage account or in another nominee form, you cannot vote in person at the Meeting unless you obtain a proxy from your broker or nominee and bring that proxy to the Meeting.

What does it mean if I receive more than one proxy card?

It means that your shares may be registered differently and in more than one account. Sign and return all proxy cards to ensure that all your shares are voted.

How are votes counted?

You may either vote **“FOR”** or **“WITHHOLD”** authority to vote for each nominee for the Board. You may vote **“FOR,”** **“AGAINST”** or **“ABSTAIN”** on the proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017 and the proposal to approve, by non-binding vote, our executive compensation. You may vote **“ONE YEAR,”** **“TWO YEARS,”** or **“THREE YEARS”** on the proposal to recommend, by non-binding vote, the frequency of our executive compensation vote and you may also **“ABSTAIN.”** An abstention is the voluntary act of not voting by a shareholder who is present at a meeting in person or by proxy and entitled to vote.

If you submit your proxy but abstain from voting or withhold authority to vote on one or more matters, your shares will be counted as present at the Meeting for the purpose of determining a quorum. Your shares also will be counted as present at the Meeting for the purpose of calculating the vote on the particular proposal with respect to which you abstained from voting or withheld authority to vote. However, because an abstention is not counted as a vote cast, if you abstain from voting on a proposal, your abstention will have no effect on the proposal in question.

If you hold your shares in “street name” and do not provide voting instructions to your broker or other nominee, your shares will not be voted on any proposal on which your broker or other nominee does not have discretionary authority to vote under the rules of the New York Stock Exchange, or the NYSE. Under NYSE rules, brokers that hold our common shares in street name for customers that are the beneficial owners of those shares may not give a proxy to vote those shares on certain matters, including the election of trustees, our executive compensation program and the frequency of the executive compensation vote, without specific instructions from those customers. When a broker lacks authority to vote under these circumstances, this is referred to as a “broker non-vote.” Broker non-votes will be counted as present at the Meeting for the purpose of determining a quorum but will not be considered votes cast and, accordingly, will have no effect on any proposal to be considered at the Meeting.

Who will count the vote?

Representatives of Broadridge Financial Solutions, Inc. will count the votes for shares held in “street name” and the votes of shareholders of record. Representatives of our Company will serve as the Inspector of Elections.

How will we solicit proxies for the Meeting?

We are soliciting proxies from our shareholders by mailing the Notice and providing internet access, at www.proxyvote.com, to our Notice of 2017 Annual Meeting of Shareholders, Proxy Statement, 2016 Annual Report to Shareholders, and proxy card or voting instruction form. In addition, some of our trustees and officers may make additional solicitations by telephone or in person.

Who bears the cost of soliciting proxies?

We will pay the cost of the solicitation of proxies, including preparing and mailing the Notice. To the extent any of our trustees or officers solicit proxies by telephone, facsimile transmission or other personal contact, such persons will receive no additional compensation. Brokerage houses and other nominees, fiduciaries and custodians who are holders of record of common shares will be requested to forward proxy soliciting materials to the beneficial owners of such shares and will be reimbursed by us for their charges and expenses in connection therewith at customary and reasonable rates.

Can I access the Company’s proxy materials and Annual Report to Shareholders electronically?

This Proxy Statement and our 2016 Annual Report to Shareholders, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, or Fiscal 2016, are available at www.proxyvote.com and on our Investor Relations website, www.pennymac-REIT.com/2017AnnMtg.

Will our external manager be present at the Meeting?

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Officers of PNMAC Capital Management, LLC, our external manager, or our Manager, will be present at the Meeting.

When are shareholder proposals due for the 2018 Annual Meeting of Shareholders?

No shareholder proposals were received by us to be presented at the Meeting. We intend to hold next year's annual meeting of shareholders on approximately the same date as the Meeting. Accordingly, if you are submitting a proposal for possible inclusion in next year's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, we must receive the proposal no later than December 15, 2017. If you are submitting a proposal for possible inclusion in next year's proxy statement other than pursuant to Rule 14a-8 of the Exchange Act, we must receive the proposal no earlier than November 15, 2017 and no later than December 15, 2017.

Who can help answer my questions?

If you have any questions or need assistance voting your shares or if you need additional copies of this Proxy Statement or the proxy card, you should contact:

PennyMac Mortgage Investment Trust
Attention: Investor Relations
3043 Townsgate Road
Westlake Village, California 91361
Phone: (818) 224-7028
Email: investorrelations@pnmac.com

OUR TRUSTEES

We have three classes of trustees. If our Class II trustees are elected at this year’s Meeting, they will serve until our annual meeting of shareholders in 2020 and their successors have been duly elected and qualified. Our Class III trustees will serve until our annual meeting of shareholders in 2018 and their successors have been duly elected and qualified. Our Class I trustees will serve until our annual meeting of shareholders in 2019 and their successors have been duly elected and qualified.

The following paragraphs provide the name and age (as of April 14, 2017) of each trustee, as well as each trustee’s business experience over the last five years or more. Immediately following the description of each trustee’s business experience is a description of the particular experience, skills and qualifications that were instrumental in the Nominating and Corporate Governance Committee’s determination that the trustee should serve on our Board.

Name	Age	Position
Stanford L. Kurland	64	Trustee, Executive Chairman
David A. Spector	54	Trustee
Scott W. Carnahan	63	Trustee
Preston DuFauchard	60	Trustee
Randall D. Hadley	73	Independent Lead Trustee
Clay A. Halvorsen	57	Trustee
Nancy McAllister	57	Trustee
Stacey D. Stewart	53	Trustee
Frank P. Willey	63	Trustee

Trustee Nominees

Class II Trustees – If Elected, Term to Expire in 2020

Preston DuFauchard. Mr. DuFauchard, age 60, has been a member of our Board since November 2012. Mr. DuFauchard has served as general counsel of Robertson Stephens, a global investment advisory firm for high net worth individuals, family offices, institutions and corporations, since April 2016. Prior thereto, Mr. DuFauchard had served as an independent consultant since January 2012. From 2006 through December 2011, Mr. DuFauchard served as the commissioner of the California Department of Corporations. From 1997 to 2006, Mr. DuFauchard was employed at Bank of America Corporation, a diversified financial services firm, where he held the title of assistant general counsel. Mr. DuFauchard holds a BA from Stanford University and a JD from the University of California, Berkeley, Boalt School of Law. We believe Mr. DuFauchard is qualified to serve on our Board because of his strong

business experience and leadership as the chief executive officer of a state agency, his extensive legal and regulatory background, and his understanding of the mortgage banking business.

Nancy McAllister. Ms. McAllister, age 57, has been a member of our Board since November 2012. Ms. McAllister has served as a senior advisor of Star Mountain Capital, LLC and Star Mountain Stimulus Fund, L.P., private equity firms that invest in small and medium size businesses, since April 2013. From November 2008 through May 2011, Ms. McAllister served as a managing director in the financial institutions group of Credit Suisse Securities (USA) LLC, a diversified financial services firm. From 1991 to September 2008, Ms. McAllister was employed by Lehman Brothers, Inc., where she held a variety of executive positions, including managing director and co-head of the depository institutions and debt capital markets groups. Ms. McAllister has served on the board of directors of People's United Financial, Inc., a diversified financial services company, since September 2013. Ms. McAllister holds a BA from the University of Virginia. We believe Ms. McAllister is qualified to serve on our Board because she is a seasoned business executive with deep knowledge of the capital markets and significant experience in financial services, including investment banking.

Stacey D. Stewart. Ms. Stewart, age 53, has been a member of our Board since August 2009. She has served as president of the March of Dimes Foundation, a leading nonprofit organization, since November 2016. From June 2009 to November 2016, Ms. Stewart served in a variety of executive positions, including president of United States operations and executive vice president for Community Impact Leadership and Learning, at United Way Worldwide, the world's largest charitable organization. From February 2007 to April 2009, Ms. Stewart was a senior vice president of Fannie Mae, a government-sponsored enterprise that supports liquidity and stability in the secondary mortgage market. Ms. Stewart holds an AB from Georgetown University and an MBA from the University of Michigan. We believe Ms. Stewart is qualified to serve on our Board because of her strong experience in the mortgage sector and proven leadership of charitable organizations, the primary focus of which is housing and homeownership within underprivileged communities.

Continuing Trustees

Class III Trustees – Term to Expire in 2018

Randall D. Hadley. Mr. Hadley, age 73, has been a member of our Board since August 2009. Mr. Hadley is also our independent lead trustee. Mr. Hadley was a CPA and partner of Grant Thornton LLP, an accounting firm, including nine years as regional director of professional standards, before retiring in July 2003. He advised both public and private entities while at Grant Thornton LLP and provided various consulting services to the accounting firm following his retirement through July 2011. Mr. Hadley holds a BS from Wright State University. We believe Mr. Hadley is qualified to serve on our Board because he is a financial and accounting expert with over 40 years of wide-ranging accounting and auditing experience, including extensive experience in mortgage banking.

Clay A. Halvorsen. Mr. Halvorsen, age 57, has been a member of our Board since August 2009. Mr. Halvorsen is currently senior vice president and general counsel of The Irvine Company, a diversified real estate firm, where he has served since February 2010, and he also holds the position of general counsel at Irvine Community Development Company, a residential real estate developer. From 1998 until February 2009, Mr. Halvorsen was the executive vice president, general counsel and secretary of Standard Pacific Corp., a NYSE listed homebuilding company. Mr. Halvorsen holds a BA from California State University, Northridge and a JD from the University of Southern California. We believe Mr. Halvorsen is qualified to serve on our Board because he is a longtime legal executive in the real estate, homebuilding and mortgage businesses with considerable experience advising publicly-traded institutions.

Stanford L. Kurland. Mr. Kurland, age 64, has been a member of our Board since our formation and our Executive Chairman since January 2017. Prior thereto, had been our chairman of the board and chief executive officer from May 2009 through December 2016. Mr. Kurland also has been the executive chairman of PennyMac Financial Services, Inc., or PFSI, since January 2017 and, prior thereto, had been chairman of the board and chief executive officer from February 2013 through December 2016. Mr. Kurland served as the chief executive officer of Private National Mortgage Acceptance Company, LLC, or PNMAC, from May 2013 through December 2016, and, prior thereto, served as chairman of the board and chief executive officer from founding the company in January 2008 to May 2013. Prior to the formation of PNMAC, Mr. Kurland served as a director and, from January 1979 to September 2006, held several executive positions, including president, chief financial officer and chief operating officer, at Countrywide Financial Corporation, or Countrywide, a diversified financial services company. Our Manager, PCM, and PNMAC are controlled subsidiaries of PFSI. Mr. Kurland holds a BS from California State University, Northridge. We believe Mr. Kurland is qualified to serve on our Board because of his experience as our previous chief executive officer and as an accomplished financial services executive with more than 35 years of experience in the mortgage banking arena.

David A. Spector. Mr. Spector, age 54, has been a member of our Board since our formation in May 2009 and has been our President and Chief Executive Officer since January 2017. He served as our executive managing director, president and chief operating officer from February 2016 through December 2017 and, prior thereto, as president and chief operating officer since May 2009. He also has been the president and chief executive officer of PFSI since January 2017 and, prior thereto, had been executive managing director, president and chief operating officer of PFSI since February 2016. Prior thereto, Mr. Spector had been president and chief operating officer from February 2013 to February 2016. Mr. Spector also has been the president and chief executive officer of PNMAC since January 2017 and, prior thereto, served in a variety of executive positions at PNMAC from January 2008 through December 2016. In addition, Mr. Spector has been a member of the board of PFSI since its formation. Prior to joining PNMAC, Mr. Spector was co-head of global residential mortgages for Morgan Stanley, a global financial services firm, based in London. Before joining Morgan Stanley in September 2006, Mr. Spector was the senior managing director, secondary marketing, at Countrywide, where he was employed from May 1990 to August 2006. Mr. Spector holds a BA from the University of California, Los Angeles. We believe Mr. Spector is qualified to serve on our Board because of his experience as a member of our executive management team and as an experienced executive with broad mortgage banking expertise in portfolio investments, interest rate and credit risk management, and capital markets activity that includes pricing, trading and hedging.

Class I Trustees – Term to Expire in 2019

Scott W. Carnahan. Mr. Carnahan, age 63, has been a member of our Board since August 2009. Mr. Carnahan has served as senior managing director at FTI Consulting, Inc., a global business advisory firm, since May 2014. Prior thereto, Mr. Carnahan had provided financial and accounting consulting services to various financial institutions since April 2007. From 1992 to 1998 and from 2000 to March 2007, Mr. Carnahan was an audit and consulting partner at the professional services firm of KPMG LLP. Mr. Carnahan holds a BA and an MBA from the University of California, Irvine and is a CPA. We believe Mr. Carnahan is qualified to serve on our Board because he has both accounting and financial expertise, due to his experience at KPMG LLP, as well as a fundamental understanding of the mortgage lending business.

Frank P. Willey. Mr. Willey, age 63, has been a member of our Board since August 2009. Since February 2009, Mr. Willey has been a non-equity partner at the law firm of Hennelly & Grossfeld LLP. From 1984 to 2016, Mr. Willey held a variety of executive positions, including president and general counsel, at Fidelity National Financial, Inc., or Fidelity, a provider of title insurance, specialty insurance, claims management services and information services. Mr. Willey currently serves as a director of Fidelity and Winter Sports, Inc., a ski resort operator. Mr. Willey holds a BS from LeMoyne College and a JD from Albany Law School. We believe Mr. Willey is qualified to serve on our Board because he is an experienced executive and director with a strong business and legal background in the financial services industry.

CORPORATE GOVERNANCE, TRUSTEE INDEPENDENCE, BOARD MEETINGS AND COMMITTEES

Corporate Governance

We believe that we have implemented effective corporate governance policies and observe good corporate governance procedures and practices. We have adopted a number of written policies, including our Corporate Governance Guidelines, our Code of Business Conduct and Ethics, and charters for our Audit Committee, Compensation Committee, Finance Committee, Nominating and Corporate Governance Committee, Related Party Matters Committee and Risk Committee. These documents are available in the Corporate Governance section of our website, www.pennymac-reit.com, and copies will be provided free of charge to any shareholder who sends a written request to Investor Relations, PennyMac Mortgage Investment Trust, 3043 Townsgate Road, Westlake Village, California 91361.

Independence of Our Trustees

The NYSE rules require that at least a majority of our trustees be independent of our Company and management. The rules also require that our Board affirmatively determine that there are no material relationships between a trustee and us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) before such trustee can be deemed independent. We have adopted independence standards consistent with NYSE rules and the rules of the Securities and Exchange Commission, or the SEC. Our Board has reviewed both direct and indirect transactions and relationships that each of our trustees has or had with us and our management.

As a result of this review, our Board, based upon the fact that none of our non-management trustees have any material relationships with us other than as trustees and holders of our common shares, affirmatively determined that seven of our trustees are independent trustees under NYSE rules. Our independent trustees are Messrs. Carnahan, DuFauchard,

Hadley, Halvorsen and Willey and Mmes. McAllister and Stewart.

Board of Trustees Leadership Structure and Independent Lead Trustee

On December 13, 2016, PFSI and our Manager announced that Mr. Spector would succeed Mr. Kurland as their Chief Executive Officer, effective as of January 1, 2017, and that Mr. Kurland would serve in a new capacity as their Executive Chairman. We determined that Mr. Spector, who previously served as our Executive Managing Director, President and Chief Operating Officer, was a suitable replacement for Mr. Kurland. Accordingly, on December 13, 2016, we also announced changes to the roles of Mr. Spector and Mr. Kurland, electing Mr. Spector as our President and Chief Executive Officer and Mr. Kurland as our Executive Chairman, effective as of January 1, 2017. As Executive Chairman, Mr. Kurland is charged with leading our strategy, organizational development and governance and representing our Company with business partners, investors and other key external stakeholders, with a focus on advising and helping guide members of our senior management team in their respective areas of responsibility. Our Board believes that independent trustees and management have different perspectives and roles in strategy development. Our independent trustees bring experience, oversight and expertise from outside our Company and industry, while the Executive Chairman and Chief Executive Officer bring company-specific experience and expertise. As our former chief executive officer, we believe Mr. Kurland is well situated to serve as Executive Chairman because we believe he is able to utilize the in-depth focus and perspective gained in running our Company to effectively and efficiently lead our Board. As the trustee most familiar with our business and industry, he is most capable of identifying new initiatives and businesses, strategic priorities and other critical and/or topical agenda items for discussion by our Board and then leading the discussion to ensure our Board's proper oversight of these issues. Our Board believes that this leadership structure, which separates the Executive Chairman and Chief Executive Officer roles, is appropriate at this time in light of our evolving business and operating environment, our need to facilitate the efficient information flow between senior management and our Board, our desire to provide guidance to senior management, and our continued focus on promoting strategy development and execution, all of which are essential to effective governance.

This determination is also based on what we consider to be a strong governance structure already in place, including the re-appointment of an influential independent lead trustee with a strong voice. The independent lead trustee works with our Executive Chairman and other trustees to provide informed, independent oversight of our management and affairs. Among other things, the independent lead trustee reviews and provides input on Board meeting agendas and materials, coordinates with committee chairs to ensure the committees are fulfilling the responsibilities set forth in their respective charters, serves as the principal liaison between our Executive Chairman and the independent trustees, and chairs an executive session of the independent trustees at each regularly scheduled Board meeting. Our Board has re-appointed Mr. Hadley as independent lead trustee for a three (3) year term that expires in February 2020. Each of our Board committees is comprised of independent trustees.

Together, our Executive Chairman and the independent lead trustee provide leadership to and work with our Board to define its structure and activities in the fulfillment of its responsibilities.

The Role of the Board in Risk Oversight

Our Board and each of its committees, and in particular the Risk Committee, have an active role in overseeing our risk management process, while supporting organizational objectives, improving long-term organizational performance and creating shareholder value. A fundamental part of risk management oversight is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for our Company. The involvement of the full Board in our business strategy is a key part of its assessment of management's appetite for risk and determination of what constitutes an appropriate level of risk for our Company. While our Board has the ultimate oversight responsibility for the risk management process, particularly with respect to those risks inherent in the operation of our businesses and the implementation of our strategic plan, the committees of our Board also share responsibility for overseeing specific areas of risk management. For example, the Risk Committee oversees our Manager's enterprise risk management function in relation to our Company and focuses on credit risk, mortgage compliance risk and operational risk. The Audit Committee focuses on risks associated with internal controls and securities, financial and accounting compliance, and receives an annual risk assessment report from our internal auditors. The Finance Committee focuses on risks relating to our Company's liquidity and capital resources. The Nominating and Corporate Governance Committee focuses on risks associated with proper board governance, including the independence of our trustees and the assessment of the performance and effectiveness of each member and Committee of our Board. The Related Party Matters Committee focuses on risks arising out of potential conflicts of interest between our Company and our Manager and PennyMac Loan Services, LLC, or our Servicer. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about the nature of all such risks.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, available on our website at www.pennymac-reit.com, which sets forth the basic principles and guidelines for resolving various legal and ethical questions that may arise in the workplace and in the conduct of our business. This code is applicable to all of our officers and trustees, as well as to the employees, officers and directors of our Manager and our Servicer when such individuals are acting for or on our behalf.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines, available on our website at www.pennymac-reit.com, which, in conjunction with the charters and key practices of the committees of our Board, provide the framework for the governance of our Company.

Corporate Sustainability

We strive to encourage and support principles of corporate sustainability in our operations, thereby promoting the long-term success of our organization for the benefit of our shareholders and customers and improving the environment in which we live. Although we have not yet established a formal corporate sustainability program, we hold ourselves and our Manager accountable for managing our social, environmental, and economic impact through a number of initiatives. Our Manager seeks to operate its buildings in an environmentally sustainable manner by investing in sustainable products and services and focusing on energy efficiency and conservative water consumption practices. Our Manager also seeks to recruit, develop and promote an exceptional workforce that represents diverse backgrounds and varied experiences, and it has partnered with a third party to establish a comprehensive, fully integrated wellness program. We believe that every small effort is a step in the right direction, and we are confident that our and our Manager's corporate sustainability initiatives have made and will continue to make a positive impact both in and beyond our business.

Committee Charters

Our Audit Committee, Compensation Committee, Finance Committee, Nominating and Corporate Governance Committee, Related Party Matters Committee and Risk Committee have also adopted written charters that govern their conduct, each of which is available on our website at www.pennymac-reit.com.

Committees of the Board of Trustees

Audit Committee

Our Board has established an Audit Committee, which is comprised of three independent trustees, Messrs. Carnahan, DuFauchard and Hadley. Mr. Hadley chairs the Audit Committee, and he and Mr. Carnahan each serve as an “audit committee financial expert,” as that term is defined by the SEC. Each of the members of the Audit Committee is “financially literate” under the rules of the NYSE. The Audit Committee assists our Board in overseeing:

- our accounting and financial reporting processes;
- the integrity and audits of our financial statements;
- our internal control function;
- our compliance with related legal and regulatory requirements;
- the effectiveness of our compliance programs as they relate to applicable laws and regulations governing securities, financial and accounting matters;
- the qualifications and independence of our independent registered public accounting firm; and
- the performance of our independent registered public accounting firm and our internal auditors.

The Audit Committee is also responsible for the engagement, retention and compensation of our independent registered public accounting firm, reviewing with our independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by our independent registered public accounting firm, considering the range of audit and permissible non-audit fees, and reviewing the adequacy of our internal accounting controls.

Our Board has determined that all of the trustees serving on the Audit Committee are independent under the applicable rules of the NYSE and SEC. The activities of the Audit Committee are described in greater detail below

under the caption “Report of the Audit Committee.”

Compensation Committee

Our Board has established a Compensation Committee, which is comprised of three independent trustees, Mmes. McAllister and Stewart and Mr. Willey. Mr. Willey chairs the Compensation Committee, the principal functions of which are to:

- evaluate the performance of our Chief Executive Officer and other executive officers;
- adopt and administer the compensation policies, plans and benefit programs for our executive officers and all other members of our executive team;
- review and recommend to the Board compensation plans, policies and programs;
- prepare the compensation committee report on executive compensation to be included in the Company’s annual proxy statement;
- review and discuss the Company’s compensation discussion and analysis to be included in the Company’s annual proxy statement;
- recommend to the Board the compensation for our independent trustees; and
- administer the issuance of any securities under the PennyMac Mortgage Investment Trust 2009 Equity Incentive Plan, or the 2009 Equity Incentive Plan.

The Compensation Committee may form, and delegate authority to, subcommittees when it deems appropriate to the extent permitted under applicable law.

Our Board has determined that all of the trustees serving on the Compensation Committee are independent under the applicable rules of the NYSE and SEC. For additional information on the Compensation Committee, please see the section below entitled “Report of the Compensation Committee.”

Finance Committee

Our Board has established a Finance Committee, which is comprised of three independent trustees, Messrs. DuFauchard and Carnahan and Ms. McAllister. Ms. McAllister chairs the Finance Committee, the principal function of which is to oversee the financial objectives, policies, procedures and activities of our Company, including a review of our capital structure, sources of funds, liquidity and financial position. In connection with these responsibilities of the Finance Committee, its principal functions are to:

- review, assess and monitor our capital structure, liquidity, capital adequacy and reserves;
- review and assess any policies we may establish from time to time that relate to our liquidity management, capital structure and dividend approvals;
- review our short- and long-term investment strategy, investment policies and the performance of our investments;
- monitor our capital budget; and
- review our policies and procedures on derivatives transactions.

Our Board has determined that all of the trustees serving on the Finance Committee are independent under the applicable rules of the NYSE and SEC.

Nominating and Corporate Governance Committee

Our Board has established a Nominating and Corporate Governance Committee, which is comprised of three independent trustees, Messrs. Halvorsen and Willey and Ms. Stewart. Ms. Stewart chairs the Nominating and Corporate Governance Committee, which is responsible for:

- seeking, considering and recommending to the full Board qualified candidates for election as trustees and then recommending nominees for election as trustees at the annual meeting of shareholders;
- recommending to the Board individuals qualified to be appointed as the Company's executive officers;

periodically preparing and submitting to our Board for adoption the Nominating and Corporate Governance Committee's selection criteria for trustee nominees;

reviewing and making recommendations to our Board on matters involving the general operation of our Board and our corporate governance guidelines;

annually recommending to our Board nominees for each of its committees; and

annually facilitating the assessment of the performance of the individual committees and our Board as a whole and reporting thereon to our Board.

The Nominating and Corporate Governance Committee is responsible for developing the general criteria, subject to approval by the full Board, for use in identifying, evaluating and selecting qualified candidates for election or re-election to our Board. The Nominating and Corporate Governance Committee periodically reviews with our Board the appropriate skills and characteristics required of Board members in the context of the current composition of our Board. Final approval of trustee candidates is determined by the full Board, and invitations to join our Board are extended by our Executive Chairman on behalf of the entire Board.

The Nominating and Corporate Governance Committee, in accordance with our Corporate Governance Guidelines, seeks to create a board that is strong in its collective knowledge and has skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, risk management, corporate governance, and knowledge of the mortgage and real estate investment trust, or REIT, sectors and the global markets. The Nominating and Corporate Governance Committee also focuses on issues of diversity, such as diversity of gender, race and national origin, education, professional experience, and differences in viewpoints and skills. We do not have a formal policy with respect to diversity; however, our Board and Nominating and Corporate Governance Committee believe that it is essential that our trustees represent diverse viewpoints and backgrounds. In considering candidates for our Board, the Nominating and Corporate Governance Committee considers the entirety of each candidate's credentials in the context of these standards and in light of the needs of our Board and our Company at that time, given the then current mix of trustee attributes. The Nominating and Corporate Governance Committee also considers a candidate's accessibility and availability to serve effectively on our Board, and it conducts inquiries into the background and qualifications of potential candidates. With respect to the nomination of continuing trustees for re-election, the individual's past contributions to our Board are also considered.

The Nominating and Corporate Governance Committee uses a variety of methods for identifying and evaluating nominees for trustee. The Nominating and Corporate Governance Committee assesses the appropriate size of our Board and whether any vacancies on our Board are expected due to retirement or otherwise. In the event that a vacancy is anticipated, or otherwise arises, the Nominating and Corporate Governance Committee considers whether to fill any such vacancy and, if so, identifies various potential candidates for trustee. These candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee, and may be considered at any point during the year. In evaluating such nominations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on our Board.

Candidates may come to the attention of the Nominating and Corporate Governance Committee through current members of our Board, professional search firms or other persons. The Nominating and Corporate Governance Committee will also consider recommendations for nominees properly submitted by our shareholders. These recommendations should be submitted in writing to our Secretary at our principal executive offices located at 3043 Townsgate Road, Westlake Village, California 91361. If any materials are provided by a shareholder in connection with a recommendation for a trustee nominee, such materials are forwarded to the Nominating and Corporate Governance Committee. Following verification of the shareholder status of persons proposing candidates, recommendations are aggregated and considered by the Nominating and Corporate Governance Committee, in the same manner as other recommendations, at its next regularly scheduled or special meeting.

Our Board has determined that all of the trustees serving on the Nominating and Corporate Governance Committee are independent under the applicable rules of the NYSE and SEC.

Related Party Matters Committee

Our Board has established a Related Party Matters Committee, which is comprised of four independent trustees, Messrs. Carnahan, Hadley, Halvorsen and Willey. Mr. Carnahan chairs the Related Party Matters Committee, the principal functions of which are to:

- establish policies and procedures related to the identification and management of certain transactions, and resolve other potential conflicts of interest, between our Company and any of our subsidiaries, on the one hand, and our Manager, Servicer and their affiliates, on the other hand;
- establish policies and procedures related to the identification of any other transactions in which certain related parties, including our trustees, executive officers and their family members, have a direct or indirect interest;
- oversee and administer all such policies; and
- review and, if necessary, approve and/or make recommendations to the Board regarding all such transactions, including, but not limited to, our management agreement, flow servicing agreement, mortgage banking services agreement, MSR recapture agreement and master spread acquisition and MSR servicing agreements with our Manager, Servicer and their affiliates, and any amendments of or extensions to such agreements.

During 2013, the Related Party Matters Committee engaged Mr. Joseph Sturtevant as its outside independent consultant. In such role, Mr. Sturtevant provides the Related Party Matters Committee with financial consulting relating to, and monitoring and analysis of, our various fee arrangements and related party transactions with PNMAC and its subsidiaries.

Our Board has determined that all of the trustees serving on the Related Party Matters Committee are independent under the applicable rules of the NYSE and SEC.

Risk Committee

In September 2016, our Board established the Risk Committee, which is comprised of three independent trustees, Messrs. Hadley and Halvorsen and Ms. McAllister. Mr. Halvorsen chairs the Risk Committee, the principal function of which is to assist our Board in fulfilling its oversight responsibilities relating to: (i) our Company's aggregate risk profile; (ii) specific risks expressly delegated to the Risk Committee, including credit risk, mortgage compliance risk, and operational risk; and (iii) the approach utilized by our Manager for assessing, monitoring and controlling such aggregate and specific risks. In carrying out its duties, the responsibilities of the Risk Committee include, but are not limited to, the following:

- reviewing, discussing and overseeing our Manager's establishment and operation of its enterprise risk management (and any significant changes thereto) in relation to our Company;
- reviewing annually a schedule of all identified risks facing our Company and the alignment of such risks with the Manager's management committees and board committees;
- reviewing annually our Manager's enterprise risk management policy;
- reviewing and overseeing credit risk, mortgage compliance risk, and operational risk, including our Manager's establishment and operation of policies and procedures and remediation for any deficiencies with respect to such specific risks; and
- directing our Manager to evaluate the effectiveness of its risk management.

Our Board has determined that all of the trustees serving on the Risk Committee are independent under the applicable rules of the NYSE and SEC.

Ad Hoc Committees

In addition to the standing committees described above, our Board may also establish ad hoc committees for limited periods of time in order to address particular matters.

Communications with our Board of Trustees

Our shareholders and other interested persons may communicate their concerns by sending written communications to the Board, committees of the Board and individual trustees (including our independent lead trustee or the independent/non-management trustees as a group) by mailing those communications to:

[Specified Addressee]
c/o PennyMac Mortgage Investment Trust
3043 Townsgate Road
Westlake Village, California 91361

Email: *investorrelations@pnmac.com*
Attention: Investor Relations

Generally, these communications are sent by us directly to the specified addressee. Any communication that is primarily commercial, offensive, illegal or otherwise inappropriate, or does not substantively relate to the duties and responsibilities of our Board, may not be forwarded.

Attendance by Members of our Board of Trustees at the 2016 Annual Meeting of Shareholders

We expect each member of the Board to attend our annual meetings of shareholders except for absences due to causes beyond the reasonable control of the trustee. Eight members of our Board attended the 2016 annual meeting of shareholders.

Board of Trustees and Committee Meetings

During Fiscal 2016, our Board held nine meetings. During such period, the Audit Committee held nine meetings, the Compensation Committee held five meetings, the Finance Committee held four meetings, the Nominating and Corporate Governance Committee held four meetings, the Related Party Matters Committee held five meetings, and the newly established Risk Committee held one meeting. All trustees are expected to make every effort to attend all meetings of the Board and meetings of the committees of which they are members. Each trustee attended at least 75% of the aggregate number of meetings held in Fiscal 2016 by our Board and each committee on which such trustee served.

Meetings of Non-Management and Independent Trustees

Our Corporate Governance Guidelines require that our Board hold at least four regularly scheduled meetings each year and that our independent trustees meet in executive session without management on a regularly scheduled basis. These executive sessions, which are designed to promote unfettered discussions among our independent trustees, are presided over by the independent lead trustee, Mr. Hadley. During Fiscal 2016, our non-management trustees, all of whom are independent, held four meetings in executive session.

Board Evaluations and Refreshment

As described in our Corporate Governance Guidelines, it is our general policy that no trustee having attained the age of 75 years shall be nominated for re-election or re-appointment to the Board, although the Board may waive this policy in individual cases. In addition, as described above, the Nominating and Corporate Governance Committee annually facilitates the assessment of the performance of individual committees and our Board as a whole.

OUR EXECUTIVE OFFICERS

The following sets forth certain information with respect to our executive officers as of January 1, 2017:

Name	Age	Position Held with the Company
Stanford L. Kurland	64	Trustee, Executive Chairman
David A. Spector	54	Trustee, President and Chief Executive Officer
Steve Bailey	55	Senior Managing Director and Chief Mortgage Operations Officer
Andrew S. Chang	39	Senior Managing Director and Chief Financial Officer
Vandad Fartaj	42	Senior Managing Director and Chief Investment Officer
Jeffrey P. Grogin	56	Senior Managing Director and Chief Administrative and Legal Officer and Secretary
Doug Jones	60	Senior Managing Director and Chief Mortgage Banking Officer
Anne D. McCallion	62	Senior Managing Director and Chief Enterprise Operations Officer
Daniel S. Perotti	36	Senior Managing Director and Deputy Chief Financial Officer
David M. Walker	61	Senior Managing Director and Chief Risk Officer

Biographical information for Messrs. Kurland and Spector is provided above under the caption “Our Trustees.” Certain biographical information for the other executive officers is set forth below.

Steve Bailey. Mr. Bailey has been our Senior Managing Director and Chief Mortgage Operations Officer since February 2016. Prior thereto, he served as our chief operations officer from February 2015 to February 2016, as our chief mortgage operations officer from May 2013 to February 2015 and as our chief servicing officer from February 2012 to May 2013. Mr. Bailey also has served in a variety of similar executive positions at PNMAC since March 2011. Mr. Bailey is responsible for overseeing the servicing of our portfolio of mortgage loans and real estate acquired upon settlement of loans, including the implementation of the methods and programs directed at improving the value of acquired loans, as well as setting and managing performance goals for all aspects of the servicing and loan administration functions. Prior to joining PNMAC, Mr. Bailey served in a variety of executive and leadership positions within Countrywide (and Bank of America Corporation, as its successor) from May 1985 until February 2010. Mr. Bailey is a seasoned mortgage executive with deep experience in loan servicing and administration.

Andrew S. Chang. Mr. Chang has been our Senior Managing Director and Chief Financial Officer since January 2017. Prior thereto, he served as our senior managing director and chief business development officer from February 2016 through December 2016 and as our chief business development officer from our formation in May 2009 to February 2016. Mr. Chang also has served in a variety of similar executive positions at PNMAC since May 2008. Mr. Chang is responsible for overseeing our financial management, reporting and controls and tax management, as well as our corporate development, portfolio acquisitions and investor relations activities, including communications with shareholders and the government-sponsored entities and other mortgage agencies. Prior to joining PNMAC, from June 2005 to May 2008, Mr. Chang was employed at BlackRock, Inc., or BlackRock, a global investment management

firm, and a senior member in its advisory services practice, specializing in financial strategy and risk management for banks and mortgage companies. Mr. Chang is an experienced financial services executive with substantial experience in corporate finance and mortgage banking.

Vandad Fartaj. Mr. Fartaj has been our Senior Managing Director and Chief Investment Officer since February 2016. Prior thereto, he served as our chief investment officer from March 2010 to February 2016. Mr. Fartaj also has served in a variety of similar executive positions at PNMAC since April 2008. Mr. Fartaj is responsible for all capital markets and investment-related activities, including the development and execution of investment strategies, secondary marketing and hedging activities. In addition, Mr. Fartaj is responsible for developing and managing relationships with Wall Street banks, government-sponsored enterprises, and institutional investors. Prior to joining PNMAC, from November 1999 to April 2008, Mr. Fartaj was employed in a variety of positions at Countrywide Securities Corporation, including managing the strategy and execution of the whole loan conduit. Mr. Fartaj is an experienced mortgage banking executive with substantial experience in capital markets, mortgage-related investments, and interest rate and credit risk management.

Jeffrey P. Grogin. Mr. Grogin has been our Senior Managing Director and Chief Administrative and Legal Officer and Secretary since February 2016. Prior thereto, he served as our chief administrative and legal officer and secretary from February 2012 to February 2016 and as our chief legal officer and secretary from the time of our formation in May 2009 to February 2012. Mr. Grogin also has served in a variety of similar executive positions at PNMAC since January 2008. Mr. Grogin is responsible for a variety of legal, human resources and corporate administration activities. Mr. Grogin is an owner of Snood, LLC, a computer games publisher, where he has served as president since 1999. Mr. Grogin has significant experience in real estate, mergers and acquisitions, securities, and mortgage banking law.

Doug Jones. Mr. Jones has been our Senior Managing Director and Chief Mortgage Banking Officer since January 2017 and the president of our Servicer since March 2017. Prior thereto, he served as our senior managing director and chief institutional mortgage banking officer from February 2016 through December 2016, as our chief institutional mortgage banking officer from February 2015 to February 2016 and as our chief correspondent lending officer from August 2011 to February 2015. Mr. Jones also has served in a variety of similar executive positions at PNMAC since March 2012. Mr. Jones is responsible for all business activities relating to our loan production and loan servicing operations. Prior to joining PNMAC, Mr. Jones worked in several executive positions, including senior managing director, correspondent lending, at Countrywide (and Bank of America Corporation, as its successor) from 1997 until 2011, where he was responsible for managing and overseeing correspondent and warehouse lending operations. Mr. Jones is an experienced mortgage banking executive with significant experience in the correspondent production and warehouse lending businesses.

Anne D. McCallion. Ms. McCallion has been our Senior Managing Director and Chief Enterprise Operations Officer since January 2017. Prior thereto, she served as our senior managing director and chief financial officer from February 2016 through December 2016 and as our chief financial officer from May 2009 to February 2016. Ms. McCallion also has served in a variety of similar executive positions at PNMAC since May 2009. Ms. McCallion is responsible for overseeing our enterprise operations function and has management responsibility for legal, human resources and corporate administration. Prior to joining PNMAC, Ms. McCallion was employed by Countrywide (and Bank of America Corporation, as its successor), where she worked in a variety of executive positions, including deputy chief financial officer and senior managing director, finance, from 1991 to 2008. Ms. McCallion is a seasoned executive with considerable experience in the financial and operational aspects of the mortgage banking business.

Daniel S. Perotti. Mr. Perotti has been our Senior Managing Director and Deputy Chief Financial Officer since January 2017. Prior thereto, he served as our senior managing director and chief asset and liability management officer from February 2016 through December 2016 and as our chief asset and liability management officer from November 2013 to February 2016. Mr. Perotti also has served in a variety of similar executive positions at PNMAC since June 2008. Mr. Perotti is responsible for oversight of all accounting operations, the balance sheets, analysis of realized and projected financial performance, and valuation of investment assets for us and certain affiliates. Prior to joining PNMAC in June 2008, Mr. Perotti was a vice president at BlackRock and served as the head of the quantitative research team within its BlackRock Solutions business. Mr. Perotti has substantial experience in asset and liability management, financial analysis and valuation of assets.

David M. Walker. Mr. Walker has been our Senior Managing Director and Chief Risk Officer since February 2016. Prior thereto, he served as our chief risk officer from July 2015 to February 2016, as our chief credit and enterprise risk officer from May 2013 to July 2015, and as our chief credit officer from the time of our formation in May 2009 to May 2013. Mr. Walker also has served in a variety of similar executive positions at PNMAC since January 2008. Mr. Walker is responsible for enterprise risk management, credit risk management, mortgage compliance management, strategic planning and internal audit. From June 2002 to April 2007, Mr. Walker served in a variety of executive positions at Countrywide Bank, N.A., including chief credit officer and chief lending officer. From October 1992 to June 2002, Mr. Walker served in a variety of executive positions at Countrywide, including executive vice president of secondary marketing and managing director and chief credit officer. Mr. Walker is a seasoned financial services

executive with significant experience in credit risk management.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information as of the record date relating to the beneficial ownership of our common shares by (i) each of our named executive officers, trustees and trustee nominees, and (ii) all of our executive officers and trustees as a group. Unless otherwise indicated, all shares are owned directly, and the indicated person has sole voting and investment power.

	Total Shares	
	Number	Beneficially Owned ⁽¹⁾ Percentage
Trustees and Named Executive Officers		
Stanford L. Kurland ⁽²⁾⁽³⁾	687,320	1.03%
David A. Spector	189,916	*
Scott W. Carnahan	40,325	*
Preston DuFauchard	12,243	*
Randall D. Hadley ⁽⁴⁾	19,527	*
Clay A. Halvorsen	18,527	*
Nancy McAllister	16,143	*
Stacey D. Stewart	11,802	*
Frank P. Willey	58,527	*
Anne D. McCallion	100,430	*
Steve Bailey	3,251	*
Andrew S. Chang	51,941	*
Vandad Fartaj	53,972	*
Jeffrey P. Grogin	11,616	*
Doug Jones	40,458	*
Daniel S. Perotti	23,381	*
David M. Walker	50,968	*
All trustees, trustee nominees and executive officers as a group (17 persons)	1,390,347	2.08%

* Represents less than 1.0% of the common shares outstanding as of the record date.

(1) Based on 66,711,052 common shares outstanding as of the record date on a fully diluted basis. Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. A person is deemed to be the beneficial owner of any common shares if that person has or shares voting power or investment power with respect to those shares or has the right to acquire beneficial ownership at any time within 60 days of the record date. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares. None of the shares has been pledged as security.

(2) Includes 157,290 common shares owned by the Kurland Revocable Trust.

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(3) Includes 6,000 common shares owned by the Kurland Family Foundation, as to which Mr. Kurland disclaims any beneficial interest.

(4) Includes 8,000 common shares owned by the Randall and Maureen Hadley Family 2001 Trust.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information relating to the beneficial ownership of our common shares by each person or entity known to our Company to be the beneficial owner of more than five percent of our common shares, based on our review of publicly available statements of beneficial ownership filed with the SEC on Schedule 13G as of the record date.

Name and Address of Beneficial Owner	Number of Shares Owned	Percentage of Class ⁽¹⁾
BlackRock, Inc. ⁽²⁾ 55 East 52 nd Street New York, New York 10055	6,284,623	9.42%
The Vanguard Group, Inc. ⁽³⁾ 100 Vanguard Blvd. Malvern, Pennsylvania 19355	4,991,585	7.48%

The "Percentage of Class" reported in this column has been calculated based upon 66,711,052 common shares (1) outstanding as of the record date, and may differ from the "Percentage of Class" reported in statements of beneficial ownership filed with the SEC.

As reported in Amendment No. 5 to Schedule 13G filed with the SEC on January 25, 2017 by BlackRock, Inc. In (2) the Schedule 13G amendment, BlackRock, Inc. disclosed that it had the sole voting power over 6,149,877 common shares and sole dispositive power over 6,284,623 common shares as of December 31, 2016.

As reported in Amendment No. 3 to Schedule 13G filed with the SEC on February 10, 2017 by The Vanguard (3) Group, Inc., or Vanguard. In the Schedule 13G amendment, Vanguard disclosed that it had the sole voting power over 82,521 common shares, shared voting power over 9,206 common shares, sole dispositive power over 4,904,535 common shares and shared dispositive power over 87,050 common shares as of December 31, 2016.

COMPENSATION OF TRUSTEES

Non-Management Trustee Compensation

The following table summarizes the annual retainer fees paid to our non-management trustees during Fiscal 2016:

Base Annual Retainer, all non-management trustees	\$75,000 ⁽¹⁾
Base Annual Retainer, independent lead trustee	\$20,000
Base Annual Retainer, all non-management committee members:	
Audit Committee	\$7,750
Compensation Committee	\$7,750
Finance Committee	\$7,750
Nominating and Corporate Governance Committee	\$5,750
Related Party Matters Committee	\$5,750
Risk Committee	\$7,750
Additional Annual Retainer, all committee chairs:	
Audit Committee	\$10,750
Compensation Committee	\$10,750
Finance Committee	\$10,750
Nominating and Corporate Governance Committee	\$7,750
Related Party Matters Committee	\$7,750
Risk Committee	\$10,750

(1) Increased effective April 1, 2016 from \$65,000 to \$75,000.

In addition, our trustees are eligible to receive certain types of equity-based awards under our 2009 Equity Incentive Plan. During Fiscal 2016, each of Messrs. Carnahan, DuFauchard, Hadley, Halvorsen and Willey and Mmes. McAllister and Stewart received a grant of 7,125 time-based restricted share units, or RSUs, which vest in three (3) equal annual installments beginning on the one (1) year anniversary of the date of the grant, February 23, 2016, and entitle the recipient thereof to receive dividend equivalents during the vesting period.

Our 2009 Equity Incentive Plan also provides that any independent trustee newly elected or appointed to our Board will receive a one-time grant of 2,250 RSUs on the date of election or appointment, which shares will vest in full on the one-year anniversary of the date of grant. Such RSUs do not entitle the recipient thereof to receive dividend equivalents during the vesting period. Further, all members of our Board will be reimbursed for their reasonable out of pocket costs and expenses in attending all meetings of our Board and its committees and certain other

Company-related functions.

Policy Regarding Receipt of Shares in Lieu of Cash Trustee Fees. During 2014, the Board adopted a policy whereby non-management trustee fees may be paid in cash or common shares at the election of each non-management trustee. The number of common shares delivered in lieu of any cash payment of trustee fees shall be equivalent in value to the amount of forgone trustee fees divided by the fair market value (as defined in our 2009 Equity Incentive Plan) of a common share on the day on which the trustee fees otherwise would have been paid in cash to the trustee, rounded down to the nearest whole share. None of our trustees have elected to be paid in common shares.

Change in Control. Prior to vesting, an RSU is generally subject to forfeiture upon termination of service to us. Upon a change in control (as defined in our 2009 Equity Incentive Plan) or upon termination of our management agreement other than for cause (as defined in our management agreement), any RSU held by non-management trustees not previously vested shall become fully vested and will be settled in our common shares. The term of our management agreement expires on September 12, 2020, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement.

Non-Management Trustee Share Ownership Guidelines. Non-management trustees are subject to share ownership guidelines whereby each such trustee is expected to hold common shares and unvested RSUs with an aggregate market value equal to no less than \$175,000. Non-management trustees are expected to meet the ownership guidelines within five years from the date of appointment or election to Board. Each non-management trustee who has been a member of our Board for five years or more is in compliance with the Company's share ownership guidelines. The Nominating and Corporate Governance Committee will annually review each trustee's progress towards meeting the share ownership guidelines.

2016 Trustee Compensation Table

The table below summarizes the compensation earned by each non-management trustee who served on our Board for Fiscal 2016.

Name ⁽¹⁾	Fees Earned		
	or Paid in Cash \$(2)	Stock Awards \$(3)	Total (\$)
Scott W. Carnahan	101,500	87,000	188,500
Preston DuFauchard	88,000	87,000	175,000
Randall D. Hadley	119,333	87,000	206,333
Clay A. Halvorsen	90,166	87,000	177,166
Nancy McAllister	101,333	87,000	188,333
Stacey D. Stewart	93,751	87,000	180,751
Frank P. Willey	102,500	87,000	189,500

(1) Mr. Kurland, our Executive Chairman, and Mr. Spector, a trustee and our President and Chief Executive Officer, are not included in this table as they are officers of our Company and thus receive no additional compensation for their services as trustees. Messrs. Kurland and Spector received compensation as officers of our Company for Fiscal 2016 as shown in the "2016 Summary Compensation Table."

(2) Reflects fees earned by the trustee in Fiscal 2016, whether or not paid in such year.

(3) Reflects the full grant date fair value, as determined in accordance with Financial Accounting Standards Board's Accounting Standards Codification Topic 718, Compensation — Stock Compensation, or ASC 718, of RSUs granted

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to each of the independent trustees on February 24, 2016. For more information on the assumptions used in our estimates of value, please refer to *Note 28 – Share-Based Compensation Plans* in our Annual Report on Form 10-K, filed on February 28, 2017. As of December 31, 2016, each of our trustees held 11,219 RSUs.

EXECUTIVE COMPENSATION

REPORT OF THE COMPENSATION COMMITTEE

Our Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and, based on such review and discussions, the Compensation Committee recommended that our Board of Trustees include the Compensation Discussion and Analysis in this Proxy Statement and our 2016 Annual Report on Form 10-K.

The Compensation Committee

Frank P. Willey, Chairman
Nancy McAllister
Stacey D. Stewart

COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis provides a detailed description of our executive compensation program and policies, the material compensation decisions made under such program and policies with respect to our named executive officers, and the material factors that were considered in making those decisions. This discussion should be read together with the compensation tables and related disclosures set forth below. Our named executive officers during Fiscal 2016 were: ¹

- Stanford L. Kurland, Chairman of the Board of Trustees and Chief Executive Officer
- David A. Spector, Trustee, President and Chief Operating Officer
- Anne D. McCallion, Senior Managing Director and Chief Financial Officer;
- Steve Bailey, Senior Managing Director and Chief Mortgage Operations Officer;
- Andrew S. Chang, Senior Managing Director and Chief Business Development Officer;
- Vandad Fartaj, Senior Managing Director and Chief Investment Officer;
- Jeffrey P. Grogin, Senior Managing Director and Chief Administrative and Legal Officer and Secretary;
- Doug Jones, Senior Managing Director and Chief Institutional Mortgage Banking Officer;
- Daniel S. Perotti, Senior Managing Director and Chief Asset and Liability Management Officer; and
- David M. Walker, Senior Managing Director and Chief Risk Officer.

This compensation discussion and analysis is presented as follows:

- Executive Summary

·Executive Compensation Philosophy

· Executive Compensation Decision
Making Process

·Elements of Our Executive Compensation Program

·Compensation Decisions Made in Fiscal 2016

·Share Ownership Guidelines

Executive Summary

Although our named executive officers are generally compensated by our Manager, we also provide them with compensation in the form of restricted share units, or RSUs, and performance-based restricted share units, or PSUs, which the Committee grants in its discretion under our 2009 Equity Incentive Plan. Historically, the compensation for our named executive officers consisted solely of RSUs. In order to ensure that our executive compensation program remains generally consistent with market practices and focuses on long-term performance, however, for Fiscal 2016, we modified the composition of the long-term equity awards to include PSUs that vest only upon the Company's satisfaction of performance measures tied to return on equity.

RSU and PSU awards granted to our named executive officers are designed to align their interests with those of our shareholders by providing each named executive officer with an ownership or ownership-based interest in our Company and a stake in our long-term success. Our RSU and PSU awards are also designed to further motivate our named executive officers to achieve high Company and individual performance and reward them for such performance through a long-term incentive structure that does not encourage excessive risk-taking. We also believe that directly compensating our named executive officers is appropriate given the risks and liability they undertake as named executive officers of a public company. We believe that our executive compensation program objectives have resulted in decisions regarding executive compensation that have appropriately encouraged growth in our businesses and the achievement of financial goals without excessive risk-taking, thus benefiting our shareholders and generating long-term shareholder value.

¹ Effective January 1, 2017, Mr. Kurland assumed the position of Executive Chairman of the Board of Trustees, Ms. McCallion assumed the position of Senior Managing Director and Chief Enterprise Operations Officer, Mr. Spector assumed the position of President and Chief Executive Officer, Mr. Jones assumed the position of Senior Managing Director and Chief Mortgage Banking Officer and Mr. Perotti assumed the position of Senior Managing Director and Deputy Chief Financial Officer.

Executive Compensation Philosophy

The overall objective of our executive compensation program is to align the interests of our named executive officers with those of our shareholders by providing them with an ownership or ownership-based interest in our Company and a stake in our long-term success. We believe that in order to achieve this objective, our compensation program must be competitive with executive compensation arrangements generally provided to similarly situated executive officers in our business markets, as well as at other companies in our industry where we compete for talent. Our executive compensation program is designed to:

- Create a culture that rewards executives for high Company and individual performance;

- Align the interests of our executives with those of our shareholders;

- Facilitate our Manager's and Servicer's ability to attract, motivate and retain highly talented executive leaders who will be crucial to our long-term success and ultimate sustainability; and

- Encourage our executives to focus on the achievement of our annual and long-term business goals.

Our Compensation Committee aims to position the compensation of our named executive officers at a level commensurate with the compensation paid to other executives holding comparable positions at companies similar in industry, size, structure, scope and sophistication with which we and our Manager compete for executive talent. Although it is challenging to identify truly comparable companies, our Compensation Committee has structured our executive compensation program to meet these objectives.

Executive Compensation Decision Making Process

Role of the Compensation Committee. The Compensation Committee has overall responsibility for recommending to our Board the compensation of our CEO and determining the compensation of our other named executive officers. Members of the Compensation Committee are appointed by the Board. Currently, the Compensation Committee consists of three members of the Board, Mr. Willey and Mmes. McAllister and Stewart, none of whom serve as our executive officers. Each of Mr. Willey and Mmes. McAllister and Stewart qualifies as an independent trustee under the rules of the NYSE. See the section entitled "CORPORATE GOVERNANCE, TRUSTEE INDEPENDENCE, BOARD MEETINGS AND COMMITTEES — Board of Trustees Committees — Compensation Committee." Each year, the Compensation Committee conducts an evaluation of each named executive officer to determine if changes in such officer's compensation are appropriate based on the considerations described below. At the Compensation Committee's

request, Mr. Kurland provides input for the Compensation Committee regarding the performance and appropriate compensation of the other named executive officers. The Compensation Committee gives considerable weight to Mr. Kurland's evaluation of the other named executive officers because of his direct knowledge of each such officer's performance and contributions.

The Role of the Outside Independent Compensation Consultant. Our Compensation Committee has the sole authority to retain, compensate and terminate any independent compensation consultant of its choosing in assessing our compensation program and determining the appropriate, competitive levels of compensation for our executive officers. During Fiscal 2016, the Compensation Committee utilized Mercer (US) Inc., or Mercer, as its outside independent compensation consultant for this purpose. The Compensation Committee requested Mercer's advice and counsel on various matters relating to executive and trustee compensation, including the following:

- Conducting a review of the competitive market data for our named executive officers
- Assessing our executive compensation peer group and recommending changes as necessary
- Assessing compensation levels within our peer group for named executive officers and other executive officers

Reviewing historical financial performance for peer group companies in assessing our Company's overall performance

- Providing market research on various issues as requested by our Company
- Preparing materials for and participating in Compensation Committee meetings, as requested

Reviewing the Compensation Discussion and Analysis section of this Proxy Statement and other compensation-related disclosures, as requested

- Consulting with our Company regarding compensation strategy and best practices
- Assisting in compensation plan designs and modifications, as requested

Mercer did not provide any other services to us in Fiscal 2016. During 2016, the Compensation Committee also retained Mercer as its outside independent compensation consultant to provide advice and counsel regarding executive and trustee compensation to be paid in the fiscal year ending December 31, 2017.

Assessment of Outside Independent Compensation Consultant Conflicts of Interest. The Compensation Committee has reviewed whether the work provided by Mercer raises any conflicts of interest. Factors considered by the Compensation Committee include the following six factors specified by the NYSE rules: (1) other services provided to us by Mercer; (2) what percentage of Mercer's total revenue is made up of fees from us; (3) policies or procedures of Mercer that are designed to prevent a conflict of interest; (4) any business or personal relationships between individual consultants involved in the engagement and Compensation Committee members; (5) any of our common shares owned by individual consultants involved in the engagement; and (6) any business or personal relationships between our executive officers and Mercer or the individual consultants involved in the engagement. Based on its review of these factors and representations of Mercer, the Compensation Committee does not believe that Mercer has a conflict of interest with respect to the work performed for us or the Compensation Committee.

The Use of Peer Group and Competitive Market Data. Our management and the Compensation Committee review competitive market data to assist in decision-making regarding our compensation and benefits programs. The market data reviewed includes peer proxy data of companies similar in industry, size, structure, scope and sophistication, as provided by Mercer. Proxy data was gathered from proxy statements and other publicly filed documents. We did not make any further changes to our peer group during Fiscal 2016. Accordingly, our peer group used for evaluating Fiscal 2016 compensation decisions consisted of the following companies:

- AG Mortgage Investment Trust, Inc.
- American Capital Mortgage Investment Corp.
- Apollo Residential Mortgage, Inc.
- Armour Residential REIT, Inc.
- Chimera Investment Corporation
- Hatteras Financial Corp.
- Home Loan Servicing Solutions, Ltd.
- Invesco Mortgage Capital Inc.
- iStar Financial Inc.
- Newcastle Investment Corp.
- Redwood Trust, Inc.
- Starwood Property Trust, Inc.
- Two Harbors Investment Corp.

The Compensation Committee believes that this peer group reflects our competitors in the industry that currently conduct similar businesses and have comparable scales of operations. Together with its independent compensation consultant, the Compensation Committee intends to review this peer group periodically to ensure that it remains the appropriate comparable group.

Governance and Other Considerations. The Compensation Committee, along with our Executive Chairman and Managing Director, Human Resources, continually assess our compensation program and policies to evaluate whether they remain aligned with our efforts to create a culture to align the interests of our named executive officers with our

shareholders, balance risk and reward, and execute strong governance practices. The following actions and best practices are intended to provide for continued adherence to these principles:

What We Do

Utilize the services of Mercer, which is engaged directly by the Compensation Committee as an outside independent compensation consultant to advise on executive compensation matters.

Consult with our outside independent compensation consultant to reaffirm our determination that our compensation program is not designed to encourage excessive risk-taking.

Engage in careful consideration of the annual say-on-pay results and shareholder feedback.

Engage in active shareholder discussions regarding compensation and governance related issues.

Impose share ownership guidelines on our trustees and executive officers to ensure that their interests are aligned with those of our shareholders.

Apply a “double trigger” vesting in the event of a change in control.

Annually review and select a representative and relevant peer group that is reflective of our competitors in the industry.

What We Don't Do

Permit our executives to engage in speculative and short-term trading of our securities.

Permit hedging, pledging, short sales, trading in publicly traded put or call options or trading on margin involving our securities.

Permit repricing of stock options without shareholder approval to the extent any are granted pursuant to our equity compensation plan.

Provide our executives with annual base salaries or cash bonuses.

Provide for guaranteed minimum levels of annual equity award grants.

Provide our executives with excessive perquisites.

Permit backdating of long-term incentives.

Compensation Policies and Practices As They Relate to Our Risk Management. We have designed our executive compensation program to reward strong Company and individual performance. Company performance objectives are based on our overall performance rather than on only a few discrete performance measures related to a particular aspect of our Company's business. We believe that this structure, as further explained below, minimizes risks resulting from compensation practices.

Our Compensation Committee believes that its compensation policies and practices for our named executive officers do not create risks that are reasonably likely to have a material adverse effect on us. We believe that appropriate safeguards are in place with respect to our compensation program and policies that assist in mitigating excessive risk-taking that could harm the value of our Company or reward poor judgment by our executives.

In that regard, the Compensation Committee requested assistance from Mercer in reviewing our compensation policies and practices. Based on its review, the Compensation Committee concluded that our compensation policies and practices as they apply to our named executive officers are designed with an appropriate balance of risk and reward in relation to our overall business strategy and do not create risks that are reasonably likely to have a material adverse effect on our Company.

As part of the review, numerous factors were noted that reduce the likelihood of excessive risk-taking which include, but are not limited to, the following:

- Our compensation to our named executive officers consists solely of long-term equity awards in the form of RSUs and PSUs

- Our Compensation Committee has ultimate authority to determine, and adjust, if appropriate, compensation provided to our executive officers, including each of the named executive officers

- Our named executive officers are subject to share ownership guidelines that require a certain minimum level of share ownership

- Our Compensation Committee has the authority to retain any advisor it deems necessary to fulfill its obligations

The Role of Our Manager. We are externally managed by our Manager pursuant to a management agreement, which provides that our Manager is responsible for managing our affairs in consideration for a management fee. The management agreement does not provide for a specific allocation of any portion of the management fee for executive officer compensation. Rather, our executive officers are employed by our Manager or one or more of its affiliates and, therefore, receive compensation from one of those entities. While our Manager may use a portion of our management fee to compensate its executive officers, we do not specifically allocate any portion of the management fee to such

compensation, nor are we aware of the basis on which (or revenues from which) our Manager chooses to compensate its executive officers. We are one of multiple clients advised by our Manager, and the investment management business is one of only three operating segments from which our Manager derives income that may be used to compensate its executive officers. Our executive officers do not receive any compensation, other than the equity awards described herein, from the Company.

Summary of Program. We do not have employment agreements with our executive officers, we do not provide pension or retirement benefits, perquisites or other personal benefits to our executive officers, and we do not have arrangements to make payments to our executive officers upon termination of our management agreement or in the event of a change in control of the Company. Rather, we use long-term incentive compensation in the form of equity-based awards, which we issue under our 2009 Equity Incentive Plan. The long-term incentive compensation awards are designed to align the interests of our officers and service providers with those of our shareholders, all of whom will share together in the creation of value through capital appreciation and dividends. We believe that equity-based awards are consistent with our shareholders' interest in book value growth as these individuals will be provided with less of an incentive to take short-term risk and more of an incentive to grow book value for shareholders over time.

Elements of our Executive Compensation Program

Cash and Other Compensation

Our named executive officers and other personnel who conduct our business are employees of our Manager or one or more of its affiliates. Accordingly, we do not pay or accrue any salaries or cash bonuses to our named executive officers.

Equity-Based Compensation

The Compensation Committee may, from time to time pursuant to our 2009 Equity Incentive Plan, grant our named executive officers certain equity-based awards, including options, restricted shares, RSUs, PSUs, unrestricted shares, LTIP units (a special class of partnership interests in PennyMac Operating Partnership, L.P., which we refer to as our Operating Partnership) and other awards based on our shares. These awards are designed to align the interests of our named executive officers with those of our shareholders, by allowing our named executive officers to share in the creation of value for our shareholders through capital appreciation and dividends. These awards provide a further benefit to us by enabling our Manager and Servicer to attract, motivate and retain talented individuals who are willing to undertake the risks and liability associated with serving as executive officers of a public company. These equity awards are generally subject to vesting requirements over a number of years, and are designed to promote the retention of management and to achieve strong performance for our Company.

We believe our compensation policies are particularly appropriate since we are an externally managed REIT. REIT regulations require us to pay at least 90% of our taxable income to shareholders as dividends. As a result, we believe that our shareholders are principally interested in receiving attractive risk-adjusted dividends and growth in dividends and book value. Accordingly, we want to provide an incentive to our named executive officers that rewards success in achieving these goals. Since we generally do not have the ability to retain earnings, we believe that equity-based awards serve to align the interests of named executive officers with the interests of our shareholders in receiving attractive risk-adjusted dividends and growth. Additionally, we believe that equity-based awards are consistent with our shareholders' interest in book value growth as these individuals will be incentivized to grow book value for shareholders over time. We believe that this alignment of interests provides an incentive to our named executive officers to implement strategies that will enhance our long-term performance and promote growth in dividends and growth in book value.

Response to the 2016 Say-on-Pay Vote

We recognize that our shareholders' ability to provide input with respect to our executive compensation practices and disclosure is an important element of good corporate governance, and we carefully consider the results of all say-on-pay votes in making compensation decisions. Prior to 2016, our shareholders showed strong support for these votes, as evidenced by our receiving "FOR" votes representing approximately 94% and 97% of votes cast in at the 2014 and 2015 annual meetings of shareholders.

At our 2016 annual meeting of shareholders, 63.1% of the shareholders voting on our "say on pay" proposal (constituting 33.4% of our total outstanding shares entitled to vote at the annual meeting) voted against that proposal. We believe that this vote result was negatively impacted by perceived lack of transparency regarding the executive compensation paid to our executives by our Manager. Nonetheless, the Compensation Committee carefully considered the fact that less than a majority of the votes cast were voted in favor of this proposal. In response, our Compensation Committee undertook and completed an extensive re-evaluation of our executive compensation philosophy and compensation program.

As part of our evaluation process, we solicited feedback from certain of our shareholders in order to better understand the reasons behind the votes against the say on pay proposal in 2016. Many of our shareholders indicated that they generally voted in accordance with or took into account the recommendations of proxy advisory firms. Specifically, Institutional Shareholder Services (ISS) recommended an "against" vote with respect to our say-on-pay proposal as we are an externally managed issuer and our disclosures regarding executive compensation were deemed by ISS to be insufficient to complete a comprehensive pay analysis.

We are a specialty finance company that invests primarily in residential mortgage loans and mortgage-related assets. We utilize an external management structure and have limited employees of our own; therefore, the management of

our business and execution of our operations is performed on our behalf by our Manager. This external management structure allows us to operate with more limited infrastructure, which reduces overhead costs and provides certainty regarding the operating expenses required to run our business. Through our Manager, we have access to greater infrastructure and resources than we otherwise would if we were to internalize operations.

As previously discussed, our management agreement does not provide for a specific allocation of any portion of the management fee for executive officer compensation. Rather, our executive officers are employed by our Manager or one or more of its affiliates and, therefore, receive compensation from one of those entities. While our Manager may use a portion of our management fee to compensate its executive officers, we do not specifically allocate any portion of the management fee to such compensation, nor are we aware of the basis on which (or revenues from which) our Manager chooses to compensate its executive officers. Our executive officers receive equity awards, as described herein; however, they are not entitled to an annual base salary or annual cash bonus.

Our public disclosures include both detailed discussions of the management fee paid to our Manager, which is used to compensate employees of our Manager or one or more of its affiliates, as well as equity compensation that we pay directly to certain employees of our Manager or its affiliates. The details of the management agreement and the amount of the fees paid to the external manager are of critical importance to our shareholders. Such terms, including the agreement itself, and details of our payments to our Manager are publicly available. These terms are reviewed by our Board of Trustees on a periodic basis and require our Manager to manage our business in conformity with the policies and guidelines approved and monitored by our Board. Based on this disclosure, our shareholders are able to assess the fairness of the relationship with PFSI and, importantly, to review the actual amount of fees paid in comparison to our financial performance. Accordingly, we believe that our disclosures promote a high level of transparency and strong corporate governance.

Compensation Decisions Made in Fiscal 2016

The Compensation Committee does not use a specific formula to calculate the number of equity awards to be granted to named executive officers under our 2009 Equity Incentive Plan and does not explicitly set future award levels/opportunities on the basis of what the named executive officers earned from prior awards. However, the Compensation Committee considers many material factors, including (1) the results of the annual say on pay vote regarding the executive compensation of our named executive officers during the prior fiscal year; (2) our CEO's evaluation of the named executive officer's performance in the preceding fiscal year; (3) the anticipated contribution by the named executive officer in the upcoming fiscal year, taking into account the role, responsibility and scope of each position and the Compensation Committee's perception regarding the quality of the services provided by each named executive officer in carrying out those responsibilities; (4) the extent to which the long-term equity award grant value is within (or outside) certain range of percentile levels for long-term equity award grants for comparable positions at our industry and sector peers (and whether it is at the lower end or the upper end of such range); (5) any extraordinary changes that have occurred (such as a significant change in responsibilities or a promotion); (6) the value and potential value for the named executive officer of the other elements of the Company's compensation program; (7) recommendations of our Manager and various reports provided by Mercer; (8) our financial and operating performance in the past year and our perceived future prospects; and (9) general market practices.

In addition, the Company considers the following material factors that have particular relevance to long-term equity grants: (1) the Company-wide equity budget, which is taken into account in determining the relative size of awards granted to the named executive officers to ensure there is sufficient value available for grant to the other eligible employees of the Company; and (2) the named executive officer's wealth accumulation from previous grants (with an emphasis on the extent to which outstanding equity grants are still unvested and thus continue to represent substantial retentive value). Similar to the determinations with respect to other elements of compensation, the Company considers all relevant factors taken as a whole in setting the applicable equity grant for the fiscal year.

The Compensation Committee considered these multiple factors in determining whether to increase or decrease the amounts of the prior year's equity award grants. There was no formulaic approach in the use of these various factors in determining the number of shares to award to each named executive officer. The equity award amounts granted to our named executive officers were determined on a subjective basis, using the various factors, in the Compensation Committee's sole discretion. Certain named executive officers have greater influence and higher expected levels of contribution as it relates to Company performance, and, therefore, received higher equity award amounts. Those named executive officers who have similar influences and expected levels of contribution to Company performance ultimately received equal equity award amounts.

2016 Time-Based Restricted Share Unit Grants

During Fiscal 2016, we granted our named executive officers RSUs under our 2009 Equity Incentive Plan in the following amounts: Mr. Kurland, 49,674 RSUs; Mr. Spector, 34,053 RSUs; Ms. McCallion, 11,360 RSUs; and Messrs. Bailey, Chang, Fartaj, Grogin, Jones, Perotti and Walker, 9,230 RSUs each. The RSUs granted to our named executive officers in Fiscal 2016 generally vest ratably over a three-year period beginning on the one-year anniversary of the grant date (or such other date as determined by the Committee) and entitle the recipients thereof to receive dividend equivalents during the vesting period.

Prior to vesting, an RSU is generally subject to forfeiture upon termination of service to us. Pursuant to our RSU award agreement, upon a change in control, any RSU not previously vested shall become fully vested only if the executive officer's service is terminated by the Company (other than for cause) as a result of or in connection with such change in control; provided, however, that if the Company's shares cease to be publicly traded on an established securities market in connection with such change in control, then any RSUs not previously vested shall become fully vested irrespective of any such termination of service.

2016 Performance-Based Restricted Share Unit Grants

During Fiscal 2016, we granted our named executive officers PSUs under our 2009 Equity Incentive Plan in the following amounts: Mr. Kurland, 33,116 PSUs; Mr. Spector, 22,702 PSUs; Ms. McCallion, 7,573 PSUs; and Messrs. Bailey, Chang, Fartaj, Grogin, Jones, Perotti and Walker, 6,153 PSUs each. The PSUs granted to our named executive officers lapse with respect to up to thirty-three and one-third percent (33-1/3%) of such PSUs on each of the first three anniversaries of the grant date, to the extent that we have satisfied the relevant performance goals, and provided that the named executive officer is providing services to our Company or an affiliate as of the relevant date.

Prior to vesting, a PSU is generally subject to forfeiture upon termination of service to us. Pursuant to the PSU award agreement, upon a change in control, any PSU not previously vested shall become fully vested only if the executive officer's service is terminated by us (other than for cause) as a result of or in connection with such change in control; provided, however, that if the Company's shares cease to be publicly traded on an established securities market in connection with such change in control, then any PSUs not previously vested shall become fully vested irrespective of any such termination of service.

A summary of the PSUs granted to our named executive officers during 2016 is provided below:

On each of the first three anniversaries of the grant date, or the vesting date, return on equity, or ROE, will be determined for the fiscal year of the Company that ended immediately before such vesting date. ROE is expressed as a percentage and is calculated by dividing net income by average total shareholders' equity. Average total shareholders' equity is determined by calculating the sum of shareholders' equity as of the beginning of the year and as of the end of each month during the year, and dividing by thirteen.

If ROE for a fiscal year is less than 8.0%, no portion of the granted PSUs will become vested on such vesting date.

If ROE for a fiscal year is 8.0%, 50% of the granted PSUs that are eligible to become vested on such vesting date will become vested.

If ROE for a fiscal year is 10.0%, 100% of the granted PSUs that are eligible to become vested on such vesting date will become vested.

If ROE for a fiscal year is 12.0% or more, a number of PSUs equal to 150% of the granted PSUs that are eligible to become vested on such vesting date will become vested, as if such number of PSUs had been granted initially.

The formula will be applied on a sliding scale between the 50% and 150% payout levels.

Each fiscal year of the Company stands on its own and there shall be no catch up or clawback based on subsequent year's performance/results.

In 2017, we determined that none of the PSUs that were eligible to become vested on the first anniversary of the grant date had vested based on the applicable performance criteria during the Fiscal 2016 performance period, and all of these PSUs expired without being settled for any of our shares.

Share Ownership Guidelines

Our share ownership guidelines, which are approved by our Compensation Committee, are intended to further the objective of aligning the interests of our executives with those of our shareholders. The share ownership guidelines provide that our NEOs and other executive officers should accumulate a minimum number of shares over a specified time frame.

The Compensation Committee consulted with Mercer to determine competitive market practice and then approved the following executive officer share ownership guidelines:

Executive Officer Title	Share Ownership
Executive Chairman	\$2,000,000
President and Chief Executive Officer	\$2,000,000
Other Executive Officers	\$500,000

For purposes of the guidelines, share ownership includes common shares owned directly and RSUs. The types and amounts of share-based awards are intended, in part, to facilitate the accumulation of sufficient shares by our executives to allow them to meet the share ownership guidelines within the applicable timeline. Each executive officer is expected to meet the respective level of share ownership within five years of becoming subject to such guidelines. Each of our executive officers is in compliance with the Company's share ownership guidelines. The Compensation Committee will annually review each executive officer's progress towards meeting the share ownership guidelines.

COMPENSATION TABLES

2016 Summary Compensation Table*

We do not provide any of our named executive officers with any cash compensation or bonus, nor do we provide any named executive officers with pension benefits or nonqualified deferred compensation plans. We have not entered into any employment agreements with any person, and are not obligated to make any cash payments upon termination of employment or a change in control of us.

During Fiscal 2016, we granted to our named executive officers long-term equity compensation in the form of RSUs pursuant to our 2009 Equity Incentive Plan. The “2016 Summary Compensation Table” below lists the annual compensation for our named executive officers relating to equity awards received from us in Fiscal 2016, Fiscal 2015, and Fiscal 2014.

Name and Principal Position (1)	Year	Stock Awards (\$)(2)	Total (\$)
Stanford L. Kurland <i>Chairman and Chief Executive Officer</i>	2016	1,028,252	1,028,252
	2015	1,678,985	1,678,985
	2014	1,686,105	1,686,105
David A. Spector <i>President and Chief Operating Officer</i>	2016	704,897	704,897
	2015	1,151,000	1,151,000
	2014	1,155,645	1,155,645
Anne D. McCallion <i>Senior Managing Director and Chief Financial Officer</i>	2016	235,148	235,148
	2015	383,980	383,980
	2014	385,215	385,215
Steve Bailey <i>Senior Managing Director and Chief Mortgage Operations Officer</i>	2016	191,057	191,057
	2015	311,988	311,988
	2014	313,645	313,645
Andrew S. Chang <i>Senior Managing Director and Chief Business Development Officer</i>	2016	191,057	191,057
	2015	311,988	311,988
	2014	313,645	313,645
Vandad Fartaj <i>Senior Managing Director and Chief Investment Officer</i>	2016	191,057	191,057
	2015	461,981	461,981
	2014	313,645	313,645

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Jeffrey P. Grogin	2016	191,057	191,057
	2015	311,988	311,988
	2014	313,645	313,645
<i>Senior Managing Director, Chief Administrative and Legal Officer and Secretary</i>			
Doug Jones	2016	191,057	191,057
	2015	311,988	311,988
	2014	313,645	313,645
<i>Senior Managing Director and Chief Institutional Mortgage Banking Officer</i>			
Daniel S. Perotti	2016	191,057	191,057
	2015	311,988	311,988
	2014	313,645	313,645
<i>Senior Managing Director and Chief Asset and Liability Management Officer</i>			
David M. Walker	2016	191,057	191,057
	2015	311,988	311,988
	2014	313,645	313,645
<i>Senior Managing Director and Chief Risk Officer</i>			

The columns for “Salary,” “Bonus,” “Option Awards,” “Non-Equity Incentive Plan Compensation,” “Change in Pension Value and Nonqualified Deferred Compensation Earnings,” and “All Other Compensation” have been omitted because they are not applicable.

Effective January 1, 2017, Mr. Kurland assumed the position of Executive Chairman of the Board of Trustees, Ms. McCallion assumed the position of Senior Managing Director and Chief Enterprise Operations Officer, Mr. (1) Spector assumed the position of President and Chief Executive Officer, Mr. Jones assumed the position of Senior Managing Director and Chief Mortgage Banking Officer and Mr. Perotti assumed the position of Senior Managing Director and Deputy Chief Financial Officer.

The amounts in this column represent the full grant date fair value, as determined in accordance with ASC 718, of the PSUs and/or RSUs granted to our named executive officers in Fiscal 2016, Fiscal 2015, and Fiscal 2014 pursuant to our 2009 Equity Incentive Plan. For Fiscal 2016, the amount shown includes PSUs awarded on February 24, 2016 in the amounts of 33,116 for Mr. Kurland, 22,702 for Mr. Spector, 7,573 for Ms. McCallion and 6,153 for Messrs. Bailey, Chang, Fartaj, Grogin, Jones, Perotti and Walker. The aggregate value of the PSUs (2) awarded on February 24, 2016, assuming that the highest level of performance conditions will be achieved, is \$337,783 for Mr. Kurland, \$231,560 for Mr. Spector, \$77,245 for Ms. McCallion and \$62,761 for Messrs. Bailey, Chang, Fartaj, Grogin, Jones, Perotti and Walker. For more information on the assumptions used in our estimates of value, please refer to *Note 28 – Share-Based Compensation Plans* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which was filed with the SEC on February 28, 2017.

2016 Grants of Plan-Based Awards*

The following table provides information about our plan-based awards granted under our 2009 Equity Incentive Plan to our named executive officers in Fiscal 2016.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards (1)			All Other Stock Awards:	
		Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units (#)(2)	Grant Date Fair Value of Equity Awards (\$)(3)
Stanford L. Kurland						
RSU	02/24/16				49,674	616,951
PSU	02/24/16	16,558	33,116	49,674		411,301
David A. Spector						
RSU	02/24/16				34,053	422,938
PSU	02/24/16	11,351	22,702	34,053		281,959
Anne D. McCallion						
RSU	02/24/16				11,360	141,091
PSU	02/24/16	3,786	7,573	11,359		94,057
Steve Bailey						
RSU	02/24/16				9,230	114,637
PSU	02/24/16	3,076	6,153	9,229		76,420
Andrew S. Chang						
RSU	02/24/16				9,230	114,637
PSU	02/24/16	3,076	6,153	9,229		76,420
Vandad Fartaj						
RSU	02/24/16				9,230	114,637
PSU	02/24/16	3,076	6,153	9,229		76,420
Jeffrey P. Grogin						
RSU	02/24/16				9,230	114,637
PSU	02/24/16	3,076	6,153	9,229		76,420
Doug Jones						
RSU	02/24/16				9,230	114,637
PSU	02/24/16	3,076	6,153	9,229		76,420
Daniel S. Perotti						
RSU	02/24/16				9,230	114,637
PSU	02/24/16	3,076	6,153	9,229		76,420
David M. Walker						
RSU	02/24/16				9,230	114,637
PSU	02/24/16	3,076	6,153	9,229		76,420

The columns for “Estimated Future Payouts Under Non-Equity Incentive Plan Awards,” “All Other Option Awards: * Number of Securities Underlying Options,” and “Exercise or Base Price of Option Awards” have been omitted because they are not applicable.

(1) Represents the potential payout range of performance-based RSUs granted in Fiscal 2016. Awards vest based on the Company’s ROE for the fiscal year of the Company that ended immediately before such vesting date. The combined maximum payout under the performance goals is 150% of the target award. If ROE for a fiscal year is less than the threshold ROE, no portion of the granted PSUs will become vested for such fiscal year. In addition to the performance conditions, the named executive officers must satisfy a service condition in order for the award to vest.

(2) Reflects the number of RSUs granted to the named executive officer on February 24, 2016. These RSUs vest in equal annual installments for a three-year period commencing on the one-year anniversary of the grant date.

(3) The grant date fair value of a RSU shown in this column is determined in accordance with ASC 718.

2016 Outstanding Equity Awards at Fiscal Year-End*

The following table provides information about outstanding equity awards of our named executive officers as of the end of Fiscal 2016.

Name	Grant Date	Stock Awards		Number of Unearned Shares or Units of Stock Granted That Have Not Vested (#)	Market Value of Unearned Shares or Units of Stock Granted That Have Not Vested (\$)(2)
		Number of Shares or Units of Stock Granted That Have Not Vested #(1)	Market Value of Shares or Units of Stock Granted That Have Not Vested \$(2)		
Stanford L. Kurland	02/24/2016	49,674	813,163		
	02/24/2016			16,558 (3)	271,054
	02/24/2015	58,981	965,515		
	06/03/2014	40,050	655,619		
	05/14/2013	17,500	286,475		
David A. Spector	02/24/2016	34,053	557,448		
	02/24/2016			11,351 (3)	185,816
	02/24/2015	40,433	661,892		
	06/03/2014	27,450	449,357		
	05/14/2013	12,000	196,440		
Anne D. McCallion	02/24/2016	11,360	185,963		
	02/24/2016			3,786 (3)	61,977
	02/24/2015	13,489	220,811		
	06/03/2014	9,150	149,786		
	05/14/2013	4,000	65,480		
Steve Bailey	02/24/2016	9,230	151,095		
	02/24/2016			3,076 (3)	50,354
	02/24/2015	10,960	179,411		
	06/03/2014	7,450	121,957		
	05/14/2013	3,250	53,203		
Andrew S. Chang	02/24/2016	9,230	151,095		

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	02/24/2016		3,076 (3)	50,354
	02/24/2015	10,960	179,411	
	06/03/2014	7,450	121,957	
	05/14/2013	3,250	53,203	
Vandad Fartaj	02/24/2016	9,230	151,095	
	02/24/2016		3,076 (3)	50,354
	11/16/2015	9,572	156,694	
	02/24/2015	10,960	179,411	
	06/03/2014	7,450	121,957	
	05/14/2013	3,250	53,203	
Jeffrey P. Grogin	02/24/2016	9,230	151,095	
	02/24/2016		3,076 (3)	50,354
	02/24/2015	10,960	179,411	
	06/03/2014	7,450	121,957	
	05/14/2013	3,250	53,203	

Stock Awards					
Name	Grant Date	Number of Shares or Units of Stock Granted That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock Granted That Have Not Vested (\$)(2)	Number of Unearned Shares or Units of Stock Granted That Have Not Vested (#)	Market Value of Unearned Shares or Units of Stock Granted That Have Not Vested (\$)(2)
Doug Jones	02/24/2016	9,230	151,095		
	02/24/2016			3,076 (3)	50,354
	02/24/2015	10,960	179,411		
	06/03/2014	7,450	121,957		
	05/14/2013	3,250	53,203		
Daniel S. Perotti	02/24/2016	9,230	151,095		
	02/24/2016			3,076 (3)	50,354
	02/24/2015	10,960	179,411		
	06/03/2014	7,450	121,957		
David M. Walker	02/24/2016	9,230	151,095		
	02/24/2016			3,076 (3)	50,354
	02/24/2015	10,960	179,411		
	06/03/2014	7,450	121,957		
	05/14/2013	3,250	53,203		

The columns for "Option Awards," "Equity Incentive Plan Awards: Number of Securities Underlying Unexercised * Options - Exercisable," "Number of Securities Underlying Unexercised Options - Unexercisable," "Option Exercise Price," and "Option Expiration Date" have been omitted because they are not applicable.

(1) Reflects RSUs granted to each named executive officer, which units vest in equal annual installments for (a) a four-year period commencing on the one-year anniversary of the respective grant date for awards granted in Fiscal 2013, Fiscal 2014 and Fiscal 2015 and (b) a three-year period commencing on the one-year anniversary of the respective grant date for awards granted in Fiscal 2016.

(2) Per share value of stock awards is \$16.37 based on the closing price of the common shares on the NYSE on December 30, 2016.

(3) The indicated number of unearned units consists entirely of the PSUs with a performance period that ends on December 31, 2018 and is described above under the heading "—Compensation Decisions Made in 2016." Based on

current performance levels, these PSUs are reported at the threshold payout level.

2016 Option Exercises and Stock Vested*

The following table sets forth certain information with respect to our named executive officers regarding the vesting of RSUs during Fiscal 2016:

Name	Stock Awards (1)	Value Realized
	Number of Shares Acquired on Vesting (#)	on Vesting (\$)(2)
Stanford L. Kurland	82,185	1,185,769
David A. Spector	55,953	807,121
Anne D. McCallion	17,446	251,141
Steve Bailey	14,378	207,076
Andrew S. Chang	14,378	207,076
Vandad Fartaj	14,378	207,076
Jeffrey P. Grogin	14,378	207,076
Doug Jones	14,378	207,076
Daniel S. Perotti	8,628	121,688
David M. Walker	14,378	207,076

* The columns for “Option Awards” have been omitted because they are not applicable.

If the named executive officer sold a portion of the common shares acquired upon vesting of RSUs to satisfy the tax obligation with respect to such vesting, the number of common shares acquired is less than the amount shown.
 (1) The number of common shares acquired and the value realized on vesting as reflected in this column have not been reduced to reflect the sale of common shares to satisfy any tax obligations.

(2) Represents the product of the number of shares acquired on vesting and the closing price of our Company’s common shares on the NYSE on the vesting date.

2016 Pension Benefits

The table for “Pension Benefits” has been omitted because it is not applicable. We do not provide any of our named executive officers with any pension plans or benefits.

2016 Nonqualified Deferred Compensation

The table for “Nonqualified Deferred Compensation” has been omitted because it is not applicable. We do not provide any of our named executive officers with any nonqualified deferred compensation plans or benefits.

Potential Payments upon Termination of Employment

None of our named executive officers has the right to receive severance payments from us and we are not required to make payments to a named executive officer upon a change of control of us. However, all unvested RSUs and PSUs we have granted under our 2009 Equity Incentive Plan will vest immediately upon our change of control (as defined in our 2009 Equity Incentive Plan) followed by a termination of services other than for cause or upon the termination of our management agreement between us and our Manager other than for cause (as defined in our management agreement). The term of our management agreement expires on September 12, 2020, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement. Assuming that the triggering event took place on December 31, 2016, the value of the RSUs and PSUs that vest for each named executive officer would be the same as the respective values set forth in the table presented in the section entitled “2016 Outstanding Equity Awards at Fiscal Year-End.”

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is comprised solely of the following independent trustees: Mr. Willey, Chairman, and Mmes. McAllister and Stewart. None of them has ever served as an officer or employee of our Company or any of our affiliates or has any other business relationship or affiliation with our Company, except his or her service as a trustee. During Fiscal 2016, none of our executive officers served as a director or a member of the compensation committee of another entity, one of whose executive officers was a trustee or a member of our Compensation Committee.

Compensation Risks

The Compensation Committee is responsible for determining if there are any inherent potential risks in our compensation program and seeks to structure our executive compensation program in a manner that does not incent our executive officers to take risks that are reasonably likely to have a material adverse effect on the Company. During Fiscal 2016, the Compensation Committee granted only time-based RSUs to our named executive officers and did not provide any cash compensation or bonuses. During Fiscal 2016, however, the Compensation Committee modified the

composition of the long-term equity awards to include PSUs that vest only upon the Company's satisfaction of performance measures tied to return on equity. We believe that equity-based awards are consistent with our shareholders' interests in long-term Company performance and that our named executive officers are therefore provided with less of an incentive to take short-term risks and more of an incentive to take actions that will maximize shareholder value over time. Accordingly, we do not believe that our compensation policies and practices would be reasonably likely to have a material adverse effect on our Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each of our executive officers is also an executive officer of PFSI and one or more of its subsidiaries, including our Manager and our Servicer, and each of our executive officers holds an ownership interest in PFSI. In addition, Messrs. Kurland and Spector serve on PFSI's board of directors. This section discusses certain direct and indirect relationships and transactions involving us and certain persons related to us since January 1, 2016.

Management Agreement

We are externally managed and advised by our Manager pursuant to a management agreement, which was amended and restated effective September 12, 2016. Our management agreement requires our Manager to oversee our business affairs in conformity with the investment policies that are approved and monitored by our Board. Our Manager is responsible for our day-to-day management and will perform such services and activities related to our assets and operations as may be appropriate.

Pursuant to our management agreement, our Manager collects a base management fee and may collect a performance incentive fee, both payable quarterly and in arrears. The management agreement expires on September 12, 2020, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement.

The base management fee is calculated at a defined annualized percentage of "shareholders' equity." Our "shareholders' equity" is defined as the sum of the net proceeds from any issuances of our equity securities since our inception (weighted for the time outstanding during the measurement period); plus our retained earnings at the end of the quarter; less any amount that we pay for repurchases of our common shares (weighted for the time held during the measurement period); and excluding one-time events pursuant to changes in GAAP and certain other non-cash charges after discussions between our Manager and our independent trustees and approval by a majority of our independent trustees.

Pursuant to the terms of our management agreement, the base management fee is equal to the sum of (i) 1.5% per year of shareholders' equity up to \$2 billion, (ii) 1.375% per year of shareholders' equity in excess of \$2 billion and up to \$5 billion, and (iii) 1.25% per year of shareholders' equity in excess of \$5 billion. The base management fee is paid in cash.

The performance incentive fee is calculated at a defined annualized percentage of the amount by which "net income," on a rolling four-quarter basis and before deducting the incentive fee, exceeds certain levels of annualized return on our "equity." For the purpose of determining the amount of the performance incentive fee, "net income" is defined as net income or loss computed in accordance with GAAP and adjusted to exclude one-time events pursuant to changes in GAAP and certain other non-cash charges determined after discussions between our Manager and our independent trustees and approval by a majority of our independent trustees. For this purpose, "equity" is the weighted average of the issue price per common share of all of our public offerings of common shares, multiplied by the weighted average number of common shares outstanding (including restricted share units issued under our equity incentive plans) in the four-quarter period.

The performance incentive fee is calculated quarterly and escalates as net income (stated as a percentage of return on equity) increases over certain thresholds. On each calculation date, the threshold amount represents a stated return on equity, plus or minus a "high watermark" adjustment. The performance fee payable for any quarter is equal to: (a) 10% of the amount by which net income for the quarter exceeds (i) an 8% return on equity plus the high watermark, up to (ii) a 12% return on equity; plus (b) 15% of the amount by which net income for the quarter exceeds (i) a 12% return on equity plus the high watermark, up to (ii) a 16% return on equity; plus (c) 20% of the amount by which net income for the quarter exceeds a 16% return on equity plus the high watermark.

The "high watermark" is the quarterly adjustment that reflects the amount by which the net income (stated as a percentage of return on equity) in that quarter exceeds or falls short of the lesser of 8% and the Fannie Mae MBS Yield (the target yield) for such quarter. If the net income is lower than the target yield, the high watermark is increased by the difference. If the net income is higher than the target yield, the high watermark is reduced by the difference. Each time a performance incentive fee is earned, the high watermark returns to zero. As a result, the threshold amount required for our Manager to earn a performance incentive fee is adjusted cumulatively based on the performance of our net income over (or under) the target yield, until the net income in excess of the target yield exceeds the then-current cumulative high watermark amount, and a performance incentive fee is earned. The performance incentive fee may be paid in cash or in our common shares (subject to a limit of no more than 50% paid in common shares), at our option.

Our Manager is entitled to reimbursement of its organizational and operating expenses, including third-party expenses, incurred on our behalf, it being understood that our Manager and its affiliates shall allocate a portion of their personnel's time to provide certain legal, tax and investor relations services for our direct benefit and for which our Manager shall be reimbursed \$120,000 per fiscal quarter, such amount to be reviewed annually and not preclude reimbursement for any other services performed by our Manager or its affiliates.

In addition, the Operating Partnership is required to pay our and our subsidiaries' pro rata portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of our Manager and its affiliates required for our and our subsidiaries' operations. These expenses will be allocated based on the ratio of our and our subsidiaries' proportion of gross assets compared to all remaining gross assets managed by our Manager as calculated at each fiscal quarter end.

Our Manager may also be entitled to a termination fee under certain circumstances. Specifically, the termination fee is payable for (1) our termination of our management agreement without cause, (2) our Manager's termination of our management agreement upon a default by us in the performance of any material term of the agreement that has continued uncured for a period of 30 days after receipt of written notice thereof, or (3) our Manager's termination of the agreement after the termination by us without cause (excluding a non-renewal) of our MBS agreement, our MSR recapture agreement or our servicing agreement (each as described and/or defined below). The termination fee is equal to three times the sum of (a) the average annual base management fee and (b) the average annual (or, if the period is less than 24 months, annualized) performance incentive fee earned by our Manager during the 24-month period immediately preceding the date of termination.

We may terminate the management agreement without the payment of any termination fee under certain circumstances, including, among other circumstances, uncured material breaches by our Manager of the management agreement, upon a change in control of our Manager (defined to include a 50% change in the shareholding of our Manager in a single transaction or related series of transactions or Mr. Kurland's failure to continue as chief executive officer of our Manager to the extent his suitable replacement (in our discretion) has not been retained by our Manager within six months thereof) or upon the termination of our MBS agreement, our MSR recapture agreement or our servicing agreement by our Servicer without cause. On December 13, 2016, PFSI and our Manager announced that Mr. Spector would succeed Mr. Kurland as their chief executive officer, effective as of January 1, 2017, and that Mr. Kurland would continue to serve in a new capacity as their executive chairman. We have determined that Mr. Spector, who previously served as our executive managing director, president and chief operating officer, is a suitable replacement for Mr. Kurland. Accordingly, on December 13, 2016, we also announced changes to the roles of Mr. Spector and Mr. Kurland, electing Mr. Spector as our President and Chief Executive Officer and Mr. Kurland as our Executive Chairman, effective as of January 1, 2017.

Our management agreement also provides that, prior to the undertaking by our Manager or its affiliates of any new investment opportunity or any other business opportunity requiring a source of capital with respect to which our Manager or its affiliates will earn a management, advisory, consulting or similar fee, our Manager shall present to us such new opportunity and the material terms on which our Manager proposes to provide services to us before pursuing such opportunity with third parties.

Our Manager earned approximately \$20.7 million in base management fees and \$0 in performance incentive fees in Fiscal 2016 in connection with work performed under our management agreement.

Servicing Agreement

We have entered into a loan servicing agreement, which was amended and restated effective September 12, 2016, and pursuant to which our Servicer provides servicing for our portfolio of residential mortgage loans and subservicing for our portfolio of mortgage servicing rights, or MSRs. Such loan servicing and subservicing provided by our Servicer includes collecting principal, interest and escrow account payments, if any, with respect to mortgage loans, as well as managing loss mitigation, which may include, among other things, collection activities, loan workouts, modifications, foreclosures and short sales. Our Servicer also engages in certain loan origination activities that include refinancing mortgage loans and financings that facilitate sales of real estate acquired in settlement of loans, or REOs. The term of our servicing agreement expires on September 12, 2020, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement.

The base servicing fee rates for distressed whole mortgage loans are charged based on a monthly per-loan dollar amount, with the actual dollar amount for each loan based on the delinquency, bankruptcy and/or foreclosure status of such loan or whether the underlying mortgage property has become REO. The base servicing fee rates for distressed whole mortgage loans range from \$30 per month for current loans up to \$100 per month for loans where the borrower has declared bankruptcy. The base servicing fee rate for REO is \$75 per month. To the extent that we rent our REO under our REO rental program, we pay our Servicer an REO rental fee of \$30 per month per REO, an REO property lease renewal fee of \$100 per lease renewal, and a property management fee in an amount equal to our Servicer's cost if property management services and/or any related software costs are outsourced to a third-party property management firm or 9% of gross rental income if our Servicer provides property management services directly. Our Servicer is also entitled to retain any tenant paid application fees and late rent fees and seek reimbursement for certain third-party vendor fees.

Our Servicer is also entitled to certain activity-based fees for distressed whole mortgage loans that are charged based on the achievement of certain events. These fees range from 0.50% for a streamline modification to 1.50% for a liquidation and \$500 for a deed-in-lieu of foreclosure. Our Servicer is not entitled to earn more than one liquidation fee, re-performance fee or modification fee per loan in any 18-month period.

The base servicing fee rates for non-distressed mortgage loans subserviced by our Servicer on our behalf are also calculated through a monthly per-loan dollar amount, with the actual dollar amount for each loan based on whether the mortgage loan is a fixed-rate or adjustable-rate loan. The base servicing fee rates for mortgage loans subserviced on our behalf are \$7.50 per month for fixed-rate mortgage loans and \$8.50 per month for adjustable-rate mortgage loans. To the extent that these mortgage loans become delinquent, our Servicer is entitled to an additional servicing fee per mortgage loan falling within a range of \$10 to \$55 per month and based on the delinquency, bankruptcy and foreclosure status of the loan or \$75 per month if the underlying mortgaged property becomes REO. Our Servicer is also entitled to customary ancillary income and certain market-based fees and charges, including boarding and deboarding fees, liquidation and disposition fees, and assumption, modification and origination fees.

In addition, because we have limited employees and infrastructure, our Servicer is required to provide a range of services and activities significantly greater in scope than the services provided in connection with a customary servicing arrangement. For these services, our Servicer receives a supplemental servicing fee of \$25 per month for each distressed whole loan.

Except as otherwise provided in our MSR recapture agreement, when our Servicer effects a refinancing of a loan on our behalf and not through a third-party lender and the resulting loan is readily saleable, or our Servicer originates a loan to facilitate the disposition of the real estate acquired by us in settlement of a loan, our Servicer is entitled to receive from us market-based fees and compensation consistent with pricing and terms our Servicer offers unaffiliated third parties on a retail basis.

We currently participate in the Home Affordable Modification Program, or HAMP (or other similar mortgage loan modification programs). HAMP establishes standard loan modification guidelines for “at risk” homeowners and provides incentive payments to certain participants, including mortgage loan servicers, for achieving modifications and successfully remaining in the program. The mortgage loan servicing agreement entitles our Servicer to retain any incentive payments made to it and to which it is entitled under HAMP; provided, however, that with respect to any such incentive payments paid to our Servicer in connection with a mortgage loan modification for which we previously paid our Servicer a modification fee, our Servicer is required to reimburse us an amount equal to the incentive payments.

Our Servicer continues to be entitled to reimbursement for all customary, bona fide reasonable and necessary out-of-pocket expenses incurred by our Servicer in connection with the performance of its servicing obligations.

Our Servicer earned from us approximately \$50.6 million in loan servicing fees in Fiscal 2016.

Mortgage Banking Services Agreement

Pursuant to a mortgage banking services agreement, or MBS agreement, which was amended and restated effective September 12, 2016, our Servicer provides us with certain mortgage banking services, including fulfillment and disposition-related services, with respect to loans acquired by us from correspondent sellers.

Pursuant to the MBS agreement, our Servicer has agreed to provide such services exclusively for our benefit, and our Servicer and its affiliates are prohibited from providing such services for any other third party. However, such exclusivity and prohibition shall not apply, and certain other duties instead will be imposed upon our Servicer, if we are unable to purchase or finance mortgage loans as contemplated under our MBS agreement for any reason. The MBS agreement expires, unless terminated earlier in accordance with the terms of the agreement, on September 12, 2020, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement.

In consideration for the mortgage banking services provided by our Servicer with respect to our acquisition of mortgage loans, our Servicer is entitled to a fulfillment fee based on the type of mortgage loan that we acquire and equal to a percentage of the unpaid principal balance of such mortgage loan. The applicable percentages are (i) 0.35% for mortgage loans sold or delivered to Fannie Mae or Freddie Mac, and (ii) 0.85% for all other mortgage loans; provided however, that no fulfillment fee shall be due or payable to our Servicer with respect to any Ginnie Mae mortgage loans. We do not hold the Ginnie Mae approval required to issue Ginnie Mae MBS and act as a servicer. Accordingly, under the MBS agreement, our Servicer currently purchases loans underwritten in accordance with the Ginnie Mae Mortgage-Backed Securities Guide “as is” and without recourse of any kind from us at our cost less an administrative fee plus accrued interest and a sourcing fee ranging from two to three and one-half basis points, generally based on the average number of calendar days that mortgage loans are held by us prior to purchase by our Servicer.

In consideration for the mortgage banking services provided by our Servicer with respect to our acquisition of mortgage loans under our Servicer’s early purchase program, our Servicer is entitled to fees accruing (i) at a rate equal to \$1,500 per year per early purchase facility administered by our Servicer, and (ii) in the amount of \$35 for each mortgage loan that we acquire thereunder.

Notwithstanding any provision of the MBS agreement to the contrary, if it becomes reasonably necessary or advisable for our Servicer to engage in additional services in connection with post-breach or post-default resolution activities for the purposes of a correspondent agreement, then we have generally agreed with our Servicer to negotiate in good faith for additional compensation and reimbursement of expenses to be paid to our Servicer for the performance of such additional services.

Our Servicer earned approximately \$86.5 million in fulfillment fees in Fiscal 2016 under our mortgage banking services agreement, and our Servicer paid to us approximately \$12.0 million in sourcing fees in Fiscal 2016.

MSR Recapture Agreement

Pursuant to the terms of our MSR recapture agreement entered into by PMC with our Servicer and amended and restated effective September 12, 2016, if our Servicer refinances through its consumer direct lending business mortgage loans for which we previously held the MSRs, our Servicer is generally required to transfer and convey to PMC, at no cost, the MSRs with respect to new mortgage loans originated in those refinancings (or, under certain circumstances, other mortgage loans) that have an aggregate unpaid principal balance that is not less than 30% of the aggregate unpaid principal balance of all such mortgage loans so originated. Where the fair market value of the aggregate MSRs to be transferred for the applicable month is less than \$200,000, our Servicer may, at its option, wire to PMC cash in an amount equal to the fair market value of the MSRs in lieu of transferring such MSRs. The MSR recapture agreement expires, unless terminated earlier in accordance with the terms of the agreement, on September 12, 2020, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement.

We recognized \$1.6 million in MSR recapture income during Fiscal 2016.

Spread Acquisition and MSR Servicing Agreements

Effective February 1, 2013, we entered into a master spread acquisition and MSR servicing agreement, or the 2/1/13 Spread Acquisition Agreement, pursuant to which we acquired from our Servicer the rights to receive certain excess servicing spread, or ESS, arising from MSRMs acquired by our Servicer from banks and other third party financial institutions. Our Servicer was generally required to service or subservice the related mortgage loans for the applicable agency or investor. We only used the 2/1/13 Spread Acquisition Agreement for the purpose of acquiring ESS relating to Fannie Mae MSRMs. The terms of each transaction under the 2/1/13 Spread Acquisition Agreement were subject to the specific terms thereof, as modified and supplemented by the terms of a confirmation executed in connection with such transaction.

To the extent our Servicer refinanced any of the mortgage loans relating to the ESS we acquired, the 2/1/13 Spread Acquisition Agreement contained recapture provisions requiring that our Servicer transfer to us, at no cost, the ESS relating to a certain percentage of the unpaid principal balance of the newly originated mortgage loans. To the extent the fair market value of the aggregate ESS to be transferred for the applicable month was less than \$200,000, our Servicer was, at its option, permitted to wire cash to us in an amount equal to such fair market value in lieu of transferring such ESS.

On February 29, 2016, the parties terminated the 2/1/13 Spread Acquisition Agreement and all amendments thereto. In connection with the termination of the 2/1/13 Spread Acquisition Agreement, our Servicer reacquired from us all of its right, title and interest in and to all of the Fannie Mae ESS previously sold by our Servicer to us and then subject to such 2/1/13 Spread Acquisition Agreement.

On December 19, 2014, we entered into a second master spread acquisition and MSR servicing agreement with our Servicer, or the 12/19/14 Spread Acquisition Agreement. The terms of the 12/19/14 Spread Acquisition Agreement are substantially similar to the terms of the 2/1/13 Spread Acquisition Agreement, except that we only intend to purchase ESS relating to Freddie Mac MSRMs under the 12/19/14 Spread Acquisition Agreement.

To the extent our Servicer refinances any of the mortgage loans relating to the ESS we have acquired, the 12/19/14 Spread Acquisition Agreement also contains recapture provisions requiring that our Servicer transfer to us, at no cost, the ESS relating to a certain percentage of the unpaid principal balance of the newly originated mortgage loans. To the extent the fair market value of the aggregate ESS to be transferred for the applicable month is less than \$200,000, our Servicer may, at its option, wire cash to us in an amount equal to such fair market value in lieu of transferring such ESS.

On February 29, 2016, our Servicer also reacquired from us all of its right, title and interest in and to all of the Freddie Mac ESS previously sold by our Servicer to us and then subject to such 12/19/14 Spread Acquisition Agreement. The 12/19/14 Spread Acquisition Agreement remains in full force and effect.

On December 19, 2016, we amended and restated a third master spread acquisition and MSR servicing agreement with our Servicer, or the 12/19/16 Spread Acquisition Agreement. The terms of the 12/19/16 Spread Acquisition Agreement are substantially similar to the terms of the 2/1/13 Spread Acquisition Agreement and the 12/19/14 Spread Acquisition Agreement, except that we only intend to purchase ESS relating to Ginnie Mae MSR's under the 12/19/16 Spread Acquisition Agreement. Pursuant to the 12/19/16 Spread Acquisition Agreement, we may acquire from our Servicer, from time to time, the right to receive participation certificates representing beneficial ownership in ESS arising from Ginnie Mae MSR's acquired by our Servicer, in which case our Servicer generally would be required to service or subservice the related mortgage loans for Ginnie Mae. The primary purpose of the amendment and restatement was to facilitate the continued financing of the ESS owned by us in connection with the parties' participation in the GNMA MSR Facility (as defined below).

To the extent our Servicer refinances any of the mortgage loans relating to the ESS we have acquired, the 12/19/16 Spread Acquisition Agreement also contains recapture provisions requiring that our Servicer transfer to us, at no cost, the ESS relating to a certain percentage of the unpaid principal balance of the newly originated mortgage loans. However, under the 12/19/16 Spread Acquisition Agreement, in any month where the transferred ESS relating to newly originated Ginnie Mae mortgage loans is not equivalent to at least 90% of the product of the excess servicing fee rate and the unpaid principal balance of the refinanced mortgage loans, our Servicer is also required to transfer additional ESS or cash in the amount of such shortfall. Similarly, in any month where the transferred ESS relating to modified Ginnie Mae mortgage loans is not equivalent to at least 90% of the product of the excess servicing fee rate and the unpaid principal balance of the modified mortgage loans, the 12/19/16 Spread Acquisition Agreement contains provisions that require our Servicer to transfer additional ESS or cash in the amount of such shortfall. To the extent the fair market value of the aggregate ESS to be transferred for the applicable month is less than \$200,000, our Servicer may, at its option, wire cash to us in an amount equal to such fair market value in lieu of transferring such ESS.

During Fiscal 2016, we received \$59.0 million from PFSI to settle repayments of ESS. During Fiscal 2016, we also earned \$6.6 million in ESS recapture income.

Master Repurchase Agreement with the Issuer Trust

On December 19, 2016, we entered into a master repurchase agreement with our Servicer, or the PMH Repurchase Agreement, pursuant to which we may borrow from our Servicer for the purpose of financing our participation certificates representing beneficial ownership in ESS. Our Servicer then re-pledges such participation certificates to the PNMACH GMSR ISSUER TRUST, or the Issuer Trust, under a master repurchase agreement, or the PC Repurchase Agreement, by and among our Servicer, Issuer Trust and Private National Mortgage Acceptance Company, LLC, as guarantor. The Issuer Trust was formed for the purpose of allowing our Servicer to finance MSR and ESS relating to such MSR in a structured financing transaction referred to as the "GNMA MSR Facility."

In connection with the GNMA MSR Facility, our Servicer pledges and/or sells to the Issuer Trust participation certificates representing beneficial interests in MSR and ESS pursuant to the terms of the PC Repurchase Agreement. In return, the Issuer Trust (a) has issued to our Servicer, pursuant to the terms of an indenture, the Series 2016-MSRVF1 Variable Funding Note, dated December 19, 2016, known as the "PNMAC GMSR ISSUER TRUST MSR Collateralized Notes, Series 2016-MSRVF1," or the VFN, and (b) may, from time to time pursuant to the terms of any supplemental indenture, issue to institutional investors additional term notes, or the Term Notes, in each case secured on a *pari passu* basis by the participation certificates relating to the MSR and ESS. The maximum principal balance of the VFN is \$1,000,000,000.

The principal amount paid by our Servicer for the participation certificates under the PMH Repurchase Agreement is based upon a percentage of the market value of the underlying ESS. Upon PMH's repurchase of the participation certificates, PMH is required to repay our Servicer the principal amount relating thereto plus accrued interest (at a rate reflective of the current market and consistent with the weighted average note rate of the VFN and any outstanding Term Notes) to the date of such repurchase. Our Servicer is then required to repay the Issuer Trust the corresponding amount under the PC Repurchase Agreement.

During Fiscal 2016, we paid our Servicer \$253,000 in interest to finance ESS under the PMH Repurchase Agreement and our Servicer, in turn, paid an identical amount to the Issuer Trust under the PC Repurchase Agreement.

Subordination Agreement

As a condition to our entry into the 12/19/16 Spread Acquisition Agreement and our participation in the GNMA MSR Facility, we were also required to enter into a subordination, acknowledgement and pledge agreement, or the Subordination Agreement. Under the terms of the Subordination Agreement, we pledged to the Issuer Trust our rights under the 12/19/16 Spread Acquisition Agreement and our interest in any ESS purchased thereunder.

The Subordination Agreement contains representations, warranties and covenants by us that are substantially similar to those contained in our other financing arrangements. To the extent there exists an event of default under the PC Repurchase Agreement or a “trigger event” (as defined in the Subordination Agreement), the Issuer Trust would be entitled to liquidate any and all of the collateral securing the PC Repurchase Agreement, including the ESS subject to the PMH Repurchase Agreement.

Loan and Security Agreement

Prior to entering into the PMH Repurchase Agreement in connection with the GNMA MSR Facility, our Servicer was a party to a repurchase agreement, or MSR Repo, between it and Credit Suisse First Boston Mortgage Capital LLC, or CSFB, pursuant to which our Servicer financed Ginnie Mae MSR and servicing advance receivables and pledged all of its rights and interests in any Ginnie Mae MSR it owned to CSFB, and a separate acknowledgement agreement with respect thereto, by and among Ginnie Mae, CSFB and our Servicer.

In connection with the MSR Repo, we were party to an underlying loan and security agreement, or the Underlying LSA, with our Servicer, pursuant to which we were able to borrow up to \$150 million from our Servicer for the purpose of financing our investment in ESS. The principal amount of the borrowings under the Underlying LSA was based upon a percentage of the market value of the ESS pledged to our Servicer, subject to the \$150 million sublimit described above. Pursuant to the Underlying LSA, we granted to our Servicer a security interest in all of its right, title and interest in, to and under the ESS pledged to secure the borrowings, and our Servicer, in turn, re-pledged such ESS to CSFB under the MSR Repo. Interest accrued on our note relating to the Underlying LSA at a rate based on CSFB’s cost of funds under the MSR Repo. We and our Servicer agreed in connection with the Underlying LSA that we were required to repay our Servicer the principal amount of borrowings plus accrued interest to the date of such repayment, and our Servicer was required to repay CSFB the corresponding amount under the MSR Repo. The Underlying LSA was terminated in connection with the execution of the PMH Agreement.

During Fiscal 2016, we paid our Servicer \$7.8 million in interest to finance ESS under the Underlying LSA and our Servicer, in turn, paid an identical amount to CSFB under the MSR Repo.

Loan Purchase Agreements

We have entered into a mortgage loan purchase agreement and a flow commercial mortgage loan purchase agreement with our Servicer. Currently, we use the mortgage loan purchase agreement for the purpose of acquiring prime jumbo residential mortgage loans originated by our Servicer through its consumer direct lending channel. We use the flow commercial mortgage loan purchase agreement for the purpose of acquiring small balance commercial mortgage loans, including multifamily mortgage loans, originated by our Servicer as part of our commercial lending business. Each of the loan purchase agreements contains customary terms and provisions, including representations and warranties, covenants, repurchase remedies and indemnities. The purchase prices we pay our Servicer for such loans are market-based.

During Fiscal 2016, we purchased from our Servicer under the mortgage loan purchase agreement residential mortgage loans with an unpaid principal balance of \$39.9 million at an aggregate purchase price of \$42.0 million and under the flow commercial mortgage loan purchase agreement, commercial mortgage loans with an unpaid principal balance of \$17.6 million at an aggregate purchase price of \$18.1 million.

Commercial Mortgage Servicing Oversight Agreement

We have also entered into a commercial mortgage servicing oversight agreement with our Servicer that governs its oversight of the master and/or special servicing performed by third party servicers in connection with certain commercial mortgage loans we acquire. For the oversight services performed under this agreement, we are required to pay our Servicer a fee equal to 5 basis points per annum based on the UPB of the related commercial mortgage loans for which it provides oversight servicing.

During Fiscal 2016, we paid our Servicer approximately \$6,600 in commercial mortgage loan oversight servicing fees.

Reimbursement Agreement

In connection with the initial public offering of our common shares on August 4, 2009, or the IPO, we entered into a reimbursement agreement with our Manager pursuant to which we agreed to reimburse our Manager for the \$2.9 million payment that it made to the underwriters for the IPO, or the Conditional Reimbursement, if we satisfied certain performance measures over a specified period of time. Effective February 1, 2013, we amended the terms of

the reimbursement agreement to provide for our payment to our Manager of the Conditional Reimbursement if we are required to pay our Manager performance incentive fees under our management agreement at a rate of \$10 in reimbursement for every \$100 of performance incentive fees earned. The payment of the Conditional Reimbursement is subject to a maximum reimbursement in any particular 12-month period of \$1.0 million and the maximum amount that may be reimbursed under the agreement is \$2.9 million. The reimbursement agreement also provides for the payment to the IPO underwriters of the payment that we agreed to make to them at the time of the IPO if we satisfied certain performance measures over a specified period of time. As our Manager earns performance incentive fees under our management agreement, the IPO underwriters will be paid at a rate of \$20 of payments for every \$100 of performance incentive fees earned by our Manager. The payment to the underwriters is subject to a maximum reimbursement in any particular 12-month period of \$2.0 million and the maximum amount that may be paid under the agreement is \$5.9 million.

Our Manager did not receive any reimbursement payments from us during Fiscal 2016.

Approval of Related Party Transactions

Our Code of Business Conduct and Ethics requires everyone subject to the code to be scrupulous in avoiding a conflict of interest as it relates to our interests and the interests of our officers and trustees or the interests of the employees, officers and directors of our Manager and Servicer when such individuals are acting for or on our behalf. The code prohibits us from, among other things, entering into a transaction or a business relationship with such a related party or an immediate family member of such related person or with a company in which such a related party or such immediate family member has a substantial financial interest, unless such transaction and relationship are disclosed to and approved in advance by our Board.

We have also adopted a written policy that specifically governs related party transactions. The related party transactions policy generally prohibits any related party transaction unless it is reviewed and approved by our Related Party Matters Committee and/or a majority of our independent trustees in accordance with the policy. With certain exceptions, a related party transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we (including any of our subsidiaries) were, are or will be a participant and the amount involved exceeds \$120,000 in the aggregate in any calendar year, and in which any related party has, had or will have a direct or indirect interest. A related party is any person who is, or at any time since the beginning of our last fiscal year was, a trustee or executive officer of our Company or a nominee to become a trustee of our Company; any person who is known to be the beneficial owner of more than 5% of any class of our voting securities; any immediate family member of any of the foregoing persons (which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of any of the foregoing persons); and any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest. In determining whether to approve a related party transaction, the Related Party Matters Committee and/or independent trustees consider all facts and circumstances that they deem relevant to the transaction, including, among other things, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction. The Related Party Matters Committee has also retained the services of an independent consultant who assists the Related Party Matters Committee in reviewing certain related party transactions.

The related party transactions policy governs the process for identifying potential related party transactions and seeking review, approval and/or ratification of such transactions. In addition, each of our trustees and executive officers is required to complete an annual disclosure questionnaire and report all transactions with us in which they and their immediate family members had or will have a direct or indirect material interest with respect to us. We review these questionnaires and, if we determine that it is necessary, discuss any reported transactions with our Related Party Matters Committee and/or our Board in accordance with the related party transactions policy.

REPORT OF THE AUDIT COMMITTEE

The Board of Trustees has determined that all of the members of the Audit Committee meet the independence and experience requirements of the New York Stock Exchange, or the NYSE, and that Messrs. Hadley and Carnahan are “audit committee financial experts” within the meaning of the applicable rules of the Securities and Exchange Commission, or the SEC, and the NYSE.

The Audit Committee met nine times in 2016. The Audit Committee’s agenda is established by the Chairman of the Audit Committee. The Audit Committee engaged Deloitte & Touche LLP as our independent registered public accounting firm and reviewed with our Chief Financial Officer and our independent registered public accounting firm the overall audit scope and plans, the results of the external audit examination, evaluations by our independent registered public accounting firm of our internal controls and the quality of our financial reporting.

The Audit Committee has reviewed and discussed the audited financial statements with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit Committee also discussed with our independent registered public accounting firm other matters required to be discussed by a registered public accounting firm with the Audit Committee under applicable standards of the Public Company Accounting Oversight Board (United States) (required communication with the Audit Committee). The Audit Committee received and discussed with our independent registered public accounting firm its annual written report on its independence from us and our management, which is made pursuant to applicable requirements of the Public Company Accounting Oversight Board, and considered with our independent registered public accounting firm whether the provision of non-audit services is compatible with our independent registered public accounting firm’s independence.

In performing all of these functions, the Audit Committee acts only in an oversight capacity and, necessarily, in its oversight role, the Audit Committee relies on the work and assurances of our management, which has the primary responsibility for financial statements and reports, and of our independent registered public accounting firm, which, in its report, expresses an opinion on the conformity of our annual financial statements to generally accepted accounting principles and on the effectiveness of our internal control over financial reporting as of year-end.

In reliance on these reviews and discussions, and the report of our independent registered public accounting firm, the Audit Committee recommended to our Board of Trustees, and our Board of Trustees approved, the inclusion of our audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on February 28, 2017.

The foregoing report has been furnished by the current members of the Audit Committee:

Randall D. Hadley, Chairman
Scott W. Carnahan
Preston DuFauchard

PROPOSAL I
ELECTION OF TRUSTEES

We are presenting a proposal to elect three (3) Class II trustees identified in this Proxy Statement, each for a term expiring at our 2020 annual meeting of shareholders, subject to the election and qualification of their successors or to their earlier death, resignation or removal.

OUR BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR PRESTON DUFAUCHARD, NANCY MCALLISTER AND STACEY D. STEWART AS TRUSTEES TO SERVE UNTIL OUR 2020 ANNUAL MEETING OF SHAREHOLDERS AND UNTIL THEIR RESPECTIVE SUCCESSORS ARE DULY ELECTED AND QUALIFIED.

The persons named in the enclosed proxy will vote to elect Preston DuFauchard, Nancy McAllister and Stacey D. Stewart as Class II trustees, unless you specify a contrary choice or withhold the authority of these persons to vote for the election of any or all of the nominees by marking the proxy to that effect.

PROPOSAL II
 RATIFICATION OF APPOINTMENT OF
 INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We are presenting a proposal to ratify the appointment of our independent registered public accounting firm, Deloitte & Touche LLP and its affiliated entities, or Deloitte, which has served as our independent registered public accounting firm since our formation in May 2009. During this time, Deloitte has performed accounting and auditing services for us. We expect that representatives of Deloitte will be present at the Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. If the appointment of Deloitte is not ratified, the Audit Committee will reconsider the appointment.

OUR BOARD OF TRUSTEES AND OUR AUDIT COMMITTEE UNANIMOUSLY RECOMMEND A VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017.

Relationship with Independent Registered Public Accounting Firm

In addition to performing the audits of our financial statements in Fiscal 2016 and Fiscal 2015, Deloitte provided other audit-related and non-audit-related services for us during Fiscal 2016 and Fiscal 2015.

Fees to Registered Public Accounting Firm for 2016 and 2015

The following table shows the fees billed by Deloitte for the audit and other services it provided to us in respect of Fiscal 2016 and Fiscal 2015.

	2016	2015
Audit Fees ⁽¹⁾	\$2,145,371	\$2,114,927
Audit-Related Fees ⁽²⁾	146,700	155,032
Tax Fees ⁽³⁾	186,811	196,560
All Other Fees ⁽⁴⁾	65,000	65,000
Total	\$2,543,882	\$2,531,519

(1)

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Audit Fees consist of fees for professional services rendered during the audit of our annual consolidated financial statements and our internal control over financial reporting, for the reviews of the consolidated financial statements included in our quarterly reports on Form 10-Q, and the audit of the annual financial statements of certain of our subsidiaries.

Audit-Related Fees consist of fees for professional services provided for the review of our automatic shelf (2) registration statement on Form S-3, including any amendments, the issuance of comfort letters and consents in connection with SEC filings and other compliance related testing.

(3) Tax Fees consist of fees for professional services rendered for tax compliance, tax planning and tax advice.

(4) All Other Fees consist of certain agreed upon procedures related to certain of our financing transactions.

Pre-Approval Policies and Procedures

The Audit Committee approved all services performed by Deloitte during Fiscal 2016 in accordance with applicable SEC requirements. The Audit Committee has also pre-approved the use of Deloitte for certain audit-related and non-audit-related services, setting a specific limit on the amount of such services that we may obtain from Deloitte before additional approval is necessary. In addition, the Audit Committee has delegated to the chair of the Audit Committee the authority to approve both audit-related and non-audit-related services provided by Deloitte, provided that the chair will present any decision to the full Audit Committee for ratification at its next scheduled meeting.

**PROPOSAL III
ADVISORY (NON-BINDING) VOTE TO APPROVE
EXECUTIVE COMPENSATION**

As required pursuant to Section 14A of the Exchange Act, we are presenting a proposal that gives shareholders the opportunity to cast an advisory (non-binding) vote on our executive compensation for named executive officers by voting for or against it. At our 2016 annual meeting of shareholders, 63.1% of the shareholders voting on our “say on pay” proposal (constituting 33.4% of our total outstanding shares entitled to vote at the annual meeting) voted against that proposal. We believe that this vote result was negatively impacted by perceived lack of transparency regarding the executive compensation paid to our executives by our Manager. We recognize that our shareholders’ ability to provide input with respect to our executive compensation practices and disclosure is an important element of good corporate governance, and we carefully considered the results of the 2016 say-on-pay vote in making our 2016 compensation decisions.

Since our 2011 annual meeting of shareholders, we have held the advisory vote on executive compensation each year. At the Meeting, our shareholders will be asked to advise us whether they wish to hold such votes in the future every year, every two years or every three years. The Board will take the results of this vote into consideration in determining when to next hold an advisory vote on executive compensation.

**OUR BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS AN ADVISORY (NON-BINDING) VOTE
“FOR” THE FOLLOWING RESOLUTION APPROVING OUR EXECUTIVE COMPENSATION:**

“RESOLVED, that the compensation paid to PennyMac Mortgage Investment Trust’s named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, the compensation tables and any related materials disclosed in this Proxy Statement, is hereby APPROVED.”

Supporting Statement

We do not pay or accrue any annual base salaries or cash bonuses to our named executive officers. Rather, in our discretion, we may grant equity-based awards, which are designed to align the interests of named executive officers with the interests of our shareholders in growing dividends and book value over time. We believe equity-based awards align these interests by allowing our named executive officers to share in the creation of value for our shareholders through capital appreciation and dividends.

These equity awards are generally subject to vesting requirements over a number of years, and they are designed to promote the retention of management and the achievement of high Company and individual performance. These awards provide a further benefit to us by enabling our Manager and Servicer to attract, motivate and retain highly talented executive leaders who are incented to implement strategies that will enhance our long-term performance and promote growth in dividends and book value.

We encourage our shareholders to read the section in this Proxy Statement entitled “Compensation Discussion and Analysis,” in which we describe in greater detail our compensation program, objectives and policies for our named executive officers. For the reasons described therein and above, we recommend that our shareholders endorse our compensation program for named executive officers. While our Board intends to carefully consider the shareholder vote resulting from this proposal, the final vote will not be binding on us and is advisory in nature.

PROPOSAL IV
ADVISORY (NON-BINDING) VOTE ON THE
FREQUENCY OF THE EXECUTIVE COMPENSATION VOTE

We are presenting the following proposal, which gives shareholders the opportunity to advise us how often to include a proposal similar to Proposal III in our Proxy Statement. Specifically, we are providing shareholders the option of selecting a frequency of one, two or three years, or abstaining. This proposal is required pursuant to Section 14A of the Exchange Act.

An advisory vote on executive compensation is very important, as it will provide a clear, simple means for us to obtain information on shareholder sentiment about our executive compensation and our executive compensation philosophy. At our 2011 annual meeting of shareholders, shareholders were also asked to vote on whether the say-on-pay vote should be held annually, every two years or every three years. A majority of our shareholders indicated a preference for holding such vote on an annual basis. In accordance with the results of that vote, our Board determined that we hold an advisory (non-binding) executive compensation vote every year. Our Board continues to recommend an annual vote. We believe that an annual advisory vote will be the most effective timeframe for our shareholders to judge performance and for us to assess the voting results, engage with shareholders to understand their sentiment and implement any changes to our compensation practices that we consider necessary and appropriate.

While our Board intends to carefully consider the shareholder votes resulting from this proposal and take them into consideration when making future decisions regarding our executive compensation vote, the final vote will not be binding on us and is advisory in nature.

OUR BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR “ONE YEAR” AS THE FREQUENCY FOR HOLDING THE ADVISORY (NON-BINDING) EXECUTIVE COMPENSATION VOTE.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

We believe that based solely upon our review of copies of forms we have received or written representations from reporting persons, during Fiscal 2016, all filing requirements under Section 16(a) of the Exchange Act applicable to our officers, trustees and beneficial owners of more than ten percent of our common shares were complied with on a timely basis, except the sale of 2,500 common shares by Mr. Grogin on December 19, 2016, which was not timely reported due to administrative error.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. We make these materials available on our website, www.pennymac-reit.com, under "SEC Filings," free of charge, as soon as reasonably practicable after we electronically file or furnish such materials to the SEC.

These SEC filings are available to the public at the SEC's website at www.sec.gov.

We will provide, without charge to each record or beneficial holder of our common shares as of the record date, a paper copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 as filed with the SEC, including the financial statements and schedules thereto, without the accompanying exhibits, upon written request to Investor Relations, PennyMac Mortgage Investment Trust, 3043 Townsgate Road, Westlake Village, California 91361. A list of exhibits is included in our Annual Report on Form 10-K and exhibits are available from us upon the payment to us of the cost of furnishing them.

OTHER MATTERS

As of the date of this Proxy Statement, our Board does not know of any matter that will be presented for consideration at the Meeting other than as described in this Proxy Statement. If any other matters are properly presented at the Meeting, your signed proxy card authorizes Stanford L. Kurland, our Executive Chairman, and Jeffrey P. Grogin, our Secretary, to vote on those matters according to their best judgment.

The SEC permits us to deliver a single copy of the notice, proxy statement and annual report to shareholders who have the same address and last name, unless we have received contrary instructions from such shareholders. Each shareholder will continue to receive a separate proxy card. This procedure, called "householding," will reduce the

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volume of duplicate information you receive and reduce our printing and postage costs, which is consistent with our corporate sustainability efforts. We will promptly deliver a separate copy of the proxy statement and annual report to any such shareholder upon written or oral request. A shareholder wishing to receive a separate proxy statement or annual report can notify us at Investor Relations, PennyMac Mortgage Investment Trust, 3043 Townsgate Road, Westlake Village, California 91361, telephone: (818) 224-7028. Similarly, shareholders currently receiving multiple copies of these documents can request the elimination of duplicate documents by contacting us as described above.

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

***PENNYMAC
MORTGAGE
INVESTMENT
TRUST***

***3043 TOWNSGATE
ROAD***

***WESTLAKE
VILLAGE, CA 91361***

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice of 2017 Annual Meeting of Shareholders, Proxy Statement and 2016 Annual Report to Shareholders, which includes our Annual Report on Form 10-K, are available at www.proxyvote.com

PENNYMAC MORTGAGE INVESTMENT TRUST

Annual Meeting of Shareholders

May 25, 2017 11:00 AM

THIS PROXY IS SOLICITED BY THE BOARD OF TRUSTEES

The undersigned hereby appoints Stanford L. Kurland and Jeffrey P. Grogin, and each of them, with the power to act without the other and with power of substitution, as proxies and attorneys-in-fact, and hereby authorizes them to represent and vote, as provided on the other side, all of the shares of PennyMac Mortgage Investment Trust the undersigned is entitled to vote, and, in their discretion, to vote upon other such business as may properly come before the 2017 Annual Meeting of Shareholders of the Company to be held May 25, 2017, or at any adjournment or postponement thereof, with all the powers the undersigned would possess if present at the meeting.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the recommendations of the Board of Trustees.

Address change/comments:

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

Continued and to be signed on reverse side