

**FIRST
COMMONWEALTH
MORTGAGE
TRUST**

2009 ANNUAL REPORT

TO OUR SHAREHOLDERS:

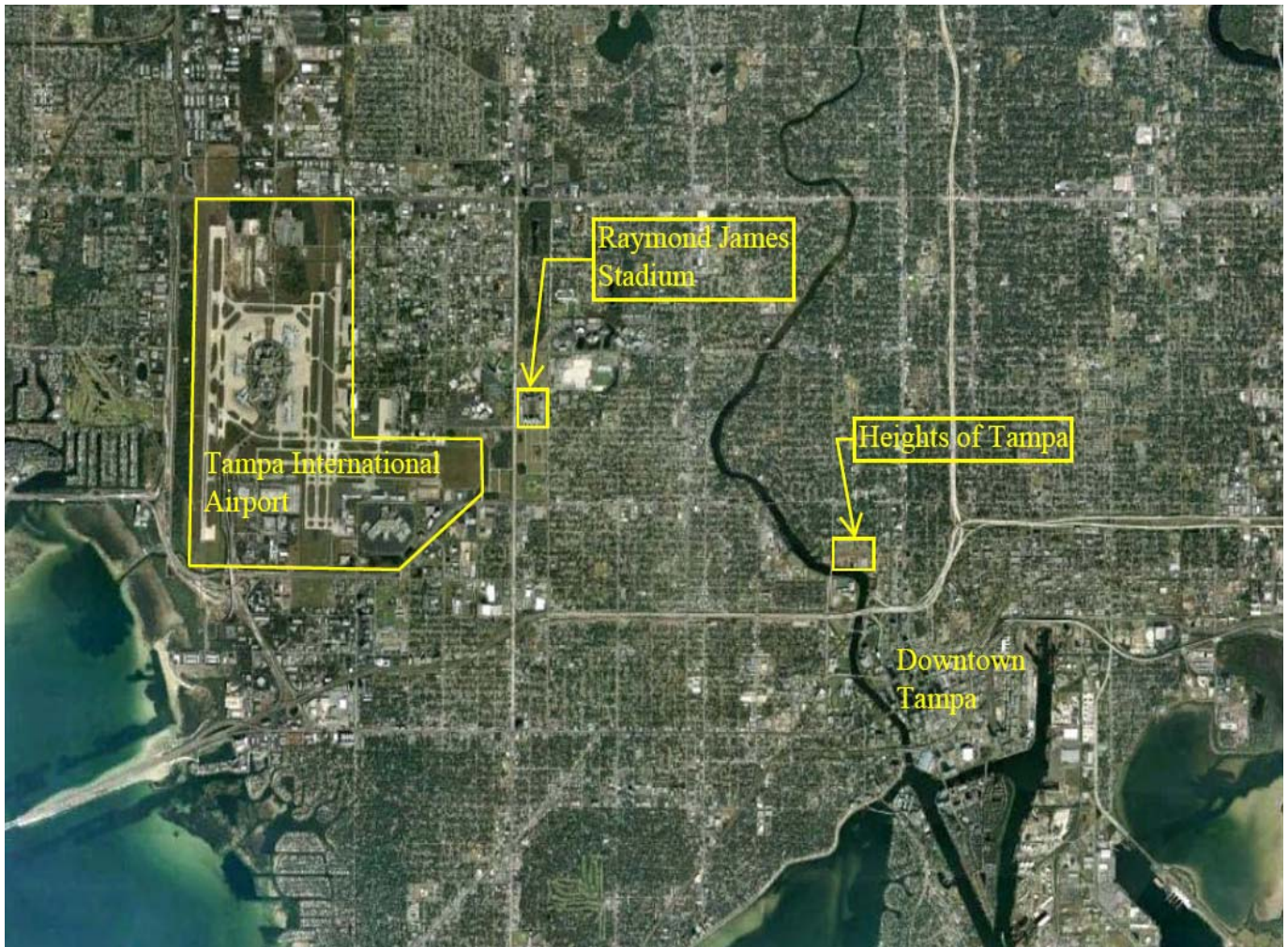
The financial statements of First Commonwealth Mortgage Trust (“FCMT”) for the years ending December 31, 2009 and 2008, audited by Melton & Melton, L.L.P. are set forth at the end of this report. They show gross revenues of \$1,549,865 for 2009 compared to \$1,436,191 for 2008, an increase of 7.9%; net income of \$1,328,014 for 2009 compared to \$1,216,813 for 2008, an increase of 9.1%; and net income of \$0.89 per share for 2009, a 6% increase from the net income per share for 2008. The primary reason for the increases is that FCMT was able to keep substantial all of its funds invested in mortgage securities throughout 2009.

At December 31, 2009, FCMT had 19 loans outstanding with an average yield of 11.59% p.a. Although FCMT’s fixed interest rates are often higher than those quoted by other lenders, the borrower’s total costs for a short term loan generally are competitive because FCMT doesn’t charge excessive points or require borrowers to incur expenses for formal appraisals, engineering reports, etc, where this type of information can be accessed by FCMT.

A significant part of FCMT’s mortgage portfolio involves loans on the Heights of Tampa (“HOT”), an assemblage of approximately 50 acres in Tampa, Florida situated along the Hillsborough River north of the downtown business district. The property is located to the west of the new Stetson Law School building and the Bush Ross law firm office building. The first vertical development in the HOT, a 30,000 square foot office building was completed in 2010. A digital rendering of the building inserted into a downtown view from the HOT property is shown to the right.



A map showing the location of the HOT is shown here.



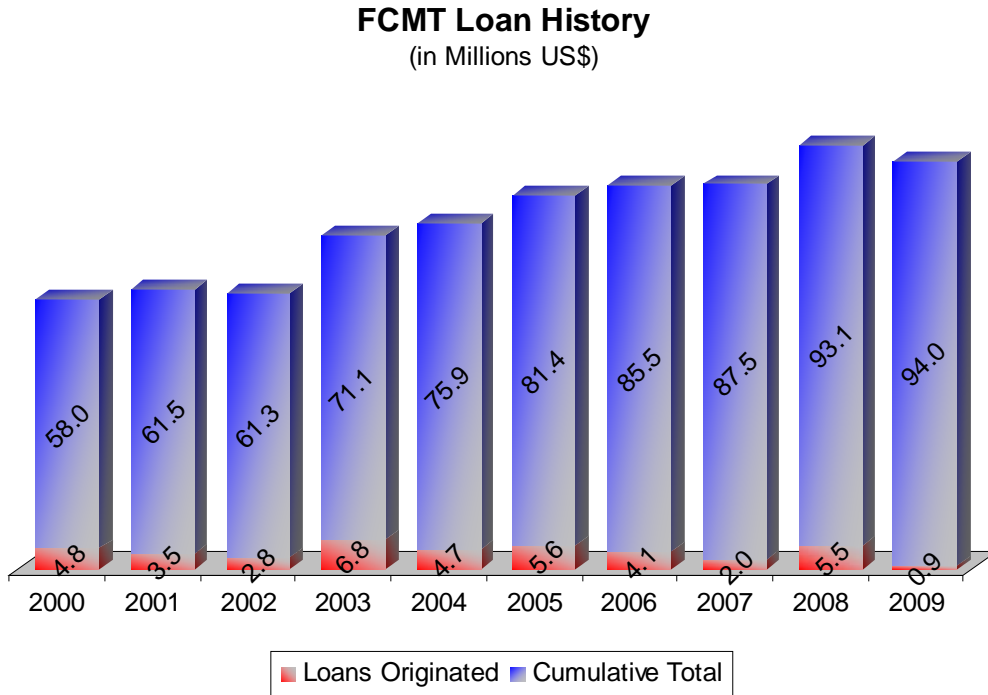
The pace of developing the HOT has been slower than originally anticipated because of the economic downturn. Nevertheless the assemblage continues to be regarded as one of the prime areas for development in Tampa.

The ten year financial chart of FCMT on the next page reflects its fairly consistent results of operations.

SELECTED FINANCIAL DATA 10-YEAR SUMMARY

| YEAR ENDED DECEMBER 31 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| REVENUES: | | | | | | | | | | |
| INTEREST AND DIVIDENDS | \$ 1,515,653 | \$ 1,391,789 | \$ 1,450,931 | \$ 1,671,581 | \$ 1,281,159 | \$ 1,451,632 | \$ 1,254,308 | \$ 1,214,987 | \$ 1,114,566 | \$ 1,265,876 |
| SERVICE FEES & OTHER INCOME | 34,211 | 44,402 | 93,252 | 49,152 | 84,429 | 51,612 | 49,607 | 24,574 | 20,066 | 30,425 |
| | 1,549,864 | 1,436,191 | 1,544,183 | 1,720,733 | 1,365,588 | 1,503,244 | 1,303,915 | 1,239,561 | 1,134,632 | 1,296,301 |
| COST AND EXPENSES | 221,852 | 219,378 | 275,175 | 289,445 | 353,734 | 745,674 | 432,127 | 253,477 | 213,328 | 203,101 |
| NET INCOME | \$ 1,328,016 | \$ 1,216,813 | \$ 1,269,008 | \$ 1,431,288 | \$ 1,011,854 | \$ 757,570 | \$ 871,788 | \$ 986,084 | \$ 921,304 | \$ 1,093,200 |
| PER SHARE DATA | | | | | | | | | | |
| NET INCOME | \$ 0.89 | \$ 0.84 | \$ 0.91 | \$ 1.03 | \$ 0.73 | \$ 0.58 | \$ 0.71 | \$ 0.84 | \$ 0.91 | \$ 1.13 |
| DIVIDENDS | \$ 0.70 | \$ 0.86 | \$ 0.88 | \$ 0.88 | \$ 0.78 | \$ 0.88 | \$ 0.76 | \$ 0.88 | \$ 0.90 | \$ 0.98 |
| YEAR END DATA | | | | | | | | | | |
| TOTAL ASSETS | \$ 14,616,813 | \$ 14,294,804 | \$ 13,280,585 | \$ 13,364,650 | \$ 13,174,650 | \$ 13,398,297 | \$ 13,242,074 | \$ 11,746,086 | \$ 10,582,576 | \$ 9,588,768 |
| SHAREHOLDERS' EQUITY | 14,522,101 | 14,235,478 | 13,256,564 | 13,285,038 | 13,093,632 | 12,959,716 | 12,775,920 | 11,713,729 | 10,546,800 | 9,561,136 |
| SHARES OUTSTANDING | 1,490,571 | 1,490,571 | 1,391,571 | 1,391,571 | 1,391,571 | 1,381,571 | 1,294,671 | 1,194,671 | 1,071,671 | 970,403 |
| BOOK VALUE PER SHARE | \$ 9.74 | \$ 9.55 | \$ 9.53 | \$ 9.55 | \$ 9.41 | \$ 9.38 | \$ 9.87 | \$ 9.80 | \$ 9.84 | \$ 10.17 |

The following chart shows the dollar amount of loans originated by FCMT each year since 2000 and the cumulative total of all loans since FCMT began operations. Some loans originated by FCMT have been funded in whole or in part, by third party participations.



FCMT maintains a website www.fcmt.net that contains additional information about the Trust. Annual reports are posted on the website along with notices of dividend declarations.

Kenneth A. McGaw
President

Robert A. Burns
Vice President & Treasurer

April 22, 2010

FIRST COMMONWEALTH MORTGAGE TRUST

FINANCIAL STATEMENTS
FOR THE
YEARS ENDED DECEMBER 31, 2009 AND 2008
AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS



MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

FIRST COMMONWEALTH MORTGAGE TRUST

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MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 8, 2010

To the Board of Trust Managers of
First Commonwealth Mortgage Trust

We have audited the accompanying balance sheet of First Commonwealth Mortgage Trust (the "Trust") as of December 31, 2009 and 2008, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Commonwealth Mortgage Trust as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Melton & Melton, L.L.P.

FIRST COMMONWEALTH MORTGAGE TRUST
BALANCE SHEET
December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|-----------------------------|-----------------------------|
| <u>ASSETS</u> | | |
| Mortgage Notes Receivable: | | |
| Mortgage notes receivable, net of participations payable of \$1,600,000 and \$2,250,000 at December 31, 2009 and 2008, respectively | \$ 12,671,188 | \$ 12,440,445 |
| Discounts | (132,371) | (191,336) |
| Allowance for losses | <u>(186,814)</u> | <u>(186,814)</u> |
| | 12,352,003 | 12,062,295 |
| Cash and cash equivalents | 463,186 | 1,173,686 |
| Restricted cash and cash equivalents | 181,830 | 19,880 |
| Accrued interest receivable, net of participations interest payable of \$65,587 and \$5,070 at December 31, 2009 and 2008, respectively | 1,385,204 | 821,302 |
| Other receivables | 6,929 | 9,120 |
| Investments in affiliates | 208,131 | 208,131 |
| Investments in marketable securities | 2,400 | 390 |
| Prepaid expenses | <u>20,000</u> | <u>-</u> |
| | <u>\$ 14,619,683</u> | <u>\$ 14,294,804</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

| | | |
|--|---------------|---------------|
| Accounts payable and other liabilities | \$ 97,581 | \$ 59,325 |
| Note payable | <u>1</u> | <u>1</u> |
| Total liabilities | <u>97,582</u> | <u>59,326</u> |

Shareholders' Equity:

| | | |
|---|-----------------------------|-----------------------------|
| Shares of beneficial interest, no par value, 20,000,000 shares shares authorized, 1,490,571 shares issued and outstanding | 14,723,823 | 14,723,823 |
| Accumulated deficit | (54,122) | (338,735) |
| Accumulated other comprehensive loss | <u>(147,600)</u> | <u>(149,610)</u> |
| | 14,522,101 | 14,235,478 |
| | <u>\$ 14,619,683</u> | <u>\$ 14,294,804</u> |

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF INCOME
For the Years Ended December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---------------------------------------|----------------------------|----------------------------|
| Revenue: | | |
| Interest income | \$ 1,515,653 | \$ 1,391,789 |
| Service fees and miscellaneous income | <u>34,212</u> | <u>44,402</u> |
| | <u>1,549,865</u> | <u>1,436,191</u> |
| Costs and Expenses: | | |
| Management fees to affiliate | 86,952 | 99,862 |
| Professional fees | 34,934 | 51,011 |
| Interest expense | 18,263 | - |
| General and administrative | <u>81,703</u> | <u>68,505</u> |
| | <u>221,852</u> | <u>219,378</u> |
| Net income | <u>\$ 1,328,013</u> | <u>\$ 1,216,813</u> |
| Weighted average shares outstanding | <u>1,490,571</u> | <u>1,441,119</u> |
| Net income per share, basic | <u>\$ 0.89</u> | <u>\$ 0.84</u> |

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|----------------------------|----------------------------|
| Net income | \$ 1,328,013 | \$ 1,216,813 |
| Other comprehensive gain (loss): | | |
| Unrealized gain (loss) on marketable securities: | | |
| Unrealized holding gains (losses) arising | | |
| during the year | <u>2,010</u> | <u>(1,910)</u> |
| Comprehensive income | <u>\$ 1,330,023</u> | <u>\$ 1,214,903</u> |

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2009 and 2008

| | <u>Shares of</u> <u>Beneficial Interest</u> | <u>Retained</u> <u>Earnings</u> <u>(Accumulated</u> <u>Deficit)</u> | <u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Loss</u> | <u>Total</u> <u>Shareholders'</u> <u>Equity</u> |
|---|--|--|---|---|
| | <u>Shares</u> <u>Outstanding</u> | <u>Amount</u> | | |
| Balance, December 31, 2007 | 1,391,571 | \$ 13,733,823 | \$ (147,700) | \$ 13,256,564 |
| Issuance of shares of beneficial interest | 99,000 | 990,000 | - | 990,000 |
| Cash dividends | - | - | - | (1,225,989) |
| Net income | - | 1,216,813 | - | 1,216,813 |
| Unrealized loss on marketable securities | - | - | (1,910) | (1,910) |
| Balance, December 31, 2008 | 1,490,571 | 14,723,823 | (149,610) | 14,235,478 |
| Cash dividends | - | - | - | (1,043,400) |
| Net income | - | 1,328,013 | - | 1,328,013 |
| Unrealized gain on marketable securities | - | - | 2,010 | 2,010 |
| Balance, December 31, 2009 | 1,490,571 | \$ 14,723,823 | \$ (147,600) | \$ 14,522,101 |

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|--------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Net income | \$ 1,328,013 | \$ 1,216,813 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of discounts and deferred loan fees | (60,657) | (24,579) |
| Changes in operating assets and liabilities: | | |
| Accrued interest receivable, net of participations | (567,652) | (192,663) |
| Prepays and other receivables | (17,809) | (9,120) |
| Accounts payable and other liabilities | <u>38,256</u> | <u>25,305</u> |
| Total adjustments | <u>(607,862)</u> | <u>(201,057)</u> |
| Net cash provided by operating activities | <u>720,151</u> | <u>1,015,756</u> |
| Cash Flows from Investing Activities: | | |
| Mortgage note originations | (680,400) | (4,790,580) |
| Mortgage note participations sold | 550,000 | 525,000 |
| Mortgage note participations purchased | (1,200,000) | - |
| Principal collected on mortgage notes receivable, net of participations | 1,105,099 | 2,196,710 |
| Increase in restricted cash and cash equivalents | (161,950) | (19,880) |
| Redemption of certificate of deposit | <u>-</u> | <u>101,038</u> |
| Net cash used in investing activities | <u>(387,251)</u> | <u>(1,987,712)</u> |
| Cash Flows from Financing Activities: | | |
| Issuance of beneficial interests | - | 990,000 |
| Stock escrow advance | - | 10,000 |
| Cash dividends paid | <u>(1,043,400)</u> | <u>(1,225,989)</u> |
| Net cash used in financing activities | <u>(1,043,400)</u> | <u>(225,989)</u> |
| Decrease in cash and cash equivalents | (710,500) | (1,197,945) |
| Cash and Cash Equivalents beginning of year | <u>1,173,686</u> | <u>2,371,631</u> |
| Cash and Cash Equivalents end of year | <u>\$ 463,186</u> | <u>\$ 1,173,686</u> |

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|------------------|---------------------|
| Supplemental Information: | | |
| Cash paid for interest | <u>\$ 18,263</u> | <u>\$ -</u> |
| Non-Cash Investing and Financing Activities: | | |
| Mortgage note received as payment for accrued interest | <u>\$ 3,750</u> | <u>\$ 24,800</u> |
| Mortgage note originated with participation payable | <u>\$ -</u> | <u>\$ 1,200,000</u> |
| Restricted cash offset with accounts payable and accrued liabilities | <u>\$ 81,830</u> | <u>\$ 19,880</u> |

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

First Commonwealth Mortgage Trust (the "Trust") was organized as a Massachusetts business trust on September 26, 1984 and commenced operations on June 27, 1985. The Trust reorganized as a Texas real estate investment trust in 2008. The Trust has a termination date of December 31, 2030. The Trust is engaged primarily in the business of investing in loans collateralized by mortgages on real estate. First Commonwealth Holdings Corporation ("FCHC"), whose principal shareholder is a trust manager and shareholder of the Trust, is the Trust's compensated manager.

Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative U.S. generally accepted accounting principles (GAAP) in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (ASU). The adoption of the ASC did not have an impact on the Trust's results of operations, cash flows, or financial position.

Cash and Cash Equivalents

The Trust considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Trust maintains cash balances in a bank, which, at times, exceeds federal insured limits. The Trust monitors the financial condition of the bank and has experienced no losses associated with this account.

Restricted Cash

The Trust collects escrow deposits for property taxes related to property listed as collateral for one mortgage note. The Trust also collected insurance proceeds of \$67,128 in 2009 that will be used for repairs on the above property. Included in accounts payable and accrued liabilities at December 31, 2009 and 2008 is \$81,830 and \$19,880 for deposits into the escrow account.

The Trust purchased a \$100,000 certificate of deposit in 2009 to serve as collateral for the Heights of Tampa, LLC letter of credit (see Note 2).

The balance of restricted cash and cash equivalents at December 31, 2009 and 2008 was \$181,830 and \$19,880, respectively.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2009

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgage Notes Receivable

Mortgage notes receivable are carried at unpaid principal balances since generally it is management's intention to hold mortgage notes to maturity. Commitment and origination fees collected from prospective borrowers are deferred and recognized as income using a method approximating the interest method over the life of those loans.

A loan is considered impaired when it is probable that the scheduled principal or interest will not be collected when due. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or collateral fair value, if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, an impairment loss is recognized through a valuation allowance and a corresponding charge to income.

Allowance for Losses

The allowance for losses is based on management's estimate of the amount required to maintain an allowance adequate to reflect the risks inherent in the loan portfolio after giving consideration to existing economic conditions, loss experience in relation to outstanding loans, changes in the loan portfolio, borrowers' performance in reducing loan principal, adequacy of loan collateral, and other relevant factors.

Marketable Securities

Marketable securities are classified as available-for-sale and are stated at fair value, with unrealized gains and losses included in a separate component of shareholders' equity.

Interest Income

Interest income on loans is accrued based upon the principal amount outstanding.

If a loan is placed on nonaccrual status, interest previously recognized but uncollected is reversed and charged against current income. Subsequent interest collected on such a loan is credited to principal if, in the opinion of management, collectibility of principal is doubtful; otherwise, the interest collected is recognized as revenue.

Comprehensive Income

Comprehensive income is comprised of net income and all changes to shareholders' equity, except those due to investments by owners (changes in paid-in capital, if any) and distributions to owners (dividends). At December 31, 2009 and 2008, unrealized holding gains (losses) on securities available-for-sale are the Trust's only accumulated other comprehensive loss component.

Net Income per Share

Net income per share is calculated by dividing net income by the weighted average number of shares of beneficial interest outstanding during the year. The Trust has no items that give rise to anti-dilutive shares. Accordingly, basic and dilutive shares presented are the same.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2009

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

The Trust's primary business activity is investing in loans collateralized by mortgages on real estate. These loans are principally collateralized by real estate in Texas, Florida, New Mexico, Arizona, and Oklahoma.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the value of collateral and, therefore, the resulting allowance for losses. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 financial statement presentation. Restricted cash was reclassified from cash and cash equivalents. The reclassification had no effect on previously recorded net income.

NOTE 2 - MORTGAGE NOTES RECEIVABLE AND COMMITMENTS

Notes receivable from funding mortgage loans are principally collateralized by first mortgage loans on commercial or residential property and are due at various dates, with the latest maturity due in May 2020. Notes receivable bear interest at rates ranging from 7% to 18%.

Commitments to lend additional funds were approximately \$2,083,000 at December 31, 2009. There are no commitments to lend additional funds to borrowers whose loans are impaired.

Contingent Liability

The Trust has guaranteed a stand-by letter of credit in connection with a Land Swap Agreement for Heights of Tampa, LLC in the amount of \$500,000. There are no amounts drawn on this letter of credit as of December 31, 2009.

NOTE 3 - INVESTMENTS IN AFFILIATES

The Trust participates with Holly Mortgage Trust ("Holly"), a Texas real estate investment trust, for the purpose of investing in second mortgages and equity participation mortgages. At December 31, 2009 and 2008, the Trust also owned 58,131 shares of beneficial interest in Holly, which comprised approximately 3.6% and 4.1% of the outstanding shares in Holly at December 31, 2009 and 2008, respectively. The investment is recorded using the cost method. The cost of this investment was \$58,131 at December 31, 2009 and 2008.

The Trust owns 150 partnership units of Global REIT, L.P. The Trust accounts for this investment using the cost method of accounting. The cost of this investment was \$150,000 at December 31, 2009 and 2008.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2009

NOTE 3 - INVESTMENTS IN AFFILIATES (CONTINUED)

Investments with an aggregate cost of \$208,131 were not evaluated for impairment because (a) the Trust did not estimate the fair value of those investments in accordance with FASB ASC No. 825, *Disclosure about Fair Value of Financial Instruments*, and (b) the Trust did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments.

NOTE 4 - MARKETABLE SECURITIES

From time to time, the Trust invests its excess funds in short-term equity securities in order to maximize earnings. The cost basis and fair market values of marketable securities available-for-sale were as follows:

| | <u>Cost Basis</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> |
|-------------------------------|-----------------------|---------------------------------------|--|-----------------------|
| December 31, 2009: | | | | |
| Available-for-sale securities | <u>\$150,000</u> | <u>\$ -</u> | <u>\$(147,600)</u> | <u>\$2,400</u> |
| December 31, 2008: | | | | |
| Available-for-sale securities | <u>\$150,000</u> | <u>\$ -</u> | <u>\$(149,610)</u> | <u>\$ 390</u> |

The Trust accounts for fair value in accordance with ASC No. 820, *Fair Value Measurements* ("ASC 820"). ASC 820 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. A summary of the fair value hierarchy under ASC 820 is described below:

Various inputs are used in determining the value of the Trust's investments. These inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.).

Level 3 - Significant unobservable inputs (including the Trust's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2009

NOTE 4 - MARKETABLE SECURITIES (CONTINUED)

The following is a summary of the inputs used to value the Trust's marketable securities as of December 31, 2009 and 2008:

| <u>Description</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------|----------------|----------------|----------------|----------------|
| <u>2009:</u> | | | | |
| Marketable Securities | <u>\$2,400</u> | | | <u>\$2,400</u> |
| <u>2008:</u> | | | | |
| Marketable Securities | <u>\$ 390</u> | | | <u>\$ 390</u> |

NOTE 5 - NOTE PAYABLE

The Trust has a \$500,000 revolving line of credit facility with a bank, collateralized by the Trust's mortgage notes receivable. The borrowing arrangement bears interest at 9%. Interest is payable monthly. At December 31, 2009 and 2008, \$1 was outstanding under the line of credit. This line of credit will mature in September 2010.

NOTE 6 - FEDERAL INCOME TAXES

The Trust operates in such a manner as to qualify as a "real estate investment trust" under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. Under those sections, the Trust will not be taxed on that portion of its qualifying income distributed to shareholders so long as at least 90% of the Trust's otherwise taxable income is distributed to shareholders each year and other requirements of a qualified real estate investment trust are met. The Trust satisfied the income distribution requirements for the years ending December 31, 2009 and 2008. Management believes that all other requirements of a qualified real estate investment trust have been met.

The tax status of per-share dividend distributions declared attributable to the years presented is as follows:

| | <u>Years Ended December 31,</u> | |
|-------------------|---------------------------------|-------------|
| | <u>2009</u> | <u>2008</u> |
| Ordinary income | 69% | 84% |
| Return of capital | <u>31</u> | <u>16</u> |
| | <u>100%</u> | <u>100%</u> |

The amount of income taxes the Trust pays is subject to audits by federal and state tax authorities. The Trust's estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts, and circumstances existing at that time, pursuant to the Income Taxes Topic ("ASC Topic 740") of the FASB Accounting Standards Codification. ASC Topic 740 requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2009

NOTE 6 - FEDERAL INCOME TAXES (CONTINUED)

or expected to be taken in a tax return. The Trust records a liability for the difference, if any, between the benefit recognized and measured pursuant to ASC Topic 740 and the tax position taken or expected to be taken on the tax return. To the extent that the Trust's assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made.

The Trust reports tax-related interest and penalties in income tax expense.

At December 31, 2009 and 2008, the Trust had no material uncertain tax positions. There were no accruals for tax-related interest and penalties at December 31, 2009 and 2008. The Trust did not have any tax-related interest and penalties for the years ended December 31, 2009 and 2008. The tax years 2006 through 2008 remain open and subject to examination by federal and various state tax jurisdictions.

NOTE 7 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

Management fees paid to FCHC were approximately \$87,000 and \$100,000 for the years ended December 31, 2009 and 2008, respectively. The management fee is based on 1.4% of the book value of the assets of the Trust at the end of each fiscal year less accounting and certain board member fees. In 2009 and 2008, FCHC received fees for management services to Heights of Tampa, LLC, which was a borrower from the Trust. Some of those fees were voluntarily credited by FCHC against the management fee otherwise payable by the Trust to avoid FCHC being compensated twice. The voluntary credit to the Trust in 2009 and 2008 totaled \$75,550 and \$41,650, respectively.

During 2009, the Trust engaged in two mortgage participations with various affiliated business trusts. At December 31, 2009, the Trust had three outstanding mortgage participations with affiliated businesses that totaled \$6,775,000 and are included in mortgage notes receivable, net in the balance sheet. The participations incur interest at rates ranging from 7% to 18% (excluding possible contingent interest rates) and have maturity dates ranging to December 2014. The notes are secured by various affiliated business trusts and/or second mortgages. Interest income on such participations amounted to approximately \$694,000 for the year ended December 31, 2009. At December 31, 2009, accrued interest on mortgages with affiliated businesses amounted to \$1,297,805.

During 2008, the Trust engaged in two mortgage participations with various affiliated business trusts. At December 31, 2008, the Trust had three outstanding mortgage participations that totaled \$6,775,000 and are included in mortgage notes receivable, net in the balance sheet. The participations incurred interest at rates ranging from the prime rate (3.25% at December 31, 2008) plus 1% to 18% (excluding possible contingent interest rates) and had maturity dates ranging to August 2011. The notes are secured by various affiliated business trusts and/or second mortgages. Interest income on such participations amounted to approximately \$653,000 for the year ended December 31, 2008. At December 31, 2008, accrued interest receivable on mortgages with affiliated businesses amounted to \$704,324.

In 2009, the Trust paid interest of \$15,834 to Holly for a \$362,000, 8% promissory note that matured on December 31, 2009. The note was paid in full as of December 31, 2009.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2009

NOTE 8 - SIGNIFICANT MORTGAGE NOTES RECEIVABLE

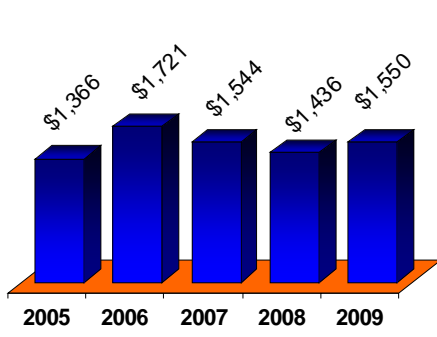
At December 31, 2009, three mortgage notes receivable represented approximately 52% of total mortgage notes receivable, net of participations. Interest related to two of these notes was approximately 52% of total interest income for the year ended December 31, 2009.

At December 31, 2008, two mortgage notes receivable represented approximately 40% of total mortgage notes receivable, net of participations. Interest related to these notes was approximately 57% of total interest income for the year ended December 31, 2008.

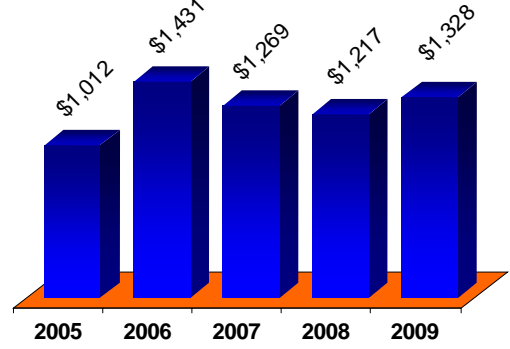
NOTE 9 - SUBSEQUENT EVENTS

Effective in 2009, the Trust adopted FASB ASC 855-10, *Subsequent Events – Overall* (“ASC 855-10”). ASC 855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date – that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. Adoption of ASC 855-10 did not have a material impact on the Trust’s results of operations, cash flows, or financial position. The Trust has evaluated subsequent events through April 8, 2010, the date the financial statements were available to be issued.

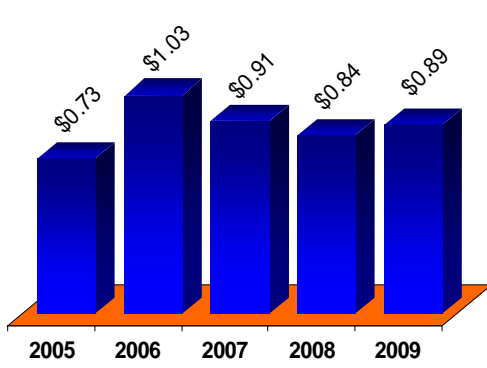
Revenues (000's)



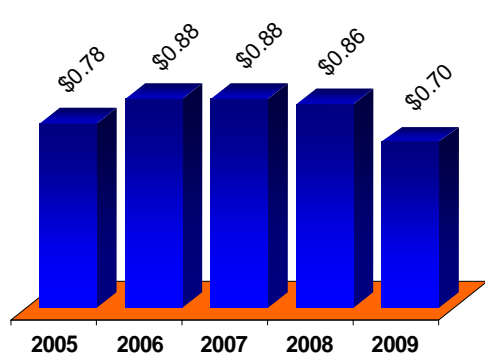
Net Income (000's)



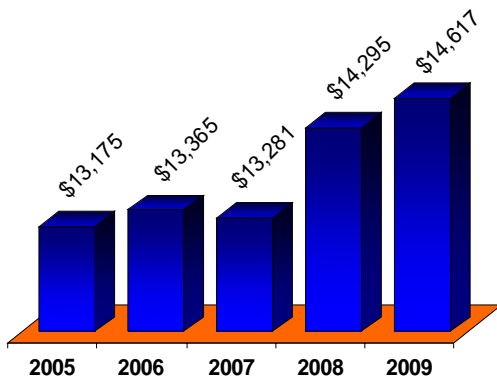
Net Income per Share



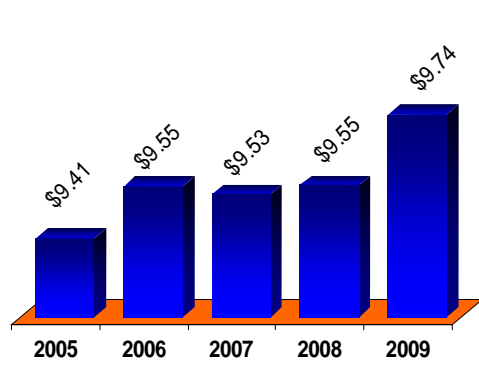
Dividends per Share



Total Asstes (000s)



Book Value per Share



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President, George Beatty Associates

William C. Brooks
Financial Consultant

Josef C. Hermans
Hotel Consultant

Kenneth A. McGaw
President,
First Commonwealth Mortgage Trust

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President,
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