FIRST COMMONWEALTH MORTGAGE TRUST

2012 ANNUAL REPORT

TO OUR SHAREHOLDERS:

The financial statements of First Commonwealth Mortgage Trust ("FCMT") for the years ending December 31, 2012 and December 31,2011, audited by Melton & Melton, L.L.P. are set forth at the end of this report. In 2012, FCMT revenues were $658,197 a decline from $688,949 in 2011. There was a loan impairment loss of $1,216,750; and a comprehensive net loss of $842,750, which equates to a per share loss of $0.57.

Heights of Tampa

FCMT (and other participants in the FCMT mortgage loan, collectively the "FCMT lenders") were one of several mortgage lenders to the Heights of Tampa ("HOT"). Following the bankruptcy filing by the entities owning the HOT project, the FCMT lenders started foreclosure proceedings to recover the remaining HOT collateral.

The FCMT lenders were ultimately successful in negotiating a settlement agreement with other HOT lenders resulting in the receipt of approximately $1 million in cash and lots totaling approximately 5 acres in four contiguous city blocks. These lots are free and clear of any liens. The FCMT lenders share of all unpaid real estate taxes and some foreclosure costs were also paid as part of the settlement agreement. In addition, FCMT lenders secured future rights to contingent payments and other assets that may increase its recovery.

Subsequent to this settlement agreement, the FCMT lenders conveyed the assets received to an existing entity named Hillsborough River Properties, LLC ("HRP"), that will seek to maximize returns on these assets. FCMT holds around 57% of the outstanding units in HRP.

The map below exhibits the purple lots that were conveyed into HRP by some of the FCMT lenders. The green lot was an existing lot already owned by HRP. The orange lots are currently owned by the City of Tampa and may be bought by HRP in the future. The blue and yellow lots were retained by another lender as part of these settlement negotiations. They are not part of HRP.

The financial chart of FCMT on the next page shows the results of its operations for the last ten years.

SELECTED FINANCIAL DATA
10-YEAR SUMMARY

YEAR ENDED DECEMBER 31	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES:										
INTEREST AND DIVIDENDS	$529,550	$682,695	$ 925,327	$ 1,528,258	$ 1,391,789	$ 1,450,931	$ 1,671,581	$ 1,281,159	$ 1,451,632	$ 1,254,308
SERVICE FEES & OTHER INCOME	128,647	6,254	7,929	21,607	44,402	93,252	49,152	84,429	51,612	49,607
	658,197	688,949	933,256	1,549,865	1,436,191	1,544,183	1,720,733	1,365,588	1,503,244	1,303,915
COST AND EXPENSES	1,500,947	2,071,983	3,138,197	221,852	219,378	275,175	289,445	353,734	745,674	432,127
NET INCOME	$ (842,750)	$ (1,383,034)	$ (2,204,941)	$ 1,328,014	$ 1,216,813	$ 1,269,008	$ 1,431,288	$ 1,011,854	$ 757,570	$ 871,788

PER SHARE DATA										
NET INCOME	$ (0.57)	$ (0.93)	$ (1.48)	$ 0.89	$ 0.84	$ 0.91	$ 1.03	$ 0.73	$ 0.58	$ 0.71
DIVIDENDS	$ 0.08	$ 0.26	$ 0.50	$ 0.70	$ 0.86	$ 0.88	$ 0.88	$ 0.78	$ 0.88	$ 0.76

YEAR END DATA										
TOTAL ASSETS	$ 11,105,430	$ 11,382,882	$ 11,718,581	$ 14,616,813	$ 14,294,804	$ 13,280,585	$ 13,364,650	$ 13,174,650	$ 13,398,297	$ 13,242,074
SHAREHOLDERS' EQUITY	8,986,897	9,948,892	11,566,416	14,522,102	14,235,478	13,256,564	13,285,038	13,093,632	12,959,716	12,775,920
SHARES OUTSTANDING	1,490,571	1,490,571	1,490,571	1,490,571	1,490,571	1,391,571	1,391,571	1,391,571	1,381,571	1,294,671
BOOK VALUE PER SHARE	$ 6.03	$ 6.67	$ 7.76	$ 9.74	$ 9.55	$ 9.53	$ 9.55	$ 9.41	$ 9.38	$ 9.87

FCMT maintains a website www.fcmt.net that contains additional information about the Trust. Shareholder reports are posted on the website along with a history of dividend payments. The year 2012 was the 27th consecutive year that FCMT has paid a dividend to its shareholders.

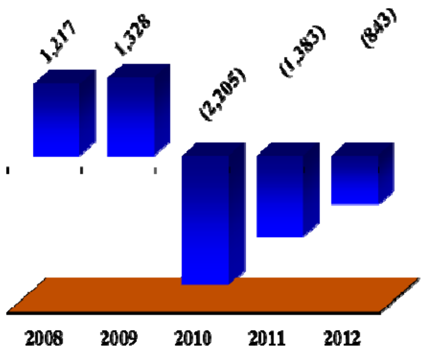
Shareholders can also contact the transfer agent below to change their mailing address, reregister shares, and arrange direct deposit of their dividends:

Wells Fargo Shareowner Services
1110 Centre Pointe Curve,
Suite 101
Mendota Heights, MN 55120-4100
Phone: (800) 468-9716 Fax: (651) 450-4033,

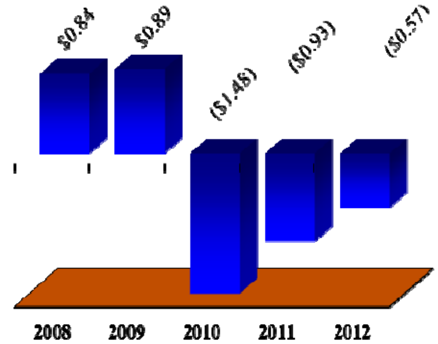
Robert A. Scharar
President
April 15, 2013

Robert A. Burns
Treasurer

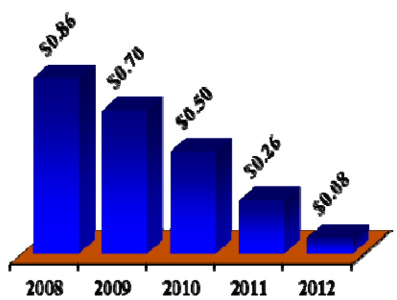
Net Income (000's)



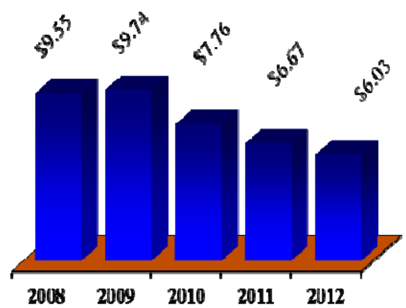
Net Income per Share



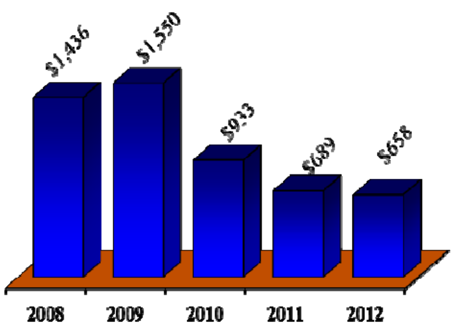
Dividends per Share



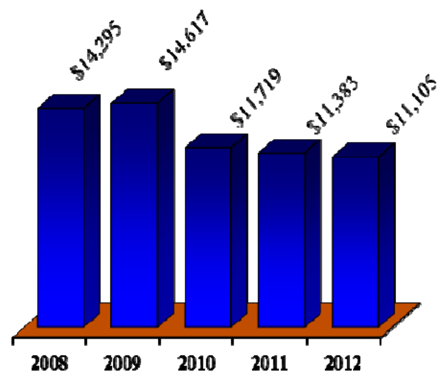
Book Value per Share



Revenues (000's)



Total Assets (000's)



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FIRST COMMONWEALTH MORTGAGE TRUST

FINANCIAL STATEMENTS

FOR THE

YEARS ENDED DECEMBER 31, 2012 AND 2011

AND

INDEPENDENT AUDITOR'S REPORT

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

FIRST COMMONWEALTH MORTGAGE TRUST

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trust Managers of
First Commonwealth Mortgage Trust

We have audited the accompanying financial statements of First Commonwealth Mortgage Trust (the "Trust"), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Melton & Melton, L.L.P.

Houston, Texas
April 11, 2013

6002 Rogerdale, Ste. 200 Houston, Texas 77072 Tel 281-759-1120 Fax 281-759-5500

FIRST COMMONWEALTH MORTGAGE TRUST
BALANCE SHEETS
December 31, 2012 and 2011

	2012	2011
ASSETS		
Mortgage Notes Receivable:		
Mortgage notes receivable, net of participations payable of $0 and $1,400,000 at December 31, 2012 and 2011, respectively	$ 6,745,521	$ 12,900,322
Discounts	(57,683)	(49,397)
Allowance for losses	(725,000)	(2,909,722)
	5,962,838	9,941,203
Cash and cash equivalents	507,219	122,286
Restricted cash and cash equivalents	1,887	28,731
Accrued interest receivable, net of allowance for losses of $491,750 and $0 at December 31, 2012 and 2011, respectively	203,601	589,837
Other receivables	492,603	508,127
Prepaid expenses	33,544	-
Land	3,078,040	-
Investments in affiliates	192,698	192,698
Other assets	633,000	-
	$ 11,105,430	**$ 11,382,882**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and other liabilities	$ 1,680,888	$ 912,122
Dividends payable	29,811	-
Accounts payable - affiliates	-	28,000
Note payable	407,834	493,868
Total liabilities	2,118,533	1,433,990
Shareholders' Equity:		
Shares of beneficial interest, no par value, 20,000,000 shares authorized, 1,490,571 shares issued and outstanding	14,723,823	14,723,823
Accumulated deficit	(5,736,926)	(4,774,931)
	8,986,897	9,948,892
	$ 11,105,430	**$ 11,382,882**

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2012 and 2011

	2012	2011
Revenue:		
Interest income	$ 529,550	$ 682,695
Gain on foreclosure of mortgage notes receivable	128,647	-
Service fees and miscellaneous income	-	6,254
	658,197	688,949
Costs and Expenses:		
Management fees to affiliates	121,092	122,792
Professional fees	41,802	41,287
Interest expense	39,011	32,694
Impairment loss on mortgage notes receivable and accrued interest	1,216,750	1,154,445
Loss on sale of marketable securities	-	153,414
Impairment loss on investment in affiliates	-	34,297
Foreclosure expense	-	435,763
General and administrative	82,292	97,291
	1,500,947	2,071,983
Net loss	**$ (842,750)**	**$ (1,383,034)**
Weighted average shares outstanding	**1,490,571**	**1,490,571**
Net loss per share, basic	**$ (0.57)**	**$ (0.93)**

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENTS OF COMPREHENSIVE LOSS
For the Years Ended December 31, 2012 and 2011

	2012	**2011**
Net loss	$ (842,750)	$ (1,383,034)
Other comprehensive income (loss):		
Unrealized income (loss) on marketable securities:		
Unrealized holding losses arising during the year	-	(356)
Reclassification of realized loss on marketable securities to earnings	-	153,414
	-	153,058
Comprehensive loss	**$ (842,750)**	**$ (1,229,976)**

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2012 and 2011

	Shares of Beneficial Interest				
	Shares Outstanding	**Amount**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Total Shareholders' Equity**
Balance, December 31, 2010	1,490,571	$ 14,723,823	$ (3,004,349)	$ (153,058)	$ 11,566,416
Dividends			(387,548)		(387,548)
Net loss			(1,383,034)		(1,383,034)
Unrealized loss on marketable securities				(356)	(356)
Reclassification of realized loss on marketable securities to earnings				153,414	153,414
Balance, December 31, 2011	1,490,571	14,723,823	(4,774,931)	-	9,948,892
Dividends			(119,245)		(119,245)
Net loss			(842,750)		(842,750)
Balance, December 31, 2011	**1,490,571**	**$ 14,723,823**	**$ (5,736,926)**	**$ -**	**$ 8,986,897**

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities:		
Net loss	$ (842,750)	$ (1,383,034)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Gain on foreclosure of mortgage notes receivable	(128,647)	-
Amortization of discounts	(25,426)	(28,462)
Impairment loss on investments in affiliates	-	34,297
Impairment loss on mortgage notes receivable and accrued interest receivable	1,216,750	1,154,445
Loss on investment in marketable securities	-	153,414
Changes in operating assets and liabilities:		
Accrued interest receivable, net of participations	(105,514)	(185,982)
Other receivables	415,524	(492,974)
Prepaid expenses	(33,544)	-
Accounts payable and other liabilities	(825,255)	850,601
Total adjustments	513,888	1,485,339
Net cash provided by (used in) operating activities	(328,862)	102,305
Cash Flows from Investing Activities:		
Mortgage note originations	-	(500,000)
Principal collected on mortgage notes receivable, net of participations	313,513	185,028
Proceeds from foreclosure of mortgage notes receivable, net of participations	603,750	-
Collection on note receivable	-	139,000
Proceeds from sale of marketable securities	-	2,398
Change in restricted cash and cash equivalents	-	100,000
Net cash provided by (used in) investing activities	917,263	(73,574)
Cash Flows from Financing Activities:		
Proceeds from note payable	-	399,999
Payments on note payable	(86,034)	(6,132)
Advances from (payments to) affiliates	(28,000)	28,000
Dividends paid	(89,434)	(387,548)
Net cash provided by (used in) financing activities	(203,468)	34,319
Increase in cash and cash equivalents	384,933	63,050
Cash and Cash Equivalents, beginning of year	122,286	59,236
Cash and Cash Equivalents, end of year	**$ 507,219**	**$ 122,286**

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2012 and 2011

	2012	2011
Supplemental Information:		
Cash paid for interest	**$ 39,467**	**$ 32,694**
Non-Cash Investing and Financing Activities:		
Settlement of mortgage notes receivable:		
Asset write-off:		
Mortgage notes receivable, net of participation payables of $1,400,000	$ (5,875,000)	
Allowance for losses	2,909,722	
	(2,965,278)	
Other liabilities due to participants for assets received	(1,620,865)	
Assets received for settlement:		
Cash	603,750	
Other receivables	400,000	
Land	3,078,040	
Other assets	633,000	
	4,714,790	
Gain on foreclosure of mortgage notes receivable	**$ 128,647**	
Mortgage note received as payment for accrued interest	**$ -**	**$ 5,000**
Restricted cash offset with accounts payable and accrued liabilities	**$ 1,887**	**$ 28,731**
Accrued dividends	**$ 29,811**	

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

First Commonwealth Mortgage Trust (the "Trust") was organized on September 26, 1984 and commenced operations on June 27, 1985. The Trust is a Texas real estate investment trust. 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. Effective June 1, 2011, FCA Corp ("FCA") is the Trust's compensated manager. FCA is related to the Trust through common management. Prior to June 1, 2011, First Commonwealth Holdings Corporation ("FCHC"), whose principal shareholder is a trust manager and shareholder of the Trust, was the Trust's compensated manager.

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, exceed federally insured limits. The Trust monitors the financial condition of the bank and has experienced no losses associated with this account.

Restricted Cash and Cash Equivalents

The Trust collects escrow deposits for property taxes related to property listed as collateral for one mortgage note. Included in accounts payable and other liabilities at December 31, 2012 and 2011 are $1,887 and $28,731, respectively, for deposits into the escrow account.

The balance of restricted cash and cash equivalents at December 31, 2012 and 2011 was $1,887 and $28,731, respectively. In 2011, $100,000 of restricted cash and cash equivalents was released from restriction and used in connection with funding a letter of credit (Note 4).

Mortgage Notes Receivable and Allowance for Losses

Mortgage notes receivable are carried at unpaid principal balances less allowance for losses. Management intends to hold mortgage notes receivable to maturity. Mortgage notes are principally collateralized by first mortgage loans on commercial or residential property and are due at various dates. Mortgage notes bear interest at rates ranging from 6% to 12%.

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 mortgage note portfolio after giving consideration to existing economic conditions, loss experience in relation to outstanding mortgage notes, changes in the mortgage note portfolio, borrowers' performance in reducing mortgage note principal, adequacy of mortgage note collateral, and other relevant factors. A mortgage note is charged off against the allowance for losses when management determines the mortgage note is uncollectible. A mortgage note is placed on nonaccrual status when it becomes past due, as determined by management. Upon suspension of the accrual of interest, interest previously recognized but uncollected is reversed and charged against current income. Subsequent interest collected on the mortgage note is credited to principal if, in the opinion of management, collectibility of principal is doubtful; otherwise, the interest

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

collected is recognized as revenue. Accrual of interest is resumed when a mortgage note is removed from nonaccrual status. Interest income is accrued based upon the principal amount outstanding. Commitment and origination fees are deferred and recognized as income using a method approximating the interest method over the life of the loan.

A mortgage note is considered impaired when it is probable that the scheduled principal or interest will not be collected. Impaired mortgage notes include mortgage notes that have been placed on nonaccrual status and are valued upon the present value of expected future cash flows discounted at the mortgage note's effective interest rate or collateral fair value, if the mortgage note is collateral dependent. If the measure of the impaired mortgage note is less than the recorded investment in the mortgage note, an impairment loss is included in the allowance for losses.

At December 31, 2012, the allowance for losses on mortgage notes receivable and accrued interest receivable was $725,000 and $491,750, respectively. At December 31, 2011, the allowance for losses on mortgage notes receivable and accrued interest receivable was $2,909,722 and $0, respectively. Impairment losses for 2012 and 2011 were $1,216,750 and $1,154,445, respectively.

At December 31, 2012, mortgage notes receivable consist of a mortgage note for $1,450,000, which is past due ninety days or more, placed on nonaccrual status, and considered impaired. At December 31, 2011, mortgage notes receivable consist of mortgage notes for $4,800,000, net of mortgage participation payables of $825,000, which are past due ninety days or more, placed on nonaccrual status, and considered impaired. The average recorded investment in impaired loans for 2012 and 2011 is $3,125,000 and $4,550,000, respectively.

In 2011, the Trust began foreclosure proceedings on the impaired mortgage notes outstanding at December 31, 2011. The estimated cost of the foreclosure was $996,948, net of participation of $561,185. The Trust recorded the foreclosure cost, net of participations, of $435,763 in the 2011 statement of operations. During 2012, the foreclosure proceedings were finalized in the Foreclosure Settlement Agreement. The balance on the mortgage notes in the settlement, net of participations payable totaling $1,400,000, is $5,875,000. In conjunction with the foreclosure settlement, the allowance for losses on the mortgage notes in the settlement were written off for $2,909,722, assets totaling $4,714,790 were received, of which $1,620,865 was allocated as a liability due to the mortgage participants, and a gain on foreclosure of mortgage notes receivable was recognized for $128,647. Assets received consist of $603,750 in cash, $400,000 in other receivables, and $3,078,040 and $633,000 in land and other assets, respectively, recorded at fair value (Note 3).

The change in the mortgage notes receivable allowance for losses during the year ended December 31, 2012 and 2011 is summarized as follows:

	2012	2011
Balance, beginning of year	$ 2,909,722	$1,755,277
Provision for mortgage note losses	725,000	1,154,445
Reduction for mortgage notes charged off	(2,909,722)	-
Balance, end of year	$ 725,000	$2,909,722

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The change in the accrued interest receivable allowance for losses during 2012 is to record a provision for losses of $491,750. There was no accrued interest receivable allowance for losses and provision for losses at December 31, 2011 and for the year then ended.

Commitments to lend additional funds are $1,300,000 at December 31, 2011. There are no commitments to lend additional funds to borrowers at December 31, 2012.

Dividends Payable

Dividends payable at December 31, 2012 represent dividends declared by the Trust Managers on November 14, 2012 to be paid on January 31, 2013 to shareholders of record at the close of business on January 11, 2013.

Comprehensive Loss

Comprehensive loss is comprised of net loss 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). In 2011, the Trust's only accumulated other comprehensive loss component, securities available-for-sale, was sold for $2,398 and a loss of $153,414 was recognized as a realized loss on sale of marketable securities.

Net Loss per Share

Net loss per share is calculated by dividing net loss 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.

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, and Arizona.

At December 31, 2012 and 2011, three mortgage notes receivable represented approximately 53% of total mortgage notes receivable, net of participation payables. Of these mortgage notes, one and two mortgage notes are on nonaccrual status at December 31, 2012 and 2011, respectively. Interest related to four and three mortgage notes was approximately 62% and 58% of total interest income, respectively, for 2012 and 2011.

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. 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.

NOTE 2 - 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, 2012 and 2011, the Trust also owned 58,131 shares of beneficial interest in Holly, which comprised approximately 3.6% of the outstanding shares in Holly at December 31, 2012 and 2011. The investment is recorded using the cost method. During 2011, management determined that the investment in Holly was impaired. As a result, a $34,297 loss on investment in affiliates was recorded in 2011. There was no additional impairment in 2012. The cost of this investment was $23,834 at December 31, 2012 and 2011.

The Trust owns 168 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 $168,864 at December 31, 2012 and 2011.

Investments with an aggregate cost of $192,698 and $168,864 at December 31, 2012 and 2011, respectively, were not evaluated for impairment because (a) the Trust did not estimate the fair value of those investments in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825, *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 3 - FAIR VALUE MEASUREMENTS

The Trust accounts for fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*, which 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.

Various inputs are used in determining the fair value of certain assets and liabilities. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy, including the types of Trust assets or liabilities that fall under each category and the valuation methodologies used to measure fair value, are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices that are in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable inputs (i.e. projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Impaired Mortgage Notes Receivable, net of Participations Payable: The fair value of impaired mortgage notes receivable is based on the estimated fair value of the underlying collateral. The value of the underlying collateral is determined by the property's county assessed values adjusted for surrounding land features, such as land assemblage, vacated alleys and streets, and river frontage; outstanding real estate taxes; and identified environmental or capital improvement issues.

Impaired Investment in Affiliates: The fair value of the impaired investment in Holly was based on management's estimate of the fair value of the assets held by Holly. The underlying assets of Holly consist primarily of investments recorded at cost and mortgage notes receivable recorded at unpaid principal balances less allowance for losses. No provision is made for taxes or other valuation adjustments commonly used to reflect minority interest, illiquidity, or other factors.

Land: The fair value of land is based on the average of the purchase price per square foot of two comparable sales in the area and the 2011 Hillsborough County Tax Assessor's Value ("TAV"). In determining the purchase price per square foot of comparable sales, the sales price and other costs obtained from the closing statement are adjusted to include additional assumptions of undisclosed costs and values imbedded in the property rights granted in the Foreclosure Settlement Agreement. The undisclosed costs in the TH-TAW Building lot per square foot calculation include estimated environmental liability and legal fees of $500,000 and $100,000, respectively. The undisclosed costs in the Land Assemble lots per square foot calculation include estimated loan acquisition costs of $3,100,000, payment holdouts of $200,000, taxes due of $616,686, and legal fees of $72,000. The calculated per square foot value applied to the land is $13.71 per square foot.

Other Assets: The fair value of other assets is based on the terms of the property rights granted in the Foreclosure Settlement Agreement. The property rights are negotiations of a community development agreement to maximize the development potential of the Heights of Tampa, including the receipt of a conveyance for five lots within the development; provide for $400,000 of infrastructure improvements to the development, financed by the City of Tampa or through tax increment revenue or financing; if completed within ten years, receive 4% of the gross sales price of the TH-TAW Building and Land Assemble properties not previously conveyed to the Trust in foreclosure, less the value of improvements and costs incurred for an environmental clean-up and a first right of refusal to participate in up to 49% of the equity interests in the entity formed to own and operate a boat marina facility of submerged lands located in close proximity to the TH-TAW Building; and receive 50% of qualified expenditures, defined in the Foreclosure Settlement Agreement.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The inputs and methodology used for valuing the Trust's assets and liabilities are not an indication of the risk associated with those assets and liabilities. There have been no changes in the methodologies used at December 31, 2012 and 2011.

The following tables set forth by level, within the fair value hierarchy, the Trust's assets and liabilities at fair value measured on a nonrecurring basis as of December 31, 2012 and 2011:

	2012			
Description	Level 1	Level 2	Level 3	Total
Impaired mortgage notes receivable, net of participations payable			$1,450,000	$1,450,000
Land			$3,078,040	$3,078,040
Other assets			$ 633,000	$ 633,000

	2011			
Description	Level 1	Level 2	Level 3	Total
Impaired mortgage notes receivable, net of participations payable			$1,065,278	$1,065,278
Impaired investment in affiliates			$ 23,834	$ 23,834

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 nonrecurring measurements. The Trust's Board of Managers assesses and approves these policies and procedures. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate and evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

NOTE 4 - NOTE PAYABLE

The Trust had a $500,000 revolving line of credit facility with First National Bank & Trust Co. (the "bank"), collateralized by the Trust's mortgage notes receivable. The line of credit included interest at 9% and was payable monthly. During November 2011, the line of credit was renewed as a note, due on demand or payable in 60 monthly installments of $10,036, including interest at the bank's base rate but no less than 6%, maturing November 2016. At December 31, 2012 and 2011, $407,834 and $493,868 were outstanding under the note payable, respectively.

NOTE 4 - NOTE PAYABLE (CONTINUED)

The Trust had 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. The City of Tampa drew down $500,000 on this letter of credit in February 2011. In November 2011, the Trust converted its line of credit to a note to settle the $500,000 outstanding letter of credit balance. The letter of credit terminated in 2011.

NOTE 5 - 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, 2012 and 2011. 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:

	Years Ended December 31,	
	2012	2011
Ordinary income	0%	0%
Return of capital	100	100
	100%	100%

Management has evaluated the Trust's tax positions and concluded that the Trust has taken no uncertain tax positions that require adjustment to the financial statements. Tax-related interest and penalties are recorded in income tax expense in the statements of operations. The Trust incurred no tax-related interest and penalties in 2012 and 2011. The Trust is subject to income tax examinations by federal and state tax authorities for years beginning in 2009.

NOTE 6 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

Management fees paid to FCA and FCHC were approximately $121,000 and $123,000 for the years ended December 31, 2012 and 2011, respectively. Prepaid management fees to FCA were approximately $32,000 at December 31, 2012. There were no prepaid management fees at December 31 2011. The management fee is based on 1.4% of the book value of the assets of the Trust at the end of each prior fiscal year less accounting and certain board member fees.

During 2011, the Trust engaged in three mortgage participations with various affiliated business trusts. At December 31, 2011, the Trust had four outstanding mortgage participations with affiliated businesses that totaled $7,275,000 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

NOTE 6 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS (CONTINUED)

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 $3,000 for the year ended December 31, 2011. At December 31, 2011, accrued interest on mortgages with affiliated businesses amounted to $37,120. The affiliated mortgage notes and participations were included in the foreclosure proceedings in 2012 (Note 1).

At December 31, 2011, the Trust had advances from Holly of $28,000, which is included in accounts payable - affiliates in the balance sheet. In 2012, the Trust made a final payment on the advances from Holly.

NOTE 7 - SUBSEQUENT EVENTS

Assignment of Contractual Rights

On January 2, 2013, the Trust assigned its contractual rights in the Foreclosure Settlement Agreement to Hillsborough River Properties (“HRP”) for 4,188 units in HRP or a 57.36% ownership. HRP will be the entity managing the development of Heights of Tampa. The transaction is recorded as a business combination. The combination of the Trust and HRP offers the potential to create more growth opportunities for the combined company based on the expected enhanced access to capital resources. An estimate of the financial effect of this business combination on the Trust’s future operations cannot be determined.

As of April 11, 2013, the fair value of HRP’s noncontrolling interest on the assignment date had not been determined.

Evaluation Date

The Trust has evaluated subsequent events through April 11, 2013, the date the financial statements were available to be issued.

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