

**FIRST
COMMONWEALTH
MORTGAGE
TRUST**

2011 ANNUAL REPORT

TO OUR SHAREHOLDERS:

The financial statements of First Commonwealth Mortgage Trust (“FCMT”) for the years ending December 31, 2011 and 2010, audited by Melton & Melton, L.L.P. are set forth at the end of this report. In 2011, FCMT revenues were \$688,952, a decline from \$933,256 in 2010. There was a loan impairment loss of \$1,154,445; and a comprehensive net loss of \$1,383,034 or a per share loss of \$0.93.

The quarterly reports to shareholders in 2011 described various developments relating to the Heights of Tampa (“HOT”) project. The HOT was basically comprised of the three colored parcels shown below, each of which was separately owned and financed.



The following paragraphs discuss the status of the project as of the date of this report.

The Riverfront properties (in red) were acquired through foreclosure by a third party in January 2011. FCMT had no loans on that parcel. The owners of the other two parcels (in yellow and purple) were unable to secure cooperation of the third-party purchaser of the Riverfront properties.

There was an \$8 million first mortgage on the TH-TAW property (in yellow) held 5/8ths by an individual and 3/5ths by FCMT and other participants.

The first mortgage on the Land Assemble property (in purple) was held by Pilot Bank and FCMT with other participating lenders.

In September 2011, the Heights of Tampa, LLC and its subsidiaries TH-TAW, LLC and Land Assemble, LLC all filed for bankruptcy protection under Chapter 7. This automatically stayed all litigation against them including foreclosure of their mortgage loans. The loan impairment loss reflects the probable non-recovery of an obligation owed by the bankrupt entities.

FCMT's attorneys are working with the bankruptcy trustee to hold a sale of the TH-TAW property to enforce the second mortgage.

At December 31, 2011, excluding the three HOT loans on which interest is not being accrued; FCMT had 14 other loans outstanding with an average yield of 7.36% p.a.

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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
REVENUES:										
INTEREST AND DIVIDENDS	\$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	\$ 1,214,987
SERVICE FEES & OTHER INCOME	6,254	7,929	21,607	44,402	93,252	49,152	84,429	51,612	49,607	24,574
	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	1,239,561
COST AND EXPENSES	2,071,983	3,138,197	221,852	219,378	275,175	289,445	353,734	745,674	432,127	253,477
NET INCOME	\$ (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	\$ 986,084

PER SHARE DATA

NET INCOME	\$ (0.93)	\$ (1.48)	\$ 0.89	\$ 0.84	\$ 0.91	\$ 1.03	\$ 0.73	\$ 0.58	\$ 0.71	\$ 0.84
DIVIDENDS	\$ 0.26	\$ 0.50	\$ 0.70	\$ 0.86	\$ 0.88	\$ 0.88	\$ 0.78	\$ 0.88	\$ 0.76	\$ 0.88

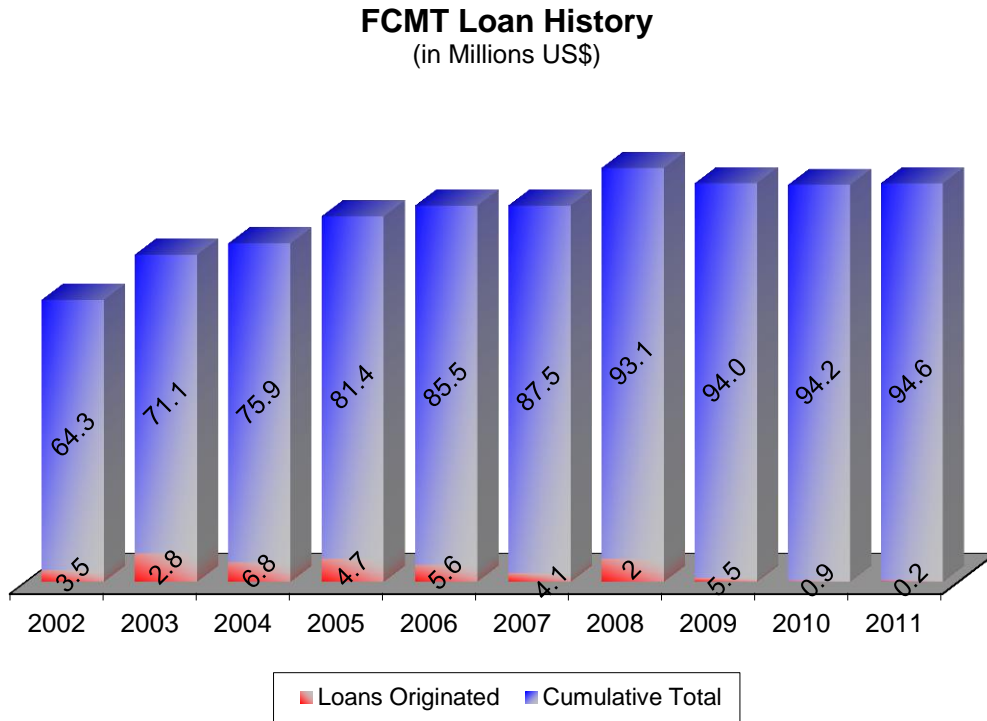
YEAR END DATA

TOTAL ASSETS	\$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	\$11,746,086
SHAREHOLDERS' EQUITY	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	11,713,729
SHARES OUTSTANDING	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	1,194,671
BOOK VALUE PER SHARE	\$ 6.67	\$ 7.76	\$ 9.74	\$ 9.55	\$ 9.53	\$ 9.55	\$ 9.41	\$ 9.38	\$ 9.87	\$ 9.80

The following chart shows the dollar amount of loans originated by FCMT each year since

2002 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 23, 2012

FIRST COMMONWEALTH MORTGAGE TRUST

FINANCIAL STATEMENTS
FOR THE
YEARS ENDED DECEMBER 31, 2011 AND 2010
AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS



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

FIRST COMMONWEALTH MORTGAGE TRUST

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountants	1
Balance Sheet.....	2
Statement of Operations.....	3
Statement of Comprehensive Loss.....	4
Statement of Changes in Shareholders' Equity.....	5
Statement of Cash Flows	6
Notes to Financial Statements.....	8



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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 23, 2012

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, 2011 and 2010, and the related statements of operations, comprehensive loss, 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, 2011 and 2010, 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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Mortgage Notes Receivable:		
Mortgage notes receivable, net of participations payable of \$1,400,000 at December 31, 2011 and 2010	\$ 12,900,322	\$ 12,580,350
Discounts	(49,397)	(77,859)
Allowance for losses	<u>(2,909,722)</u>	<u>(1,755,277)</u>
	9,941,203	10,747,214
Cash and cash equivalents	122,286	59,236
Restricted cash and cash equivalents	28,731	119,374
Accrued interest receivable, net of participation interest payable of \$0 and \$10,723 at December 31, 2011 and 2010, respectively	589,837	408,855
Note receivable	-	139,000
Other receivables	508,127	15,153
Investments in affiliates	192,698	226,995
Investments in marketable securities	<u>-</u>	<u>2,754</u>
	<u>\$ 11,382,882</u>	<u>\$ 11,718,581</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Accounts payable and other liabilities	\$ 912,122	\$ 52,164
Accounts payable - affiliates	28,000	-
Note payable	<u>493,868</u>	<u>100,001</u>
Total liabilities	<u>1,433,990</u>	<u>152,165</u>
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	(4,774,931)	(3,004,349)
Accumulated other comprehensive loss	<u>-</u>	<u>(153,058)</u>
	9,948,892	11,566,416
	<u>\$ 11,382,882</u>	<u>\$ 11,718,581</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF OPERATIONS
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Interest income	\$ 682,695	\$ 925,327
Service fees and miscellaneous income	<u>6,254</u>	<u>7,929</u>
	<u>688,949</u>	<u>933,256</u>
Costs and Expenses:		
Management fees to affiliate	122,792	125,777
Professional fees	41,287	41,206
Interest expense	32,694	3,277
Impairment loss on notes receivable and accrued interest	1,154,445	2,884,937
Loss on sale of marketable securities	153,414	-
Impairment loss on investment in affiliates	34,297	-
Foreclosure expense	435,763	-
General and administrative	<u>97,291</u>	<u>83,000</u>
	<u>2,071,983</u>	<u>3,138,197</u>
Net loss	<u>\$ (1,383,034)</u>	<u>\$ (2,204,941)</u>
Weighted average shares outstanding	<u>1,490,571</u>	<u>1,490,571</u>
Net loss per share, basic	<u>\$ (0.93)</u>	<u>\$ (1.48)</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF COMPREHENSIVE LOSS
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net loss	\$ (1,383,034)	\$ (2,204,941)
Other comprehensive loss:		
Unrealized loss on marketable securities:		
Unrealized holding losses arising during the year	(356)	(5,458)
Reclassification of realized loss on marketable securities to earnings	<u>153,414</u>	<u>-</u>
Comprehensive loss	<u>\$ (1,229,976)</u>	<u>\$ (2,210,399)</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2011 and 2010

	Shares of Beneficial Interest		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares Outstanding	Amount			
Balance , December 31, 2009	1,490,571	\$ 14,723,823	\$ (54,122)	\$ (147,600)	\$ 14,522,101
Cash dividends			(745,286)		(745,286)
Net loss			(2,204,941)		(2,204,941)
Unrealized loss on marketable securities				(5,458)	(5,458)
Balance , December 31, 2010	1,490,571	14,723,823	(3,004,349)	(153,058)	11,566,416
Cash 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	<u>1,490,571</u>	<u>\$ 14,723,823</u>	<u>\$ (4,774,931)</u>	<u>\$ -</u>	<u>\$ 9,948,892</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Net loss	\$ (1,383,034)	\$ (2,204,941)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock dividend received	-	(5,812)
Amortization of discounts and deferred loan fees	(28,462)	(54,512)
Impairment loss on investments in affiliates	34,297	-
Impairment loss on notes receivable and accrued interest	1,154,445	2,884,937
Loss on investment in marketable securities	153,414	-
Changes in operating assets and liabilities:		
Accrued interest receivable, net of participations	(185,982)	(340,124)
Prepaid expenses and other receivables	(492,974)	11,776
Accounts payable and other liabilities	850,601	17,039
Total adjustments	<u>1,485,339</u>	<u>2,513,304</u>
Net cash provided by operating activities	<u>102,305</u>	<u>308,363</u>
Cash Flows from Investing Activities:		
Mortgage note originations	(500,000)	(255,510)
Mortgage note participations purchased	-	(200,000)
Principal collected on mortgage notes receivable, net of participations	185,028	546,347
Collection (advance) on note receivable	139,000	(139,000)
Proceeds from sale of marketable securities	2,398	-
Increase in investments in affiliates	-	(18,864)
Change in restricted cash and cash equivalents	100,000	-
Net cash used in investing activities	<u>(73,574)</u>	<u>(67,027)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable	399,999	100,000
Payments on note payable	(6,132)	-
Advances from affiliates	28,000	-
Cash dividends paid	(387,548)	(745,286)
Net cash provided by (used in) financing activities	<u>34,319</u>	<u>(645,286)</u>
Increase (decrease) in cash and cash equivalents	63,050	(403,950)
Cash and Cash Equivalents, beginning of year	<u>59,236</u>	<u>463,186</u>
Cash and Cash Equivalents, end of year	<u>\$ 122,286</u>	<u>\$ 59,236</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Supplemental Information:		
Cash paid for interest	\$ <u>32,694</u>	\$ <u>3,277</u>
Non-Cash Investing and Financing Activities:		
Mortgage note received as payment for accrued interest	\$ <u>5,000</u>	
Restricted cash offset with accounts payable and accrued liabilities	\$ <u>28,731</u>	\$ <u>19,374</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 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, exceeds 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, 2011 and 2010 are \$28,731 and \$19,374, respectively, for deposits into the escrow account.

The balance of restricted cash and cash equivalents at December 31, 2011 and 2010 was \$28,731 and \$119,374, 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. (See Note 2.)

Mortgage Notes Receivable

Mortgage notes receivable are carried at unpaid principal balances because 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.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management determined that the collectibility of certain mortgage notes receivable and corresponding accrued interest receivable was impaired and collection was not certain. As a result, the valuation allowance was increased by \$1,154,445 and \$1,568,463 for the mortgage notes receivable during 2011 and 2010, respectively. Accrued interest, net of participation interest payable, on these mortgage notes of \$1,316,474 was written off in 2010. No interest was recognized on these mortgage notes receivable or participations in 2011 or 2010. The mortgage notes receivable of \$4,800,000 and \$4,300,000, at December 31, 2011 and 2010, net of mortgage participations of \$825,000, are currently on nonaccrual status. Management believes the remaining value of the impaired mortgage notes receivable, net of participations payable, represents the fair value of the mortgage notes receivable collateral at December 31, 2011 and 2010. There was no change on the status of these mortgage notes receivable in 2011.

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. Realized gains and losses on sales of these securities are based on the specific identification method and reported as a component of net loss.

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 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). At December 31, 2010, unrealized holding losses on securities available-for-sale are the Trust's only accumulated other comprehensive loss component.

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.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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, and Arizona.

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.

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 \$1,300,000 at December 31, 2011. There are no commitments to lend additional funds to borrowers whose loans are impaired.

Contingent Liability

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. There were no amounts drawn on this letter of credit as of December 31, 2010.

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, 2011 and 2010, 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, 2011 and 2010. 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. The cost of this investment was \$23,834 and \$58,131 at December 31, 2011 and 2010.

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, 2011 and 2010.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 3 - INVESTMENTS IN AFFILIATES (CONTINUED)

Investments with an aggregate cost of \$168,864 and \$226,995 at December 31, 2011 and 2010, 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 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 at December 31, 2010 were as follows (the Trust did not own any marketable securities at December 31, 2010):

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2010:				
Common stock	<u>\$155,812</u>	<u>\$ -</u>	<u>\$(153,058)</u>	<u>\$2,754</u>

In 2011, the Trust sold all of its marketable securities for \$2,398 and recognized a realized loss of \$153,414.

NOTE 5 - FAIR VALUES

The Trust accounts for fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*. 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 financial instruments. These inputs are summarized in the three broad levels listed below:

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

Common stock: Valued based on quoted prices in an active market.

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).

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.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 5 - FAIR VALUES (CONTINUED)

Investment in Affiliates: The fair value of the investment in Holly was based on management's estimate of the fair value of the assets being held by Holly.

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 that 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 financial instruments are not an indication of the risk associated with investing in those instruments. There have been no changes in the methodologies used at December 31, 2011 and 2010.

The following is a summary of the inputs used to value the Trust's financial instruments as of December 31, 2011 and 2010:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2011:</u>				
Impaired mortgage notes receivable, net of participations payable - nonrecurring			<u>\$1,065,278</u>	<u>\$1,065,278</u>
Impaired investment in affiliates - nonrecurring			<u>\$ 23,834</u>	<u>\$ 23,834</u>
<u>2010:</u>				
Marketable Securities:				
Common Stock	<u>\$2,754</u>			<u>\$ 2,754</u>
Impaired mortgage notes receivable, net of participations payable - nonrecurring			<u>\$1,719,723</u>	<u>\$1,719,723</u>

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2011 (there was no change in 2010):

	2011 <u>Impaired Mortgage Notes Receivable</u>
Balance, beginning of year	\$ 1,719,723
Purchases	500,000
Impairment loss included in statement of operations	<u>(1,154,445)</u>
Balance, end of year	<u>\$ 1,065,278</u>

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 6 - 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 borrowing arrangement bears interest at 9%. Interest is 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 the rate may not be less than 6%, maturing November 2016. At December 31, 2011 and 2010, \$493,868 and \$100,001 were outstanding under the note payable, respectively.

NOTE 7 - 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, 2011 and 2010. 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>2011</u>	<u>2010</u>
Ordinary income	0%	49%
Return of capital	<u>100</u>	<u>51</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 ASC 740, *Income Taxes*. ASC 740 requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken 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 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, 2011 and 2010, the Trust had no material uncertain tax positions. There were no accruals for tax-related interest and penalties at December 31, 2011 and 2010. The Trust did not have any tax-related interest and penalties for the years ended December 31, 2011 and 2010. The tax years 2008 through 2010 remain open and subject to examination by federal and various state tax jurisdictions.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 8 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

Management fees paid to FCA and FCHC were approximately \$123,000 and \$126,000 for the years ended December 31, 2011 and 2010, respectively. 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. In 2010, 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 2010 totaled \$37,975.

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 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.

During 2010, the Trust engaged in three mortgage participations with various affiliated business trusts. At December 31, 2010, the Trust had four 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 \$173,000 for the year ended December 31, 2010. At December 31, 2010, accrued interest on mortgages with affiliated businesses amounted to \$9,674.

At December 31, 2011, the Trust had advances from Holly of \$28,000. The advance is included in accounts payable - affiliates in the balance sheet.

At December 31, 2010, the Trust had a promissory note receivable from Ivy Realty Trust, a related trust, for \$139,000. Interest income on the note amounted to approximately \$4,000 for the year ended December 31, 2011. There was no interest income on the note in 2010. The promissory was collected in 2011.

NOTE 9 - SIGNIFICANT MORTGAGE NOTES RECEIVABLE

At December 31, 2011, three mortgage notes receivable represented approximately 53% of total mortgage notes receivable, net of participations. Interest related to three notes was approximately 58% of total interest income for the year ended December 31, 2011. Two notes are on nonaccrual status.

At December 31, 2010, three mortgage notes receivable represented approximately 54% of total mortgage notes receivable, net of participations. Interest related to four notes was approximately 66% of total interest income for the year ended December 31, 2010. Two notes are on nonaccrual status.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

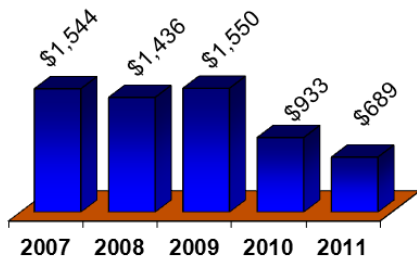
NOTE 10 - FORECLOSURE PROCEEDINGS

During 2011, the Trust began foreclosure procedures on two affiliated mortgage notes. The balance on the notes at December 31, 2011 amount to \$4,365,278. Mortgage participations on the notes amount to \$1,400,000. The Trust has estimated that cost of the foreclosures will be \$1,005,603 net of participation of \$561,185. The Trust has recorded the foreclosure cost, net of participations, of \$435,763 in the statement of operations. At December 31, 2011, the Trust had recorded in other receivables in the balance sheet \$499,472 of participations that had not been collected. Management believes that all receivables are collectible and all costs estimated for foreclosure have been accrued as of December 31, 2011.

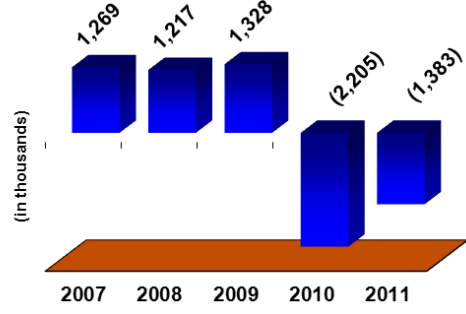
NOTE 11 - SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through April 23, 2012, the date the financial statements were available to be issued.

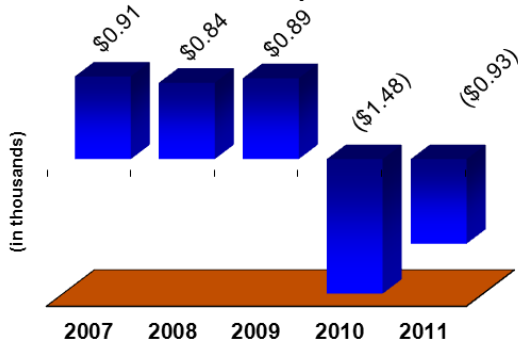
Revenues (000's)



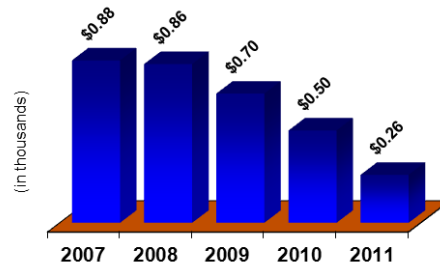
Net Income (000's)



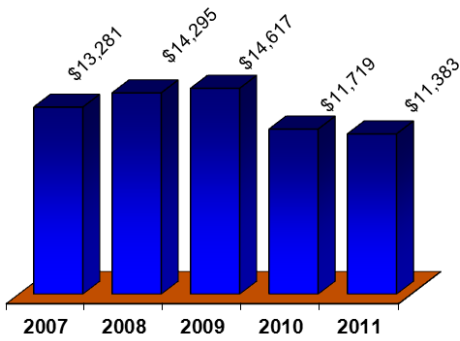
Net Income per Share



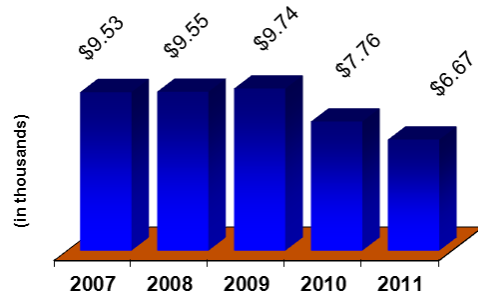
Dividends per Share



Total Assets (000's)



Book Value per Share



FIRST COMMONWEALTH MORTGAGE TRUST

BOARD OF TRUST MANAGERS

George Beatty, Jr.

President, George Beatty Associates

Mr. Beatty also serves as a trust manager of Holly Mortgage Trust and is a manager of Africap, LLC.

William C. Brooks

Financial Consultant

Mr. Brooks also serves as a trust manager of Holly Mortgage Trust and Ivy Realty Trust.

Josef C. Hermans

Hotel Consultant

President, Terrace Hotel Corporation

Mr. Hermans also serves as a trust manager and or a director of Holly Mortgage Trust, Ivy Realty Trust and Terrace Hotel Corp.

Kenneth A. McGaw

President, First Commonwealth Mortgage Trust

Mr. McGaw also serves as a trust manager of Holly Mortgage Trust and Ivy Realty Trust. He is an employee of First Commonwealth Holdings Corp., FCA Corp's parent company.

Robert W. Scharar

Chairman of the Board of Trust Managers

President, Holly Mortgage Trust

Mr. Scharar also serves as a trust manager of Holly Mortgage Trust, Ivy Realty Trust and holds positions with other entities, including but not limited to, Commonwealth International Series Trust, Africap, LLC, and First Commonwealth Holdings Corp. and FCA Corp.

EXECUTIVE OFFICERS

Kenneth A. McGaw

President

William B. LeVay

Secretary

Robert A. Burns

Vice President and Treasurer

All officers are employees of First Commonwealth Holdings Corp. and /or FCA Corp and serve as officers of other entities.

TRANSFER AGENT

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