

**FIRST
COMMONWEALTH
MORTGAGE
TRUST**

2008 ANNUAL REPORT

TO OUR SHAREHOLDERS:

The financial statements of First Commonwealth Mortgage Trust (“FCMT”) for the years ending December 31, 2008 and 2007, audited by Melton & Melton, L.L.P. are at the end of this report. They show gross revenues of \$1,436,191 for 2008 compared to \$1,544,183 for 2007, a decrease of 7.0%; net income of \$1,216,813 for 2008 compared to \$1,269,008 for 2007, a decrease of 4.1%; and net income of \$0.84 per share for 2008, a \$0.07 decline from the net income per share for 2007. The primary reason for the decrease is that a large mortgage loan having an interest rate of 18% p.a. was restructured during the year to an interest rate of 12% p.a. as a result of an improvement in the collateral and an overall drop in interest rates.

An important part of FCMT’s mortgage portfolio relates to 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. As of the date of this report, the first vertical development in the HOT, a 30,000 square foot office building, is under construction. The entire building has been master leased by the Beck Group. An architect’s rendering of the building with views of downtown Tampa and the Hillsborough River is shown immediately to the right.



The recession has not had a material adverse impact on FCMT. In fact, we have actually seen an increase in opportunities as a result of the changing financial markets. As a non-leveraged REIT, FCMT does not incur long term debt. It has short term lines of credit but these are primarily used to bridge the gap between the funding of a new loan and receipt of funds from payment of an existing loan. The most effective way to raise funds for FCMT is through stock offerings. In 2008, FCMT held a common stock offering of 99,000 shares of beneficial interest at \$10.00 per share. The offering was fully subscribed to, raising our outstanding common shares from 1,391,571 to 1,490,571.

The current bad debt reserve reflects management's estimate of the amount required to maintain an allowance adequate to reflect the risks inherent in the loan portfolio.

Many of FCMT's investments are so-called *bridge loans* or mezzanine financing where a borrower needs short term financing, often to rehab a real estate project, and intends to replace the loan later with long term permanent financing. 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.

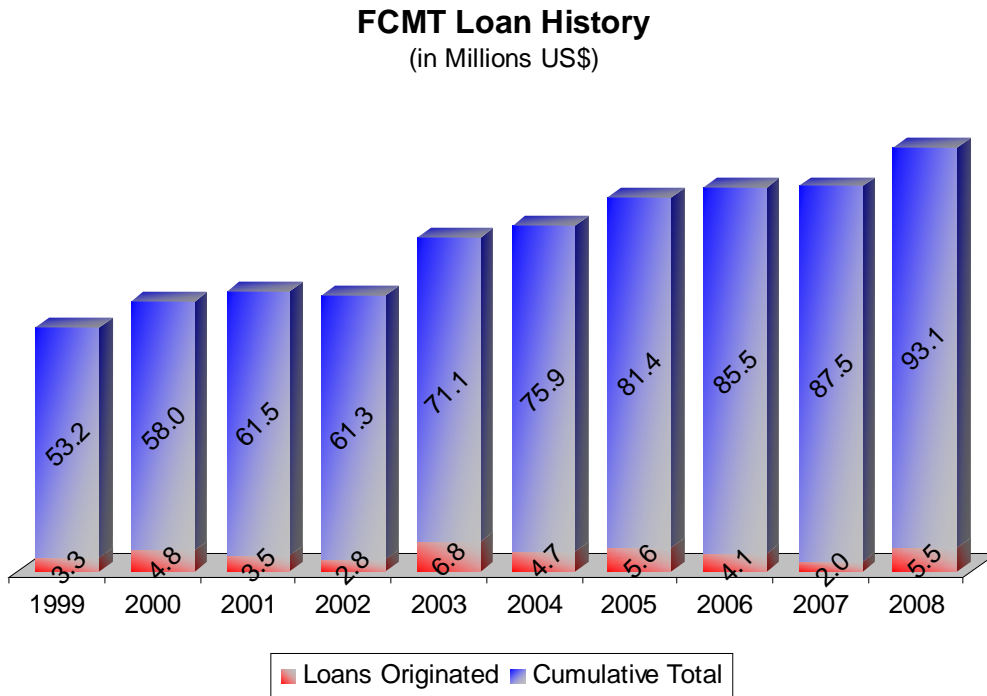
The ten year financial chart on the next page reflects FCMT's fairly consistent results. Although there can be no assurance that future results will mirror those of the past, FCMT's non-leveraged structure coupled with its low expenses should permit it to continue to generate a profit.

SELECTED FINANCIAL DATA 10-YEAR SUMMARY

YEAR ENDED DECEMBER 31	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
REVENUES:										
INTEREST AND DIVIDENDS	\$ 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	\$ 1,121,204
SERVICE FEES & OTHER INCOME	<u>44,402</u>	<u>93,252</u>	<u>49,152</u>	<u>84,429</u>	<u>51,612</u>	<u>49,607</u>	<u>24,574</u>	<u>20,066</u>	<u>30,425</u>	<u>35,734</u>
	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	1,156,938
COST AND EXPENSES	219,378	275,175	289,445	353,734	745,674	432,127	253,477	213,328	203,101	249,747
NET INCOME	\$ 1,216,813	\$ 1,269,008	\$ 1,431,288	\$ 1,011,854	\$ 757,570	\$ 871,788	\$ 986,084	\$ 921,304	\$ 1,093,200	\$ 907,191
PER SHARE DATA										
NET INCOME	\$ 0.84	\$ 0.91	\$ 1.03	\$ 0.73	\$ 0.58	\$ 0.71	\$ 0.84	\$ 0.91	\$ 1.13	\$ 0.94
DIVIDENDS	\$ 0.86	\$ 0.88	\$ 0.88	\$ 0.78	\$ 0.88	\$ 0.76	\$ 0.88	\$ 0.90	\$ 0.98	\$ 0.97 ⁽¹⁾
YEAR END DATA										
TOTAL ASSETS	\$ 14,294,804	\$ 13,280,585	\$ 13,364,650	\$ 13,174,650	\$ 13,398,297	\$ 13,242,074	\$ 11,746,086	\$ 10,582,576	\$ 9,568,768	\$ 9,749,670
SHAREHOLDERS' EQUITY	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	9,494,300
SHARES OUTSTANDING	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	972,323
BOOK VALUE PER SHARE	\$ 9.55	\$ 9.53	\$ 9.55	\$ 9.41	\$ 9.38	\$ 9.87	\$ 9.80	\$ 9.84	\$ 10.17	\$ 9.76

(1) Includes \$0.087/share additional dividend paid in 2000

The following chart shows the dollar amount of loans originated by FCMT each year since 1999 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.



Last year the shareholders approved a proposal to change FCMT from a Massachusetts business trust to a Texas real estate investment trust and that change became effective on July 1, 2008. There was no change in capitalization of FCMT resulting from the change in domicile and each share of FCMT continues as a share of the new Texas entity.

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 9, 2009

FIRST COMMONWEALTH MORTGAGE TRUST

FINANCIAL STATEMENTS

December 31, 2008 and 2007

FIRST COMMONWEALTH MORTGAGE TRUST

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

March 17, 2009

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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Mortgage Notes Receivable:		
Mortgage notes receivable, net of participations payable of \$2,250,000 and \$1,315,000 at December 31, 2008 and 2007, respectively	\$ 12,440,445	\$ 10,155,860
Discounts	(191,336)	-
Allowance for losses	<u>(186,814)</u>	<u>(211,814)</u>
	12,062,295	9,944,046
Cash and cash equivalents	1,193,566	2,371,631
Certificate of deposit	-	101,038
Accrued interest receivable, net of participations interest payable of \$5,070 and \$1,062 at December 31, 2008 and 2007, respectively	821,302	653,439
Other receivables	9,120	-
Investments in affiliates	208,131	208,131
Investments in marketable securities	<u>390</u>	<u>2,300</u>
	<u>\$ 14,294,804</u>	<u>\$ 13,280,585</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Accounts payable and other liabilities	\$ 59,325	\$ 24,020
Note payable	<u>1</u>	<u>1</u>
Total liabilities	<u>59,326</u>	<u>24,021</u>

Shareholders' Equity:

Shares of beneficial interest, no par value, 20,000,000 shares authorized, 1,490,571 and 1,391,571 shares issued and outstanding in 2008 and 2007, respectively	14,723,823	13,733,823
Accumulated deficit	(338,735)	(329,559)
Accumulated other comprehensive loss	<u>(149,610)</u>	<u>(147,700)</u>
	14,235,478	13,256,564
	<u>\$ 14,294,804</u>	<u>\$ 13,280,585</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF INCOME
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue:		
Interest income	\$ 1,391,789	\$ 1,450,931
Service fees and miscellaneous income	<u>44,402</u>	<u>93,252</u>
	<u>1,436,191</u>	<u>1,544,183</u>
 Costs and Expenses:		
Management fees to affiliate	99,862	141,924
Professional fees	51,011	31,201
Interest expense	-	1,185
General and administrative	<u>68,505</u>	<u>100,865</u>
	<u>219,378</u>	<u>275,175</u>
Net income	<u>\$ 1,216,813</u>	<u>\$ 1,269,008</u>
Weighted average shares outstanding	<u>1,441,119</u>	<u>1,391,571</u>
Net income per share, basic	<u>\$ 0.84</u>	<u>\$ 0.91</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Net income	\$ 1,216,813	\$ 1,269,008
Other comprehensive loss:		
Unrealized loss on marketable securities:		
Unrealized holding losses arising during the year	<u>(1,910)</u>	<u>(72,900)</u>
Comprehensive income	<u>\$ 1,214,903</u>	<u>\$ 1,196,108</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2008 and 2007

	<u>Shares of Beneficial Interest</u>		<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Treasury Stock</u>	<u>Total Shareholders' Equity</u>
	<u>Shares Outstanding</u>	<u>Amount</u>				
Balance, December 31, 2006	1,391,571	\$ 13,760,823	\$ (373,985)	\$ (74,800)	\$ (27,000)	\$ 13,285,038
Cancellation of treasury stock	-	(27,000)	-	-	27,000	-
Cash dividends	-	-	(1,224,582)	-	-	(1,224,582)
Net income	-	-	1,269,008	-	-	1,269,008
Unrealized loss on marketable securities	-	-	-	(72,900)	-	(72,900)
Balance, December 31, 2007	1,391,571	13,733,823	(329,559)	(147,700)	-	13,256,564
Issuance of shares of beneficial interest	99,000	990,000	-	-	-	990,000
Cash dividends	-	-	(1,225,989)	-	-	(1,225,989)
Net income	-	-	1,216,813	-	-	1,216,813
Unrealized loss on marketable securities	-	-	-	(1,910)	-	(1,910)
Balance, December 31, 2008	<u>1,490,571</u>	<u>\$ 14,723,823</u>	<u>\$ (338,735)</u>	<u>\$ (149,610)</u>	<u>\$ -</u>	<u>\$ 14,235,478</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Net income	\$ 1,216,813	\$ 1,269,008
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of discounts and deferred loan fees	(24,579)	(1,286)
Accrued investment income	-	(1,038)
Changes in operating assets and liabilities:		
Accrued interest receivable, net of participations	(192,663)	(137,310)
Prepays and other receivables	(9,120)	19,767
Accounts payable and other liabilities	<u>25,305</u>	<u>(55,591)</u>
Total adjustments	<u>(201,057)</u>	<u>(175,458)</u>
Net cash provided by operating activities	<u>1,015,756</u>	<u>1,093,550</u>
Cash Flows from Investing Activities:		
Mortgage note originations	(4,790,580)	(2,830,500)
Mortgage note participations sold	525,000	315,000
Principal collected on mortgage notes receivable, net of participations	2,196,710	3,952,493
Purchase of certificate of deposit	-	(100,000)
Redemption of certificate of deposit	<u>101,038</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(1,967,832)</u>	<u>1,336,993</u>
Cash Flows from Financing Activities:		
Issuance of beneficial interests	990,000	-
Stock escrow advance	10,000	
Cash dividends paid	<u>(1,225,989)</u>	<u>(1,224,582)</u>
Net cash used in financing activities	<u>(225,989)</u>	<u>(1,224,582)</u>
Increase (decrease) in cash and cash equivalents	(1,178,065)	1,205,961
Cash and Cash Equivalents beginning of year	<u>2,371,631</u>	<u>1,165,670</u>
Cash and Cash Equivalents end of year	<u>\$ 1,193,566</u>	<u>\$ 2,371,631</u>

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
STATEMENT OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Supplemental Information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 1,185</u>
Non-Cash Investing and Financing Activities:		
Mortgage note received as payment for accrued interest	<u>\$ 24,800</u>	
Mortgage note originated with participation payable	<u>\$ 1,200,000</u>	

(See Notes to Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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.

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.

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.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2008 and 2007, unrealized holding 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.

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.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

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 the prime rate (3.25% at December 31, 2008) plus 1% to 18%.

Commitments to lend additional funds were approximately \$2,222,000 at December 31, 2008. There are no commitments to lend additional funds to borrowers whose loans are impaired.

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, 2008 and 2007, the Trust also owns 58,131 shares of beneficial interest in Holly, which comprises approximately 4.1% of the outstanding shares in Holly. The investment is recorded using the cost method. The cost of this investment was \$58,131 at December 31, 2008 and 2007.

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, 2008 and 2007.

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 Financial Accounting Standards Board Standard No. 107, *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, 2008:				
Available-for-sale securities	<u>\$150,000</u>	<u>\$ -</u>	<u>\$(149,610)</u>	<u>\$ 390</u>
December 31, 2007:				
Available-for-sale securities	<u>\$150,000</u>	<u>\$ -</u>	<u>\$(147,700)</u>	<u>\$2,300</u>

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 4 - MARKETABLE SECURITIES (CONTINUED)

In September 2006, the Financial Accounting Standards Board issued Standard No. 157, *Fair Value Measurements* ("FAS 157"), effective for fiscal years beginning after November 15, 2007. FAS 157 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. The Trust has adopted FAS 157 effective January 1, 2008. A summary of the fair value hierarchy under FAS 157 is described below:

Various inputs are used in determining the value of the Fund'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 Fund's own assumptions in determining the fair value of investments).

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

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

<u>Description</u>	<u>Marketable Securities</u>
Level 1 - Quoted prices	<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, 2008 and 2007, \$1 was outstanding under the line of credit. This line of credit will mature in September 2009.

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

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

NOTE 6 - FEDERAL INCOME TAXES (CONTINUED)

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, 2008 and 2007. 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>2008</u>	<u>2007</u>
Ordinary income	84%	88%
Return of capital	<u>16</u>	<u>12</u>
	<u>100%</u>	<u>100%</u>

The Trust has elected to defer FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48") to annual financial statements for fiscal years beginning after December 15, 2008 in accordance with FASB Staff Position FIN 48-3, *Effective Date of Interpretation No. 48 for Certain Nonpublic Enterprises* ("FSP FIN 48-3").

Uncertain tax positions are evaluated in accordance with FASB Statement No. 5, *Accounting for Contingencies* ("FAS 5"). FAS 5 requires the Trust to record a liability for an estimated contingent loss if the information available indicates that it is probable that there is a tax liability incurred at the date of the financial statements, and the amount of the tax liability can be reasonably estimated.

The Trust is evaluating the impact of FIN 48 on its financial statements.

NOTE 7 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

Management fees paid to FCHC were approximately \$100,000 and \$142,000 for the years ended December 31, 2008 and 2007, 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 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 2008 totaled \$41,650.

During 2008, the Trust engaged in two mortgage participations with various affiliated business trusts. At December 31, 2008, the Trust had four outstanding mortgage participations that totaled \$7,295,284 and are included in mortgage notes receivable, net on the balance sheet. The participations incur interest at rates ranging from the prime rate (3.25% at December 31, 2008) plus 1% to 18% (excluding possible contingent interest rates) and have 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.

FIRST COMMONWEALTH MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

**NOTE 7 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS
(CONTINUED)**

During 2007, the Trust engaged in two mortgage participations with various affiliated business trusts. At December 31, 2007, the Trust had seven outstanding mortgage participations that totaled \$6,153,252 and are included in mortgage notes receivable, net on 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 July 2010. The notes are secured by various affiliated business trusts and/or second mortgages. Interest income on such participations collected by the affiliates on the Trust's behalf amounted to approximately \$768,000 for the year ended December 31, 2007.

NOTE 8 - SIGNIFICANT MORTGAGE NOTES RECEIVABLE

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.

At December 31, 2007, two mortgage notes receivable represented approximately 50% of total mortgage notes receivable, net of participations. Interest related to these notes was approximately 60% of total interest income for the year ended December 31, 2007.

TRUST MANAGERS

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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

Robert W. Scharar
President,
Holly Mortgage Trust, First Commonwealth Holdings Corporation and FCA Corp

EXECUTIVE OFFICERS

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President

Robert A. Burns
Vice President and Treasurer

Katheryn E. Surface Burks
Secretary

Gregory J. Cannella
Assistant Treasurer

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