FIRST

COMMONWEALTH

MORTGAGE

TRUST

2014 ANNUAL REPORT

TO OUR SHAREHOLDERS:

The financial statements of First Commonwealth Mortgage Trust ("FCMT") for the years ending December 31, 2014 and December 31, 2013, audited by Melton & Melton, L.L.P. are set forth at the end of this report.

FCMT is consolidating financial statements with Hillsborough River Properties, LLC ("HRP"). This consolidation is driven by FCMT's majority interest in HRP. Additional details will be given below and a full explanation is included as part of the enclosed audit report.

FCMT's consolidated revenues in 2014 were $455,160, down 3% from the previous year. The FCMT consolidated 2014 income was $9,419, compared to a consolidated 2013 loss of $1,300,329. Out of the consolidated 2014 income, FCMT's share was $94,285, which equates to a per share income of $0.06. FCMT's income can be mainly attributed to reduction of expenses and completion of foreclosure actions in the prior year.

Hillsborough River Properties, LLC

FCMT and other loan participants were successful in negotiating a settlement agreement with other Heights of Tampa ("HOT") lenders. The proceeds of such settlement, including approximately $1 million in cash, lots aggregating around 5 acres and other rights and contingent payments, were conveyed to an existing Florida-based entity named Hillsborough River Properties, LLC ("HRP"). FCMT holds approximately 57% of the outstanding units in HRP. The purpose of HRP is to maximize the recovery on the transferred assets.

A number of our assets were non-income producing as we worked through foreclosures on loans impacted by the post 2008 economic downturn. This negatively impacted revenues and earnings.

Having now gained control over the assets, we are working towards orderly liquidations. These actions will result in our ability to return these assets to an income producing status. Since property prices are trending upward, it also gives us an opportunity to recover losses we took as we wrote down the asset carrying values in prior periods. We recognized gain on disposition of foreclosed property of $84,547 in 2014. We are seeing improved conditions in all our lending markets.

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.

Shareholders can also contact the transfer agent below to change their mailing address, change share registration, obtain copies of IRS Form 1099, and arrange the direct deposit of their dividends to their bank account:

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

The 2015 Shareholder meeting is scheduled for May 19, 2015. Please vote your proxy.

Robert A. Scharar
President

Robert A. Burns
Treasurer

April 20, 2015

SELECTED FINANCIAL DATA
10-YEAR SUMMARY

YEAR ENDED DECEMBER 31	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES:										
INTEREST AND DIVIDENDS	$369,648	$418,303	$529,550	$682,695	$ 925,327	$ 1,528,258	$ 1,391,789	$ 1,450,931	$ 1,671,581	$ 1,281,159
SERVICE FEES & OTHER INCOME	85,512	52,141	128,647	6,254	7,929	21,607	44,402	93,252	49,152	84,429
	455,160	470,444	658,197	688,949	933,256	1,549,865	1,436,191	1,544,183	1,720,733	1,365,588
COST AND EXPENSES	360,875	1,391,441	1,500,947	2,071,983	3,138,197	221,852	219,378	275,175	289,445	353,734
NET INCOME	$ 94,285	$ (920,997)	$ (842,750)	$ (1,383,034)	$ (2,204,941)	$ 1,328,014	$ 1,216,813	$ 1,269,008	$ 1,431,288	$ 1,011,854

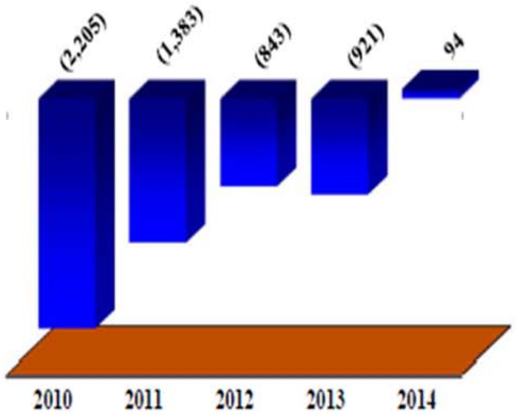
PER SHARE DATA

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
NET INCOME	$ 0.06	$ (0.62)	$ (0.57)	$ (0.93)	$ (1.48)	$ 0.89	$ 0.84	$ 0.91	$ 1.03	$ 0.73
DIVIDENDS	$ 0.04	$ 0.06	$ 0.08	$ 0.26	$ 0.50	$ 0.70	$ 0.86	$ 0.88	$ 0.88	$ 0.78

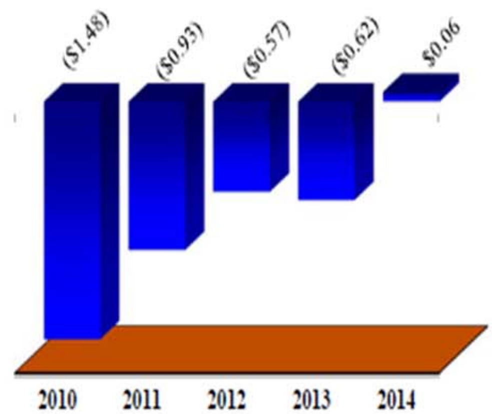
YEAR END DATA

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
TOTAL ASSETS	$ 10,612,712	$ 10,844,283	$ 11,105,430	$ 11,382,882	$ 11,718,581	$ 14,616,813	$ 14,294,804	$ 13,280,585	$ 13,364,650	$ 13,174,650
SHAREHOLDERS' EQUITY	8,011,126	7,976,465	8,986,897	9,948,892	11,566,416	14,522,102	14,235,478	13,256,564	13,285,038	13,093,632
SHARES OUTSTANDING	1,490,571	1,490,571	1,490,571	1,490,571	1,490,571	1,490,571	1,490,571	1,391,571	1,391,571	1,391,571
BOOK VALUE PER SHARE	$ 5.37	$ 5.35	$ 6.03	$ 6.67	$ 7.76	$ 9.74	$ 9.55	$ 9.53	$ 9.55	$ 9.41

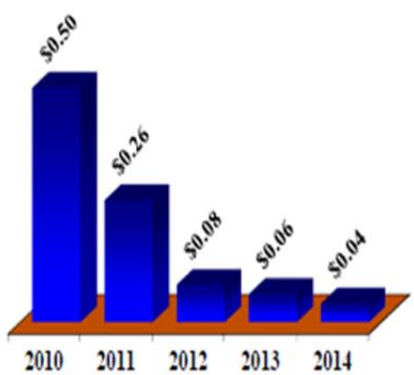
Net Income (000's)



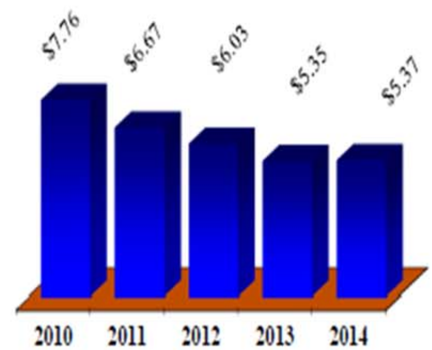
Net Income per Share



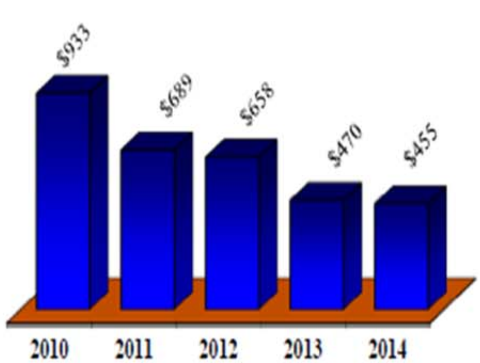
Dividends per Share



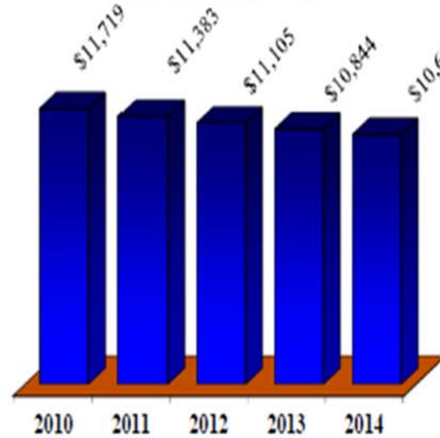
Book Value per Share



Revenues (000's)



Total Assets (000's)



FIRST COMMONWEALTH MORTGAGE TRUST
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE

YEARS ENDED DECEMBER 31, 2014 AND 2013

AND

INDEPENDENT AUDITOR'S REPORT

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

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY

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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 and Subsidiary

We have audited the accompanying consolidated financial statements of First Commonwealth Mortgage Trust and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Commonwealth Mortgage Trust and Subsidiary as of December 31, 2014 and 2013, and the results of their operations and their 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
February 19, 2015

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

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013

ASSETS

	2014	2013
Mortgage Notes Receivable:		
Mortgage notes receivable	$ 4,619,945	$ 5,210,763
Discounts	-	(38,328)
	4,619,945	5,172,435
Cash and cash equivalents	549,943	677,143
Restricted cash and cash equivalents	16,011	2,744
Accrued interest receivable	391,189	343,971
Other receivables	154,570	110,411
Prepaid expenses	28,873	-
Land	4,195,347	3,880,745
Investment in affiliate	23,834	23,834
Other assets	633,000	633,000
	$ 10,612,712	**$ 10,844,283**

LIABILITIES AND EQUITY

	2014	2013
Liabilities:		
Accounts payable and other liabilities	$ 39,748	$ 34,308
Note payable	28,391	314,586
Total liabilities	68,139	348,894
Equity:		
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	(6,712,697)	(6,747,358)
Total shareholders' equity	8,011,126	7,976,465
Noncontrolling interest	2,533,447	2,518,924
Total equity	10,544,573	10,495,389
	$ 10,612,712	**$ 10,844,283**

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenue:		
Interest income	$ 369,648	$ 418,303
Gain on sale of land	84,547	19,877
Miscellaneous income	965	32,264
	455,160	470,444
Costs and Expenses:		
Management fees to affiliates	186,773	326,208
Professional fees	97,076	176,082
Interest expense	13,352	26,980
Loss on extinguishment of debt	-	554,135
Loss on foreclosure of mortgage notes receivable	-	414,718
Loss on sale of investment in affiliate	-	93,720
General and administrative	148,540	178,930
	445,741	1,770,773
Net income (loss)	9,419	(1,300,329)
Net loss attributable to noncontrolling interest	(84,866)	(379,332)
Net income (loss) attributable to First Commonwealth Mortgage Trust	**$ 94,285**	**$ (920,997)**
Weighted average shares outstanding	**1,490,571**	**1,490,571**
Net income (loss) per share, basic	**$ 0.06**	**$ (0.62)**

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2014 and 2013

	Shares of Beneficial Interest					
	Shares Outstanding	Amount	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest	Total Equity
Balance, December 31, 2012	1,490,571	$ 14,723,823	$ (5,736,926)	$ 8,986,897	$ -	$ 8,986,897
Noncontrolling interest in the acquisition of a majority interest in Hillsborough River Properties, LLC	-	-	-	-	600,000	600,000
Proceeds from the sale of units in noncontrolling interest, less subscriptions receivable of $257,184	-	-	-	-	2,298,256	2,298,256
Dividends	-	-	(89,435)	(89,435)	-	(89,435)
Net loss	-	-	(920,997)	(920,997)	(379,332)	(1,300,329)
Balance, December 31, 2013	1,490,571	14,723,823	(6,747,358)	7,976,465	2,518,924	10,495,389
Issuance of units in noncontrolling interest for the purchase of land	-	-	-	-	99,389	99,389
Dividends	-	-	(59,624)	(59,624)	-	(59,624)
Net income (loss)	-	-	94,285	94,285	(84,866)	9,419
Balance, December 31, 2014	**1,490,571**	**$ 14,723,823**	**$ (6,712,697)**	**$ 8,011,126**	**$ 2,533,447**	**$ 10,544,573**

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Net income (loss)	$ 9,419	$ (1,300,329)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss on foreclosure of mortgage notes receivable	-	414,718
Amortization of discounts	-	(19,355)
Loss on extinguishment of debt	-	554,135
Gain on sale of land	(84,547)	(19,877)
Loss on sale of investment in affiliate	-	93,720
Changes in operating assets and liabilities:		
Accrued interest receivable	(47,218)	(135,562)
Other receivables	5,228	414,724
Prepaid expenses	(28,873)	33,544
Accounts payable and other liabilities	(7,827)	(27,072)
Total adjustments	(163,237)	1,308,975
Net cash provided by (used in) operating activities	(153,818)	8,646
Cash Flows from Investing Activities:		
Mortgage note originations	(52,422)	(160,000)
Principal collected on mortgage notes receivable	604,912	354,594
Advance to affiliate	(49,387)	(12,500)
Cash acquired from acquisition of investment in subsidiary	-	27,922
Proceeds from sale of investment in affiliate	-	40,500
Purchase of land	(300,666)	-
Proceeds from sale of land	170,000	-
Net cash provided by investing activities	372,437	250,516
Cash Flows from Financing Activities:		
Payments on note payable	(286,195)	(93,248)
Proceeds from the sale of units in noncontrolling interest	-	123,256
Dividends paid	(59,624)	(119,246)
Net cash used in financing activities	(345,819)	(89,238)
Increase (decrease) in cash and cash equivalents	(127,200)	169,924
Cash and Cash Equivalents, beginning of year	677,143	507,219
Cash and Cash Equivalents, end of year	**$ 549,943**	**$ 677,143**

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2014 and 2013

	2014	2013
Supplemental Information:		
Cash paid for interest	**$ 14,240**	**$ 27,187**
Non-Cash Investing and Financing Activities:		
Settlement of mortgage notes receivable:		
Asset write-off:		
Mortgage notes receivable		$ (1,450,000)
Allowance for losses		725,000
		(725,000)
Land received for settlement		310,282
Loss on foreclosure of mortgage notes receivable		**$ (414,718)**
Assets (liabilities) acquired, at fair value, in acquisition of the controlling interest in Hillsborough River Properties, LLC:		
Cash		$ 27,922
Accounts receivable		20,032
Land		552,546
Accounts payable		(500)
		$ 600,000
Sale of units in noncontrolling interest		$ 2,555,440
Less: Participation payables transferred from First Commonwealth Mortgage Trust		2,175,000
Subscriptions receivable		257,184
Cash received		**$ 123,256**
Issuance of mortgage note receivable on sale of investment in affiliate		**$ 34,644**
Issuance of mortgage note receivable on sale of land		**$ 80,000**
Restricted cash offset with accounts payable and accrued liabilities	**$ 16,011**	**$ 2,744**
Purchase of land with the issuance of noncontrolling interest units	**$ 99,389**	

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

First Commonwealth Mortgage Trust ("FCMT") was organized on September 26, 1984 and commenced operations on June 27, 1985. FCMT is a Texas real estate investment trust with a termination date of December 31, 2030. FCMT is engaged primarily in the business of investing in loans collateralized by mortgages on real estate. These loans are principally collateralized in Texas, Florida, and Arizona.

On January 2, 2013, FCMT and mortgage participants assigned their contractual rights and benefits received in the September 13, 2012 Foreclosure Settlement Agreement ("Agreement") with Riverside Heights Holdings, LLC ("Riverside") to Hillsborough River Properties, LLC ("Hillsborough") in exchange for units in Hillsborough. Transferred rights and benefits include cash of $603,750; account receivable from Riverside of $400,000; title to land valued at $3,078,040; and other assets valued at $633,000 and cash and receivables from mortgage participants as well as the mortgage participant rights. In addition, FCMT settled debt with the mortgage participants resulting in a loss of $554,135. The settlement resulted in giving the mortgage participants additional rights in the assets transferred to Hillsborough for units. Effective January 3, 2013, FCMT became Hillsborough's managing member. Hillsborough is the development manager of the Heights of Tampa real estate in Florida. At December 31, 2014 and 2013, FCMT held a 54.20% and 57.03% interest in Hillsborough, respectively.

FCMT and Hillsborough (together, the "Trust") report their accounts in the accompanying consolidated financial statements. FCA Corp ("FCA") is the Trust's compensated manager and is related to the Trust through common management.

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the consolidation of majority owned subsidiaries. The portion not owned by FCMT is recorded as a noncontrolling interest in equity. All significant intercompany transactions and balances have been eliminated in consolidation.

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, 2014 and 2013 is $16,011 and $2,744, respectively, for deposits into the escrow account.

The balance of restricted cash and cash equivalents at December 31, 2014 and 2013 was $16,011 and $2,744, respectively.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 5% to 10%.

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 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, 2014 and 2013, there were no impaired mortgage notes and no allowance for losses on mortgage notes receivable and accrued interest receivable.

The change in the mortgage notes receivable allowance for losses during the years ended December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Balance, beginning of year	$ -	$ 725,000
Provision for mortgage note losses	-	-
Reduction for mortgage notes charged off	-	(725,000)
	$ -	$ -

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The change in the accrued interest receivable allowance for losses during the years ended December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Balance, beginning of year	$ -	$ 491,750
Provision for mortgage note losses	-	-
Reduction for mortgage notes charged off	-	(491,750)
	$ -	$ -

At December 31, 2012, a mortgage note receivable for $1,450,000, was past due ninety days or more, placed on nonaccrual status, and considered impaired. During 2013, foreclosure proceedings on this mortgage note were finalized. In conjunction with the 2013 foreclosure proceedings, the allowance for losses on the mortgage note was written off for $725,000; land of $310,282 was received; and a loss on foreclosure of mortgage notes receivable was recognized for $414,718. The average recorded investment in impaired loans for 2013 is $725,000.

There were no commitments to lend additional funds to borrowers at December 31, 2014 or 2013.

At December 31, 2014 and 2013, three mortgage notes receivable represented approximately 62% and 56% of total mortgage notes receivable. Interest related to three mortgage notes receivable was approximately 63% and 58% of interest income for 2014 and 2013, respectively.

Land

Land received in foreclosure proceedings is recorded at fair value on date of receipt. Purchased land is recorded at cost. Gains or losses resulting from disposals of land are credited or charged to operations currently.

Management reviews the carrying value of land for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. When required, impairment losses on land to be held and used or disposed of other than by sale are recognized based on the current fair value of the land. Land to be disposed of by sale is reported at the lower of its carrying amount or fair value less cost to sell. Management has determined that there is no impairment of land at December 31, 2014 or 2013.

Other Assets

Other assets consist of property rights granted in the Agreement (Note 1). Property rights consist of 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; $400,000 of infrastructure improvements to the development, financed by the City of Tampa or through tax increment revenue or financing; 50% of certain qualified expenditures, as defined in the Amended and

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restated Tampa Heights Development Agreement; and 4% of the gross sales price of certain TH-TAW Building and Land Assemble properties, both conveyed and not conveyed to FCMT in foreclosure, adjusted for improvement and environmental clean-up costs. If the development is completed within ten years, FCMT will receive a first right of refusal to participate in the equity interests, up to 49%, of the entity formed to own and operate a boat marina facility of submerged lands located in close proximity to the TH-TAW Building.

The Trust reviews other assets for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. The Trust evaluates, at each balance sheet date, whether events and circumstances have occurred that indicates a possible impairment. The carrying value of other assets is considered impaired when the anticipated cumulative undiscounted cash flows of the asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the estimated fair value of other assets. The Trust has not incurred impairment losses on other assets.

Net Income (Loss) per Share

Net income (loss) per share is calculated by dividing net income (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.

Management Estimates

The preparation of consolidated 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 consolidated 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 consolidated financial statements.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry- specific guidance throughout the Industry Topics of the Codification. Additionally, this Update supersedes some cost guidance included in Subtopic 605-35, *Revenue Recognition—Construction-Type and Production-Type Contracts*. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (for example, assets within the scope of Topic 360, *Property, Plant, and Equipment*, and intangible assets within the scope of Topic 350, *Intangibles—Goodwill and Other*) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in ASU 2014-09. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Management is currently evaluating the impact ASU 2014-09 will have on the Trust's consolidated financial statements.

NOTE 2 - BUSINESS COMBINATION

On January 2, 2013, FCMT transferred land, other assets consisting of property rights, accounts receivable, and cash received in the Agreement to Hillsborough as well as mortgage participant's rights in exchange for Hillsborough units. As a result of the transfer, Hillsborough will reimburse FCMT for reasonable attorney fees incurred in complying with obligations included in the Agreement, as identified in the Assignment of Contractual Rights between FCMT and Hillsborough. The following table summarizes the amounts of the assets and liabilities acquired, as well as the noncontrolling interest in Hillsborough before the transfer, and the consideration paid for Hillsborough units by FCMT and mortgage participants.

Assets (liabilities) of Hillsborough before the sale of units, at fair value:	
Cash	$ 27,922
Accounts receivable	20,032
Land	552,546
Accounts payable	(500)
Noncontrolling interest in Hillsborough	$ 600,000
Consideration from FCMT and mortgage participants:	
Cash	$ 603,750
Accounts receivable	427,345
Land	3,078,040
Other assets	633,000
Mortgage participants' rights, excluding rights in transferred assets	1,620,865
Cash from mortgage participants	123,256
Subscriptions receivable	257,184
	6,743,440
Units issued by Hillsborough	6,743,440
	$ -

Cash and accounts receivable are recorded at their fair value, based on their short-term nature. Land and other assets included in consideration are based on the initial assumptions used to develop the estimates in 2012.

In 2013, as a result of transactions in the issuance of units in Hillsborough, FCMT settled with former mortgage participations resulting in a loss of $554,135. These mortgage participations were transferred to Hillsborough and used by the participants in purchasing units issued by Hillsborough. The total amount of participations used in purchasing Hillsborough units was $2,175,000. In addition to the use of participations payable, cash proceeds of $123,256 were received and Hillsborough assumed subscription receivables of $257,184.

NOTE 3 - INVESTMENT 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, 2014 and 2013, 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, 2014 and 2013. The investment is recorded using the cost method. The cost of this investment is $23,834 at December 31, 2014 and 2013.

During 2013, the Trust sold 168 partnership units of Global REIT, L.P. ("Global"), recorded at cost of $168,864, to Holly for $75,144. A loss of $93,720 is recognized in the consolidated statements of operations.

The investment with an aggregate cost of $23,834 at December 31, 2014 and 2013 was not evaluated for impairment because (a) the Trust did not estimate the fair value of this investment in accordance with 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 the investment.

NOTE 4 - NOTE PAYABLE

The Trust has a $500,000 note agreement with First National Bank & Trust Co. (the "bank"), collateralized by substantially all assets of the Trust. Principal is due on demand or 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, 2014 and 2013, $28,391 and $314,586, respectively, was outstanding under the note payable.

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, 2014 and 2013. 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:

	2014	2013
Ordinary income	0%	0%
Return of capital	100	100
	100%	100%

NOTE 5 - FEDERAL INCOME TAXES (CONTINUED)

As of December 31, 2014, the Trust had a federal net operating loss carryforward of approximately $509,000 that can be deducted against future taxable income. The carryforward amount expires in 2032-2034. The Trust does not expect to pay federal income taxes, thus the tax effect of the net operating loss carryforward has been adjusted to zero by a valuation allowance of $173,017 and $122,839 at December 31, 2014 and 2013, respectively. The valuation allowance increased $50,178 in 2014.

Management has evaluated the Trust's tax positions and concluded that the Trust has taken no uncertain tax positions that require adjustment to the consolidated financial statements. Tax-related interest and penalties are recorded in income tax expense in the consolidated statements of operations. The Trust incurred no tax-related interest or penalties in 2014 or 2013. The Trust is subject to income tax examinations by federal and state tax authorities for years beginning in 2011 and after.

NOTE 6 - HILLSBOROUGH OPTIONS

Effective January 3, 2013, FCMT became the managing member of Hillsborough. As managing member, FCMT is authorized to issue options for a maximum of 2,900 units in Hillsborough for consideration determined by management, but no less than $50 per unit. The options expire on December 31, 2020 and require payment of $1,000 per unit, less consideration received on the issued options, as of the exercise date. Option holders will be admitted as non-managing members. During 2013, there were 1,200 option units granted with a weighted average grant date fair value of $91.60 per unit. Option units give the rights to the optionee to purchase units in Hillsborough. During 2014 and 2013, there were no option units exercised, forfeited, or expired.

NOTE 7 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

Management fees to FCA were approximately $187,000 and $326,000 for the years ended December 31, 2014 and 2013, respectively. Prepaid management fees to FCA were approximately $29,000 at December 31, 2014. There were no prepaid management fees at December 31, 2013. The management fee for FCMT is based on 1.4% of the book value of its assets at the end of each prior fiscal year less accounting and certain board member fees. For 2014, the management fee for Hillsborough was $8,333 per month through October 2014. Subsequently, the management fee was decreased to $5,000 per month. For 2013, the management fee for Hillsborough is $100,000 plus 1% of the gross sales proceeds of Hillsborough properties, adjusted for closing costs and $100,000 for consulting services related to the business combination (Note 2).

At December 31, 2014 and 2013, the Trust has a 0.23% mortgage note receivable due on demand or in June 2016 from Holly of $34,644, which is included in mortgage notes receivable in the consolidated balance sheets. Interest income on the note amounted to $80 and $40 for 2014 and 2013, respectively.

During 2014, the Trust purchased land from Holly for $9,839 in cash and 71.32 units of Hillsborough, valued at $35,453.

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

At December 31, 2014 and 2013, accounts receivable - affiliates, which are included in other receivables in the consolidated balance sheets, consist of:

	2014	2013
Global	$27,103	$27,103
Holly	61,887	12,500
	$88,990	$39,603

NOTE 8 - SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through February 19, 2015, the date the consolidated financial statements were available to be issued.

FIRST COMMONWEALTH MORTGAGE TRUST

BOARD OF TRUST MANAGERS

George Beatty, Jr.
Retired Environmental Consultant

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

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

Robert W. Scharar
President of First Commonwealth Mortgage Trust,
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

Robert W. Scharar
President

Robert A. Burns
Treasurer

William B. LeVay
Secretary

All officers are employees of FCA Corp
and serve as officers of other entities.

TRANSFER AGENT

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