FIRST COMMONWEALTH MORTGAGE TRUST

2015 ANNUAL REPORT

TO OUR SHAREHOLDERS:

The financial statements of First Commonwealth Mortgage Trust ("FCMT") for the years ending December 31, 2015 and December 31, 2014, 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 2015 were $386,466, down from $455,126 the previous year. The FCMT consolidated 2015 net income was $1,264,307, compared to a consolidated 2014 net income of $94,285. Consolidated 2015 net income equates to $0.86 per share. FCMT's income can be attributed in part to the non-recurring gain on its disposition of the investment in HRP.

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 held 55.52% of the outstanding units in HRP. The purpose of HRP was to maximize the recovery on the transferred assets.

During 2015, HRP sold substantially all of its assets to a third party for $6.5 million and made distributions to its members. At December 31, 2015, HRP was dissolved and all its assets had been distributed to its members.

On a consolidated basis, FCMT recognized gain from discontinued operations of $1,473,783 in 2015.

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 2016 Shareholder meeting is scheduled for May 10, 2016. Please vote your proxy.

Robert A. Scharar	Robert A. Burns
President	Treasurer

April 9, 2016

SELECTED FINANCIAL DATA
10-YEAR SUMMARY

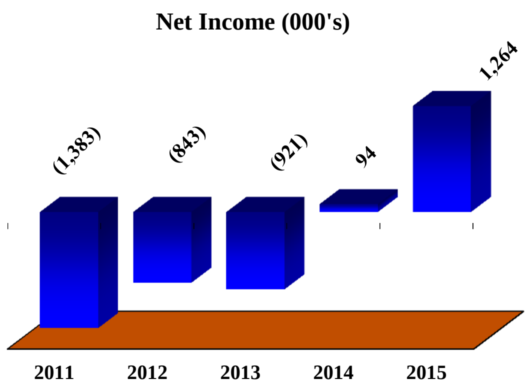
YEAR ENDED DECEMBER 31	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES:										
INTEREST AND DIVIDENDS	$361,866	$369,648	$418,303	$529,550	$682,695	$ 925,327	$ 1,528,258	$ 1,391,789	$ 1,450,931	$ 1,671,581
SERVICE FEES & OTHER INCOME	1,498,383	85,512	52,141	128,647	6,254	7,929	21,607	44,402	93,252	49,152
	1,860,249	455,160	470,444	658,197	688,949	933,256	1,549,865	1,436,191	1,544,183	1,720,733
COST AND EXPENSES	595,942	360,875	1,391,441	1,500,947	2,071,983	3,138,197	221,852	219,378	275,175	289,445
NET INCOME	$ 1,264,307	$ 94,285	$ (920,997)	$ (842,750)	$ (1,383,034)	$ (2,204,941)	$ 1,328,014	$ 1,216,813	$ 1,269,008	$ 1,431,288

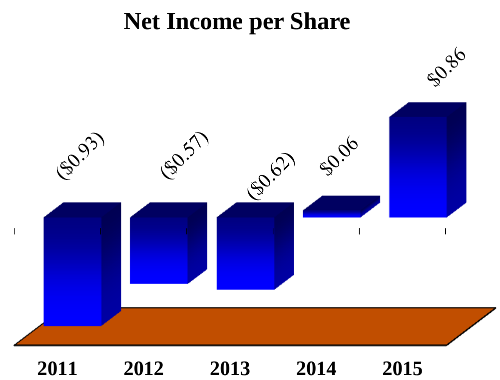
PER SHARE DATA

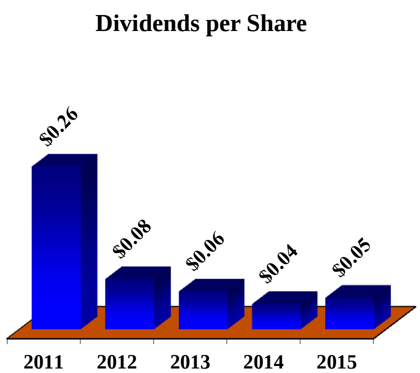
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NET INCOME	$ 0.86	$ 0.06	$ (0.62)	$ (0.57)	$ (0.93)	$ (1.48)	$ 0.89	$ 0.84	$ 0.91	$ 1.03
DIVIDENDS	$ 0.05	$ 0.04	$ 0.06	$ 0.08	$ 0.26	$ 0.50	$ 0.70	$ 0.86	$ 0.88	$ 0.88

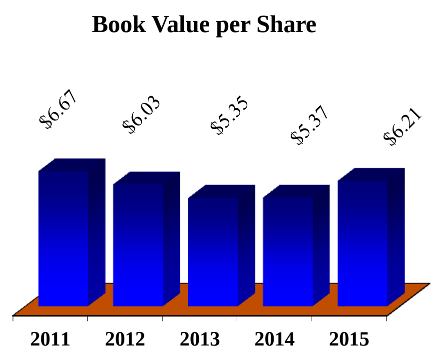
YEAR END DATA

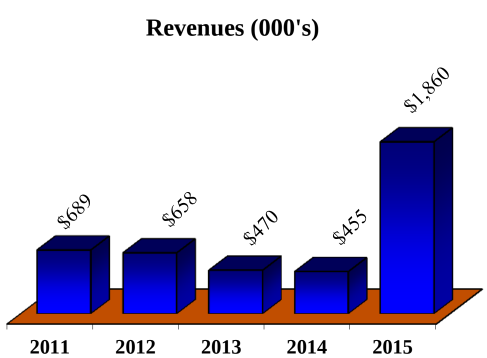
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
TOTAL ASSETS	$ 8,793,609	$ 10,612,712	$ 10,844,283	$ 11,105,430	$ 11,382,882	$ 11,718,581	$ 14,616,813	$ 14,294,804	$ 13,280,585	$ 13,364,650
SHAREHOLDERS' EQUITY	8,737,889	8,011,126	7,976,465	8,986,897	9,948,892	11,566,416	14,522,102	14,235,478	13,256,564	13,285,038
SHARES OUTSTANDING	1,408,171	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
BOOK VALUE PER SHARE	$ 6.21	$ 5.37	$ 5.35	$ 6.03	$ 6.67	$ 7.76	$ 9.74	$ 9.55	$ 9.53	$ 9.55

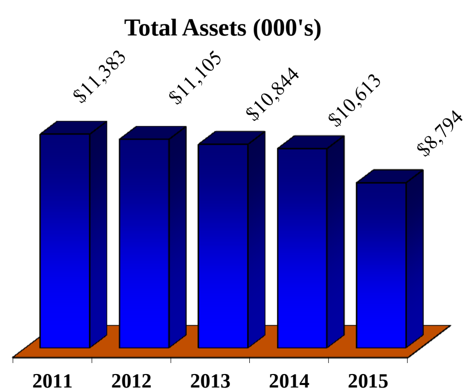

Net Income (000's)
(1,383)
(843)
(921)
94
1,264
2011
2012
2013
2014
2015


Net Income per Share
($0.93)
($0.57)
($0.62)
$0.06
$0.86
2011
2012
2013
2014
2015


Dividends per Share
$0.26
$0.08
$0.06
$0.04
$0.05
2011
2012
2013
2014
2015


Book Value per Share
$6.67
$6.03
$5.35
$5.37
$6.21
2011
2012
2013
2014
2015


Revenues (000's)
$689
$658
$470
$455
$1,860
2011
2012
2013
2014
2015


Total Assets (000's)
$11,383
$11,105
$10,844
$10,613
$8,794
2011
2012
2013
2014
2015

FIRST COMMONWEALTH MORTGAGE TRUST
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE

YEARS ENDED DECEMBER 31, 2015 AND 2014

AND

INDEPENDENT AUDITOR'S REPORT

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, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, 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, 2015 and 2014, 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 25, 2016

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, 2015 and 2014

ASSETS

	2015	2014
Mortgage Notes Receivable:		
Mortgage notes receivable	$ 5,755,015	$ 4,619,945
Cash and cash equivalents	1,539,761	191,242
Restricted cash and cash equivalents	21,282	16,011
Marketable securities	752,356	-
Accrued interest receivable	442,107	391,189
Other receivables	97,800	154,570
Prepaid expenses	-	28,873
Land	161,454	168,079
Investment in affiliate	23,834	23,834
Assets from discontinued operations	-	5,018,969
	$ 8,793,609	**$ 10,612,712**

LIABILITIES AND EQUITY

	2015	2014
Liabilities:		
Accounts payable and other liabilities	$ 55,720	$ 39,748
Note payable	-	28,391
Total liabilities	55,720	68,139
Equity:		
Shareholders' equity:		
Shares of beneficial interest, no par value, 20,000,000 shares authorized, 1,490,571 shares issued and 1,408,171 and 1,490,571 outstanding at December 31, 2015 and 2014, respectively	14,723,823	14,723,823
Accumulated deficit	(5,520,447)	(6,712,697)
Accumulated other comprehensive loss	(22,175)	-
Treasury shares, 82,400 shares of beneficial interest, at cost	(443,312)	-
Total shareholders' equity	8,737,889	8,011,126
Noncontrolling interest	-	2,533,447
Total equity	8,737,889	10,544,573
	$ 8,793,609	**$ 10,612,712**

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenue:		
Interest income	$ 335,144	$ 369,648
Dividends and interest income - marketable securities	26,722	-
Gain on sale of land	24,600	84,547
Miscellaneous income	-	931
	386,466	455,126
Costs and Expenses:		
Management fees to affiliates	91,956	96,740
Professional fees	51,197	46,215
Interest expense	258	13,352
General and administrative	100,489	99,663
	243,900	255,970
Net income from continuing operations	142,566	199,156
Income (loss) from discontinued operations	1,473,783	(189,737)
Net income	1,616,349	9,419
Net income (loss) attributable to noncontrolling interest	352,042	(84,866)
Net income attributable to First Commonwealth Mortgage Trust	**$ 1,264,307**	**$ 94,285**
Weighted average shares outstanding	**1,475,730**	**1,490,571**
Net income per share, basic and diluted	**$ 0.86**	**$ 0.06**

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Attributable to First Commonwealth Mortgage Trust	Attributable to Noncontrolling Interest	Total	Attributable to First Commonwealth Mortgage Trust	Attributable to Noncontrolling Interest	Total
Net Income (Loss)	$ 1,264,307	$ 352,042	$ 1,616,349	$ 94,285	$ (84,866)	$ 9,419
Other Comprehensive Loss:						
Unrealized losses on marketable securities	(22,175)	-	(22,175)	-	-	-
Net Comprehensive Income (Loss)	**$ 1,242,132**	**$ 352,042**	**$ 1,594,174**	**$ 94,285**	**$ (84,866)**	**$ 9,419**

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2015 and 2014

	Shares of Beneficial Interest			Accumulated		Total		
	Shares Outstanding	**Amount**	**Accumulated Deficit**	**Other Comprehensive Loss**	**Treasury Shares**	**Shareholders' Equity**	**Noncontrolling Interest**	**Total Equity**
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
Purchase of 82,400 shares of beneficial interest, at $5.38 per share	(82,400)	-	-	-	(443,312)	(443,312)	-	(443,312)
Dividends/Distributions	-	-	(72,057)	-	-	(72,057)	(2,885,489)	(2,957,546)
Net income	-	-	1,264,307	-	-	1,264,307	352,042	1,616,349
Other comprehensive loss	-	-	-	(22,175)	-	(22,175)	-	(22,175)
Balance, December 31, 2015	**1,408,171**	**$ 14,723,823**	**$ (5,520,447)**	**$ (22,175)**	**$ (443,312)**	**$ 8,737,889**	**$ -**	**$ 8,737,889**

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Net income	$ 1,616,349	$ 9,419
(Income) loss from discontinued operations	(1,473,783)	189,737
Adjustments to reconcile net income to net cash used in operating activities:		
Gain on sale of land	(24,600)	(84,547)
Changes in operating assets and liabilities:		
Accrued interest receivable	(91,918)	(47,218)
Other receivables	(12,221)	(80)
Prepaid expenses	28,873	(28,873)
Accounts payable and other liabilities	10,701	(7,827)
Total adjustments	(89,165)	(168,545)
Net cash provided by operating activities from continuing operations	53,401	30,611
Net cash used in operating activities from discontinued operations	(195,789)	(184,429)
Net cash used in operating activities	(142,388)	(153,818)
Cash Flows from Investing Activities:		
Mortgage note originations	(1,199,025)	(52,422)
Principal collected on mortgage notes receivable	154,343	604,912
Advances to affiliate	-	(249,637)
Proceeds from affiliate	19,603	-
Proceeds from sale of land	31,225	170,000
Purchase of land	-	(3,373)
Purchase of marketable securities	(774,531)	-
Net cash provided by (used in) investing activities from continuing operations	(1,768,385)	469,480
Net cash provided by (used in) investing activities from discontinued operations	6,329,840	(97,043)
Net cash provided by investing activities	4,561,455	372,437

(See Notes to Consolidated Financial Statements)

FIRST COMMONWEALTH MORTGAGE TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Financing Activities:		
Payments on note payable	$ (28,391)	$ (286,195)
Dividends - shareholders	(72,057)	(59,624)
Purchase of treasury shares	(443,312)	-
Net cash used in continuing financing activities	(543,760)	(345,819)
Net cash used in financing activities from discontinued operations	(2,885,489)	-
Net cash used in financing activities	(3,429,249)	(345,819)
Increase (decrease) in cash and cash equivalents	989,818	(127,200)
Cash and Cash Equivalents, beginning of year	549,943	677,143
Cash and Cash Equivalents, end of year	1,539,761	549,943
Less: Cash and cash equivalents of discontinued operations	-	358,701
Cash and Cash Equivalents, end of year of continuing operations	**$ 1,539,761**	**$ 191,242**
Supplemental Information:		
Cash paid for interest	**$ 353**	**$ 14,240**
Noncash Investing and Financing Activities:		
Restricted cash offset with accounts payable and accrued liabilities	**$ 21,282**	**$ 16,011**
Purchase of land with the issuance of noncontrolling interest units - discontinued operations	**$ -**	**$ 99,389**
Accrued interest rolled into mortgage notes receivable	**$ 41,000**	**$ -**
Other receivables rolled into mortgage notes receivable	**$ 49,388**	**$ -**

(See Notes to Consolidated Financial Statements)

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.

Hillsborough River Properties, LLC ("Hillsborough") is the development manager of the Heights of Tampa real estate in Florida. In 2015 and 2014, FCMT held a majority interest in Hillsborough and was Hillsborough's managing member. Accordingly, FCMT and Hillsborough (together, the "Trust") report their accounts in the accompanying consolidated financial statements. Effective December 31, 2015, Hillsborough members determined that Hillsborough had fulfilled all of its intended business purposes and dissolved the entity.

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.

Restricted Cash and Cash Equivalents

The Trust collects escrow deposits for property taxes and insurance related to property listed as collateral for certain mortgage notes. The balance of restricted cash and cash equivalents and deposits collected and included in accounts payable and other liabilities at December 31, 2015 and 2014 is $21,282 and $16,011, respectively.

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 0.23% 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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015 and 2014, there were no impaired mortgage notes and no allowance for losses on mortgage notes receivable and accrued interest receivable and no commitments to lend additional funds to borrowers.

At December 31, 2015 and 2014, five and three mortgage notes receivable customers represented approximately 70% and 62%, respectively, of total mortgage notes receivable. Interest related to four and three mortgage notes receivable was approximately 76% and 63% of interest income for 2015 and 2014, respectively.

Marketable Securities

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investment – Debt and Equity Securities*, investments in marketable securities with readily determinable fair values are classified as held-to-maturity, trading, or available-for-sale. The Trust classifies marketable securities as available-for-sale and reports the securities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. See Note 4 for discussion of fair value measurements. The Trust has no marketable securities classified as held-to-maturity or trading.

Purchases and sales of marketable securities are recorded on a trade-date basis. Interest income is recorded as earned on the accrual basis. Dividends are recorded on the ex-dividend date. The realized gain or loss on marketable securities is based on specific identification and reported to operations currently. The unrealized gain or loss on marketable securities is reported in accumulated other comprehensive loss on the consolidated balance sheets.

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.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015 or 2014.

Net Income per Share

Net income per share is calculated by dividing net income attributable to FCMT 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.

Reclassifications

Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the 2015 presentation. The reclassifications had no effect on net income for 2014.

Recent Accounting Pronouncements

In May 2014, the 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, as further amended by ASU 2015-14, is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is currently evaluating the impact ASU 2014-09 will have on the Trust's financial statements.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 makes the following changes to existing generally accepted accounting standards for entities that are not public business entities:

- Requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.
- Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to determine impairment.
- Eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost.
- Requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.
- Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial assets (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.
- Clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.

ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is currently evaluating the impact ASU 2016-01 will have on the Company's financial statements.

NOTE 2 - DISCONTINUED OPERATIONS

During 2015, Hillsborough sold substantially all of its assets to a third party for $6.5 million and made distributions to its noncontrolling interest members for approximately $2.9 million. At December 31, 2015, Hillsborough was dissolved and its remaining cash was transferred to FCMT. The following is a summary of financial information related to Hillsborough's discontinued operations:

	2015	2014
Assets:		
Cash	$ -	$ 358,701
Land and other assets	-	4,660,268
Assets from discontinued operations	$ -	$5,018,969
Revenue:		
Gain on sale of land and other assets	$ 1,669,572	$ -
Miscellaneous income	34	34
	1,669,606	34

NOTE 2 - DISCONTINUED OPERATIONS (CONTINUED)

	2015	2014
Costs and Expenses:		
Management fees to affiliates	$ 125,000	$ 90,033
Professional fees	34,374	50,861
General and administrative	36,449	48,877
	195,823	189,771
Income (loss) from discontinued operations	$ 1,473,783	$ (189,737)
Cash Flows:		
Income (loss) from discontinued operations	$ 1,473,783	$ (189,737)
Gain on sale of land and other assets	(1,669,572)	-
Change in other receivables	-	5,308
Net cash used in operating activities from discontinued operations	$ (195,789)	$ (184,429)
Proceeds from sale of land and other assets	$ 6,464,796	$ -
Purchase of land and other assets	(134,956)	(297,293)
Proceeds from affiliate	-	200,250
Net cash provided by (used in) investing activities from discontinued operations	$ 6,329,840	$ (97,043)
Distributions paid	$(2,885,489)	$ -
Net cash used in financing activities from discontinued operations	$(2,885,489)	$ -

NOTE 3 - MARKETABLE SECURITIES

At December 31, 2015, marketable securities consist of the following:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Real estate investment trusts	$461,287	$ -	$43,987	$417,300
Mutual funds	99,546	10,434	-	109,980
Exchange traded funds	88,906	6,770	-	95,676
Preferred stock	124,792	4,608	-	129,400
	$774,531	$21,812	$43,987	$752,356

Investment income is included in dividend and interest income - marketable securities on the consolidated statements of operations and consists of interest and dividends.

NOTE 4 - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

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

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

Real estate investment trusts and preferred stock: Valued at the closing market price on a national exchange.

Mutual funds and exchange traded funds: Valued at net asset value (NAV) of shares held at year-end. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

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

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate, 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 methodologies used for valuing investments are not an indication of the risk associated with those investments.

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables sets forth by level, within the fair value hierarchy, the Trust's investments in marketable securities at fair value on a recurring basis as of December 31, 2015 (The Trust had no investments in marketable securities at December 31, 2014.):

Description	Level 1	Level 2	Level 3	Total
Real estate investment trusts ("REIT")	$417,300			$417,300
Mutual funds - REIT	109,980			109,980
Exchange traded funds - REIT	95,676			95,676
Preferred stock - REIT	129,400			129,400
Total marketable securities	$752,356			$752,356

NOTE 5 - INVESTMENT IN AFFILIATE

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, 2015 and 2014, 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, 2015 and 2014. The investment in Holly is recorded using the cost method.

At December 31, 2015 and 2014, the investment was not evaluated for impairment because (a) the Trust did not estimate the fair value of this investment in accordance with FASB 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 6 - NOTE PAYABLE

The Trust had a $500,000 note agreement with First National Bank & Trust Co. (the "bank"), collateralized by substantially all assets of the Trust. Principal was 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. During 2015, the Trust fully paid off the note with the bank. At December 31, 2014, the amount outstanding under the note payable was $28,391.

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, 2015 and 2014. Management believes that all other requirements of a qualified real estate investment trust have been met.

NOTE 7 - FEDERAL INCOME TAXES (CONTINUED)

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

	2015	2014
Ordinary income	0%	0%
Return of capital	100	100
	100%	100%

As of December 31, 2015, the Trust has a federal net operating loss carryforward of approximately $363,000 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 $123,321 and $173,017 at December 31, 2015 and 2014, respectively. The valuation allowance decreased approximately $50,000 in 2015.

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 2015 or 2014. The Trust is subject to income tax examinations by federal and state tax authorities for years beginning in 2012 and after.

NOTE 8 - HILLSBOROUGH OPTIONS

FCMT, managing member of Hillsborough, 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. At December 31, 2014, there were 1,200 outstanding option units which give rights to the optionee to purchase Hillsborough units. During 2015 and 2014, there were no option units exercised, forfeited, or expired. Effective December 31, 2015, all option units were cancelled upon dissolution of Hillsborough.

NOTE 9 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

FCA Corp ("FCA") is the Trust's compensated manager and is related to the Trust through common management. Management fees from FCMT to FCA were approximately $92,000 and $97,000 for 2015 and 2014, respectively. Prepaid management fees to FCA were approximately $29,000 at December 31, 2014. There were no prepaid management fees at December 31, 2015. 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. Through October 2014, the management fee for Hillsborough was $8,333 per month. Subsequently, the management fee is $5,000 per month. Additionally, Hillsborough pays 1% of gross sales proceeds of its properties to FCA as a management fee. Management fees from Hillsborough to FCA were approximately $125,000 and $90,000 for 2015 and 2014, respectively, and are included in income (loss) from discontinued operations in the consolidated statements of operations.

NOTE 9 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS (CONTINUED)

At December 31, 2014, the Trust had a mortgage note receivable due from Holly. In 2015, the Trust entered into additional mortgage note agreements with Holly to finance certain outstanding accounts receivable for $49,388 and to advance funds of $24,025. The mortgage notes receivable due from Holly bear interest from 0.23% to 4%, are due at various dates from January 2016 to December 2017, and are included in mortgage notes receivable in the consolidated balance sheets. At December 31, 2015 and 2014, mortgage notes receivable from Holly are $108,057 and $34,644, respectively. Interest income on the notes amounted to $3,016 and $80 for 2015 and 2014, respectively.

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

At December 31, 2015 and 2014, accounts receivable - affiliates, which are included in other receivables in the consolidated balance sheets, consist of:

	2015	2014
Global REIT, L.P. (affiliated through common management)	$20,000	$27,103
Holly	-	61,887
	$20,000	$88,990

NOTE 10 - CONCENTRATION RISKS

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.

Marketable securities are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain securities, it is reasonable possible that changes in the fair value of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

NOTE 11 - SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through February 25, 2016, the date the consolidated financial statements were available to be issued.

FIRST COMMONWEALTH MORTGAGE TRUST

TRANSFER AGENT

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