Holly Mortgage Trust

2012 Annual Report

TO OUR SHAREHOLDERS:

The financial statements of Holly Mortgage Trust ("Holly"), audited by Melton & Melton, L.L.P. for the years ended December 31, 2012 and December 31, 2011, are included at the end of this report. In 2012, revenues were $266,621 and there was a net loss of $15,352, which equates to $0.01 per share.

One reason for Holly's continuing losses is the non-accrual of interest on a major loan related to the bankruptcy of the Heights of Tampa project. As of the date of this report, Holly plans to acquire title to its collateral through a foreclosure under state law.

As mentioned in Holly's 2012 quarterly reports, the improvement in the Midland, Texas office market has benefited Holly through its ownership of the general partnership in the Wilco office building, located in Midland CBD. In 2012, Holly recorded income of $245,667 from this Wilco investment.

LOANS

The following schedule summarizes all of Holly's loans outstanding at December 31, 2012.

Net Principal Amount Outstanding	Maturity	Interest Rate	Property Securing Loan
$32,000	Demand	8%	Office Park in Fishhawk, FL
$55,000	12/31/2013	6%	Unsecured
$139,739	12/31/2014	10%	Office Building in Midland, TX
$342,807*	2010	12%	Real Estate in Tampa, FL

*/ The $342,807 loan in the preceding chart is the Heights of Tampa loan on which $577,193 total impairment losses were taken in 2011 and 2010 from a gross balance of $920,000 after participations..

INVESTMENTS

During 2012, Holly increased its equity stake in North Hills Village, a 152-unit apartment complex in El Paso, Texas, from $500,000 to $750,000. This acquisition increased Holly's ownership stake in the partnership that owns this property from 22.5% to 33.7%. Construction was completed in 2012, and occupancy is 86.8%.

Holly also owns a $41,414 interest in DMJ Note Syndication 2004, a mortgage pool operated by an unrelated entity. We expect this entity to wind up its affairs and make final distributions in 2013.

Holly owns a $74,438 interest in Global REIT, LP, an entity set up to acquire interests in real estate throughout the world through investments in regional real estate entities. Holly is intending to increase its ownership stake in Global REIT, LP.

WEBSITE

Holly's website, www.hollymortgage.com contains additional information about the trust. Earlier shareholder reports are posted on the website.

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

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

Robert W. Scharar President	Robert A. Burns Treasurer

April 15, 2013

HOLLY MORTGAGE TRUST

FINANCIAL STATEMENTS

FOR THE

YEARS ENDED DECEMBER 31, 2012 AND 2011

AND

INDEPENDENT AUDITOR'S REPORT

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

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HOLLY MORTGAGE TRUST

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trust Managers of
Holly Mortgage Trust

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the 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 financial statements.

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

Basis for Qualified Opinion

As more fully discussed in Note 2 to the financial statements, the Trust has reported its investment in A. R. Goldrick Company, Inc., its wholly owned subsidiary, under the cost method of accounting. In our opinion, accounting principles generally accepted in the United States of America require that a majority-owned subsidiary be accounted for as a consolidated subsidiary. The effects of this departure from accounting principles generally accepted in the United States of America cannot be reasonably estimated.

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

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Holly Mortgage Trust as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Malk & Malk, L.L.P.

Houston, Texas
April 11, 2013

HOLLY MORTGAGE TRUST
BALANCE SHEETS
December 31, 2012 and 2011

	2012	2011
ASSETS		
Mortgage Notes Receivable:		
Mortgage notes receivable, net of participations payable of $3,080,000 at December 31, 2012 and 2011	$ 1,007,000	$ 1,010,280
Allowance for losses	(577,193)	(577,193)
	429,807	433,087
Cash and cash equivalents	124,989	337,567
Accrued interest receivable, net of participations interest payable of $562,542 at December 31, 2012 and 2011 and allowance for losses of $985,868 and $914,483 at December 31, 2012 and 2011, respectively	26,279	20,416
Other receivables	6,322	26,298
Advance to affiliate	-	28,000
Note receivable - affiliate	139,739	163,739
Investments	865,852	615,852
Prepaid expenses	14,343	14,000
	$ 1,607,331	**$ 1,638,959**
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Liabilities:		
Accounts payable and accrued expenses	$ 47,482	$ 63,758
Note payable	50,000	50,000
Preferential cumulative mandatorily redeemable shares of beneficial interest	1,675,000	1,675,000
	1,772,482	1,788,758
Shareholders' Deficit:		
Shares of beneficial interest, no par value, 20,000,000 shares authorized, 1,604,232 shares issued and outstanding	1,536,119	1,536,119
Accumulated deficit	(1,701,270)	(1,685,918)
	(165,151)	(149,799)
	$ 1,607,331	**$ 1,638,959**

(See Notes to Financial Statements)

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

	2012	2011
Revenue:		
Interest income	$ 20,954	$ 42,977
Other income	245,667	129,764
	266,621	172,741
Costs and Expenses:		
Management fees to affiliates	45,500	44,000
Professional fees	41,839	41,106
Interest expense	144,633	151,800
Impairment loss on mortgage notes receivable and accrued interest	-	18,784
Loss on investment	-	79,459
Foreclosure expense	-	11,932
General and administrative	50,001	50,923
	281,973	398,004
Net loss	**$ (15,352)**	**$ (225,263)**
Weighted average shares outstanding	**1,604,232**	**1,604,232**
Net loss per share, basic and diluted	**$ (0.01)**	**$ (0.14)**

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2012 and 2011

	Shares of Beneficial Interest		Accumulated	Shareholders'
	Number	Amount	Deficit	Equity (Deficit)
Balance, December 31, 2010	1,604,232	$ 1,536,119	$ (1,460,655)	$ 75,464
Net loss	-	-	(225,263)	(225,263)
Balance, December 31, 2011	1,604,232	1,536,119	(1,685,918)	(149,799)
Net loss	-	-	(15,352)	(15,352)
Balance, December 31, 2012	**1,604,232**	**$ 1,536,119**	**$ (1,701,270)**	**$ (165,151)**

(See Notes to Financial Statements)

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

	2012	2011
Cash Flows from Operating Activities:		
Net loss	$ (15,352)	$ (225,263)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment loss on mortgage notes receivable and accrued interest receivable	-	18,784
Loss on investment	-	79,459
Changes in operating assets and liabilities:		
Accrued interest receivable, net of participations interest payable	(5,863)	(1,339)
Other receivable	19,976	(25,298)
Prepaid expenses	(343)	(14,000)
Accounts payable and accrued expenses	(16,276)	37,302
Total adjustments	(2,506)	94,908
Net cash used in operating activities	(17,858)	(130,355)
Cash Flows from Investing Activities:		
Proceeds from note receivable	-	95,000
Principal collected on mortgage notes receivable, net of participations payable	3,280	147,623
Advance to affiliate	-	(28,000)
Collections on advance to affiliate	28,000	-
Collections on note receivable - affiliate	24,000	89,050
Purchase of investments	(250,000)	-
Return of investments	-	99,841
Net cash provided by (used in) investing activities	(194,720)	403,514
Cash Flows from Financing Activities:		
Purchase of preferential shares	-	(75,000)
Proceeds from issuance of preferential shares	-	25,000
Net cash used in financing activities	-	(50,000)
Net increase (decrease) in cash and cash equivalents	(212,578)	223,159
Cash and Cash Equivalents, beginning of year	337,567	114,408
Cash and Cash Equivalents, end of year	**$ 124,989**	**$ 337,567**

(See Notes to Financial Statements)

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

	2012	**2011**
Supplemental Information:		
Cash paid for interest	**$ 144,633**	**$ 151,800**

(See Notes to Financial Statements)

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Holly Mortgage Trust (the "Trust") is organized as a Texas real estate investment trust. The Trust has a termination date of December 31, 2030. The Trust is engaged primarily in the business of investing in second mortgages, equity participation mortgages, and multi-family residential properties. Effective June 1, 2011, FCA Corp ("FCA") is the Trust's compensated manager. FCA is related to the Trust through common management. Prior to June 1, 2011, First Commonwealth Holdings Corporation ("FCHC"), whose principal shareholder is a trust manager and shareholder of the Trust, was the Trust's compensated manager.

Cash and Cash Equivalents

The Trust considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Trust maintains cash balances in a bank, which at times, exceed federally insured limits. The Trust monitors the financial condition of the bank and has experienced no losses associated with this account.

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 receivable are principally collateralized by second mortgage loans on commercial or residential property and are due at various dates, with all notes due on demand. Mortgage notes receivable bear interest at rates ranging from 6% to 12%.

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 based upon the present value of expected future cash flows discounted at the mortgage note's effective interest rate or collateral fair value, if the mortgage note is collateral dependent. If the measure of the impaired mortgage note is less than the recorded investment in the mortgage note, an impairment loss is included in the allowance for losses.

At December 31, 2012, the allowance for losses on mortgage notes receivable and accrued interest receivable was $577,193 and $985,868, respectively. At December 31, 2011, the allowance for losses on mortgage notes receivable and accrued interest receivable was $577,193 and $914,483, respectively. Impairment loss for 2011 was $18,784. There was no impairment loss for 2012.

At December 31, 2012 and 2011, mortgage notes receivable consist of a mortgage note for $4,000,000, net of mortgage participations payable of $3,080,000, which is past due ninety days or more, placed on nonaccrual status, and considered impaired. Management believes the remaining value of the impaired mortgage note receivable, net of participations payable, represents the fair value of the mortgage note receivable collateral at December 31, 2012 and 2011. There was no change on the status of these mortgage notes receivable in 2012.

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

	2012	2011
Balance, beginning of year	$577,193	$558,409
Provision for losses	-	18,784
Balance, end of year	$577,193	$577,193

The change in the accrued interest receivable allowance for losses during the years ended December 31, 2012 and 2011 is summarized as follows:

	2012	2011
Balance, beginning of year	$914,483	$848,266
Provision for losses	71,385	66,217
Balance, end of year	$985,868	$914,483

There were no commitments to lend additional funds at December 31, 2012 and 2011.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Loss per Share

Net loss per share is calculated by dividing net loss by the weighted average number of shares of beneficial interest outstanding during the year. The Trust has no items that give rise to anti-dilutive shares. Accordingly, basic and dilutive shares presented are the same.

Concentrations of Credit Risk

The Trust's primary business activity is investing in loans collateralized by mortgages on real estate. These loans are principally collateralized by real estate in Texas and Florida.

At December 31, 2012 and 2011, one mortgage note receivable represented approximately 98% of total mortgage notes receivable and related participations payable represented 100% of total participations payable. Interest related on two other notes was approximately 88% and 72% of total interest income for 2012 and 2011, respectively.

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 1iabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Reclassifications

Certain reclassifications have been made to the 2011 financial statement information to conform to the current year presentation. These reclassifications had no effect on the net loss for 2011.

NOTE 2 - INVESTMENTS

Investments, recorded at cost, consist of the following at December 31, 2012 and 2011:

	2012	2011
A. R. Goldrick Company, Inc.	$ -	$ -
Global REIT, L.P.	74,438	74,438
DMJ Note Syndication 2004	41,414	41,414
Northeast Equity Partners, LP	750,000	500,000
	$865,852	$615,852

NOTE 2 - INVESTMENTS (CONTINUED)

The Trust owns 100% of the common stock of A. R. Goldrick Company, Inc. (a C corporation) (A. R. Goldrick). A. R. Goldrick is the general partner of Wilco Building Partners, Ltd., a limited partnership that owns and operates an office building in Midland, Texas. The financial statements of A. R. Goldrick have not been consolidated with those of the Trust. The investment in A. R. Goldrick is accounted for using the cost method of accounting. In 2011, the Trust received a return of capital of $24,841 from A. R. Goldrick. As of December 31, 2011, all capital has been returned to the Trust. In 2012, the Trust received $245,667 from A. R. Goldrick that was recorded as other income in the statements of operations.

The Trust owns 70 partnership units of Global REIT, L.P. The Trust accounts for this investment using the cost method of accounting.

The Trust owns a 15.63% partnership interest in DMJ Note Syndication 2004. The Trust accounts for this investment using the cost method of accounting. The Trust received a return of capital of $75,000 in 2011. There was no return of capital received in 2012.

The Trust owned a 5% equity interest in NPI - Columbus Court, LLC and accounted for this investment using the cost method of accounting. In 2011, the equity interest was foreclosed on as collateral on a loan. The Trust recognized a loss on investment of $79,459 in 2011.

The Trust owns a 31.91% and 21.28% partnership interest in Northeast Equity Partners, LP at December 31, 2012 and 2011, respectively. The Trust accounts for this investment using the cost method of accounting. In 2012, the Trust purchased a $250,000 partnership interest in Northeast Equity Partners, LP from Nashville Properties, Inc., a related party.

Investments with an aggregate cost of $865,852 and $615,852 at December 31, 2012 and 2011, respectively, were not evaluated for impairment because (a) the Trust did not estimate the fair value of those investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825, *Financial Instruments*, and (b) the Trust did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Various inputs are used in determining the fair value of certain assets and liabilities. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

measurement. The three levels of the fair value hierarchy, including the types of Trust assets or liabilities that fall under each category and the valuation methodologies used to measure fair value, are described below:

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

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

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

Impaired Mortgage Notes Receivable, net of Participations Payable: The fair value of impaired mortgage notes receivable is based on the estimated fair value of the underlying collateral. The value of the underlying collateral is determined by the property's county assessed values adjusted for surrounding land features and outstanding real estate taxes.

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

The following table sets forth by level, within the fair value hierarchy, the Trust's assets and liabilities at fair value measured on a nonrecurring basis as of December 31, 2011 (there were no fair value measurements at December 31, 2012):

	2011			
Description	Level 1	Level 2	Level 3	Total
Impaired mortgage notes receivable, net of participations payable			$342,807	$342,807

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

NOTE 4 - NOTE PAYABLE

Note payable consists of an unsecured note payable to an individual. Through March 2012, the interest rate is 8%. Upon renewal of the note in March 2012, the interest rate decreased to 6%. Interest is due quarterly, and principal is due on demand or in January 2014. At December 31, 2012 and 2011, the outstanding balance on the note payable is $50,000.

NOTE 5 - FEDERAL INCOME TAXES

The Trust operates in such a manner to qualify as a "real estate investment trust" under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. Under those sections, the Trust will not be taxed on that portion of its qualifying income distributed to shareholders so long as at least 90% of the Trust's otherwise taxable income is distributed to shareholders each year and other requirements of a qualified real estate investment trust are met. The Trust satisfied the income distribution requirements for the years ending December 31, 2012 and 2011. Management believes that all other requirements of a qualified real estate investment trust have been met. For tax purposes, interest on the mandatorily redeemable shares of beneficial interest is treated as dividends.

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

	2012	2011
Ordinary income	0%	0%
Return of capital	100	100
	100%	100%

As of December 31, 2012, the Trust had a federal net operating loss carryforward of $1,265,727 that can be deducted against future taxable income. The carryforward amount expires in 2023 - 2031. 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 $430,347.

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

NOTE 6 - PREFERENTIAL SHARES OF BENEFICIAL INTEREST

Except for the rights and preferences in payment of dividends and in liquidations, the Preferential Shares of Beneficial Interest ("Preferential Shares") have the same voting and other rights as the Shares of Beneficial Interest ("Common Shares"). The Preferential Shares issued in 2004 are entitled to receive cumulative preferential dividends at the annual rate of nine cents ($0.09) per share before any dividends are paid on the Common Shares. The Preferential Shares issued in 2009 and 2008 are entitled to receive cumulative preferential dividends at the annual rate of eight cents ($0.08) per share before any dividends are paid on the Common Shares.

NOTE 6 - PREFERENTIAL SHARES OF BENEFICIAL INTEREST (CONTINUED)

In the event of liquidation of the Trust, the assets available for distribution will be distributed first to the holders of the Preferential Shares up to one dollar ($1) per share plus any deferred dividends, then second to the holders of Common Shares up to one dollar ($1) per share and then equally on all of the shares of Preferential and Common Shares.

The Preferential Shares issued in 2004 (755,000 shares outstanding at December 31, 2012 and 2011) are subject to redemption at any time after January 1, 2009 upon not less than thirty days' prior written notice, in whole or in part, at the election of the Trust at the redemption price of one dollar ($1) per share plus all unpaid dividends accrued to the redemption date. Any Preferential Shares issued in 2004 that are outstanding on September 30, 2014 will be redeemed on that date.

The Preferential Shares issued in 2009 and 2008 (920,000 shares combined for the two years) are subject to redemption at any time after January 1, 2012 upon not less than thirty days' prior written notice, in whole or in part, at the election of the Trust at the redemption price of one dollar ($1) per share plus all unpaid dividends accrued to the redemption date. Any Preferential Shares issued in 2009 and 2008 that are outstanding on September 30, 2019 will be redeemed on that date.

ASC 480 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. ASC 480 requires an issuer to classify a financial instrument issued in the form of shares that is mandatorily redeemable and embodies an unconditional obligation to redeem it by transferring its assets at a specified or determinable date or upon an event that is certain to occur as liabilities. The Trust has adopted these provisions in its financial statements and has included mandatorily redeemable preferred shares in liabilities in the balance sheets and dividends on the mandatorily redeemable preferred shares as interest expense in the statements of operations.

NOTE 7 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

Management fees paid to FCA and FCHC were approximately $46,000 and $44,000 for the years ended December 31, 2012 and 2011. Prepaid management fees to FCA were $12,500 and $14,000 at December 31, 2012 and 2011, respectively. The management fee is based on the greater of $50,000 or 1.4% of the book value of the assets of the Trust at the end of each prior fiscal year less accounting and certain board member fees.

At December 31, 2011, the Trust had advanced $28,000 to First Commonwealth Mortgage Trust ("FCMT"), a related trust, which is included in advance to affiliate on the balance sheets. The advance was fully collected from FCMT in 2012.

The Trust has an unsecured note receivable from Wilco Building Partners, Ltd. (Note 2). The note bears interest at 10% and is due monthly. Principal is due at maturity in December 2014. At December 31, 2012 and 2011, the outstanding balance on the note receivable is $139,739 and $163,739, respectively. Interest income recognized in 2012 and 2011 is $15,091 and $25,011, respectively.

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

At December 31, 2012 and 2011, the Trust has a 6% mortgage note receivable due from Global REIT, L.P. (Note 2) of $55,000 and $58,280, respectively, which is included in mortgage notes receivable in the balance sheets. Interest income on the note amounted to approximately $3,300 and $3,500 for 2012 and 2011, respectively.

At December 31, 2012 and 2011, the Trust had one outstanding mortgage note receivable with an affiliated business trust for $920,000, net of $3,080,000 participations payable, and is included in mortgage notes receivable, net in the balance sheets. The note receivable incurs interest at 12% and is due on demand. As of January 1, 2010, the note is on nonaccrual status. At December 31, 2012 and 2011, accrued interest on the note amounted to $0, net of participations interest payable of $562,542 for each year.

The Trust had a $95,000 9% promissory note receivable from Ivy Realty Trust, a related trust, which was collected in 2011. Interest income on the note amounted to approximately $6,000 for the year ended December 31, 2011.

NOTE 8 - SUBSEQUENT EVENTS

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

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HOLLY MORTGAGE TRUST

BOARD OF TRUST MANAGERS

George Beatty, Jr.
Mr. Beatty also serves as a trust manager of First Commonwealth Mortgage Trust and is a manager of Africap, LLC.

William C. Brooks
Financial Consultant

Mr. Brooks also serves as a trust manager of First Commonwealth 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 First Commonwealth Mortgage Trust, Ivy Realty Trust and Terrace Hotel Corp.

Kenneth A. McGaw
Mr. McGaw also serves as a trust manager of First Commonwealth Mortgage Trust and Ivy Realty Trust.

Robert W. Scharar
President, Holly Mortgage Trust

Mr. Scharar also serves as a trust manager of First Commonwealth Mortgage Trust and 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

Roberto Delgado
Vice President

William B. LeVay
Secretary

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

TRANSFER AGENT
Wells Fargo Shareowner Services
1110 Centre Pointe Curve, Suite 101, Mendota Heights, MN 55120-4100
Phone: (800) 468-9716 Fax: (651) 450-4033
Web: www.wellsfargo.com/shareownerservices

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Phone Number: (713) 781-2856 Fax Number: (713) 268-6000
Website: www.hollymortgage.com