

HOLLY
MORTGAGE
TRUST

1999 ANNUAL REPORT

To Our Shareholders:

The management of Holly Mortgage Trust ("Holly") is pleased to report that Holly experienced substantial growth in 1999. Shareholders' equity increased by 46.3 percent from \$864,775 at the end of 1998 to \$1,241,884 at December 31, 1999 and total revenues increased by 74.7 percent for those periods from \$128,575 to \$224,564. This growth is important to the implementation of Holly's strategy to maximize the shareholders' return through leveraging.

1999 Results of Operations

Although Holly's larger asset base resulted in increased revenues; this did not translate into higher net income on a per share basis. Interest expense increased and Holly incurred trustees' and advisory fees that were waived for most of 1998. In addition Holly incurred higher professional fees for tax preparation and auditing in connection with Holly's acquisition of the general partnership interest in Wilco Building Partners, Ltd.

As noted in the detailed schedules at the end of this report Holly had unconsolidated net income of \$48,681 in 1999 versus \$30,521 in 1998, a 60% increase. After consolidation with A. R. Goldrick Company, Inc. ("Goldrick"), the General Partner of Wilco Building Partners, Ltd. there was a loss of \$39,235 reflecting amortization of goodwill (\$7,500) and Goldrick's share of the partnership loss (\$80,250). These results were anticipated because of the difficulties in the oil and gas industry in 1999.

The 1999 and 1998 consolidated financial statements audited by Mann Frankfort Stein & Lipp, the largest independent certified public accounting firm in Houston, appear at the end of this report.

The consolidated statements include the accounts of A. R. Goldrick Company, Inc., general partner of Wilco Building Partners, Ltd., the entity that owns the Wilco Building in Midland, Texas. The 1999 audit was delayed until certain accounting and tax issues relating to Goldrick were resolved.

Loan Portfolio at Year End

The mortgage loans held by Holly are described below.

- A \$600,000 participation in a \$1.3 million, 12 percent loan secured by a work/live building in Emoryville, California. Holly also has options exercisable prior to the close of business on December 18, 2000 to purchase shares of stock in Madison Park Real Estate Investment Trust that borrowed the money to convert the building.
- A \$400,000 participation in a 12 percent loan secured by a commercial recreational development in Virginia. The total outstanding loan has been paid down to \$670,400 from \$750,000 and the balance of \$270,400 was participated out to third parties. Holly receives a fee of one-half of one percent for servicing the participations. There is also an option to

purchase shares of stock in the borrowing corporation for a period of three years from the date of full payment of the loan or December 31, 2005, whichever is earlier.

- A \$215,802 participation with a blended yield of 11.6 percent in a \$429,100 loan collateralized by first and second mortgages on residential properties in northern California. The borrower Madison Park Real Estate Investment Trust from whom Holly purchased the loan also guarantees the repayment of the loans. A participation for \$215,000 has been sold on these loans and Holly receives a servicing fee of one half of one percent.
- A \$193,500 loan with a yield of 12 percent collateralized with a first mortgage on a commercial property in Lakeland, Florida.
- A \$1,300 participation in a \$215,000 loan secured by a first mortgage on commercial land in Lakeland, Florida. Five principals of the group that purchased the land also guarantee the loan. As of year-end 1999 there were participations out totaling \$213,700 to three parties. Shortly after year-end Holly reacquired \$100,000 of this loan from one participant. Holly receives a servicing fee of one and three quarters of one percent on these participations.
- A \$100,000 loan to a limited liability company ("LLC") to purchase a limited partnership share in a condominium conversion in Somerville, Massachusetts. This loan is collateralized by the LLC's investment in the partnership and all cash distributed to the LLC and twenty five percent of that distributed to the general partner which shall be paid to the LLC and thus to Holly until it's note is repaid. The stated interest rate is ten percent but based on distributions an additional twenty percent rate could be earned by Holly.
- A \$188,000 loan at an eleven and one half percent interest rate to a partnership that finances builders of residential housing. Assignments of the deeds of trust on the lots being built on and a personal guarantee of the general partner of the partnership collateralize these loans. The properties are located in Houston and Austin, Texas.
- A \$17,300 participation in a Fishhawk loan that yields thirteen percent. Fishhawk is a major real estate development near Tampa, Florida.
- A \$170,225 participation in a note receivable from the Wilco Building Partnership, Ltd. The Wilco Building in Midland, Texas collateralizes this note and the interest rate of 7.54 percent compounds monthly. Eventually it is anticipated this junior debt held by Holly will become a first lien on the Wilco Building.

Wilco Building

At the end of 1998 Holly purchased the general partner interest in the Wilco Building in Midland, Texas. The property is a twenty-two story office building with approximately 200,000 square feet located in the downtown business district. In May 1999 Holly assumed management of the building.

The depressed oil prices and the movement of the major oil companies from the Permian Basin oil patch have adversely affected the Midland economy. Both of these factors have negatively impacted the occupancy rate of the Wilco Building, which at year-end was seventy six percent.

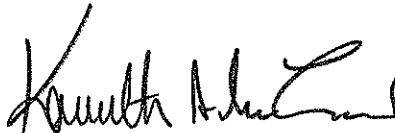
An aggressive leasing program has been instituted to induce companies to move some administrative operations that do not need to be in major cities to Midland, which has a skilled work force and can offer much lower rental rates. There has also been an upswing in the activity of the independents in the oil industry that may lead to increased office requirements.

Capitalization

When Holly began operations in January 1998, it distributed warrants to its shareholders, entitling them to purchase shares of Holly at \$1 per share. Half of the warrants were exercisable in 1998 and half were exercisable through the end of 1999. Exercise of these warrants coupled with three small private placements increased Holly's capitalization to \$1.281 million at December 31, 1999.



Robert W. Scharar
Chairman of the Board



Kenneth A. McGaw
President & Chief
Executive Officer



Eric W. Porter
Vice President &
Chief Operating Officer

**HOLLY MORTGAGE TRUST
AND WHOLLY-OWNED SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND 1998

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

CONTENTS

Independent Auditors' Report.....	2
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Shareholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-10
<u>Supplementary Information</u>	
Schedule I - Consolidating Balance Sheets	11-12
Schedule II - Consolidating Statements of Operations.....	13-14

**MANN
FRANKFORT
STEIN &
LIPP**

Certified Public Accountants &
Business Advisors
A Professional Corporation

Summit Plaza West
12 Greenway Plaza / 8th Floor
Houston, Texas 77046-1291
(713) 960-1706
(800) 949-1706
FAX: (713) 960-9549
e-mail: mfsi@mfsllcpa.com
www.mfsllcpa.com

Independent Auditors' Report

To the Board of Trustees of
Holly Mortgage Trust and wholly-owned subsidiary
Houston, Texas

We have audited the consolidated balance sheets of Holly Mortgage Trust and wholly-owned subsidiary (the "Trust") as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year ended December 31, 1999 and the period from inception (January 2, 1998) to December 31, 1998. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Holly Mortgage Trust and wholly-owned subsidiary at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for the year ended December 31, 1999 and for the period from inception (January 2, 1998) to December 31, 1998, in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The information in the accompanying Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Mann Frankfort Stein & Lipp, P.C.

Houston, Texas
January 28, 2000

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1999	1998
ASSETS		
Cash and cash equivalents	\$ 171,644	\$ 464,896
Mortgage notes receivable, net of participation of \$1,399,141 and \$700,000 at December 31, 1999 and 1998, respectively	1,884,027	1,569,032
Accrued interest receivable	38,932	113,906
Investment in partnership	-	1
Other receivables	75,561	-
Goodwill, net	67,499	74,999
TOTAL ASSETS	\$ 2,237,663	\$ 2,222,834
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accrued expenses	\$ 32,827	\$ 115,356
Deficit investment in partnership	80,250	-
Notes payable	300,000	600,001
Long-term debt - affiliate	582,702	642,702
TOTAL LIABILITIES	995,779	1,358,059
SHAREHOLDERS' EQUITY		
Shares of beneficial interest, no par value, unlimited shares authorized, 1,349,732 and 834,254 shares issued and outstanding at December 31, 1999 and 1998, respectively	1,281,119	834,254
Retained earnings (deficit)	(39,235)	30,521
TOTAL SHAREHOLDERS' EQUITY	1,241,884	864,775
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,237,663	\$ 2,222,834

See accompanying notes to consolidated financial statements.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 1999	Period from Inception (January 2, 1998) to December 31, 1998
REVENUES		
Interest income	\$ 224,564	\$ 128,575
COSTS AND EXPENSES		
General and administrative	80,793	22,478
Interest expense	102,755	75,576
TOTAL COSTS AND EXPENSES	<u>183,548</u>	<u>98,054</u>
INCOME FROM OPERATIONS	41,016	30,521
EQUITY IN LOSS OF INVESTMENT IN PARTNERSHIP	<u>(80,251)</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ (39,235)</u>	<u>\$ 30,521</u>
NET INCOME (LOSS) PER SHARE, basic and diluted	<u>\$ (.04)</u>	<u>\$.10</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>971,137</u>	<u>317,299</u>

See accompanying notes to consolidated financial statements.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
PERIOD FROM INCEPTION (JANUARY 2, 1998) TO DECEMBER 31, 1999

	Shares of Beneficial Interest		Retained Earnings (Deficit)	Total Shareholders' Equity
	Number	Amount		
Initial issuance of shares	300,000	\$ 300,000	\$ -	\$ 300,000
Issuance of shares through exercised warrants	459,254	459,254	-	459,254
Issuance of shares for acquisition of Goldrick	75,000	75,000	-	75,000
Net income	-	-	30,521	30,521
Balance at December 31, 1998	834,254	834,254	30,521	864,775
Issuance of shares through exercised warrants	404,477	404,477	-	404,477
Issuance of shares for cash	111,001	111,001	-	111,001
Dividends	-	(68,613)	(30,521)	(99,134)
Net loss	-	-	(39,235)	(39,235)
Balance at December 31, 1999	<u>1,349,732</u>	<u>\$ 1,281,119</u>	<u>\$ (39,235)</u>	<u>\$ 1,241,884</u>

See accompanying notes to consolidated financial statements.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 1999	Period from Inception (January 2, 1998) to December 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (39,235)	\$ 30,521
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization	7,500	-
Equity in loss on investment in partnership	80,251	-
Change in operating assets and liabilities, net of effects of acquisition:		
Accrued interest receivable	74,974	(79,310)
Other receivables	(75,561)	-
Accrued expenses	(82,529)	14,234
	<u>4,635</u>	<u>(65,076)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(34,600)</u>	<u>(34,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage notes originated	(1,638,100)	(1,902,702)
Mortgage note participations sold	728,720	700,000
Principal collected on mortgage notes receivable, net of participation	594,385	155,670
Effect of acquisition of Goldrick	-	101,122
NET CASH USED IN INVESTING ACTIVITIES	<u>(314,995)</u>	<u>(945,910)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt - affiliate	-	602,702
Payments on long-term debt - affiliate	(60,000)	(260,000)
Proceeds from (payments on) notes payable	(300,001)	600,001
Proceeds from issuance of shares	515,478	502,658
Dividends	(99,134)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>56,343</u>	<u>1,445,361</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(293,252)</u>	<u>464,896</u>
CASH AND CASH EQUIVALENTS, beginning of period	<u>464,896</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 171,644</u>	<u>\$ 464,896</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 104,018</u>	<u>\$ 75,576</u>
NONCASH ACTIVITY		
Contribution of mortgage note receivable for \$522,000 and accrued interest of \$34,596 less debt of \$300,000 for issuance of shares	<u>\$ -</u>	<u>\$ 256,596</u>
Purchase of subsidiary through the issuance of shares	<u>\$ -</u>	<u>\$ 75,000</u>

See accompanying notes to consolidated financial statements.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Holly Mortgage Trust ("Holly") and A. R. Goldrick Company, Inc. ("Goldrick"), its wholly-owned subsidiary (collectively referred to as the "Trust"). All significant accounts and transactions have been eliminated upon consolidation. Holly was organized as a Massachusetts business trust on January 2, 1998 and Goldrick was acquired through a stock purchase (see Note B). The Trust is engaged primarily in the business of investing in second mortgages and equity participation mortgages. FCA Corporation ("FCA"), whose principal stockholder is a trustee and a shareholder of the Trust, is the Trust's compensated manager and advisor.

Cash Equivalents: For purposes of the Statements of Cash Flows, the Trust considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Mortgage Notes Receivable: Mortgage notes receivable are carried at unpaid principal balance since generally it is management's intention to hold mortgage notes to maturity. Commitment and origination fees collected from prospective borrowers are deferred and recognized as income using a method approximating the interest method over the life of those loans.

A loan is considered impaired when it is probable that the scheduled principal or interest will not be collected when due. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or collateral fair value, if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, an impairment loss is recognized through a valuation allowance and a corresponding charge to operations.

Allowance for Losses: The allowance for losses is based on management's estimate of the amount required to maintain an allowance adequate to reflect the risks inherent in the loan portfolio after giving consideration to existing economic conditions, loss experience in relation to outstanding loans, changes in the loan portfolio, borrowers' performance in reducing loan principal, adequacy of loan collateral, and other relevant factors.

Interest Income: Interest income on loans is accrued based upon the principal amount outstanding. If a loan is placed on nonaccrual status, interest previously recognized but uncollected is reversed and charged against current income. Subsequent interest collected on such a loan is credited to principal if, in the opinion of management, collectibility of principal is doubtful; otherwise, the interest collected is recognized as revenue.

Concentration of Credit Risk: The Trust's primary business activity is investing in loans collateralized by mortgages on real estate projects. These loans are principally collateralized by real estate in Florida and California.

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

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. Earnings per share, both basic and diluted, are the same.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Management Estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassifications: Certain items in the 1998 consolidated financial statements have been reclassified to conform with the 1999 presentation.

NOTE B - BUSINESS COMBINATION

On December 31, 1998, Holly acquired 100% of the outstanding stock of Goldrick, in which Holly issued 75,000 shares of beneficial interest in exchange for 1,000 shares of Goldrick's common stock. The acquisition has been accounted for as a purchase transaction and, accordingly, the fair value of the consideration was allocated to Goldrick's assets and liabilities based on the estimated fair values as of the acquisition date. The excess value over the fair value of the net assets acquired was \$74,999 and has been recorded as goodwill to be amortized on the straight-line basis over 10 years. Amortization expense for 1999 was \$7,500.

NOTE C - MORTGAGE NOTES RECEIVABLE AND COMMITMENTS

Notes receivable from funding mortgage loans are principally collateralized by second mortgage loans on commercial or residential property and are due at various dates, with the latest maturity due in 2003. Notes receivable bear interest at rates ranging from 9.5% to 14%.

NOTE D - INVESTMENT IN PARTNERSHIP

As discussed in Note B, on December 31, 1998, Holly acquired 100% of the outstanding stock of Goldrick. Goldrick is the general partner in Wilco Building Partners, Ltd. Goldrick has a 4.44% interest in the partnership. As the general partner, Goldrick is required to account for the investment using the equity method of accounting, including recording a negative investment. At December 31, 1999, the Trust had a deficit investment in this partnership.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 1999 AND 1998

NOTE E - NOTES PAYABLE

Notes payable consisted of the following:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Note payable to a bank under a \$500,000 line of credit, secured by assets, bearing interest at a variable rate, interest payments due monthly, principal and any accrued interest due March 2000.	\$ 300,000	\$ 500,001
Note payable to a bank under a \$100,000 line of credit, secured by assets, bearing interest at a variable rate, interest payments due monthly. Note was repaid in 1999.	-	100,000
	<u>\$ 300,000</u>	<u>\$ 600,001</u>

NOTE F - LONG-TERM DEBT - AFFILIATES

Long-term debt-affiliates consisted of the following:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Note payable to an affiliate, secured by assets, bearing interest at 9.8%, interest payments due quarterly, principal and any accrued interest due December 2001.	\$ 402,702	\$ 402,702
Note payable to an affiliate, secured by assets, bearing interest at 11%, principal and accrued interest due in five annual payments maturing December 2002.	180,000	240,000
	<u>\$ 582,702</u>	<u>\$ 642,702</u>

Interest expense paid to affiliates totaled approximately \$65,059 and \$57,089 for the periods ended December 31, 1999 and 1998, respectively.

The following are future maturities of long-term debt-affiliates:

Year Ended December 31,

2000	\$ 60,000
2001	462,702
2002	60,000
	<u>\$ 582,702</u>

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

NOTE G - 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 95% 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 requirement for the periods ended December 31, 1999 and 1998. Management believes that all other requirements of a qualified real estate investment trust have been met.

NOTE H - ADVISORY AGREEMENT AND RELATED PARTY TRANSACTIONS

The Trust is managed and advised by FCA, whose principal shareholder is a trustee and shareholder of the Trust. An advisory fee is incurred based on approximately 1% of the book value of the assets of the Trust at the end of each fiscal year. The advisory fee for the year ended December 31, 1999 was approximately \$21,000. The advisory fee was waived for the period ended December 31, 1998.

NOTE I - WARRANTS

On January 2, 1998, the Trust issued 2,418,690 warrants to its non-controlling shareholders, of which 50% were to expire during 1998 and the remaining half were due to expire during 1999. The warrants were granted to non-controlling shareholders on the basis of 5 warrants for each share owned by the non-controlling shareholder, with each noncontrolling shareholder entitled to purchase one share of beneficial interest at \$1 per share. Of the warrants originally scheduled to expire during 1998, 389,853 warrants were exercised. Of the remaining warrants, 36,000 were extended and exercised during 1999, and the remaining 783,492 expired at the end of 1998. Of the warrants scheduled to expire during 1999, 69,401 were exercised during 1998, 368,477 were exercised during 1999, and the remaining 771,467 expired at the end of 1999.

NOTE J - MAJOR LOANS

During the year ended December 31, 1999, the Trust derived approximately 68% of its interest income from three mortgage notes. These notes comprised approximately 64% of the mortgage notes receivable, net of participation at December 31, 1999.

During the period ended December 31, 1998, the Trust derived approximately 95% of its interest income from two mortgage notes. These notes comprised approximately 62% of the mortgage notes receivable, net of participation at December 31, 1998.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
SCHEDULE I - CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 1999

	Holly Mortgage Trust	A. R. Goldrick Company, Inc.	Elimination Entries	Consolidated Total
ASSETS				
Cash	\$ 165,686	\$ 5,958	\$ -	\$ 171,644
Mortgage notes receivable, net of participation	1,884,027	-	-	1,884,027
Accrued interest receivable	38,932	-	-	38,932
Investment in partnership	75,000	-	(75,000)	-
Other assets	75,561	-	-	75,561
Goodwill, net	-	67,499	-	67,499
TOTAL ASSETS	<u>\$ 2,239,206</u>	<u>\$ 73,457</u>	<u>\$ (75,000)</u>	<u>\$ 2,237,663</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued expenses	\$ 26,704	\$ 6,123	\$ -	\$ 32,827
Deficit investment in partnership	-	80,250	-	80,250
Notes payable	300,000	-	-	300,000
Long-term debt - affiliate	582,702	-	-	582,702
TOTAL LIABILITIES	<u>909,406</u>	<u>86,373</u>	<u>-</u>	<u>995,779</u>
SHAREHOLDERS' EQUITY				
Shares of beneficial interest	1,281,119	75,000	(75,000)	1,281,119
Retained earnings (deficit)	48,681	(87,916)	-	(39,235)
TOTAL SHAREHOLDERS' EQUITY	<u>1,329,800</u>	<u>(12,916)</u>	<u>(75,000)</u>	<u>1,241,884</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 2,239,206</u>	<u>\$ 73,457</u>	<u>\$ (75,000)</u>	<u>\$ 2,237,663</u>

See Independent Auditors' Report.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
SCHEDULE I - CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 1998

	Holly Mortgage Trust	A. R. Goldrick Company, Inc.	Elimination Entries	Consolidated Total
ASSETS				
Cash	\$ 363,774	\$ 101,122	\$ -	\$ 464,896
Mortgage notes receivable, net of participation	1,569,032	-	-	1,569,032
Accrued interest receivable	113,906	-	-	113,906
Investments in partnership	75,000	1	(75,000)	1
Other assets	-	-	-	-
Goodwill, net	-	74,999	-	74,999
TOTAL ASSETS	<u>\$ 2,121,712</u>	<u>\$ 176,122</u>	<u>\$ (75,000)</u>	<u>\$ 2,222,834</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued expenses	\$ 14,234	\$ 101,122	\$ -	\$ 115,356
Notes payable	600,001	-	-	600,001
Long-term debt - affiliate	642,702	-	-	642,702
TOTAL LIABILITIES	<u>1,256,937</u>	<u>101,122</u>	<u>-</u>	<u>1,358,059</u>
SHAREHOLDERS' EQUITY				
Shares of beneficial interest	834,254	75,000	(75,000)	834,254
Retained earnings	30,521	-	-	30,521
TOTAL SHAREHOLDERS' EQUITY	<u>864,775</u>	<u>75,000</u>	<u>(75,000)</u>	<u>864,775</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 2,121,712</u>	<u>\$ 176,122</u>	<u>\$ (75,000)</u>	<u>\$ 2,222,834</u>

See Independent Auditors' Report.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
SCHEDULE II - CONSOLIDATING STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 1999

	Holly Mortgage Trust	A. R. Goldrick Company, Inc.	Elimination Entries	Consolidated Total
REVENUES				
Interest income	\$ 223,389	\$ 1,175	\$ -	\$ 224,564
COSTS AND EXPENSES				
General and administrative	71,953	8,840	-	80,793
Interest expense	102,755	-	-	102,755
TOTAL COSTS AND EXPENSES	<u>174,708</u>	<u>8,840</u>	<u>-</u>	<u>183,548</u>
INCOME (LOSS) FROM OPERATIONS	48,681	(7,665)	-	41,016
EQUITY IN LOSS ON INVESTMENT IN PARTNERSHIP	<u>-</u>	<u>(80,251)</u>	<u>-</u>	<u>(80,251)</u>
NET INCOME (LOSS)	<u>\$ 48,681</u>	<u>\$ (87,916)</u>	<u>\$ -</u>	<u>\$ (39,235)</u>

See Independent Auditors' Report.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
 SCHEDULE II - CONSOLIDATING STATEMENTS OF OPERATIONS
 PERIOD FROM INCEPTION (JANUARY 2, 1998) TO DECEMBER 31, 1998

	Holly Mortgage Trust	A. R. Goldrick Company, Inc.	Elimination Entries	Consolidated Total
REVENUES				
Interest income	\$ 128,575	\$ -	\$ -	\$ 128,575
COSTS AND EXPENSES				
General and administrative	22,478	-	-	22,478
Interest expense	75,576	-	-	75,576
TOTAL COSTS AND EXPENSES	<u>98,054</u>	<u>-</u>	<u>-</u>	<u>98,054</u>
NET INCOME	<u>\$ 30,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,521</u>

See Independent Auditors' Report.

TRUSTEES

George Beatty, Jr.
President, Chamber of Commerce Division
Greater Houston Partnership

William C. Brooks
Financial Consultant

Josef C. Hermans
Hotel Consultant

Robert W. Scharar
President, FCA Corp.

EXECUTIVE OFFICERS

Robert W. Scharar
Chairman

Kenneth A. McGaw
President and
Chief Executive Officer

Eric W. Porter
Vice President and
Chief Operating Officer

Robert P. Messer, Jr.
Vice President and
Treasurer

Kate H. Yan
Secretary

HOLLY MORTGAGE TRUST
5847 SAN FELIPE, SUITE 850
HOUSTON, TEXAS 77057-3008
(713) 781-2856
(713) 268-6000 (FAX)