Holly Mortgage Trust

2000 & 2001 ANNUAL REPORT

TO OUR SHAREHOLDERS:

This report covers the years ending December 31, 2000 and 2001. The financial statements appearing at the end of this report need to be reviewed in the context of what is now being done to evaluate our current business and prospects.

Last year there were issues regarding the recoverability by Holly Mortgage Trust ("Holly") of its investments in and loans to Wilco Building Partners, Ltd. ("Wilco"). Wilco owns a 22 story office building in Midland, Texas which was adversely affected by a downturn in the oil industry in the Permian Basin. Wilco has now made a cash call on its partners and their favorable responses has permitted Wilco to repay some of its indebtedness to Holly and also make some needed capital improvements. The higher rate of occupancy in the Wilco Building and rental rate increases that recently have been effected should permit Holly to recover the balance of its investments in Wilco.

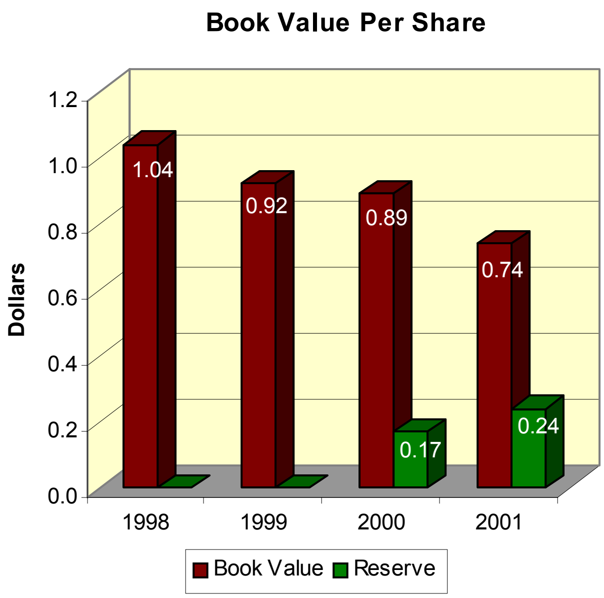
When Holly became involved in the Wilco Building several years ago management knew it was a turnaround situation. Despite the fact the Wilco Building is one of the better office structures in downtown Midland, rental income was declining because of a glut of office space caused by a combination of consolidation in the oil industry and exploration shifted to the offshore and overseas production. Several other downtown Midland office buildings have now been "moth-balled" and this competitive space is now off the market, possibly on a permanent basis.

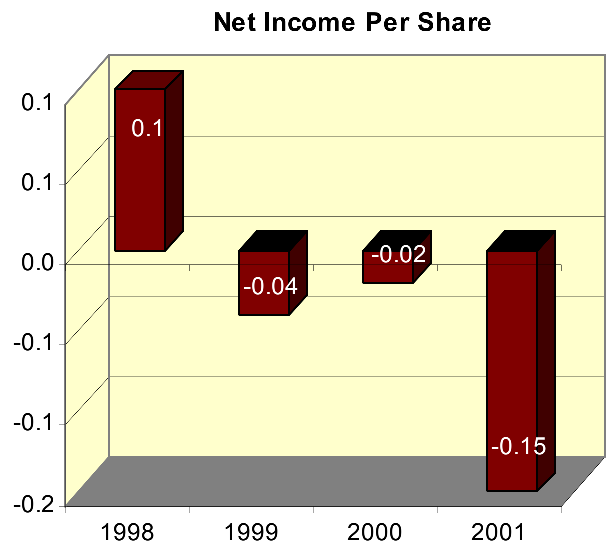
Effective January 1, 2002 Holly, through ownership of A.R. Goldrick, the general partner of Wilco, retained a large, experienced property management firm to take over the day-to-day operations of the building. This has already significantly improved operations. Many tenants who were on a month-to-month basis, have now signed longer term leases at higher rates while other month-to-month tenants moved to other buildings rather than sign a lease. This caused the occupancy rate to dip in the first quarter. The strong marketing efforts have recaptured the current-year lost occupancy. Occupancy has also increased from 66% at the end of 2000 to 70% through August, 2002. The new management has also been able to affect cost reduction in several key areas without diminishing building maintenance or tenant services. Cost savings for the first 7 months of 2002 are estimated to exceed $40,000.

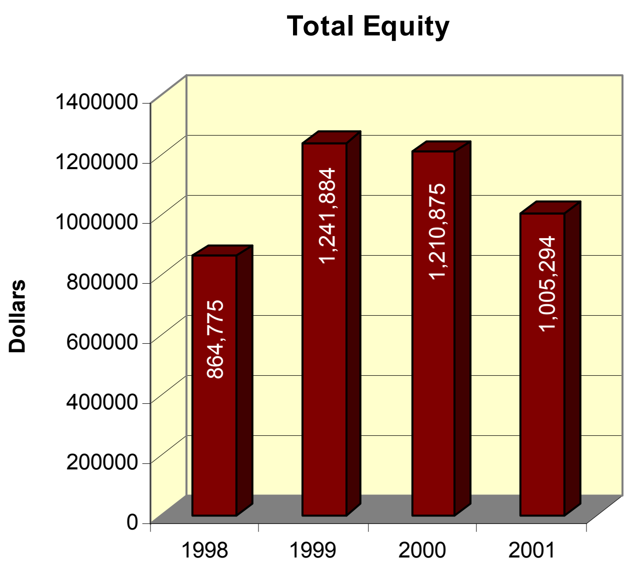
Once the Wilco Building is restored to profitability, increases in average rents per square foot and increases in the percentage of occupancy will go right to the bottom line.

Holly's other mortgage lending activities have generally performed well. During the last two calendar years Holly generated loans totaling $3,800,000.00 having an average interest rate of 12 percent per annum (12% p.a.). A significant portion of these loans were funded by others with Holly retaining a servicing fee 0.5% p.a. At this juncture Holly's relatively small capitalization requires that most loans be funded through loan participations or by borrowing under Holly's line of credit. In the latter case, the differential between the yield on the loan and the cost of the borrowed money does generate a small profit.

A four-year summary (inception to current year) of selected financial data and a description of all loans that were in existence during 2001 appear on the following pages. The audited 2001 financial statements prepared by Mann, Frankfort, Stein & Lipp CPAs, LLP appear at the end of this report.


Book Value Per Share
Dollars
1.2
1.0
0.8
0.6
0.4
0.2
0.0
1.04
0.92
0.89
0.74
0.17
0.24
1998
1999
2000
2001
Book Value
Reserve


Net Income Per Share
0.1
0.1
0.0
-0.1
-0.1
-0.2
0.1
-0.04
-0.02
-0.15
1998
1999
2000
2001


Total Equity
Dollars
1400000
1200000
1000000
800000
600000
400000
200000
0
864,775
1,241,884
1,210,875
1,005,294
1998
1999
2000
2001

LOANS

The following tabulation summarizes all of the mortgage loans outstanding at December 31, 2001 either wholly or partially funded by HMT. Loans funded entirely by others but being serviced by HMT on a fee basis are not included.

Original Principal Amount (1)	Maturity	Interest Provisions (2)	Property Securing Loan
$425,000	2002	12%	1st Lien on Several Properties
$300,000	2003	12%	1st Mortgage on Property in Sacramento, Ca
$600,000	2001	13%	1st Mortgage on Property
$200,000	2004	12%	1st Deed of Trust on Property in Lakeland, FL
$215,000	2004	11 ½%	1st Lien on 2 acre plot outside of Lakeland, FL
$397,250	2008	76% of Variable Prime Rate	A Traunche 2nd Mortgage
$3,000,000	2004	12%	Second Mortgage Property Development in Santa Fe, NM
$200,000	2003	15%	Second Mortgage Townhouse development in Houston, TX

1) Loans originated by Holly Mortgage Trust

2) Percentages, unless otherwise noted, are annual interest rates

Holly's one problem investment relates to Sanctuary, LLC. This is a condominium project outside Boston where the developer doesn't have sufficient capital to complete the project. Holly's investment of $100,000 was fully reserved at the end of 2001.

Your management will continue to monitor the Wilco situation.

Robert W. Scharar
Chairman

Robert P. Messer, Jr.
President

HOLLY MORTGAGE TRUST
AND WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

C O N T E N T S

MANN FRANKFORT STEIN & LIPP
Certified Public Accountants
A Limited Liability Partnership

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Houston, Texas 77046-1289
(713) 561-6500
FAX (713) 968-7128

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, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. 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 auditing standards generally accepted in the United States. 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 consolidated 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, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

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 CPAs, L.L.P.

Houston, Texas
July 29, 2002

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2001	December 31, 2000
ASSETS		
MORTGAGE NOTES RECEIVABLE		
Mortgage notes receivable	$ 4,895,249	$ 6,022,113
Mortgage participation	(3,729,924)	(4,497,800)
Allowance for loan loss	(330,341)	(230,341)
MORTGAGE NOTES RECEIVABLE, net	834,984	1,293,972
Cash and cash equivalents	34,682	338,098
Accrued interest receivable	17,964	49,748
Advances to affiliate	875,064	667,097
Other receivables	3,303	1,338
Goodwill, net of accumulated amortization of $22,500 and $15,000 for 2001 and 2000, respectively	52,499	59,999
TOTAL ASSETS	$ 1,818,496	$ 2,410,252
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accrued expenses	$ 47,142	$ 80,201
Deficit investment in partnership	263,440	168,790
Notes payable	39,918	367,684
Long-term debt - affiliates	462,702	582,702
TOTAL LIABILITIES	813,202	1,199,377
SHAREHOLDERS' EQUITY		
Shares of beneficial interest, no par value, unlimited shares authorized, 1,353,232 and 1,351,232 shares issued and outstanding at December 31, 2001 and 2000, respectively	1,284,619	1,282,619
Accumulated deficit	(279,325)	(71,744)
TOTAL SHAREHOLDERS' EQUITY	1,005,294	1,210,875
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,818,496	$ 2,410,252

See accompany notes to consolidated financial statements.

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

	Year Ended December 31, 2001	Year Ended December 31, 2000
REVENUES		
Interest income	$ 189,494	$ 246,017
Other income	10,000	13,845
TOTAL REVENUES	199,494	259,862
COSTS AND EXPENSES		
General and administrative	83,260	105,094
Bad debt expense	131,000	-
Interest expense	98,165	98,792
TOTAL COSTS AND EXPENSES	312,425	203,886
INCOME (LOSS) FROM OPERATIONS	(112,931)	55,976
EQUITY IN LOSS OF INVESTMENT IN PARTNERSHIP	(94,650)	(88,485)
NET LOSS	$ (207,581)	$ (32,509)
NET LOSS PER SHARE, basic and diluted	$ (.15)	$ (.02)
WEIGHTED AVERAGE SHARES OUTSTANDING	1,350,024	1,350,232

See accompany notes to consolidated financial statements.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2001 AND 2000

	Shares of Beneficial Interest		Retained Earnings	Total Shareholders'
	Number	Amount	(Deficit)	Equity
Balance at January 1, 2000	1,349,732	$ 1,281,119	$ (39,235)	$ 1,241,884
Issuance of shares for trustee fees	1,500	1,500	-	1,500
Net loss	-	-	(32,509)	(32,509)
Balance at December 31, 2000	1,351,232	1,282,619	(71,744)	1,210,875
Issuance of shares for trustee fees	2,000	2,000	-	2,000
Net loss	-	-	(207,581)	(207,581)
Balance at December 31, 2001	1,353,232	$ 1,284,619	$ (279,325)	$ 1,005,294

See accompany notes to consolidated financial statements.

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

	Year Ended December 31, 2001	Year Ended December 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (207,581)	$ (32,509)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization	7,500	7,500
Bad debt expense	131,000	-
Stock issued for trustee fees	2,000	1,500
Equity in loss on investment in partnership	94,650	88,540
Change in operating assets and liabilities, net of effects of acquisition:		
Accrued interest receivable	784	(10,816)
Other receivables	(1,965)	44,223
Accrued expenses	(33,059)	197,374
	200,910	328,321
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(6,671)	295,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage notes originated	(200,000)	(4,132,184)
Mortgage note participations sold	777,191	6,063,075
Principal collected on mortgage notes receivable, net of participation	(218,203)	(1,490,836)
Advance to affiliate	(207,967)	(637,097)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	151,021	(197,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt - affiliate	72,190	-
Payments on long-term debt - affiliate	(192,190)	-
Proceeds from note payable	52,000	11,000
Payments on note payable	(15,366)	(7,716)
Net change in lines of credit	(364,400)	64,400
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(447,766)	67,684
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(303,416)	166,454
CASH AND CASH EQUIVALENTS, beginning of period	338,098	171,644
CASH AND CASH EQUIVALENTS, end of period	$ 34,682	$ 338,098
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 126,122	$ 59,628

See accompany notes to consolidated financial statements.

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.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Management Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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.

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 was $7,500 for 2001 and 2000.

In June 2001, the Financial Accounting Standards Board ("FASB") issued FASB No. 142, *Goodwill and Other Intangible Assets*. Under FASB No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually for impairment (or more frequently if impairment indicators arise). SFAS 142 is required to be applied for fiscal years beginning after December 15, 2001 for all goodwill and other intangible assets, regardless of when those assets were initially recorded.

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 - DEFICIT 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. ("Wilco"). 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, 2001 and 2000, the Trust had a deficit investment in this partnership.

NOTE E - ADVANCES TO AFFILIATE

Advances to affiliate represent unsecured, non-interest bearing advances to Wilco for various building improvements and working capital. Subsequent to year-end, Wilco entered into an agreement with its general and limited partners to obtain additional funds through a capital call. The total capital call is expected to be approximately $2,700,000 when all the capital has been raised. Under the terms of this capital call, the general partner (Goldrick) will contribute $600,000 through the conversion of the outstanding advance to capital, with the remaining advances being repaid.

NOTE F - NOTES PAYABLE

Notes payable consisted of the following:

	December 31, 2001	December 31, 2000
Note payable to a bank under a $500,025 line of credit, secured by assets, bearing interest at a variable rate, interest payments due monthly. This note expired August 5, 2001.	$ -	$ 364,400
Note payable to an individual, bearing interest at 8%, principal and interest payments due monthly, maturing September 2002. This note is unsecured.	39,918	3,284
	$ 39,918	$ 367,684

The Trust has a $100,000 unsecured revolving line of credit facility with a bank. The borrowing arrangement bears interest at prime plus 1%. Interest is payable monthly. The line was created April 11, 2001 and expired subsequent to year end. At December 31, 2001, there was no outstanding debt associated with this line.

NOTE G - LONG-TERM DEBT - AFFILIATES

Long-term debt-affiliates consisted of the following:

	December 31, 2001	December 31, 2000
Note payable to an affiliate, secured by assets, bearing interest at 9.8%, interest payments due quarterly, principal and any accrued interest due December 2003.	$ 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 2003. The payment for 2000 was made in 2001.	60,000	180,000
	$ 462,702	$ 582,702

Interest expense paid to affiliates totaled approximately $60,297 and $58,459 for the years ended December 31, 2001 and 2000, respectively.

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

Year Ended December 31,	
2002	$ 60,000
2003	402,702
	$ 462,702

NOTE H - 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, 2001 and 2000. Management believes that all other requirements of a qualified real estate investment trust have been met.

NOTE I - 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 fees for the years ended December 31, 2001 and 2000 were approximately $21,000 and $24,000, respectively.

At December 31, 2001 and 2000, the Trust issued 2,000 and 1,500 shares of beneficial interest for services provided by trustees.

At December 31, 2001 and 2000, the Trust has a mortgage participation payable of $925,000 and $1,645,000, respectively, to an affiliated business trust. Interest cost related to this note for the year ended December 31, 2001 was approximately $338,000. There was no interest cost related to this note for the year ended December 31, 2000. The note accrues interest at a rate of 11½% and contingent interest at 8½% on the Trust’s unpaid participating amount until maturity or earlier prepayment of the note. As payments of accrued interest, principal and contingent interest are received, the affiliated trust will be paid a prorata share based upon the unamortized principal amount of the loan participation. Principal shall be repaid as loan participations are sold.

At December 31, 2001 and 2000, the Trust has a mortgage participation payable of $300,000 to an affiliated business trust. Interest cost related to this note for the years ended December 31, 2001 and 2000 was approximately $35,000 and $15,000, respectively. The note accrues interest at a rate of 12%. The note provides for monthly interest only payments and matures July 2003.

At December 31, 2000, the Trust has a mortgage participation payable of $300,000 to an affiliated business trust. This participation was repaid in 2001. Interest cost related to this note for the years ended December 31, 2001 and 2000 was approximately $50,000 and $13,000, respectively. The note accrues interest at a rate of 17% (17½% less ½% debt service fee). The note provides for monthly interest only payments.

At December 31, 2001 and 2000, the Trust has a mortgage participation payable of $103,458 and $215,000, respectively, to an affiliated business trust. Interest cost related to this note for the years ended December 31, 2001 and 2000 was approximately $24,000 and $25,000, respectively. The note accrues interest at a rate of 9.8% and is due on demand.

NOTE J - MAJOR LOANS

During the year ended December 31, 2001, the Trust derived approximately 84% of its interest income from four mortgage notes. These notes comprised approximately 70% of the mortgage notes receivable, net of participation at December 31, 2001.

During the period ended December 31, 2000, the Trust derived approximately 66% of its interest income from four mortgage notes. These notes comprised approximately 70% of the mortgage notes receivable, net of participation at December 31, 2000.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
SCHEDULE I - CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2001

	Holly Mortgage Trust	A. R. Goldrick Company, Inc.	Elimination Entries	Consolidated Total
ASSETS				
MORTGAGE NOTES RECEIVABLE				
Mortgage notes receivable	$ 4,895,249	$ -	$ -	$ 4,895,249
Mortgage participation	(3,729,924)	-	-	(3,729,924)
Allowance for loan loss	(330,341)	-	-	(330,341)
MORTGAGE NOTES RECEIVABLE, net	834,984	-	-	834,984
Cash	29,106	5,576	-	34,682
Accrued interest receivable	17,964	-		17,964
Investment in partnership	75,000	-	(75,000)	-
Advances to affiliate	875,064	-	-	875,064
Other assets	3,303	-	-	3,303
Goodwill, net	-	52,499	-	52,499
TOTAL ASSETS	$ 1,835,421	$ 58,075	$ (75,000)	$ 1,818,496
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued expenses	$ 41,021	$ 6,121	$ -	$ 47,142
Deficit investment in partnership	-	263,440	-	263,440
Notes payable	39,918	-	-	39,918
Long-term debt - affiliate	462,702	-	-	462,702
TOTAL LIABILITIES	543,641	269,561	-	813,202
SHAREHOLDERS' EQUITY				
Shares of beneficial interest	1,284,619	75,000	(75,000)	1,284,619
Retained earnings (deficit)	7,161	(286,486)	-	(279,325)
TOTAL SHAREHOLDERS' EQUITY	1,291,780	(211,486)	(75,000)	1,005,294
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,835,421	$ 58,075	$ (75,000)	$ 1,818,496

See independent auditors' report.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
SCHEDULE I - CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2000

	Holly Mortgage Trust	A.R. Goldrick Company, Inc.	Elimination Entries	Consolidated Total
ASSETS				
MORTGAGE NOTES RECEIVABLE				
Mortgage notes receivable	$ 6,022,113	$ -	$ -	$ 6,022,113
Mortgage participation	(4,497,800)	-	-	(4,497,800)
Allowance for loan loss	(230,341)	-	-	(230,341)
MORTGAGE NOTES RECEIVABLE, net	1,293,972	-	-	1,293,972
Cash	331,622	6,476	-	338,098
Accrued interest receivable	49,748	-	-	49,748
Investment in partnership	75,000	-	(75,000)	-
Advances to affiliate	667,097	-	-	667,097
Other assets	1,338	-	-	1,338
Goodwill, net	-	59,999	-	59,999
TOTAL ASSETS	$ 2,418,777	$ 66,475	$ (75,000)	$ 2,410,252
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued expenses	$ 73,077	$ 7,124	$ -	$ 80,201
Deficit investment in partnership	-	168,790	-	168,790
Notes payable	367,684	-	-	367,684
Long-term debt - affiliate	582,702	-	-	582,702
TOTAL LIABILITIES	1,023,463	175,914	-	1,199,377
SHAREHOLDERS' EQUITY				
Shares of beneficial interest	1,282,619	75,000	(75,000)	1,282,619
Retained earnings (deficit)	112,695	(184,439)	-	(71,744)
TOTAL SHAREHOLDERS' EQUITY	1,395,314	(109,439)	(75,000)	1,210,875
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,418,777	$ 66,475	$ (75,000)	$ 2,410,252

See independent auditors' report.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
SCHEDULE II - CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2001

	Holly Mortgage Trust	A. R. Goldrick Company, Inc.	Elimination Entries	Consolidated Total
REVENUES				
Interest income	$ 189,392	$ 102	$ -	$ 189,494
Other income	10,000	-	-	10,000
TOTAL REVENUES	199,392	102	-	199,494
COSTS AND EXPENSES				
General and administrative	75,760	7,500	-	83,260
Bad debt expense	131,000	-	-	131,000
Interest expense	98,165	-	-	98,165
TOTAL COSTS AND EXPENSES	304,925	7,500	-	312,425
INCOME (LOSS) FROM OPERATIONS	(105,533)	(7,398)	-	(112,931)
EQUITY IN LOSS ON INVESTMENT IN PARTNERSHIP	-	(94,650)	-	(94,650)
NET INCOME (LOSS)	$ (105,533)	$ (102,048)	$ -	$ (207,581)

See independent auditors’ report.

HOLLY MORTGAGE TRUST AND WHOLLY-OWNED SUBSIDIARY
SCHEDULE II - CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2000

	Holly Mortgage Trust	A. R. Goldrick Company, Inc.	Elimination Entries	Consolidated Total
REVENUES				
Interest income	$ 245,835	$ 182	$ -	$ 246,017
Other income	13,845	-	-	13,845
TOTAL REVENUES	259,680	182	-	259,862
COSTS AND EXPENSES				
General and administrative	96,874	8,220	-	105,094
Interest expense	98,792	-	-	98,792
TOTAL COSTS AND EXPENSES	195,666	8,220	-	203,886
INCOME (LOSS) FROM OPERATIONS	64,014	(8,038)	-	55,976
EQUITY IN LOSS ON INVESTMENT IN PARTNERSHIP	-	(88,485)	-	(88,485)
NET INCOME (LOSS)	$ 64,014	$ (96,523)	$ -	$ (32,509)

See independent auditors’ report.

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

The Declaration of Trust establishing Holly Mortgage Trust provides the Trust property is liable for satisfaction of Trust obligation and that no trustee, shareholder or officer of the Trust shall have any personal liability for those obligations.