HOLLY MORTGAGE TRUST

2011 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, 2011 and December 31, 2010 are included at the end of this report. In 2011, revenues were $172,741 and there was a net loss of $225,263 or $0.14 per share.

One reason for Holly's continuing losses is the non-accrual of interest on a major loan related to the Heights of Tampa project. The lot partially securing Holly's loan to Land Assemble, LLC is in the midst of other properties totaling 563,231 square feet mortgaged by Land Assemble, LLC to a Tampa bank. Both the Holly and the bank loans were already in default when the mortgagor filed for bankruptcy under Chapter 7 in July 2011. As of the date of this report, Holly plans to acquire title to its collateral through a Section 363A transaction with the bankruptcy trustee instead of a foreclosure under state law. This method can be more expeditious than a foreclosure under state law.

An additional impairment loss of $18,784 related to the collateral on the Land Assemble, LLC loan was recognized in 2011. Another reason for the net loss in 2011 is the loss of $79,459 on the investment in the Columbus Court apartments as discussed in the section on Investments.

As mentioned in Holly's quarterly reports, the improvement in the Midland, Texas office market could benefit Holly as a result of its ownership of the general partnership interest in the Wilco office building.

LOANS

The following schedule summarizes all of Holly's loans outstanding at December 31, 2011.

Principal Amount Outstanding	Maturity	Interest Provision	Property Securing Loan
$32,000	Demand	8%	Office Park in Fishhawk, FL
$58,280	12/31/2013	6%	Unsecured
$163,739	12/31/2012	10%	Office Building in Midland, TX
$920,000	2010	12%	Real Estate in Tampa, FL

The $920,000 loan in the preceding chart is the one on which the impairment losses were taken in 2011 and 2010.

INVESTMENTS

Holly owns a 21.2% interest North Hills Village, a complex of 152 garden style flats in El Paso, Texas. Occupancy at December 31, 2011 was 100%.

At December 31, 2011 Holly also had a $74,438 investment in Global REIT, L.P. and a $41,414 investment in DMJ Note Syndication 2004.

Holly purchased a 5% interest in NPI-Columbus Court, LLC, which consisted primarily of a 160 unit HUD subsidized apartment complex in Tampa, Florida. The purchase price of $178,131 included a cash payment and assumption of a pro rata share of a note on the property of $100,000. The note was never paid. The note holder foreclosed on the property in September 2011. The foreclosure is currently in litigation, but Holly is not a party to the litigation. The prospect of recovering the $78,131 cash investment is remote.

WEBSITE

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

Robert W. Scharar President	Robert A. Burns Vice President & Treasurer

April 23, 2012

HOLLY MORTGAGE TRUST

FINANCIAL STATEMENTS

FOR THE

YEARS ENDED DECEMBER 31, 2011 AND 2010

AND REPORT OF

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

HOLLY MORTGAGE TRUST

TABLE OF CONTENTS

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 23, 2012

To the Board of Trust Managers of
Holly Mortgage Trust

We have audited the accompanying balance sheet of Holly Mortgage Trust (the "Trust") as of December 31, 2011 and 2010, and the related statements of operations, changes in shareholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

As more fully discussed in Note 8 to the financial statements, the Trust reports 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 this investment 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.

In our opinion, except for the effects on the financial statements of the matter discussed in the preceding 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, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Melton & Melton, L.L.P.

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

HOLLY MORTGAGE TRUST
BALANCE SHEET
December 31, 2011 and 2010

	2011	2010
ASSETS		
Mortgage Notes Receivable:		
Mortgage notes receivable	$ 4,090,280	$ 4,237,903
Mortgage participations	(3,080,000)	(3,080,000)
Allowance for losses	(577,193)	(558,409)
	433,087	599,494
Cash and cash equivalents	337,567	114,408
Accrued interest receivable, net of participation interest payable of $562,542 and $562,542 and allowances of $914,483 and and $848,266 at December 31, 2011 and 2010, respectively	20,416	19,077
Note receivable	-	95,000
Advances to affiliates	191,739	252,789
Investments	615,852	895,152
Prepaid expenses and other	40,298	1,000
	$ 1,638,959	**$ 1,976,920**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Liabilities:		
Accounts payable and accrued expenses	$ 63,758	$ 26,456
Notes payable	50,000	150,000
Preferential cumulative mandatorily redeemable shares of beneficial interest	1,675,000	1,725,000
	1,788,758	1,901,456
Shareholders' Equity (Deficit):		
Shares of beneficial interest, no par value, 20,000,000 shares authorized, 1,604,232 shares issued and outstanding at December 31, 2011 and 2010	1,536,119	1,536,119
Accumulated deficit	(1,685,918)	(1,460,655)
	(149,799)	75,464
	$ 1,638,959	**$ 1,976,920**

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
STATEMENT OF OPERATIONS
For the Years Ended December 31, 2011 and 2010

	2011	2010
Revenue:		
Interest income	$ 42,977	$ 60,716
Other income	129,764	124,000
	172,741	184,716
Costs and Expenses:		
General and administrative	136,029	137,392
Impairment loss on notes receivable and accrued interest	18,784	775,867
Loss on investment	79,459	-
Interest expense	151,800	162,050
Other expense	11,932	-
	398,004	1,075,309
Net loss	**$ (225,263)**	**$ (890,593)**
Weighted average shares outstanding	**1,604,232**	**1,604,232**
Net loss per share, basic and diluted	**$ (0.14)**	**$ (0.56)**

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2011 and 2010

	Shares of Beneficial Interest		Accumulated	Shareholders'
	Number	**Amount**	**Deficit**	**Equity (Deficit)**
Balance, December 31, 2009	1,604,232	$ 1,536,119	$ (570,062)	$ 966,057
Net loss			(890,593)	(890,593)
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)**

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Net loss	$ (225,263)	$ (890,593)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment loss on notes receivable and accrued interest	18,784	775,867
Loss on investment	79,459	-
Changes in operating assets and liabilities:		
Accrued interest receivable, net	(1,339)	(666)
Prepaid expenses and other	(39,298)	10,380
Accounts payable and accrued expenses	37,302	11,286
Total adjustments	94,908	796,867
Net cash used in operating activities	(130,355)	(93,726)
Cash Flows from Investing Activities:		
Proceeds from (investment in) note receivable	95,000	(95,000)
Principal collected on mortgage notes receivable, net of participation	147,623	305,940
Advances to affiliates	(28,000)	(36,000)
Collections on advances to affiliates	89,050	-
Purchase of investments	-	(21,175)
Return of investments	99,841	4,957
Net cash provided by investing activities	403,514	158,722
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 in cash and cash equivalents	223,159	64,996
Cash and Cash Equivalents, beginning of year	114,408	49,412
Cash and Cash Equivalents, end of year	**$ 337,567**	**$ 114,408**

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
STATEMENT OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2011 and 2010

	2011	2010
Supplemental Information:		
Cash paid for interest	$ 151,800	$ 162,050

(See Notes to Financial Statements)

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 that at times, exceeds federally insured limits. The Trust monitors the financial condition of the bank and has experienced no losses associated with this account.

Mortgage Notes Receivable

Mortgage notes receivable are carried at unpaid principal balances because 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 income.

Management determined that the collectibility of certain mortgage notes receivable and corresponding accrued interest receivable was impaired and collection was not certain. As a result, the valuation allowance was increased by $18,784 and $558,409 for the mortgage notes receivable during 2011 and 2010, respectively. Accrued interest, net of participation interest payable, on these mortgage notes of $217,458 was written off in 2010. No interest was recognized on these mortgage notes receivable or participations in 2011 or 2010. The mortgage notes receivable of $4,000,000, net of mortgage participations of $3,080,000, are currently on nonaccrual status. Management believes the remaining value of the impaired mortgage notes receivable, net of participations payable, represents the fair value of the mortgage notes receivable collateral at December 31, 2011 and 2010. There was no change on the status of these mortgage notes receivable in 2011.

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.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Earnings per share, both basic and diluted, 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.

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. Such estimates include the value of collateral and, therefore, the resulting allowance for losses. 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.

NOTE 2 - 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 all notes due on demand. Notes receivable bear interest at rates generally ranging from 6% to 12%.

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

NOTE 3 - NOTES PAYABLE

Notes payable at December 31, 2011 and 2010 consist of the following:

	2011	2010
Unsecured note payable to an individual, bearing interest at 8%, interest due monthly; principal due on demand, or January 2014	$50,000	$ 50,000
Unsecured note payable to an individual, bearing interest at 12%, interest due monthly, principal due January 2011	-	100,000
	$50,000	$150,000

NOTE 3 - NOTES PAYABLE (CONTINUED)

Maturities requirements on notes payable at December 31, 2011 are as follows:

For the Year Ending December 31:	
2012	$50,000
	$50,000

NOTE 4 - 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, 2011 and 2010. 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:

	2011	2010
Ordinary income	0%	33%
Return of capital	100	67
	100%	100%

As of December 31, 2011, the Trust had federal net operating loss carryforwards of $1,210,131 that can be deducted against future taxable income. These carryforward amounts expire as follows:

For the Year Ending December 31:	
2023	$ 543,923
2025	209,158
2027	3
2028	32,725
2029	92,811
2030	236,434
2031	95,077
	$1,210,131

The Trust does not expect to pay federal income taxes, thus the tax effect of the net operating loss carryforwards has been adjusted to zero by a valuation allowance of $411,445.

NOTE 4 - FEDERAL INCOME TAXES (CONTINUED)

The amount of income taxes the Trust pays is subject to audits by federal and state tax authorities. The Trust's estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts, and circumstances existing at that time, pursuant to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. ASC 740 requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Trust records a liability for the difference, if any, between the benefit recognized and measured pursuant to ASC 740 and the tax position taken or expected to be taken on the tax return. To the extent that the Trust's assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made.

The Trust reports tax-related interest and penalties in income tax expense.

At December 31, 2011 and 2010, the Trust had no material uncertain tax positions. There were no accruals for tax-related interest and penalties at December 31, 2011 and 2010. The Trust did not have any tax-related interest and penalties for the years ended December 31, 2011 and 2010. The tax years 2008 through 2010 remain open and subject to examination by federal and various state tax jurisdictions.

NOTE 5 - 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.

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 and 805,000 shares outstanding at December 31, 2011 and 1010, respectively) 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.

NOTE 5 - PREFERENTIAL SHARES OF BENEFICIAL INTEREST (CONTINUED)

During 2003, the FASB issued ASC 480 Distinguishing Liabilities from Equity. 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 accompanying balance sheet and dividends on the mandatorily redeemable preferred shares as interest expense in the accompanying statement of operations.

NOTE 6 - MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

Management fees paid to FCA and FCHC were approximately $44,000 for the years ended December 31, 2011 and 2010. 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 and 2010, the Trust had advanced $191,739 and $252,789, respectively, to Wilco Building Partners, Ltd. (See Note 8.)

At December 31, 2011, the Trust had advanced $28,000 to First Commonwealth Mortgage Trust, a related trust, which is included in advances to affiliates in the balance sheet.

At December 31, 2011 and 2010, the Trust had a 6% mortgage note receivable due from Global REIT, L.P. (see Note 8) of $58,280, which is included in mortgage notes receivable in the balance sheet. Interest income on the note amounted to approximately $3,500 and $4,500 for the years ended December 31, 2011 and 2010, respectively.

At December 31, 2011 and 2010, 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 sheet. 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, 2011 and 2010, accrued interest on the note amounted to $0, net of participation interest payable of $562,542 for each year.

At December 31, 2010, the Trust had a 9% promissory note receivable from Ivy Realty Trust, a related trust, for $95,000. Interest income on the note amounted to approximately $6,000 for the year ended December 31, 2011. There was no interest income on the note in 2010. The promissory note was collected in 2011.

NOTE 7 - SIGNIFICANT MORTGAGE NOTES RECEIVABLE

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

NOTE 7 - SIGNIFICANT MORTGAGE NOTES RECEIVABLE (CONTINUED)

At December 31, 2010, one mortgage note receivable represented approximately 94% of total mortgage notes receivable and related participations payable represented 100% of total participations payable. Interest related on two other notes was approximately 80% of total interest income for the year ended December 31, 2010.

NOTE 8 - INVESTMENTS

Investments consist of the following at December 31, 2011 and 2010:

	2011	2010
A. R. Goldrick Company, Inc.	$ -	$ 24,842
Global REIT, L.P.	74,438	74,438
DMJ Note Syndication 2004	41,414	116,413
NPI - Columbus Court, LLC	-	179,459
Northeast Equity Partners, LP	500,000	500,000
	$615,852	$895,152

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 and 2010, the Trust received a return of capital of $24,842 and $4,957, respectively, from A. R. Goldrick. At December 31, 2011 and 2010, the cost of the investment was $0 and $24,842, respectively.

The Trust owns 70 partnership units of Global REIT, L.P. The Trust accounts for this investment using the cost method of accounting. At December 31, 2011 and 2010, the cost of this investment was $74,438.

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. At December 31, 2011 and 2010, the cost of the investment was $41,414 and $116,413, respectively. The Trust received a return of capital of $75,000 in 2011.

The Trust owned a 5% equity interest in NPI - Columbus Court, LLC and accounted for this investment using the cost method of accounting. At December 31, 2010, the cost of the investment was $179,459. In 2011, the equity interest was foreclosed on as collateral on a loan. In addition to the investment, the Trust had outstanding a $100,000 note payable on the investment. The Trust recognized a loss on investment of $79,459 in 2011.

The Trust owns a 21.28% partnership interest in Northeast Equity Partners, LP. The Trust accounts for this investment using the cost method of accounting. The cost of the investment was $500,000 at December 31, 2011 and 2010.

NOTE 8 - INVESTMENTS (CONTINUED)

Investments with an aggregate cost of $615,852 and $895,152 at December 31, 2011 and 2010, respectively, were not evaluated for impairment because (a) the Trust did not estimate the fair value of those investments in accordance with 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 9 - FAIR VALUES

The Trust accounts for fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 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. A summary of the fair value hierarchy under ASC 820 is described below:

Various inputs are used in determining the value of the Trust's financial instruments. These inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.).

Level 3 - Significant unobservable inputs (including the Trust's own assumptions in determining the fair value of investments).

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 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 securities are not an indication of the risk associated with investing in those securities. There have been no changes in the methodologies used at December 31, 2011 and 2010.

NOTE 9 - FAIR VALUES (CONTINUED)

The following is a summary of the inputs used to value the Trust's financial instruments as of December 31, 2011 and 2010:

Description	Level 1	Level 2	Level 3	Total
2011:				
Impaired mortgage notes receivable, net of participations payable - nonrecurring			$342,807	$342,807
2010:				
Impaired mortgage notes receivable, net of participations payable - nonrecurring			$361,591	$361,591

The following table sets forth a summary of changes in fair value of the Trust's Level 3 financial instruments for the year ended December 31, 2011 (there was no change in 2010):

	2011
Balance, beginning of year	$361,591
Impairment loss included in statement of operations	(18,784)
Balance, end of year	$342,807

NOTE 10 - SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through April 23, 2012, the date the financial statements were available to be issued.

HOLLY MORTGAGE TRUST

BOARD OF TRUST MANAGERS

George Beatty, Jr.
President, George Beatty Associates

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
President, First Commonwealth Mortgage Trust

Mr. McGaw also serves as a trust manager of First Commonwealth Mortgage Trust and Ivy Realty Trust. He is an employee of First Commonwealth Holdings Corp., FCA Corp's parent company.

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

William B. LeVay
Secretary

Robert A. Burns
Vice President and Treasurer

All officers are employees of First Commonwealth Holdings Corp. and /or FCA Corp
and serve as officers of other entities.

TRANSFER AGENT
Wells Fargo Shareowner Services
161 North Concord Exchange Street, South St. Paul, MN 55075
Phone: (800) 468-9716 Fax: (651) 450-4033
Web: www.wellsfargo.com/shareownerservices

791 TOWN & COUNTRY BLVD, SUITE 250, HOUSTON, TEXAS 77024
Phone Number: (713) 781-2856 Fax Number: (713) 268-6000
Website: www.hollymortgage.com