HOLLY MORTGAGE TRUST

2014 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, 2014 and December 31, 2013, are included at the end of this report. In 2014, revenue increased 19% to $116,357, and there was a net loss of $143,359, which equates to $0.09 per share.

Land acquired in foreclosure during 2013 was sold at a profit during 2014 and Holly will retain a participation in Hillsborough River Properties, LLC (please see Note 8 for additional details). The 2014 loss includes the payment of $136,550 in dividends on its two classes of convertible preferred stock. All dividends due are paid on a current basis. Accounting guidelines require us to report these dividends as interest expense.

The strength of the Midland, Texas oil-based economy has benefited Holly through its ownership of the general partnership in the partnership that owns the Wilco office building. In 2014, Holly recorded income of $95,954 from this investment. The Wilco building is a 22 story office building, with 197,207 rentable square feet and an attached 10 story parking garage.

LOANS

The following schedule summarizes all of Holly's loans outstanding at December 31, 2014.

Net Principal Amount Outstanding	Maturity	Interest Rate	Property Securing Loan
$33,253	12/31/2015	6%	Unsecured

INVESTMENTS

Holly owns a $750,000 equity stake (33.7% of total) in North Hills Village, a 152-unit apartment complex in El Paso, Texas near Fort Bliss. Construction was completed in 2012, and occupancy is 76.8%. Because the property is still in the lease-up stage, cash distributions have not commenced. The limited partners are entitled to an 8% preferential return on their invested capital.

Holly also owns a $41,414 interest (15.6% of total) in DMJ Note Syndication 2004, a mortgage pool operated by an unrelated entity. This entity has wound up its affairs and made final distributions in February of 2015.

Holly increased its interest in Global REIT, LP from $74,438 to $170,802 (24.0% of total) during 2013. Global REIT, LP is an entity set up to acquire interests in real estate throughout the world through investments in regional real estate entities. Global REIT's portfolio includes assets in the U.S., Australia, New Zealand and Mexico.

Holly acquired 71.32 units of Hillsborough River Properties, LLC valued at $35,453 in 2014 as part of its sale of property recovered in foreclosure during 2013.

CHANGES IN PREFERRED STOCK

During 2014, Holly entered into agreements with its 2004 Series Preferential Shareowners to reduce the dividend rate to 5% per annum. The maturity date has been extended to September 30, 2020. In addition, $250,000 of the 2004 Series Preferential shares is being redeemed by installment payments at the 5% rate starting in 2015.

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, change share registration, obtain copies of IRS Form 1099, and arrange direct deposit of their dividends to their bank account:

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

The 2015 shareholder meeting is scheduled for May 19, 2015. Please vote your proxy.

Robert W. Scharar	Robert A. Burns
President	Treasurer

April 20, 2015

HOLLY MORTGAGE TRUST

FINANCIAL STATEMENTS

FOR THE

YEARS ENDED DECEMBER 31, 2014 AND 2013

AND

INDEPENDENT AUDITOR’S REPORT

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

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, 2014 and 2013, and the related statements of operations, changes in shareholders' 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 reports its investment in A. R. Goldrick Company, Inc., a wholly owned subsidiary, on 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.

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, 2014 and 2013, 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.

Malts & Malts, L.L.P.

Houston, Texas
March 9, 2015

HOLLY MORTGAGE TRUST
BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
Mortgage notes receivable	$ 33,253	$ 55,000
Cash and cash equivalents	5,431	27,050
Accrued interest receivable, net of allowance for losses of $1,145,791 and $1,062,826 at December 31, 2014 and 2013	16,296	21,900
Other receivables	-	1,100
Land	-	27,829
Investments	997,669	962,216
	$ 1,052,649	**$ 1,095,095**
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Liabilities:		
Accounts payable and accrued expenses	$ 54,159	$ 40,267
Accounts payable - affiliates	99,521	12,500
Notes payable	367,765	142,765
Preferential cumulative mandatorily redeemable shares of beneficial interest	1,400,000	1,625,000
	1,921,445	1,820,532
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	(2,404,915)	(2,261,556)
	(868,796)	(725,437)
	$ 1,052,649	**$ 1,095,095**

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenue:		
Interest income	$ 2,940	$ 10,763
Other income	95,954	87,368
Gain on sale of land	17,463	-
	116,357	98,131
Costs and Expenses:		
Management fees to affiliate	50,000	50,000
Professional fees	35,624	48,366
Interest expense	139,763	143,657
Loss on foreclosure of mortgage note receivable	-	314,978
Impairment loss on investment	-	46,901
General and administrative	34,329	59,515
	259,716	663,417
Net loss	**$ (143,359)**	**$ (565,286)**
Weighted average shares outstanding	**1,604,232**	**1,604,232**
Net loss per share, basic and diluted	**$ (0.09)**	**$ (0.35)**

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
For the Years Ended December 31, 2014 and 2013

	Shares of Beneficial Interest		Accumulated	Shareholders'
	Number	Amount	Deficit	Deficit
Balance, December 31, 2012	1,604,232	$ 1,536,119	$ (1,701,270)	$ (165,151)
Purchase and retirement of 50,000 preferential cumulative mandatorily redeemable shares of beneficial interest	-	-	5,000	5,000
Net loss	-	-	(565,286)	(565,286)
Balance, December 31, 2013	1,604,232	1,536,119	(2,261,556)	(725,437)
Net loss	-	-	(143,359)	(143,359)
Balance, December 31, 2014	**1,604,232**	**$ 1,536,119**	**$ (2,404,915)**	**$ (868,796)**

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Net loss	$ (143,359)	$ (565,286)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on foreclosure of mortgage note receivable	-	314,978
Impairment loss on investment	-	46,901
Gain on sale of land	(17,463)	-
Changes in operating assets and liabilities:		
Accrued interest receivable	5,604	4,379
Other receivables	1,100	5,222
Prepaid expenses	-	14,343
Accounts payable and accrued expenses	51,526	5,285
Total adjustments	40,767	391,108
Net cash used in operating activities	(102,592)	(174,178)
Cash Flows from Investing Activities:		
Principal collected on mortgage notes receivable	21,747	32,000
Collections on note receivable - affiliate	-	139,739
Proceeds from sale of land	9,839	-
Purchase of investments	-	(50,500)
Net cash provided by investing activities	31,586	121,239
Cash Flows from Financing Activities:		
Advances from affiliates	49,387	-
Purchase of preferential cumulative mandatorily redeemable shares of beneficial interest	-	(45,000)
Net cash provided by (used in) financing activities	49,387	(45,000)
Net decrease in cash and cash equivalents	(21,619)	(97,939)
Cash and Cash Equivalents, beginning of year	27,050	124,989
Cash and Cash Equivalents, end of year	**$ 5,431**	**$ 27,050**

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2014 and 2013

	2014	2013
Supplemental Information:		
Cash paid for interest	**$ 139,763**	**$ 143,657**
Non-Cash Investing and Financing Activities:		
Settlement of foreclosure on mortgage note receivable:		
Mortgage notes receivable, net of participation payables of $3,080,000		$ (920,000)
Allowance for losses		577,193
		(342,807)
Land received		27,829
Loss on foreclosure of mortgage notes receivable		**$ (314,978)**
Investment acquired through the assumption of notes payable		**$ 92,765**
Notes payable issued for the redemption of 225,000 preferential shares of beneficial interest	**$ 225,000**	
Investment received on sale of land	**$ 35,453**	

(See Notes to Financial Statements)

HOLLY MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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. FCA Corp ("FCA") is the Trust's compensated manager. FCA is related to the Trust through common management.

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 the account.

Mortgage Notes Receivable and Allowance for Losses

Mortgage notes receivable are carried at the unpaid principal balance less an allowance for losses. Management intends to hold mortgage notes receivable to maturity. The mortgage notes receivable are principally collateralized by second mortgage loans on commercial or residential property, due at maturity in December 2015 or on demand, and bear interest at 6%.

An 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 the outstanding mortgage notes, changes in the mortgage notes portfolio, borrowers' performance in reducing mortgage note principal, adequacy of mortgage notes 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.

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.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At December 31, 2014 and 2013, the allowance for losses on accrued interest receivable was $1,145,791 and $1,062,826, respectively. There was no allowance for losses on the mortgage notes receivable and no impairment loss as of December 31, 2014 and 2013 and for the years then ended, respectively.

At December 31, 2012, a mortgage note receivable for $4,000,000, net of mortgage participations payable of $3,080,000, was past due ninety days or more, placed on nonaccrual status, and considered impaired. In 2012, the Trust began foreclosure proceedings on the impaired mortgage note and, during 2013, the foreclosure proceedings were finalized. In the foreclosure settlement, the mortgage note, net of participations payable, for $920,000 was settled in full with a receipt of land valued at $27,829. In conjunction with the settlement, the Trust reduced the mortgage note receivable allowance for losses in the amount of $577,193 and recognized a loss on foreclosure of mortgage note receivable for $314,978.

The change in the accrued interest receivable allowance for losses during the years ended December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Balance, beginning of year	$1,062,826	$ 985,868
Provision for losses	82,965	76,958
Balance, end of year	$1,145,791	$1,062,826

There were no commitments to lend additional funds at December 31, 2014 or 2013.

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, primarily in Texas and Florida. At December 31, 2014 and 2013, the Trust has one mortgage note receivable. Interest on two mortgage notes and one mortgage note for 2014 and 2013, respectively, accounted for approximately 91% of total interest income.

Land

Land is recorded at cost. In 2014, the Trust sold the land to Hillsborough River Properties, LLC ("Hillsborough"), a related party through common management. From the sale of land, the Trust received $9,839 in cash and 71.32 units of Hillsborough, valued at $35,453, and recognized a gain on sale of land for $17,463.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry- specific guidance throughout the Industry Topics of the Codification. Additionally, this update supersedes some cost guidance included in Subtopic 605-35, *Revenue Recognition—Construction-Type and Production-Type Contracts*. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (for example, assets within the scope of Topic 360, *Property, Plant, and Equipment*, and intangible assets within the scope of Topic 350, *Intangibles—Goodwill and Other*) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in ASU 2014-09. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Management is currently evaluating the impact ASU 2014-09 will have on the Trust's financial statements.

NOTE 2 - INVESTMENTS

Investments, recorded at cost, consist of the following at December 31, 2014 and 2013:

	2014	2013
A. R. Goldrick Company, Inc.	$ -	$ -
Global REIT, L.P.	170,802	170,802
DMJ Note Syndication 2004	41,414	41,414
Northeast Equity Partners, LP	750,000	750,000
Hillsborough River Properties, LLC	35,453	-
	$997,669	$962,216

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 2014 and 2013, the Trust received $90,179 and $87,368 from A. R. Goldrick that was recorded as other income in the statements of operations.

NOTE 2 - INVESTMENTS (CONTINUED)

In 2013, the Trust purchased a combined total of 312 partnership units of Global REIT, L.P. (“Global”) from an individual and two separate related trusts, First Commonwealth Mortgage Trust (“FCMT”) and Ivy Realty Trust (“Ivy”). At December 31, 2014 and 2013, the Trust owns 382 partnership units of Global. The Trust accounts for the investment in Global using the cost method of accounting. During 2013, management determined the investment in Global was impaired. As a result, a $46,901 impairment loss on investment was recorded in 2013. There was no impairment in 2014.

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 owns a 33.7% partnership interest in Northeast Equity Partners, LP (“NEP”). The Trust has no control or influence on management of NEP and accordingly, accounts for this investment using the cost method of accounting.

At December 31, 2014, the Trust owns 71.32 units of Hillsborough, which represents a 0.95% interest in Hillsborough. The Trust accounts for this investment using the cost method of accounting.

Investments with an aggregate cost of $997,669 and $791,414 at December 31, 2014 and 2013, respectively, were not evaluated for impairment because (a) the Trust did not estimate the fair value of those investments in accordance with the 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 FASB 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, FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy, including the types of Trust assets 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.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

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 Investment: The fair value of the impaired investment is based on the Trust's estimate of the fair value of the investment's underlying assets. The underlying assets consist primarily of investments in real estate entities and notes receivable recorded at fair value. The fair value of investments in real estate entities is derived from financial data supplied by the real estate entities and the real estate entities' audited financial statements. In the absence of audited financial statements, investment management determines the fair value by considering earnings, forecasts, and recent transactions in the equity interest of similar entities and other available indications of fair value. Investments in notes receivable are equal to the estimated collectible amount of notes receivable, as determined by investment management.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate 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.

The following table sets forth by level, within the fair value hierarchy, the Trust's assets at fair value measured on a nonrecurring basis as of December 31, 2013 (there were no fair value measurements at December 31, 2014):

Description	Level 1	Level 2	Level 3	Level 4
Impaired investment			$170,802	$170,802

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.

HOLLY MORTGAGE TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - NOTES PAYABLE

Notes payable consist of the following as of December 31, 2014 and 2013:

	2014	2013
Unsecured note, payable to an individual on demand or in January 2017, with interest payable quarterly at 6%	$ 50,000	$ 50,000
Unsecured note, payable to Ivy on demand or in June 2016, with interest payable quarterly at 0.23%	58,121	58,121
Unsecured note, payable to FCMT on demand or in June 2016, with interest payable quarterly at 0.23%	34,644	34,644
Unsecured 5% notes (4), payable to former shareholders of preferential shares of beneficial interest, interest only payable through December 31, 2014 then payable beginning in April 2015 in quarterly installments of $29,739, including principal and interest, maturing December 2016	225,000	-
	$367,765	$142,765

Future maturities of notes payable at December 31, 2014 are as follows:

For the Year Ending December 31:	
2015	$224,537
2016	143,228
	$367,765

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, 2014 and 2013. Management believes that all other requirements of a qualified real estate investment trust have been met.

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

	2014	2013
Ordinary income	0%	0%
Return of capital	100	100
	100%	100%

NOTE 5 - FEDERAL INCOME TAXES (CONTINUED)

As of December 31, 2014, the Trust had a federal net operating loss carryforward of approximately $3 million that can be deducted against future taxable income. The carryforward amount expires in 2023 - 2034. The Trust does not expect to pay federal income taxes, thus the tax effect of the net operating loss carryforward has been adjusted to zero by a valuation allowance of $1,032,507 and $750,011 at December 31, 2014 and 2013, respectively. The valuation allowance increased $282,496 in 2014.

Management has evaluated the Trust's tax positions and concluded that the Trust has taken no uncertain income 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 2014 or 2013. The Trust is subject to income tax examinations by federal and state tax authorities for years beginning in 2011 and after.

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"). Through October 1, 2014, 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. On October 1, 2014, 530,000 shares of the 2004 Preferential Shares were extended to a maturity date of September 30, 2020 and the annual rate was decreased to five cents ($0.05) per share. 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 2004 Preferential Shares (950,000 shares authorized and 530,000 and 755,000 shares issued and outstanding at December 31, 2014 and 2013, 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. On September 30, 2014, the Trust redeemed 225,000 Preferential Shares for $225,000. Any Preferential Shares issued in 2004 that are outstanding on September 30, 2020 will be redeemed on that date.

The 2008 Preferential Shares (990,000 shares authorized and 870,000 shares issued and outstanding at December 31, 2014 and 2013, respectively) 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. During 2013, the Trust redeemed 50,000 Preferential Shares for $45,000, net of a $5,000 discount.

NOTE 6 - PREFERENTIAL SHARES OF BENEFICIAL INTEREST (CONTINUED)

ASC 480, *Distinguishing Liabilities from Equity,* 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 to FCA were $50,000 for the years ended December 31, 2014 and 2013. 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, 2014 and 2013, accounts payable - affiliates consist of the following:

	2014	2013
FCMT	$61,887	$12,500
FCA	37,500	-
Ivy	134	-
	$99,521	$12,500

During 2013, the unsecured note receivable from Wilco Building Partners, Ltd. (Note 2) was fully collected for $139,739. Interest income, at 10%, was recognized in 2013 for $6,503.

At December 31, 2014 and 2013, the Trust has a 6% mortgage note receivable due from Global (Note 2) of $33,253 and $55,000, respectively, which is included in mortgage notes receivable in the balance sheets. Accrued interest receivable on the note is $998 and $6,603 at December 31, 2014 and 2013, respectively. Interest income on the note amounted to approximately $2,600 and $3,300 for 2014 and 2013, respectively.

In 2013, the Trust received a foreclosure settlement for the mortgage note, participations payable, and accrued interest related to an outstanding mortgage note receivable with an affiliated business trust for $920,000 net of $3,080,000 participations payable (Note 1). The note receivable incurred interest at 12% and was due on demand.

NOTE 8 - FINANCIAL CONDITION

The Trust has incurred annual net losses since 2009, which has resulted in a shareholders' deficit since December 31, 2011. Further, the Trust has not been actively seeking new investment opportunities due to cash flow problems. The Trust has had problems in collecting outstanding mortgage notes receivable and accrued interest and has experienced a decline in the value of its investments. Certain mortgage notes receivable were uncollectible and foreclosure litigation produced a nominal recovery on collateral. In response, the Trust is discussing a sale of the Wilco Building that could generate a gain to A.R. Goldrick and collection of accrued interest totaling approximately $1 million for the Trust. The Trust is also anticipating the receipt of preferred return payments from one of its investments. Additionally, the Trust received cash and units in Hillsborough during 2014 from the sale of the land received in the 2013 foreclosure litigation and in February 2015, the Trust received $62,542 for a final settlement of its investment in DMJ Note Syndication 2004. As a result, management believes the Trust will have sufficient resources and cash to continue as a going concern entity.

NOTE 9 - SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through March 9, 2015, the date the financial statements were available to be issued.

HOLLY MORTGAGE TRUST

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

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