HOLLY MORTGAGE TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

HOLLY MORTGAGE TRUST
FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

CONTENTS

Independent Auditors' Report

To the Board of Trustees of the
Holly Mortgage Trust
Houston, Texas

We have audited the accompanying balance sheets of Holly Mortgage Trust (the "Trust") as of December 31, 2005 and 2004, and the related statements of operations, shareholders' equity 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 audits 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 discussed in Note I to the financial statements, the Trust reports its investment in A. R. Goldrick Company, Inc. ("Goldrick"), 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 generally accepted accounting principles cannot be reasonably estimated.

In our opinion, except for the effects of not consolidating Goldrick, as 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, 2005 and 2004, 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.

UHY Mann Frankfort Stein + Lipp CPAs, LLP

Houston, Texas
October 12, 2006

HOLLY MORTGAGE TRUST
BALANCE SHEETS

	December 31, 2005	December 31, 2004
ASSETS		
MORTGAGE NOTES RECEIVABLE		
Mortgage notes receivable	$ 1,107,880	$ 5,196,843
Mortgage participations	(153,965)	(4,091,364)
Loan discounts	(24,033)	(36,250)
Allowance for loan losses	(189,675)	(400,775)
MORTGAGE NOTES RECEIVABLE, net	740,207	668,454
Cash and cash equivalents	218,397	583,953
Restricted certificate of deposit	398,612	-
Accrued interest receivable, net of participated interest payable of $2,005 and $98,592 at December 31, 2005 and 2004, respectively, and allowance of $568,433 and $919,006 at December 31, 2005 and 2004, respectively	9,830	15,842
Other assets	-	2,900
Advances to affiliate	40,000	-
Investment in subsidiary	-	-
Investment in affiliate	53,478	53,241
TOTAL ASSETS	$ 1,460,524	$ 1,324,390
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accrued expenses	$ 20,205	$ 23,617
Participations in excess of mortgage notes receivable	263,163	-
Accounts payable - subsidiary	-	184,000
Accounts payable - affiliate	-	100,000
Notes payable	52,267	110,313
Long-term debt - affiliate	-	43,496
Mandatorily redeemable preferential shares of beneficial interest	950,000	815,000
TOTAL LIABILITIES	1,285,635	1,276,426
SHAREHOLDERS' EQUITY		
Shares of beneficial interest, no par value, unlimited shares authorized, 1,404,732 shares issued and outstanding at December 31, 2005 and 2004, respectively.	1,336,119	1,336,119
Accumulated deficit	(1,161,230)	(1,288,155)
TOTAL SHAREHOLDERS' EQUITY	174,889	47,964
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,460,524	$ 1,324,390

See accompany notes to financial statements.

HOLLY MORTGAGE TRUST
STATEMENTS OF OPERATIONS

	Year Ended December 31, 2005	Year Ended December 31, 2004
REVENUES		
Interest income	$ 121,359	$ 70,630
Other income	190,609	100,067
TOTAL REVENUES	311,968	170,697
COSTS AND EXPENSE		
General and administrative	108,356	85,083
Bad debt expense	-	84,712
Interest expense	7,876	19,316
TOTAL COSTS AND EXPENSES	116,232	189,111
NET INCOME (LOSS)	$ 195,736	$ (18,414)
WEIGHTED AVERAGE SHARES OUTSTANDING	1,404,732	1,404,732
NET INCOME (LOSS) PER SHARE, basic and diluted	$ .14	$ (.01)

See accompany notes to financial statements.

HOLLY MORTGAGE TRUST
STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004

	Shares of Beneficial Interest			
	Number	Amount	Accumulated Deficit	Total Shareholders' Equity
Balance, January 1, 2004	1,404,732	$ 1,336,119	$ (1,269,741)	$ 66,378
Net loss	-	-	(18,414)	(18,414)
Balance, December 31, 2004	1,404,732	1,336,119	(1,288,155)	47,964
Dividends paid	-	-	(68,811)	(68,811)
Net income	-	-	195,736	195,736
Balance, December 31, 2005	1,404,732	$ 1,336,119	$ (1,161,230)	$ 174,889

See accompany notes to financial statements.

HOLLY MORTGAGE TRUST
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2005	Year Ended December 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 195,736	$ (18,414)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Bad debt expense	-	84,712
Amortization of loan discounts	(12,217)	-
Income from equity method investments	(1,271)	(5,698)
Forgiveness of accounts payable to subsidiary	(184,000)	-
Changes in operating assets and liabilities:		
Accrued interest receivable, net	6,012	(2,140)
Other receivables	2,900	(2,900)
Accounts payable and accrued expenses	(103,412)	171,189
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(96,252)	226,749
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage notes originated	(561,000)	(2,559,880)
Mortgage note participations sold	883,900	1,823,797
Principal collected on mortgage notes receivable, net of participation	(119,273)	342,917
Purchase of certificate of deposit	(398,612)	-
Advance to affiliate	(40,000)	-
Distributions from equity method investments	1,034	7,819
NET CASH USED IN INVESTING ACTVITIES	(233,951)	(385,347)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt - affiliate	-	142,500
Payments on long-term debt - affiliate	(43,496)	(329,004)
Proceeds from note payable	167,812	121,000
Payments on note payable	(225,858)	(82,205)
Proceeds from issuance of preferred shares	135,000	815,000
Cash dividends paid	(68,811)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(35,353)	667,291
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(365,556)	508,693
CASH AND CASH EQUIVALENTS - Beginning of year	583,953	75,260
CASH AND CASH EQUIVALENTS - End of year	$ 218,397	$ 583,953
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 12,255	$ 50,471
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reduction of allowance for interest losses	$ 350,573	$ -

See accompany notes to financial statements.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES

Holly Mortgage Trust (the "Trust") was organized as a Massachusetts business trust on January 2, 1998. The Trust is engaged primarily in the business of investing in second mortgages and equity participation mortgages. First Commonwealth Holdings Corporation ("FCHC"), whose principal shareholder is a trustee and a shareholder of the Trust, is the Trust's compensated manager and advisor.

Cash and 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 the 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 as there are no dilutive features associated with the shares of beneficial interest.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Management Estimates: The preparation of the 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 liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassifications: Certain amounts in 2004 have been reclassified to conform with the 2005 presentation.

NOTE B - 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 August 2014. Notes receivable bear interest at rates generally ranging from 9.5% to 15%.

Commitments to lend additional funds at December 31, 2005 were approximately $823,000.

NOTE C - NOTES PAYABLE

Notes payable consisted of the following:

	December 31, 2005	December 31, 2004
Note payable to an individual, bearing interest at 8%, principal and interest due monthly. This note was repaid subsequent to year end.	$ 27,267	$ 85,313
Note payable to an individual, bearing interest at 8%, principal and interest payments due monthly. This note was repaid subsequent to year end.	25,000	25,000
	$ 52,267	$ 110,313

NOTE D - LONG-TERM DEBT - AFFILIATE

The Trust had a note payable to an affiliate totaling $43,496 at December 31, 2004. This note was repaid during 2005. Interest expense related to this affiliate debt totaled approximately $300 and $14,000 for the years ended December 31, 2005 and 2004, respectively.

NOTE E - LETTER OF CREDIT

The Trust has a $392,100 letter of credit with a bank, which is due to expire June 6, 2007. This letter of credit is secured by a certificate of deposit of approximately $399,000.

NOTE F - 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 requirement for the periods ended December 31, 2005 and 2004. 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:

	Year Ended December 31,	
	2005	2004
Ordinary Income	$ .05	$ -

NOTE G - MANDATORILY REDEEMABLE 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 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.

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 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 outstanding on September 30, 2014 will be redeemed on that date.

During 2003, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 150 ("FAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement 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. This statement is effective for the first annual period beginning after December 15, 2004. The Trust has adopted these provisions in their financial statements and has included mandatorily redeemable preferential shares as liabilities in the accompanying balance sheets.

NOTE H - ADVISORY AGREEMENT AND RELATED PARTY TRANSACTIONS

The Trust is managed and advised by FCHC, 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, 2005 and 2004 were approximately $20,000 and $25,000, respectively.

At December 31, 2004, the Trust had accounts payable to an affiliated business trust of $100,000. This was repaid during 2005.

At December 31, 2004, the Trust had accounts payable to A. R. Goldrick (see Note J) of $184,000. During 2005, A. R. Goldrick forgave these payables.

During the year 2005, the Trust engaged in six mortgage participation payables with various affiliated business trusts. At December 31, 2005, the Trust had one outstanding mortgage participation payable that totaled approximately $154,000 and is included in Mortgage Notes Receivable, net on the Balance Sheet. The participations incur interest at rates ranging from 3.5% to 14% (excluding possible contingent interest rates up to 8.5%) and maturity dates ranging from August 2005 to August 2014. Interest on such participations paid to the affiliates amounted to approximately $86,000 for the year ended December 31, 2005.

During the year 2004, the Trust engaged in eight mortgage participation payables with various affiliated business trusts. At December 31, 2004, the Trust had six outstanding mortgage participation payables that totaled $2,130,364 and are included in Mortgage Notes Receivable, net on the Balance Sheet. The participations incur interest at rates ranging from 3.5% to 14% (excluding possible contingent interest rates up to 8.5%) and maturity dates ranging from August 2005 to August 2014. Interest on such participations paid to the affiliates amounted to approximately $442,400 for the year ended December 31, 2004.

NOTE I - MAJOR LOANS

During the year ended December 31, 2005, the Trust derived approximately 73% of its interest income from four mortgage notes. These notes comprised approximately 62% of the mortgage notes receivable, net of participation at December 31, 2005.

During the year ended December 31, 2004, the Trust derived approximately 71% of its interest income from three mortgage notes. These notes comprised approximately 15% of the mortgage notes receivable, net of participation at December 31, 2004.

NOTE J - INVESTMENT IN SUBSIDIARY

The Trust owns 100% of the common stock of A. R. Goldrick (a C Corporation). A. R. Goldrick is the general partner of Wilco Building Partners, Ltd., a limited partnership which 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 was deemed by the Trust's management to be impaired and the investments carrying value was $0 at December 31, 2005 and 2004.