

HOLLY MORTGAGE TRUST

Report for the Six Months Ended June 30, 2018

July 24, 2018

To Our Shareholders:

The financial statements of Holly Mortgage Trust (“Holly”) for the six months ended June 30, 2018 and June 30, 2017 (unaudited) are included on the following pages.

For the first six months of 2018, there was net income of \$41,016 compared to a net loss of \$22,907 for the same period of 2017.

Dividends paid on the Series 2004 and Series 2008 Preferential shares are required to be reported as interest expense on the financial statements.

Most of the Series 2004 Preferential shareholders agreed to extend the maturity on their shares to September 30, 2020 with a rate reduction from 9% to 5%. Those shareholders not extending the maturity of their shares have been issued amortizing promissory notes in satisfaction of the preferential redemption obligation with interest at 5%. The remaining balance of these notes will be retired in the third quarter of 2018.

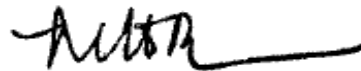
A majority of the Series 2008 Preferential shareholders agreed to extend the maturity on their shares to September 30, 2023 with a rate reduction from 8% to 4%. This rate reduction was effective beginning with the dividends paid on July 23, 2018 to shareholders of record on July 2, 2018. Discussions are on-going with the remaining shareholders.

We encourage our shareholders to avoid issues with Abandoned Property Laws and Regulations by maintaining direct contact with EQ Shareowner Services, our transfer agent. Direct contact includes cashing a dividend check, written letters, telephone calls and voting your proxy for the annual meeting. The contact information for EQ Shareowner Services is included at the end of this report.

You can find additional information and copies of prior financial reports on our website at www.hollymortgage.com.



Robert W. Scharar
President



Robert A. Burns
Treasurer

HOLLY MORTGAGE TRUST
BALANCE SHEET (unaudited)
June 30, 2018 and 2017

<u>ASSETS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Mortgage Notes Receivable:		
Mortgage notes receivable	\$ -	\$ -
Mortgage participations	-	-
Allowance for losses	-	-
Net mortgage notes receivable	-	-
Cash and cash equivalents	22,080	31,449
Accounts receivable	1,600	-
Accrued interest receivable, net of participated interest of -0- and -0-	391,000	598,833
Allowance for losses	(391,000)	(598,833)
Investment in real estate entities	1,098,491	1,147,693
Allowance for losses	(97,691)	(110,691)
Other real estate owned	-	-
Total Assets	\$ 1,024,480	\$ 1,068,451
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Liabilities:		
Accounts payable	\$ 64,419	\$ 73,958
Accrued expenses payable	32,158	23,988
Notes payable	424,768	508,147
Series 2004 Preferential 5% and 9% cumulative mandatorily redeemable shares of beneficial interest	530,000	530,000
Series 2008 Preferential 4% and 8% cumulative mandatorily redeemable shares of beneficial interest	820,000	820,000
Total Liabilities	1,871,345	1,956,093
 Shareholders' Equity:		
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	(2,382,984)	(2,423,761)
Total Shareholders' Equity	(846,865)	(887,642)
Total Liabilities and Shareholders' Equity	\$ 1,024,480	\$ 1,068,451

HOLLY MORTGAGE TRUST
STATEMENT OF OPERATIONS (unaudited)
For the six months ending June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenue:		
Interest income	\$ -	\$ -
Other income	117,833	66,319
Total revenue	<u>117,833</u>	<u>66,319</u>
Costs and Expenses:		
General and administrative	765	8
Management fees	-	4,500
Professional fees	20,546	28,823
Interest expense	55,506	55,895
Total costs and expenses	<u>76,817</u>	<u>89,226</u>
Net Income	<u><u>\$ 41,016</u></u>	<u><u>\$ (22,907)</u></u>
Weighted average shares outstanding	<u><u>1,604,232</u></u>	<u><u>1,604,232</u></u>
Net income per share, basic and diluted	<u><u>\$ 0.026</u></u>	<u><u>\$ (0.014)</u></u>

TRUST MANAGERS

George Beatty, Jr.
Retired Environmental Consultant

William C. Brooks
Financial Consultant

Josef C. Hermans
Hotel Consultant

Robert W. Scharar
President,
FCA Corp

EXECUTIVE OFFICERS

Robert W. Scharar
President

Robert A. Burns
Treasurer

William B. LeVay
Secretary

TRANSFER AGENT

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