

HOLLY MORTGAGE TRUST

Report for the Nine Months Ended September 30, 2018

November 9, 2018

To Our Shareholders:

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

For the first nine months of 2018, there was net income of \$143,005 compared to a net loss of \$6,575 for the same period of 2017.

Holly has sold its investment in an apartment project. The result is a current-year gain of \$72,000. The sale also includes a contingent sales price that results in additional deferred gain of \$555,867 to be recognized in future years.

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

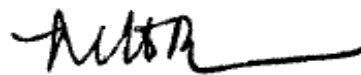
A majority of the Series 2008 Preferential shareholders agreed to extend the maturity on their shares to September 30, 2023 with a rate reduction from 8% to 4%. This rate reduction was effective beginning with the dividends paid on July 23, 2018 to shareholders of record on July 2, 2018. Discussions 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)
September 30, 2018 and 2017

| <u>ASSETS</u> | <u>September 30, 2018</u> | <u>September 30, 2017</u> |
|--|----------------------------------|----------------------------------|
| Mortgage Notes Receivable: | | |
| Mortgage notes receivable | \$ 68,000 | \$ - |
| Cash and cash equivalents | 24,998 | 41,781 |
| Accrued interest receivable, net of participated interest of -0- and -0- | 331,000 | 546,833 |
| Allowance for losses | <u>(331,000)</u> | <u>(546,833)</u> |
| Investment in real estate entities | 1,651,358 | 1,144,693 |
| Allowance for losses | <u>(94,691)</u> | <u>(107,691)</u> |
| Other real estate owned | - | - |
| Total Assets | <u>\$ 1,649,665</u> | <u>\$ 1,078,783</u> |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| Liabilities: | | |
| Accounts payable | \$ 65,999 | \$ 68,647 |
| Accrued expenses payable | 7,535 | 26,688 |
| Notes payable | 415,142 | 504,758 |
| 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 |
| Contingent deferred income | <u>555,867</u> | <u>-</u> |
| Total Liabilities | <u>2,394,543</u> | <u>1,950,093</u> |
| 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 | <u>(2,280,997)</u> | <u>(2,407,429)</u> |
| Total Shareholders' Equity | <u>(744,878)</u> | <u>(871,310)</u> |
| Total Liabilities and Shareholders' Equity | <u>\$ 1,649,665</u> | <u>\$ 1,078,783</u> |

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

| | <u>September 30, 2018</u> | <u>September 30, 2017</u> |
|---|---------------------------|---------------------------|
| Revenue: | | |
| Interest income | \$ - | \$ - |
| Other income | 180,833 | 121,319 |
| Gain on sale of assets | 72,000 | - |
| Total revenue | <u>252,833</u> | <u>121,319</u> |
| Costs and Expenses: | | |
| General and administrative | 781 | 27 |
| Management fees | - | 6,750 |
| Professional fees | 31,428 | 35,778 |
| Interest expense | 77,619 | 85,339 |
| Total costs and expenses | <u>109,828</u> | <u>127,894</u> |
| Net Income | <u><u>\$ 143,005</u></u> | <u><u>\$ (6,575)</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>\$ 0.089</u></u> | <u><u>\$ (0.004)</u></u> |

TRUST MANAGERS

George Beatty, Jr.
Retired Environmental Consultant

Josef C. Hermans
Hotel Consultant

Robert W. Scharar
President,
FCA Corp

EXECUTIVE OFFICERS

Robert W. Scharar
President

Robert A. Burns
Treasurer

Clint Dennis, Esq.
Secretary

TRANSFER AGENT

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