

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number 1-9977

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction)
of Incorporation or Organization)

86-0611231
(I.R.S. Employer
Identification No.)

5333 North 7th Street, Suite 219
Phoenix, Arizona
(Address of Principal Executive Offices)

85014
(Zip Code)

(602) 265-8541
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No .

As of November 14, 1996, 9,716,517 shares of Homeplex Mortgage Investments Corporation common stock were outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1 Financial Statements

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
CONSOLIDATED BALANCE SHEETS
As Of September 30, 1996 and December 31, 1995
(Dollars In Thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Sept. 30, 1996	Dec. 31, 1995
	-----	-----
<S>	<C>	<C>
ASSETS		
Short-term investments	\$ 10,295	\$ 8,969
Residual interests	4,225	5,457
Cash and cash equivalents	3,525	3,347
Real estate loans	1,415	4,048
Other assets	571	357
Funds held by Trustee	-	5,638
	-----	-----
Total Assets	\$ 20,031	\$ 27,816
	=====	=====

LIABILITIES

Accounts payable and other liabilities	\$ 1,037	\$ 1,182
Long-term debt	-	7,819
Dividend payable	-	291
Accrued interest payable	-	76
	-----	-----
Total Liabilities	1,037	9,368
	-----	-----

Contingencies

STOCKHOLDERS' EQUITY

Common stock, par value \$.01 per share; 50,000,000 shares authorized;... issued and outstanding - 9,875,655 shares	99	99
Additional paid-in capital	84,046	84,046
Cumulative net loss	(23,211)	(23,757)
Cumulative dividends	(41,530)	(41,530)
Treasury stock - 159,138 shares	(410)	(410)
	-----	-----
Total Stockholders' Equity	18,994	18,448
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 20,031	\$ 27,816
	=====	=====

</TABLE>

See notes to consolidated financial statements.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
CONSOLIDATED STATEMENTS OF NET INCOME
For The Three and Nine Months Ended September 30, 1996 and 1995
(Dollars In Thousands Except Per Share Data)
(Unaudited)

<TABLE>

<CAPTION>

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	1996	1995	1996	1995
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
INCOME				
Income from residual interests	\$ 274	\$ 275	\$ 799	\$ 1,025
Interest income on real estate loans	144	223	510	1,420
Other income	112	209	491	443
	-----	-----	-----	-----
Total Income	530	707	1,800	2,888
	-----	-----	-----	-----
EXPENSES				
General, administrative and other	216	443	867	1,348
Interest	-	206	238	684
	-----	-----	-----	-----
Total Expenses	216	649	1,105	2,032
	-----	-----	-----	-----
Income Before Extraordinary Loss From Early Extinguishment Of Debt	314	58	695	856
Extraordinary loss from early extinguishment of debt	-	-	(149)	-
	-----	-----	-----	-----
Net Income	\$ 314	\$ 58	\$ 546	\$ 856
	=====	=====	=====	=====

SHARE DATA

Income Before Extraordinary Loss From Early Extinguishment Of Debt Per Share	\$.03	\$.01	\$.07	\$.09
------------------------------------------------------------------------------------------	--------	--------	--------	--------

Extraordinary Loss From Early

Extinguishment Of Debt Per Share	-	-	(.02)	-
Net Income Per Share	\$.03	\$.01	\$.05	\$.09
Weighted Average Number Of Shares Of Common Stock And Common Stock Equivalents Outstanding	10,088,000	9,747,000	9,953,000	9,736,000

</TABLE>

See notes to consolidated financial statements.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For The Nine Months Ended September 30, 1996
(Dollars In Thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Number Of Shares	Par Value	Additional Paid-In Capital	Cumulative Net Income (Loss)	Cumulative Dividends	Treasury Stock	
Total	-----	-----	-----	-----	-----	-----	--
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995 18,448	9,875,655	\$ 99	\$ 84,046	\$ (23,757)	\$ (41,530)	\$ (410)	\$
Net income	--	--	--	546	--	--	--
546	-----	-----	-----	-----	-----	-----	-----
Balance at September 30, 1996 ... 18,994	9,875,655	\$ 99	\$ 84,046	\$ (23,211)	\$ (41,530)	\$ (410)	\$
	=====	=====	=====	=====	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Nine Months Ended September 30, 1996 and 1995
Increase (Decrease) In Cash
(Dollars In Thousands)
(Unaudited)

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 546	\$ 856
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in other assets	(297)	337
Extraordinary loss from early extinguishment of debt	149	-
Decrease in accounts payable and other liabilities	(145)	(205)
Decrease in accrued interest payable	(76)	(29)
Amortization of debt costs	28	81
Net Cash Provided By Operating Activities	205	1,040
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in funds held by Trustee	5,638	762
Principal payments received on real estate loans	3,339	7,708
Increase in short-term investments	(1,326)	(9,962)
Amortization of residual interests	1,232	1,659
Real estate loans funded	(706)	(2,625)
Net Cash Provided By (Used In) Investing Activities	8,177	(2,458)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments, including prepayment penalty of \$94 in 1996, made on long-term debt	(7,913)	(2,973)
Dividends paid	(291)	(194)
	-----	-----
Net Cash Used In Financing Activities	(8,204)	(3,167)
	-----	-----
Net Increase (Decrease) In Cash	178	(4,585)
Cash And Cash Equivalents At Beginning Of Period	3,347	6,666
	-----	-----
Cash And Cash Equivalents At End Of Period	\$ 3,525	\$ 2,081
	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION

Cash paid for interest	\$ 286	\$ 632
	=====	=====

</TABLE>

See notes to consolidated financial statements.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1996
(Unaudited)

NOTE 1 - ORGANIZATION

Homeplex Mortgage Investments Corporation, a Maryland corporation, ("Homeplex" or the "Company") commenced operations in July 1988. As described in Note 4 the Company has purchased interests in mortgage certificates securing collateralized mortgage obligations (CMOs) and interests relating to mortgage participation certificates (MPCs) (collectively residual interests). Since December 1993 the Company has originated various loans secured by real estate (see Note 3).

The accompanying interim financial statements do not include all of the information and disclosures generally required for annual financial statements. In the opinion of management, however, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 1996 and 1995 are not necessarily indicative of the results that may be expected for the entire year. These financial statements should be read in conjunction with the December 31, 1995 financial statements and notes thereto.

In September 1996, the Company entered into a merger agreement with Monterey Homes. Such agreement will be subject to Homeplex obtaining the approval of its stockholders at the Stockholders' Meeting to be held on December 18, 1996 (see Note 8).

NOTE 2 - GENERAL AND SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Homeplex Mortgage Investments Corporation and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Income Taxes

The Company has elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code. As a REIT, the Company must distribute annually at least 95% of its taxable income to its stockholders.

At December 31, 1995, the Company has available, for income tax purposes, a net operating loss carryforward of approximately \$57,000,000. Such loss may be carried forward, with certain restrictions, for up to 14 years to offset future taxable income, if any. Until the tax loss carryforward is fully utilized or expires, the Company will not be required to pay dividends to its stockholders except for income that is deemed to be excess inclusion income.

The income reported in the accompanying financial statements is different than taxable income because some income and expense items are reported in different periods for income tax purposes. The principal differences relate to the amortization of residual interests and the treatment of stock option expense.

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 HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 September 30, 1996
 (Unaudited)

If the proposed merger with Monterey Homes is consummated, the Company would be required to terminate its REIT status (see Note 8).

Residual Interests

Interests relating to mortgage participation certificates and residual interest certificates are accounted for as described in Note 4.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and certificates of deposit with maturities of less than three months.

Net Income Per Share

Primary net income per share is calculated using the weighted average shares of common stock outstanding and common stock equivalents. Common stock equivalents consist of dilutive stock options. Net income per share is the same for both primary and fully diluted calculations.

Short-Term Investments

At September 30, 1996, short-term investments consist of three CMO PAC bonds with a combined principal balance of \$10,298,000, estimated yields to maturity of approximately 5.2% to 5.4% and estimated maturities of approximately five to seven months.

NOTE 3 - REAL ESTATE LOANS

The following is a summary of the real estate loan outstanding at September 30, 1996:

<TABLE>
 <CAPTION>

Description -----	Interest Rate -----	Payment Terms -----	Principal and Carrying Amount (1) -----
<S>	<C>	<C>	<C>
First Deed of Trust on 41 acres of land in Gilbert, Arizona.	16%	Interest only monthly, principal due October 16, 1996; extended for one year on October 16, 1996 under the same terms and conditions.	\$ 1,415,000

</TABLE>

(1) Also represents cost for federal income tax purposes.

Such loan was current as of September 30, 1996.

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 HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 September 30, 1996
 (Unaudited)

NOTE 4 - RESIDUAL INTERESTS

The Company owns residual interests in collateralized mortgage obligations (CMOs) and residual interests in mortgage participation certificates (MPCs) (collectively residual interests) with respect to which elections to be treated as a real estate mortgage investment conduit (REMIC) have been made.

Residual Interest Certificates

The Company owns 100% of the residual interest certificates representing the residual interests in five series of CMOs secured by mortgage certificates and cash funds held by trustee. The CMOs have been issued through Westam Mortgage Financial Corporation (Westam) or American Southwest Financial Corporation (ASW). The mortgage certificates securing the CMOs all have fixed interest rates. Certain of the classes of CMOs have fixed interest rates and certain have interest rates that are determined monthly based on the London Interbank Offered Rates (LIBOR) for one month Eurodollar deposits, subject to specified maximum interest rates.

Each series of CMOs consists of several serially maturing classes collateralized by mortgage certificates. Generally, principal payments received

on the mortgage certificates, including prepayments on such mortgage certificates, are applied to principal payments on the classes of CMOs in accordance with the respective indentures. Scheduled payments of principal and interest on the mortgage certificates securing each series of CMOs and reinvestment earnings thereon are intended to be sufficient to make timely payments of interest on such series and to retire each class of such series by its stated maturity. Certain series of CMOs are subject to redemption according to specific terms of the respective indentures.

The Company's residual interest certificates entitle the Company to receive the excess, if any, of payments received from the pledged mortgage certificates together with reinvestment income thereon over amounts required to make debt service payments on the related CMOs and to pay related administrative expenses of the REMICs. The Company also has the right, under certain conditions, to cause an early redemption of the CMOs. Under the early redemption feature, the mortgage certificates are sold at the then current market price and the CMOs repaid at par value. The Company is entitled to any excess cash flow from such early redemptions. The conditions under which such early redemptions may be elected vary but generally cannot be done until the remaining outstanding CMO balance is less than 10% of the original balance.

Interests In Mortgage Participation Certificates

The Company owns residual interests in REMICs with respect to three separate series of Mortgage Participation Certificates (MPCs) issued by the Federal Home Loan Mortgage Corporation (FHLMC) or by the Federal National Mortgage Association (FNMA). The Company's MPC residual interests entitle the Company to receive its proportionate share of the excess (if any) of payments received from the mortgage certificates underlying the MPCs over principal and interest required to be passed through to the holders of such MPCs. The Company is not entitled to reinvestment income earned on the underlying mortgage certificates, is not required to pay any administrative expenses related to the MPCs and does not have the right to elect early termination of any of the MPC classes. The mortgage certificates underlying the MPCs all have fixed interest rates. Certain of the classes of the MPCs have fixed interest rates and certain have interest rates

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 HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 September 30, 1996
 (Unaudited)

that are determined monthly based on LIBOR or based on the Monthly Weighted Average Cost of Funds (COFI) for Eleventh District Savings Institutions as published by the Federal Home Loan Bank of San Francisco, subject to specified maximum interest rates.

The following summarizes the Company's investment in residual interests at September 30, 1996:

<TABLE>
 <CAPTION>

Series	Type Of Investments	Company's Amortized Cost	Company's Percentage Ownership
-----	-----	-----	-----
		(In Thousands)	
<S>	<C>	<C>	
Westam 1	Residual Interest Certificate	\$ 439	100.00%
Westam 3	Residual Interest Certificate	25	100.00%
Westam 5	Residual Interest Certificate	164	100.00%
Westam 6	Residual Interest Certificate	2	100.00%
ASW 65	Residual Interest Certificate	2,109	100.00%
FHLMC 17	Interest in MPCs	102	100.00%
FNMA 1988-24	Interest in MPCs	866	20.20%
FNMA 1988-25	Interest in MPCs	518	45.07%

		\$ 4,225	
		=====	

</TABLE>

The following summarizes the Company's proportionate interest in the aggregate assets and liabilities of the eight residual interests at September 30, 1996 (in thousands):

<TABLE>		
<S>		<C>
Assets:		
Outstanding Principal Balance of Mortgage Certificates		\$ 295,762
Funds Held By Trustee and Accrued Interest Receivable		8,446

		\$ 304,208
		=====
Range of Stated Coupon of Mortgage Certificates		9.0% - 10.5%

Liabilities:

Outstanding Principal Balance of CMOs and MPCs:	
Fixed Rate	\$ 269,248
Floating Rate - LIBOR Based	26,209
Floating Rate - COFI Based	3,586

Total	299,043
Accrued Interest Payable	2,035

	\$ 301,078
	=====
Range of Stated Interest Rates on CMOs and MPCs.....	0% to 9.9%

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 1996
(Unaudited)

The average LIBOR and COFI rates used to determine income from residual interests were as follows:

<TABLE>
<CAPTION>

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,		At Sept. 30, 1996
	1996	1995	1996	1995	
	----	----	----	----	
<S>	<C>	<C>	<C>	<C>	<C>
LIBOR.....	5.50%	5.94%	5.48%	6.03%	5.50%
COFI.....	5.07%	5.15%	4.93%	4.91%	4.82%

</TABLE>

The Company accounts for residual interests using the prospective net level yield method. Under this method, a residual interest is recorded at cost and amortized over the life of the related CMO or MPC issuance. The total expected cash flow is allocated between principal and interest as follows:

1. An effective yield is calculated as of the date of purchase based on the purchase price and anticipated future cash flows.
2. In the initial accounting period, interest income is accrued on the investment balance using the effective yield calculated as of the date of purchase.
3. Cash received on the investment is first applied to accrued interest with any excess reducing the recorded principal balance of the investment.
4. At each reporting date, the effective yield is recalculated based on the amortized cost of the investment and the then-current estimate of the remaining future cash flows.
5. The recalculated effective yield is then used to accrue interest income on the investment balance in the subsequent accounting period.
6. The above procedure continues until all cash flows from the investment have been received.

At the end of each period, the amortized balance of the investment should equal the present value of the estimated cash flows discounted at the newly-calculated effective yield. If a residual interest is determined to have other than temporary impairment, the residual interest is written down to fair value.

At September 30, 1996, the estimated prospective net level yield of the Company's residual interests, in the aggregate, is 33% without early redemptions or terminations being considered and 90% if early redemptions or terminations are considered. At September 30, 1996, the estimated fair value of the Company's residual interests, in the aggregate, is estimated to be between \$5 million and \$7 million.

The projected yield and estimated fair value of the Company's residual interests are based on prepayment and interest rate assumptions at September 30, 1996. There will be differences, which may be material, between the projected yield and the actual yield and the fair value of the residual interests may change significantly over time.

NOTE 5 - LONG-TERM DEBT

On December 17, 1992, a wholly owned, limited purpose subsidiary of the Company issued \$31,000,000 of Secured Notes under an Indenture to a group of institutional investors. The Notes bore interest at 7.81% and required quarterly payments of principal and interest with the balance due on February 15, 1998. In connection with the financing, the Company paid fees of \$635,000 which were included in other assets in the accompanying consolidated balance sheet and were amortized to interest expense over the life of the financing. The Notes were secured by the Company's residual interests in Westam 1, Westam 3, Westam 5, Westam 6, ASW 65, FNMA 1988-24 and FNMA 1988-25 (see Note 4), and by Funds held by the Note Trustee. The Company used \$3,100,000 of the proceeds to establish a reserve fund. The reserve fund, which had a specified maximum balance of \$7,750,000, was to be used to make the scheduled principal and interest payments on the Notes if the cash flow available from the collateral was not sufficient to make the scheduled payments. Depending on the level of certain specified financial ratios relating to the collateral, the cash flow from the collateral was required to either prepay the Notes at par, increase the reserve fund up to its \$7,750,000 maximum or was remitted to the Company.

On May 15, 1996 the Company repaid the remaining outstanding Note balance of \$6,828,000 plus accrued interest. The Company paid prepayment penalty fees of \$94,000 and wrote off the remaining unamortized balance of \$55,000 of capitalized debt costs in connection with such repayment resulting in an extraordinary loss of \$149,000 from the early extinguishment of debt.

NOTE 6 - COMMON STOCK AND STOCK OPTIONS

The Company has a Stock Option Plan which is administered by the Board of Directors. The plan provides for qualified stock options which may be granted to key personnel of the Company and non-qualified stock options which may be granted to the Directors and key personnel of the Company. The purpose of the plan is to provide a means of performance-based compensation in order to attract and retain qualified personnel whose job performance affects the Company.

Options to acquire a maximum (excluding dividend equivalent rights) of 437,500 shares of the Company's common stock may be granted under the plan. The exercise price may not be less than the fair market value of the common stock at the date of grant. The options expire ten years after date of grant.

Option holders also receive, at no additional cost, dividend equivalent rights which entitle them to receive, upon exercise of the options, additional shares calculated based on the dividends declared during the period from the grant date to the exercise date. At September 30, 1996 accounts payable and other liabilities in the accompanying consolidated balance sheets, include approximately \$850,000 related to the Company's granting of dividend equivalent rights. This liability will remain in the accompanying consolidated balance sheets until the options to which the dividend equivalent rights relate are exercised, cancelled or expire.

Under the plan, an exercising optionholder also has the right to require the Company to purchase some or all of the optionholder's shares of the Company's common stock. That redemption right is exercisable by the optionholder only with respect to shares (including the related dividend equivalent rights) that the optionholder has acquired by exercise of an option under the Plan. Furthermore, the optionholder can only exercise his redemption rights within six months from the last to expire of (i) the two year period commencing

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 1996
(Unaudited)

with the grant date of an option, (ii) the one year period commencing with the exercise date of an option, or (iii) any restriction period on the optionholder's transfer of the shares of common stock he acquires through exercise of his option. The price for any shares repurchased as a result of an optionholder's exercise of his redemption right is the lesser of the book value of those shares at the time of redemption or the fair market value of the shares on the original date the options were exercised.

At September 30, 1996, there were 445,177 of options (including dividend equivalent rights) outstanding of which 438,376 were currently exercisable at effective exercise prices ranging from \$1.22 per share to \$4.48 per share.

Additionally, in December 1995, in connection with the renegotiation of the Chief Executive Officer's Employment Agreement, the Company replaced his annual salary of \$250,000 plus bonus with 750,000 of non-qualified stock options which vest over the three year term of the new Employment Agreement. The exercise price of the options is \$1.50 per share which was equal to the closing market price of the common stock on grant date. As of September 30, 1996,

200,000 of the options were vested, with 275,000 vesting in December 1996 and the remaining 275,000 vesting in December 1997. The options will immediately vest upon a change in control, as defined. The options will expire in December 2000. These stock options are subject to stockholder approval. In the event the stock options are not approved by the stockholders, the Employment Agreement provides that the options will be converted into phantom stock rights (PSRs). Such PSRs have the same vesting provisions, exercise price and expiration date as the related stock options, except that upon exercise of a PSR no stock is actually issued. Instead, the Company will make a cash payment to the holder equal to the difference between the market value of the stock on the exercise date and the exercise price of \$1.50 per share. The PSRs, also, provide that the holder will receive payments equal to the product of the per share dividend amount times the number of PSRs outstanding.

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with requirements of SFAS No. 107, "Disclosures about Fair Values of Financial Instruments". Although management uses its best judgement in estimating the fair value of these instruments, there are inherent limitations in any estimation technique and the estimates are thus not necessarily indicative of the amounts which the Company could realize on a current transaction.

The following describes the significant assumptions underlying the estimates of fair value:

- (a) Real Estate Loans - The Company's real estate loan is short-term and considered to be fully collectible. The terms and conditions of the loan are the same as would be used by the Company to fund similar type loans at September 30, 1996. As such, fair value approximates cost.
- (b) Short-Term Investments - Short-term investments consist of three CMO PAC bonds with a fair value that approximates cost.
- (c) Cash and Cash Equivalents - Cash and cash equivalents consist of demand deposits and liquid money market funds with fair value approximating cost.
- (d) Residual Interests - Residual interests and their fair value are described in Note 4 to the financial statements.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 September 30, 1996
 (Unaudited)

Based on these assumptions the Company estimates the fair value of its financial instruments at September 30, 1996 to be as follows (in thousands):

	Carrying Amount -----	Estimated Fair Value -----
Real Estate Loans.....	\$ 1,415	\$ 1,415
Short-term Investments.....	10,295	10,295
Residual Interests.....	4,225	5,000 to 7,000
Cash and Cash Equivalents.....	3,525	3,525

NOTE 8 - PROPOSED MERGER

In September 1996 the Company entered into an agreement to merge with Monterey Homes, a group of privately-held companies engaged in the homebuilding business in Phoenix, Scottsdale and Tucson, Arizona. As currently contemplated the merger would involve the issuance of approximately 3.9 million shares of Homeplex common stock in exchange for 100% of the outstanding stock of Monterey Homes. Additionally, up to 800,000 additional shares of Homeplex common stock will be issued in the event that (i) the stock price of Homeplex reaches certain targeted levels of between \$1.75 to \$3.50 in the five years following the merger and (ii) the two current stockholders of Monterey Homes are still employed by the post-merger company when the stock price reaches the targeted levels. Prior to closing, Monterey Homes, a group of subchapter S corporations, will distribute to their stockholders a significant portion of their previously taxed retained earnings which will reduce the net worth of Monterey Homes to \$2.5 million, subject to certain accounting adjustments.

If the merger is consummated, William W. Cleverly and Steven J. Hilton, the current stockholders of Monterey Homes, will become the Chairman and the President, respectively, and co-chief executive officers of the combined company after the closing, and each will enter into a five-year employment agreement providing for additional options to purchase 500,000 shares each of Homeplex

common stock at \$1.75 per share. Messrs. Cleverly and Hilton will serve on the new Board of Directors along with two new outside directors and one current Homeplex director.

Monterey Homes had combined revenue of approximately \$61 million and \$71 million and pre-tax earnings of approximately \$6.3 million and \$6.4 million for the years ended December 31, 1994 and 1995, respectively. After the merger, the combined entities would continue with Monterey Homes' building operations as its main line of business. Upon consummation of the merger, it is anticipated that the combined entities will have total assets of approximately \$75 million. It is anticipated that Homeplex's \$57 million net operating-loss carryforward for income tax purposes would be available to the combined company, and the transaction would require Homeplex to terminate its tax status as a real estate investment trust (REIT).

The agreement is subject to certain terms and conditions including approval by the stockholders of Homeplex. A meeting of the Homeplex stockholders has been scheduled on December 18, 1996, to vote upon the merger and other business matters.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 1996
(Unaudited)

At September 30, 1996, approximately \$314,000 of legal, accounting and investment banking costs related to the proposed merger have been capitalized and are included in other assets in the accompanying balance sheets. If the merger is consummated, the Company anticipates that it will incur approximately \$300,000 of expenses related to severance costs of employees expected to be terminated by the merged Company.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION

ITEM 2. Management's Discussion and Analysis of Financial Condition, Results of

Operations and Interest Rates and Other Information

Results of Operations For The Three And Nine Months Ended September 30, 1996 and

1995

The Company had net income of \$314,000 or \$.03 per share, and \$546,000 or \$.05 per share, respectively, for the three and nine months ended September 30, 1996 compared to net income of \$58,000, or \$.01 per share and \$856,000 or \$.09 per share for the comparable periods in 1995. Results for the nine months ended September 30, 1996 include an extraordinary loss from the early extinguishment of debt of \$149,000, or \$.02 per share.

The Company's income from mortgage assets was \$530,000 and \$1,800,000, respectively, for the three and nine months ended September 30, 1996 as compared to income of \$707,000 and \$2,888,000 for the comparable periods in 1995. Interest income on real estate loans decreased from \$223,000 and \$1,420,000, respectively, for the three and nine months ended September 30, 1995 to \$144,000 and \$510,000, respectively, for the comparable periods in 1996 due to a reduction of the Company's real estate lending programs. See "Liquidity, Capital Resources and Commitments".

The Company's interest expense declined from \$206,000 and \$684,000, respectively, for the three and nine months ended September 30, 1995 to \$0 and \$238,000 for the comparable periods in 1996 as a result of the Company reducing its long-term debt.

Liquidity, Capital Resources and Commitments

The Company raised \$80,593,000 in connection with its initial public offering on July 27, 1988. The proceeds were immediately utilized to purchase residual interests. Subsequently, through October 1988, the Company purchased an additional \$59,958,000 of residual interests which were initially financed using a combination of borrowings under repurchase agreements and the Company's bank line of credit. The Company has not purchased any residual interests since October 1988.

Since December 1993, the Company has originated real estate loans secured by various first deeds of trust on real properties located in Arizona. The Company's loan program seeks higher returns by targeting loan opportunities to which the Company can respond on a more timely basis than traditional real estate lenders. In the latter half of 1995, in anticipation of a potential acquisition transaction, the Company slowed its origination of real estate loans. At September 30, 1996 the Company had one real estate loan outstanding

with a balance of \$1,415,000. The loan bears interest at 16%, payable monthly, with all principal due on October 16, 1996 and was extended for one year on October 16, 1996 under the same terms and conditions.

On December 17, 1992, a wholly owned limited-purpose subsidiary of the Company issued \$31,000,000 of Secured Notes under an Indenture to a group of institutional investors. The Notes bore interest at 7.81% and required quarterly payments of principal and interest with the balance due on February 15, 1998. The Notes were secured by the Company's residual interests in Westam 1, Westam 3, Westam 5, Westam 6, ASW 65, FNMA 1988-24 and FNMA 1988-25 and by funds held by the Note Trustee. The Company used \$3,100,000 of the proceeds to establish a reserve fund. The reserve fund had a specified maximum balance

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of \$7,750,000 and was to be used to make the scheduled principal and interest payments on the Notes if the cash flow available from the collateral was not sufficient to make the scheduled payments. Depending on the level of certain specified financial ratios relating to the collateral, the cash flow from the collateral is required to either repay the Notes at par, increase the reserve fund up to its \$7,750,000 maximum or was remitted to the Company. On May 15, 1996 the Company repaid the remaining outstanding Note balance of \$6,828,000 plus accrued interest. The Company paid prepayment penalty fees of \$94,000 and wrote off the remaining unamortized balance of \$55,000 of capitalized debt costs in connection with such repayment resulting in an extraordinary loss of \$149,000 from the early extinguishment of debt.

At September 30, 1996, the Company does not have any used or unused short-term debt or line of credit facilities.

As a real estate investment trust (REIT), the Company is not subject to income tax at the corporate level as long as it distributes 95% of its taxable income to its stockholders. At December 31, 1995, the Company has a net operating loss carryforward, for income tax purposes, of approximately \$57,000,000. This tax loss may be carried forward, with certain restrictions, for up to 14 years to offset future taxable income, if any. Until the tax loss carryforward is fully utilized or expires, the Company will not be required to distribute dividends to its stockholders except for income that is deemed to be excess inclusion income.

In September 1996 the Company entered into an agreement to merge with Monterey Homes, a group of privately-held companies engaged in the homebuilding business in Phoenix, Scottsdale and Tucson, Arizona. As currently contemplated the merger would involve the issuance of approximately 3.9 million shares of Homeplex common stock in exchange for 100% of the outstanding stock of Monterey Homes. Additionally, up to 800,000 additional shares of Homeplex common stock will be issued in the event that (i) the stock price of Homeplex reaches certain targeted levels of between \$1.75 to \$3.50 in the five years following the merger and (ii) the two current stockholders of Monterey Homes are still employed by the post-merger company when the stock price reaches the targeted levels. Prior to closing, Monterey Homes, a group of subchapter S corporations, will distribute to their stockholders a significant portion of their previously taxed retained earnings which will reduce the net worth of Monterey Homes to \$2.5 million, subject to certain accounting adjustments.

If the merger is consummated, William W. Cleverly and Steven J. Hilton, the current stockholders of Monterey Homes, will become the Chairman and the President, respectively, and co-chief executive officers of the combined company after the closing, and each will enter into a five-year employment agreement providing for additional options to purchase 500,000 shares each of Homeplex common stock at \$1.75 per share. Messrs. Cleverly and Hilton will serve on the new Board of Directors along with two new outside directors and one current Homeplex director.

Monterey Homes had combined revenue of approximately \$61 million and \$71 million and pre-tax earnings of approximately \$6.3 million and \$6.4 million for the years ended December 31, 1994 and 1995, respectively. After the merger, the combined entities would continue with Monterey Homes' building operations as its main line of business. Upon consummation of the merger, it is anticipated that the combined entities will have total assets of approximately \$75 million. It is anticipated that Homeplex's \$57 million net operating-loss carryforward for income tax purposes would be available to the combined company, and the transaction would require Homeplex to terminate its tax status as a real estate investment trust (REIT).

The agreement is subject to certain terms and conditions including approval by the stockholders of Homeplex. A meeting of the Homeplex stockholders has been scheduled on December 18, 1996, to vote upon the merger and other business matters.

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At September 30, 1996, approximately \$314,000 of legal, accounting and

investment banking costs related to the proposed merger have been capitalized and are included in other assets in the accompanying balance sheets. If the merger is consummated, the Company anticipates that it will incur approximately \$300,000 of expenses related to severance costs of employees expected to be terminated by the merged Company.

Interest Rates and Prepayments

One of the Company's major sources of income is its income from residual interests which consists of the Company's investment in eight real estate mortgage investment conduits ("REMICs") as described in Note 4 to the financial statements. The Company's cash flow and return on investment from its residual interests are highly sensitive to the prepayment rate on the related mortgage certificates and the variable interest rates on variable rate CMOs and MPCs.

At September 30, 1996, the Company's proportionate share of floating-rate CMOs and MPCs in the eight REMICs is \$26,209,000 in principal amount that pays interest based on LIBOR and \$3,586,000 in principal amount that pays interest based on COFI. Consequently, absent any changes in prepayment rates on the related mortgage certificates, increases in LIBOR and COFI will decrease the Company's net income, and decreases in LIBOR and COFI will increase the Company's net income. The average LIBOR and COFI rates were as follows:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,		At Sept. 30, 1996
	1996	1995	1996	1995	
LIBOR.....	5.50%	5.94%	5.48%	6.03%	5.50%
COFI.....	5.07%	5.15%	4.93%	4.91%	4.82%

The Company's cash flow and return on investment from residual interests also is sensitive to prepayment rates on the mortgage certificates securing the CMOs and underlying the MPCs. In general, slower prepayment rates will tend to increase the cash flow and return on investment from residual interests. The rate of principal prepayments on mortgage certificates is influenced by a variety of economic, geographic, social and other factors. In general, prepayments of the mortgage certificates should increase when the current mortgage interest rates fall below the interest rates on the fixed rate mortgage loans underlying the mortgage certificates. Conversely, to the extent that then current mortgage interest rates exceed the interest rates on the mortgage loans underlying the mortgage certificates, prepayments of such mortgage certificates should decrease. Prepayment rates also may be affected by the geographic location of the mortgage loans underlying the mortgage certificates, conditions in mortgage loan, housing and financial markets, the assumability of the mortgage loans and general economic conditions.

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HOMEPLEX MORTGAGE INVESTMENTS CORPORATION

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Not applicable

ITEM 2. Changes in Securities

Not applicable

ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable

ITEM 5. Other Information

Not applicable

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits - Exhibit 27, Financial Data Schedule

(b) Reports on Form 8-K - None

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

HOMEPLEX MORTGAGE INVESTMENTS CORPORATION

November 14, 1996

By \ JAY R. HOFFMAN

Jay R. Hoffman, President,
Treasurer, Chief Financial Officer
and a Duly Authorized Officer

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