

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**  
SEC Accession No. **0000898430-96-005298**

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### FILER

#### IMPERIAL GOVERNMENT INCOME TRUST SERIES I

CIK: **900472** | State of Incorporation: **CA** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **033-60932** | Film No.: **96662742**  
SIC: **6189** Asset-backed securities

Business Address  
20371 IRVINE AVE  
C/O HOMEMAC CORP  
SANTA ANA HEIGHTS CA  
92707  
7142225100

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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

COMMISSION FILE NUMBER:

IMPERIAL GOVERNMENT INCOME TRUST SERIES I

CALIFORNIA  
-----  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

33-6172937  
-----  
(IRS EMPLOYER IDENTIFICATION NUMBER)

20371 IRVINE AVENUE, SANTA ANA HEIGHTS, CALIFORNIA 92707

(714) 474-8500

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(b) 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    X  
  ---    ---

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK, AS OF THE LATEST POSSIBLE DATE:

<TABLE>  
<CAPTION>

| CLASS<br>-----                   | CERTIFICATES OUTSTANDING AT NOVEMBER 11, 1996<br>----- |
|----------------------------------|--|
| <S><br>PASS-THROUGH CERTIFICATES | <C><br>3,769,830                                       |

</TABLE>

IMPERIAL GOVERNMENT INCOME TRUST

FORM 10-Q

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<CAPTION>

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IMPERIAL GOVERNMENT INCOME TRUST  
BALANCE SHEET

(Unaudited)

<TABLE>  
<CAPTION>

|  | DECEMBER 31, 1995<br><C> | SEPTEMBER 30, 1996<br><C> |
|--|--------------------------|---------------------------|
| ASSETS   |                          |                           |
| Cash.....  | \$ 45,694                | \$ 57,576                 |
| Mortgage-backed securities available-for-sale.....     | 2,232,540                | 2,119,888                 |
| Purchased mortgage servicing rights.....               | 1,097,738                | 999,747                   |
| Interest Income.....                                   | 113,796                  | 109,992                   |
|  | -----                    | -----                     |
| Total assets.....                                      | \$3,489,768              | \$3,287,203               |
|  | =====                    | =====                     |
| LIABILITIES AND CERTIFICATE HOLDERS' EQUITY            |                          |                           |
| Other liabilities.....                                 | \$ 6,553                 | \$ 51,312                 |
| Dividends Payable.....                                 | 41,445                   | 38,945                    |
|  | -----                    | -----                     |
| Total liabilities.....                                 | 47,998                   | 90,257                    |
|  | -----                    | -----                     |
| Certificate holders' equity:                           |                          |                           |
| Trust certificates.....                                | 3,458,819                | 3,458,819                 |
| Retained earnings (Deficit).....                       | 118,822                  | 301,792                   |
| Distribution to certificate holders.....               | (189,454)                | (542,718)                 |
| Securities valuation allowance, net.....               | 53,583                   | (20,947)                  |
|  | -----                    | -----                     |
| Total certificate holders' equity.....                 | 3,441,770                | 3,196,946                 |
|  | -----                    | -----                     |
| Total liabilities and certificate holders' equity..... | \$3,489,768              | \$3,287,203               |
|  | =====                    | =====                     |

&lt;/TABLE&gt;

See accompanying notes to financial statements

1

IMPERIAL GOVERNMENT INCOME TRUST  
Statement of Income

(Unaudited)

<TABLE>  
<CAPTION>

|  | Three Months<br>Ended<br>Sept 30, 1996<br>-----<br><C> | Nine Months<br>Ended<br>Sept 30, 1996<br>-----<br><C> |
|--|--|---|
| Revenues:  |  |   |
| Interest income.....   | \$35,824   | \$117,106   |
| Loan administration, net of \$32,663 (three mo. amortization)<br>and \$97,991 (nine mo. amortization)..... | 47,182   | 140,840   |
|  | -----  | -----   |
|  | 83,006   | 257,946   |
|  | -----  | -----   |

|  |          |           |
|--|----------|-----------|
| Expenses:                                |          |           |
| General and administrative expenses..... | 28,242   | 74,976    |
|  | -----    | -----     |
|  | 28,242   | 74,976    |
|  | -----    | -----     |
| Net Income                               | \$54,764 | \$182,970 |
|  | =====    | =====     |

</TABLE>

See accompanying notes to financial statements

IMPERIAL GOVERNMENT INCOME TRUST  
STATEMENT OF CHANGES IN CERTIFICATE HOLDERS' EQUITY

<TABLE>  
<CAPTION>

|   | Proceeds from<br>Issuance of Trust<br>Certificates | Retained Earnings | Certificate Holders'<br>Distribution |
|---|--|-------------------|--------------------------------------|
|   | -----  | -----             | -----                                |
| <S>   | <C>  | <C>               | <C>                                  |
| Balance - December 31, 1995.....  | \$3,458,819  | \$118,822         | \$(135,871)                          |
| Proceeds from issuance of trust certificates.....                                 | 0  | 0                 | 0                                    |
| Certificate holders' distribution<br>(net of securities valuation allowance)..... | 0  | 0                 | (427,794)                            |
| Retained Earnings.....  | 0  | 0                 | 0                                    |
| Net income for period (Unaudited).....  | 0  | 182,970           | 0                                    |
|   | -----  | -----             | -----                                |
| Balance - September 30, 1996.....   | \$3,458,819  | \$301,792         | \$(563,665)                          |
|   | =====  | =====             | =====                                |

<CAPTION>

|   | Total<br>Certificate Holders'<br>Equity |
|---|---|
|   | -----                                   |
| <S>   | <C>                                     |
| Balance - December 31, 1995.....  | \$3,441,770                             |
| Proceeds from issuance of trust certificates.....                                 | 0                                       |
| Certificate holders' distribution<br>(net of securities valuation allowance)..... | (427,794)                               |
| Retained Earnings.....  | -                                       |
| Net income for period (Unaudited).....  | 182,970                                 |
|   | -----                                   |
| Balance - September 30, 1996.....   | \$3,196,946                             |
|   | =====                                   |

</TABLE>

See accompanying notes to financial statements.

IMPERIAL GOVERNMENT INCOME TRUST  
STATEMENT OF CASH FLOW

(Unaudited)

<TABLE>  
<CAPTION>

|  | Three Months<br>Ended<br>Sept 30, 1996 | Nine Months<br>Ended<br>Sept 30, 1996 |
|--|--|---------------------------------------|
|  | -----                                  | -----                                 |
| <S>  | <C>                                    | <C>                                   |
| Cash flows from operating activities:  |  |                                       |
| Net income.....  | \$ 54,764                              | \$ 182,970                            |
| Adjustments to reconcile net income to net cash<br>(used in) provided by operating activities: |  |                                       |
| Amortization of purchased mortgage servicing rights.....                                       | 32,664                                 | 97,991                                |

|   |           |           |
|---|-----------|-----------|
| Net change in other assets & liabilities.....   | 75,653    | 86,685    |
|   | -----     | -----     |
| Net cash (used in) by operating activities..... | 163,081   | 367,646   |
|   | -----     | -----     |
| Cash flows from financing activities:           |           |           |
| Distributions to certificate holders.....       | (118,657) | (353,264) |
| Declared dividends unpaid.....                  | (40,361)  | (2,500)   |
|   | -----     | -----     |
| Net cash provided by financing activities.....  | (159,018) | (355,764) |
|   | -----     | -----     |
| Net change in cash.....                         | 4,063     | 11,882    |
| Cash at beginning of period.....                | 53,513    | 45,694    |
|   | -----     | -----     |
| Cash at end of period.....                      | \$ 57,576 | \$ 57,576 |
|   | =====     | =====     |

</TABLE>

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IMPERIAL GOVERNMENT INCOME TRUST  
Notes to Financial Statements  
September 30, 1996

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Imperial Government Income Trust (the Trust) was formed on August 4, 1995 for the purpose of acquiring investments in mortgage-backed securities guaranteed by Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) and beneficial interests in mortgage servicing rights for GNMA.

The assets of the Trust will be liquidated on the earlier of (i) May 2, 2001 and (ii) the date the total remaining mortgage-backed securities and beneficial interests in mortgage servicing rights fall below a net asset value of approximately \$850,000.

PURCHASED MORTGAGE SERVICING

An analysis of purchased mortgage servicing is as follows:

<TABLE>  
<CAPTION>

|                              | 12/31/95    | 9/30/96     |
|------------------------------|-------------|-------------|
|                              | -----       | -----       |
| <S>                          | <C>         | <C>         |
| Balance, beginning of period | \$          | \$1,097,738 |
| Purchased servicing          | 1,155,726   | 0           |
| Amortization                 | (57,988)    | (97,991)    |
|                              | -----       | -----       |
| Balance, end of period       | \$1,097,738 | \$ 999,747  |
|                              | =====       | =====       |

</TABLE>

LOAN ADMINISTRATION

At September 30, 1996 the Trust's portfolio of mortgage loan servicing cash flows which are serviced by ICII was comprised of approximately \$73.1 million of GNMA securities and are backed by FHA and VA.

Related fiduciary funds held by ICII on behalf of the investors in non-interest bearing accounts totaled approximately \$1.8 million at September 30, 1996. In connection with its loan administration activities, ICII makes certain payments of attorney's fees and other costs related to loan foreclosures. To the extent these payments are not reimbursable to ICII, the Trust may be required to cover the cost. Additionally, ICII is required to make payments of certain property taxes and insurance premiums in advance of collecting them from specific mortgagors when necessary.

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MORTGAGE-BACKED SECURITIES

The carrying value (amortized cost) and estimated fair values of mortgage-backed securities available for sale are as follows;

<TABLE>  
<CAPTION>

|  | September 30, 1996 |                        |                         |                      |
|--|--------------------|------------------------|-------------------------|----------------------|
|  | Amortized cost     | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| <S>                                      | <C>                | <C>                    | <C>                     | <C>                  |
| Federal National Mortgage Association    | \$ 353,594         | -                      | (1,757)                 | 351,837              |
| Government national Mortgage Association | 1,782,683          | -                      | (14,632)                | 1,768,051            |
|  | -----              |                        | -----                   | -----                |
|  | \$2,136,277        | -                      | (16,389)                | 2,119,888            |
|  | =====              | =====                  | =====                   | =====                |

</TABLE>

The mortgage-backed securities included above have contractual terms to maturity ranging up to 30 years, but require periodic payments to reduce principal. In addition, expected maturities will differ from contractual maturities because borrowers have the right to prepay the underlying mortgages.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Trust's financial instruments are as follows as of September 30, 1996.

<TABLE>  
<CAPTION>

|                              | Carrying value | Fair value |
|------------------------------|----------------|------------|
| <S>                          | <C>            | <C>        |
| Financial instrument:        |                |            |
| Cash                         | \$ 57,576      | 57,576     |
| Mortgage-backed securities   | 2,119,888      | 2,119,888  |
| Purchased mortgage servicing | 999,747        | 930,025    |

</TABLE>

Cash: The fair value of cash approximates the carrying value reported in the balance sheet.

Mortgage-Backed Securities: The fair value of mortgage-backed securities is estimated based on quoted market prices.

Purchased Mortgage Servicing: The fair value is estimated by discounting future cash flows using credit and discount rates that the Trust believes reflects the estimated credit, interest rate and prepayment risks associated with similar types of instruments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Trust was formed on August 4, 1995 (the "Commencement Date"). The Trust is a self liquidating trust, with a 66 month target term. Upon the commencement date, it had 90 days to acquire assets according to the terms of its Trust Agreement.

On November 2, 1995, the Trust closed pursuant to the Trust Asset Acquisition and Administration Agreement and a Reference Agreement dated August 4, 1995 between Imperial Credit Advisors, Inc. as Administrator and First Trust of California National Association, as Trustee. The Trust accepted a total of \$3,769,830 gross offering proceeds, resulting in \$3,458,819 net proceeds available for investment in Trust assets.

The Trust is required to pass through to its certificate holders on

the 22nd day of each month the previous months' collection of principal and interest from the mortgage backed securities and the servicing fees collected from its GNMA mortgage servicing rights portfolio, net of fees and expenses.

#### SERVICING RIGHTS

The Trust's basis in mortgage servicing rights, net of amortization based on assumed prepayment rates, is reflected on the balance sheet as "Purchased Mortgage Servicing Rights" ("PMSR's"). During the period from the Commencement Date through September 30, 1996, the Trust purchased beneficial interests in a pool of GNMA mortgage servicing rights at a purchase price of \$1,155,726. This represented approximately 35% of the total Trust assets.

The MSR pool on September 30, 1996 contained 735 loans with a principal balance of \$72,494,259 and an average loan balance of \$98,600. The weighted average note rate is 7.57%. The portfolio is geographically distributed in 12 states, with major distribution in Virginia, California, Maryland, Nevada, and Arizona. At September 30, 1996, loans delinquent 30 days or more comprised of 21% of the total portfolio.

The Trust's beneficial interests in servicing rights are subject to volatility in the event of unanticipated prepayments or defaults. Prepayments in excess of those anticipated at the time such interests are purchased would result in decreased future servicing income. Such decreases in future servicing income would result in accelerated amortization and/or impairment of servicing rights.

#### MORTGAGE BACKED SECURITIES

The Trust purchased \$1,798,745 of fixed rate mortgage backed securities issued by the Government National Mortgage Association (GNMA) with an annual yield of 7.50% due October 15, 2025, at a price of 101-19/32% of the face value of such securities and \$383,646.00 of Federal National Mortgage Association (FNMA) mortgage backed securities with an annual yield of 6.50% due November 1, 2002, at a price of 100-11/32% of the face value of such securities. The total purchase price of the mortgage backed securities including accrued interest was \$2,178,957.

These mortgage backed securities are classified as "available-for-sale" and are recorded at fair value, with unrealized gains and losses included from operations and reported as a separate component of Certificate holder's equity. The estimated fair value of these securities at September 30, 1996 is \$1,768,051 and \$351,837 for the GNMA and FNMA pools respectively, based on quoted market prices.

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For the period ended September 30, 1996, the Trust received \$257,946 in total revenues, comprised of \$117,106 of interest income on the GNMA and FNMA mortgage backed securities and \$140,840 in net servicing fees from the Trust's beneficial interest in mortgage servicing rights. Total expenses for the period were \$74,976. The net income during the period was \$182,970.

#### INFLATION

The Financial Statements and Notes thereto herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased costs of the Trust's operations. Unlike many operating companies, nearly all of the assets and liabilities of the Trust's operations are monetary in nature. As a result, interest rates have a greater impact on the Trust's performance than do the effects of general levels of inflation. Inflation affects the Trust's operations primarily through its effect on interest rates, since interest rates normally increase during periods of high inflation and decrease during periods of low inflation. During periods of rising interest rates, the fair market value the Trust's mortgage backed securities will tend to decline as current interest rates become higher than the Trust's mortgage portfolio. However, as interest rates increase, loan prepayments tend to decline, such that the value and earnings from the servicing portfolio tend to increase.

#### LIQUIDITY AND CAPITAL RESOURCES

The Trust's is not an operating entity, and has no need for liquidity. All revenues of the Trust, net of fees and expenses, are distributed to the Certificate holders.

## PART II. OTHER INFORMATION

-----  
Item 1 - 5 Not Applicable

Item 6 Exhibits and reports on Form 8-K

Exhibit 27 - Financial Data Schedule

No reports on Form 8-K were filed during the quarter ended  
September 30, 1996.

## SIGNATURES

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

IMPERIAL GOVERNMENT INCOME TRUST  
Series IBy, Imperial Credit Advisors, Inc.,  
Trust Administrator

Date: November 14, 1996

By: /s/ Thomas O. Markel, Jr.

-----  
Thomas O. Markel, Jr.  
President



<TABLE> <S> <C>

<ARTICLE> 9

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM BALANCE SHEET AND PROFIT/LOSS STATEMENT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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| <PERIOD-TYPE>                  | 9-MOS       |
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| <PERIOD-START>                 | JAN-01-1996 |
| <PERIOD-END>                   | SEP-30-1996 |
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