

# PINNACLE WEST CAPITAL CORP

## FORM U-3A-2

(Statement of exemption by Public Utility Company)

Filed 02/27/98 for the Period Ending 12/31/97

Address	400 NORTH FIFTH STREET MS8695 PHOENIX, AZ 85004
Telephone	602 250 1000
CIK	0000764622
Symbol	PNW
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

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Address	400 NORTH FIFTH STREET . PHOENIX, Arizona 85004
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

## FORM U-3A-2

Statement by Holding Company  
Claiming Exemption under Rule U-2  
from the Provisions of the  
Public Utility Holding Company Act of 1935

To Be Filed Annually Prior to March 1

### Pinnacle West Capital Corporation

(Name of Company)

hereby files with the Securities and Exchange Commission, pursuant to Rule 2, its statement claiming exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935, and submits the following information:

1. Name, state of organization, location and nature of business of Claimant and every subsidiary thereof, other than any exempt wholesale generator (EWG) or foreign utility company in which Claimant directly or indirectly holds an interest.

Pinnacle West Capital Corporation ("Claimant"), having been incorporated on February 20, 1985 under the laws of the State of Arizona, and having its principal executive offices at 400 East Van Buren, Suite 700, Phoenix, Arizona 85004, was organized principally to acquire and hold securities of other corporations for investment purposes. Claimant currently holds stock in the following subsidiaries:

a. Arizona Public Service Company ("APS" or the "Company"), is engaged principally in serving electricity in the State of Arizona. Incorporated in 1920 under the laws of the State of Arizona and having its principal executive offices at 400 North Fifth Street, Phoenix, Arizona 85004, APS became a subsidiary of the Claimant pursuant to a corporate restructuring plan approved by the Company's shareholders on April 18, 1985.

(1) AXIOM Power Solutions, Inc. ("AXIOM") -- an Arizona corporation having been incorporated on October 29, 1996 and having its principal executive offices at 400 E. Van Buren, Phoenix, Arizona 85004, was organized primarily to sell security and energy management products and services. AXIOM is a wholly-owned subsidiary of APS.

(2) Bixco, Inc. ("Bixco") -- an Arizona corporation having been incorporated on June 4, 1971 and having its principal executive offices at 400 North Fifth Street, Phoenix, Arizona 85004, was organized primarily to conduct exploration activities for energy resources and other valuable minerals. Subsequent to the sale of its oil and natural gas properties in 1981, Bixco has been inactive. Bixco is a wholly-owned subsidiary of APS.

b. SunCor Development Company ("SunCor") -- an Arizona corporation having been incorporated on June 30, 1965 and having its principal executive offices at 3838 North Central Avenue, Suite 1500, Phoenix, Arizona 85012, is a wholly-owned subsidiary of Claimant engaged primarily in the owning, holding and development of real property.

(1) SunCor Resort & Golf Management, Inc. ("Resort & Golf Management") (previously named "SunCor Resort Management, Inc." and "SunCor Farms, Inc.") -- an Arizona corporation having been incorporated on December 31, 1986 and having its principal executive offices at 3838 North Central Avenue, Suite 1500, Phoenix, Arizona 85012 operates and manages hotel, golf, food and beverage for the Wigwam Resort and Country Club, Sedona Golf Resort, SunRidge Canyon Golf Club, Real del Mar Golf Club, and Palm Valley Golf Club. Resort & Golf Management is a wholly-owned subsidiary of SunCor.

(2) Litchfield Park Service Company ("LPSCO") -- an Arizona corporation having been incorporated on September 21, 1954 and having its principal executive offices at 501 East Plaza Circle, Suite B, Litchfield Park, Arizona 85340, is a regulated public utility engaged in providing water and sewer services to commercial and residential customers. LPSCO became a wholly-owned subsidiary of SunCor on December 31, 1986.

(3) Golden Heritage Homes, Inc.. ("Golden Heritage Homes") -- (previously named "SunCor Homes, Inc.", LGR, Inc. and "WGP Realty, Inc.") an Arizona corporation having been incorporated on May 14, 1986 and having its principal executive offices at 3838 North Central Avenue, Suite 1500, Phoenix, Arizona 85012, was organized to provide brokerage and realty services in the sale of commercial and residential real property. Golden Heritage Homes is a wholly-owned subsidiary of SunCor.

(i) Golden Heritage Construction, Inc. ("GH Construction") -- an Arizona corporation having been incorporated on December 30, 1993 and having its principal executive offices at 7975 North Hayden Rd. Suite D-280, Scottsdale, Arizona 85258, was organized to serve as a general residential contractor. GH Construction became a wholly-owned subsidiary of Golden Heritage Homes, Inc. on January 1, 1996.

(4) SCM, Inc. ("SCM") -- an Arizona corporation having been incorporated on May 14, 1991 and having its principal executive offices at 3838 North Central Avenue, Suite 1500, Phoenix, Arizona 85012, was organized to

participate in real estate joint ventures and other real estate related activities. SCM is a wholly-owned subsidiary of SunCor.

(5) Golf de Mexico, S.A. DE C.V. ("Golf de Mexico") -- a Mexican variable capital corporation having been incorporated on February 8, 1992 in Tijuana, Baja California, Mexico, and having its principal executive offices at 3838 North Central Avenue, Suite 1500, Phoenix, Arizona 85012, was organized to operate and manage the Real del Mar Golf Course in Mexico. Golf de Mexico has been inactive.

(6) SunCor Realty & Management Company ("SunCor Realty") -- (previously named Russell Ranch Development Company) an Arizona corporation having been incorporated on April 1, 1994 and having its principal executive offices at 3838 North Central Avenue, Suite 1500, Phoenix, Arizona 85012 was organized to participate in real estate joint ventures and other real estate related activities. SunCor Realty is a wholly-owned subsidiary of SunCor.

(7) Palm Valley Golf Club, Inc. ("Palm Valley Golf") -- an Arizona corporation having been incorporated on January 23, 1996 and having its principal executive offices at 3838 North Central Avenue, Suite 1500, Phoenix, Arizona 85012 was organized to hold title to the Palm Valley Golf Course. Palm Valley Golf is a wholly-owned subsidiary of SunCor.

(8) Rancho Viejo de Santa Fe, Inc. ("Rancho Viejo") -- a New Mexico corporation having been incorporated on March 18, 1996 and having its principal executive offices at 3838 North Central Avenue, Suite 1500, Phoenix, Arizona 85012 was organized to engage in real estate development in New Mexico. Rancho Viejo is a wholly-owned subsidiary of SunCor.

(9) Ranchland Utility Company ("Ranchland") - - A New Mexico Corporation having been incorporated on September 5, 1997 and having its principal executive offices at 1590-B Pacheco Street, Santa Fe, New Mexico 87505 is a waste water utility. Ranchland is a wholly-owned subsidiary of Rancho Viejo.

c. El Dorado Investment Company -- an Arizona corporation having been incorporated on July 27, 1983 and having its principal executive offices at 400 East Van Buren, Suite 800, Phoenix, Arizona 85004, is a wholly-owned subsidiary of Claimant engaged primarily in the acquisition and holding of stocks and securities of other companies for investment purposes.

2. A brief description of the properties of Claimant and each of its subsidiary public utility companies used for the generation, transmission and distribution of electric energy for sale, or for the production, transmission and distribution of natural or manufactured gas, indicating the location of principal generating plants, transmission lines, producing fields, gas manufacturing plants and electric and gas distribution facilities, including all such properties which are outside the state in which Claimant and its subsidiaries are organized and all transmission or pipelines which deliver or receive electric energy or gas at the borders of such state.

Neither the Claimant nor any of its subsidiaries own property used for the production, transmission and distribution of natural or manufactured gas. APS, a "public utility company" as that term is defined in the Public Utility Holding Company Act of 1935, is the only one of Claimant's subsidiaries that owns property used for the generation, transmission and distribution of electric energy for sale.



Exhibit D attached hereto shows the location of APS' major generating plants (including those owned jointly with others), principal transmission lines (including those operated for others) and interconnections of transmission lines with out-of-state utilities at state lines. All of such facilities, except the Four Corners Generating Station ("Four Corners"), and all of APS' distribution facilities, are located within the State of Arizona. Four Corners is a mine-mouth power plant, located in the northwest corner of New Mexico, near the city of Farmington, approximately 40 miles east of the Arizona-New Mexico border.

APS' present generating facilities have an accredited capacity aggregating 4,006,109 kilowatts, comprised as follows:

	Capacity -----
Coal:	
Units 1, 2 and 3 at Four Corners, aggregating.....	560,000 kw
15% owned Units 4 and 5 at Four Corners, representing.....	222,000
Units 1, 2, and 3 at the Cholla Plant, aggregating.....	615,000
14% owned Units 1, 2 and 3 at the Navajo Plant, representing.....	315,000 -----
	1,712,000 kw =====
Gas or Oil:	
Two steam units at Ocotillo, two steam units at Saguaro aggregating.....	435,000 kw(1)
Eleven combustion turbine units, aggregating.....	493,000
Three combined cycle units, aggregating.....	255,000 -----
	1,183,000 kw =====
Nuclear:	
29.1% owned or leased Units 1, 2 and 3 at Palo Verde, representing	1,105,509 kw -----
Other (Hydro)	5,600 kw =====

-----  
(1) West Phoenix steam units (96,300 kw) are currently mothballed.

APS' transmission facilities consist of approximately 4,544 pole miles of overhead lines and approximately 9,587 miles of underground lines, all of which are located within the State of Arizona. APS' distribution facilities consist of approximately 11,197 pole miles of overhead lines and approximately 9,587 miles of underground lines, all of which are located within the State of Arizona.

3. The following information for the last calendar year with respect to Claimant and each of its subsidiary public utility companies:

a. Number of kwh of electric energy sold at retail or wholesale.

Claimant	APS
None	29,050,500,000 kwh of electric energy sold at wholesale or retail

b. Number of kwh of electric energy distributed at retail outside the state in which each such company is organized.

Claimant	APS
None	59,405,000 kwh of electric energy distributed at retail outside Arizona

c. Number of kwh of electric energy sold at wholesale outside the state in which each such company is organized, or at the state line.

Claimant	APS
None	926,900 kwh of electric energy sold at wholesale outside Arizona or at state line

d. Number of kwh of electric energy purchased outside the state in which each such company is organized or at the state line.

Claimant	APS
None	0 kwh of electric energy purchased outside Arizona or at state line

4. The following information for the reporting period with respect to Claimant and each interest it holds directly or indirectly in an EWG or a foreign utility company, stating monetary amounts in United States dollars:

The Claimant holds no interest, direct or indirect, in an EWG or a foreign utility company.

a. Name, location, business address and description of the facilities used by the EWG or foreign utility company for the generation, transmission and distribution of electric energy for sale or for the distribution at retail of natural or manufactured gas.

Not applicable.

b. Name of each system company that holds an interest in such EWG or foreign utility company; and description of the interest held.

Not applicable.

c. Type and amount of capital invested, directly or indirectly, by the holding company claiming exemption; any direct or indirect guarantee of the security of the EWG or foreign utility company by the holding company claiming exemption; and any debt or other financial obligation for which there is recourse, directly or indirectly, to the holding company claiming exemption or another system company, other than the EWG or foreign utility company.

Not applicable.

d. Capitalization and earnings of the EWG or foreign utility company during the reporting period.

Not applicable.

e. Identify any service, sales or construction contract(s) between the EWG or foreign utility company and a system company, and describe the services to be rendered or goods sold and fees or revenues under such agreement(s).

Not applicable.

## **EXHIBIT A**

A consolidating statement of income and surplus of the Claimant and its subsidiary companies for the last calendar year, together with a consolidating balance sheet of Claimant and its subsidiary companies as of the close of such calendar year.

Exhibit A hereto includes consolidating statements of income and consolidating balance sheets for the Claimant and the following of its subsidiaries: Arizona Public Service Company, SunCor Development Company and El Dorado Investment Company. Subsidiaries have been consolidated for financial reporting purposes in accordance with Statement of Financial Accounting Standards No. 94, Consolidation of All Majority-Owned Subsidiaries. Also included are consolidating statements of income and consolidating balance sheets for SunCor Development Company and its subsidiaries.

## EXHIBIT B FINANCIAL DATA STATEMENT

If, at the time a report on this form is filed, the registrant is required to submit this report and any amendments thereto electronically via EDGAR, the registrant shall furnish a Financial Data Schedule. The Schedule shall set forth the financial and other data specified below that are applicable to the registrant on a consolidated basis.

1. Total Assets.

2. Total Operating Revenues.

3. Net Income.

See Exhibit B hereto.

## **EXHIBIT B Financial Data Schedule**

The Claimant submits the following consolidated financial information:

1. Total Assets: \$6,850,417,000
2. Total Operating Revenues: \$1,995,026,000
3. Net Income: \$235,856,000

## **EXHIBIT C**

An organizational chart showing the relationship of each EWG or foreign utility company to associate companies in the holding-company system.

Not applicable.

## **EXHIBIT D**

Exhibit D is a map of the state of Arizona showing the following:

APS Service Area;

Major APS Power Plants, including joint ownership; Principal APS Transmission Lines; and Transmission Lines Operated for Others.



The above-named Claimant has caused this statement to be duly executed on its behalf by its authorized officer on this 27th day of February, 1998.

**Pinnacle West Capital Corporation**  
(Name of Claimant)

By /s/ Michael S. Ash

-----  
Michael S. Ash  
Corporate Counsel

[CORPORATE SEAL]

Attest:

/s/Suzanne Debes

-----  
Suzanne Debes  
Associate Secretary

Name, title and address of officer to whom notices and correspondence concerning this statement should be addressed:

**Michael S. Ash Corporate Counsel (Name) (Title)**

400 East Van Buren, Suite 700, Phoenix, Arizona 85004 (Address)

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATING BALANCE SHEET**

**31-Dec-97**

(THOUSANDS OF DOLLARS)

	PWCC	APS	SUNCOR	ELDO
<b>A S S E T S</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 7,322	\$ 12,552	\$ 5,108	\$ 2,502
Customer and other receivables - net	1,023	170,997	4,507	10,072
Accrued utility revenue		58,559		
Materials and supplies		70,634		
Fossil fuel		9,621		
Deferred income taxes	53,601	3,496		790
Other current assets	52	24,529	16,955	--
<b>Total current assets</b>	<b>61,998</b>	<b>350,388</b>	<b>26,570</b>	<b>13,364</b>
<b>INVESTMENTS AND OTHER ASSETS</b>				
Real estate investments, net			365,799	
Other assets	2,201,006	164,906	6,721	21,152
<b>Total investments and other</b>	<b>2,201,006</b>	<b>164,906</b>	<b>372,520</b>	<b>21,152</b>
<b>UTILITY PLANT</b>				
Electric plant in service and held for future use		7,009,059		
Less accumulated depreciation and amortization		2,620,607		
<b>Total</b>		<b>4,388,452</b>		
Construction work in progress		237,492		
Nuclear Fuel		51,624		
<b>Net Utility Plant</b>		<b>4,677,568</b>		
<b>DEFERRED DEBITS</b>				
Regulatory asset for income taxes	--	458,369		
Rate synchronization deferral		358,871		
Other deferred debits	9,288	321,040	4,465	--
<b>Total deferred debits</b>	<b>9,288</b>	<b>1,138,280</b>	<b>4,465</b>	<b>--</b>
<b>TOTAL ASSETS</b>	<b>\$2,272,292</b>	<b>\$6,331,142</b>	<b>\$ 403,555</b>	<b>\$ 34,516</b>

**\*ELIMINATIONS AND ADJUSTING ENTRIES\***

	DEBIT	CREDIT	TOTAL
<b>A S S E T S</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			\$ 27,484
Customer and other receivables - net		3,092(b,h)	183,507
Accrued utility revenue			58,559
Materials and supplies			70,634
Fossil fuel			9,621
Deferred income taxes			57,887
Other current assets		128(c)	41,408
<b>Total current assets</b>		<b>3,220</b>	<b>449,100</b>
<b>INVESTMENTS AND OTHER ASSETS</b>			
Real estate investments, net	6,892(e)	6,770(d)	365,921
Other assets	2,069(h)	2,180,827(a,e)	215,027
<b>Total investments and other</b>	<b>8,961</b>	<b>2,187,597</b>	<b>580,948</b>
<b>UTILITY PLANT</b>			
Electric plant in service and held for future use			7,009,059
Less accumulated depreciation and amortization			2,620,607
<b>Total</b>			<b>4,388,452</b>
Construction work in progress			237,492
Nuclear Fuel			51,624

Net Utility Plant	-----	-----	4,677,568
-----	-----	-----	-----
DEFERRED DEBITS			
Regulatory asset for income taxes			458,369
Rate synchronization deferral			358,871
Other deferred debits		9,232 (f)	325,561
	-----	-----	-----
Total deferred debits		9,232	1,142,801
	-----	-----	-----
TOTAL ASSETS	\$ 8,961	\$2,200,049	\$6,850,417
	=====	=====	=====

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATING BALANCE SHEET**

**31-Dec-97**

(THOUSANDS OF DOLLARS)

	PWCC	APS	SUNCOR	ELDO
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 2,089	\$ 107,423	\$ 7,786	\$ 131
Accrued taxes	--	85,886	--	--
Accrued interest	829	31,660	485	--
Commerical paper, net	--	130,750	--	--
Current maturities of long-term debt	--	104,068	4,627	--
Customer Deposits	--	29,116	1,556	--
Other current liabilities	(420)	19,588	511	6
<b>Total current liabilities</b>	<b>2,498</b>	<b>508,491</b>	<b>14,965</b>	<b>137</b>
<b>LONG-TERM DEBT LESS CURRENT MATURITIES</b>	<b>205,000</b>	<b>1,953,162</b>	<b>86,086</b>	<b>--</b>
<b>DEFERRED CREDITS AND OTHER</b>				
Deferred income taxes	17,008	1,345,177	--	--
Deferred investment tax credit	--	60,093	--	--
Unamortized gain-sale of utility plant	--	82,363	--	--
Other deferred credits	20,350	361,371	5,502	--
<b>Total deferred credits</b>	<b>37,358</b>	<b>1,849,004</b>	<b>5,502</b>	<b>--</b>
<b>COMMITMENTS AND CONTINGENCIES (NOTE)</b>				
<b>MINORITY INTERESTS:</b>				
Non-Redeemable preferred stock of APS	--	142,051	--	--
Redeemable preferred stock of APS	--	29,110	--	--
Scottsdale Mountain of SunCor	--	--	6,770	--
<b>COMMON STOCK EQUITY:</b>				
Common stock	2,026,872	1,320,526	406,391	50,046
Retained earnings	564	528,798	(116,159)	(15,667)
<b>Total</b>	<b>2,027,436</b>	<b>1,849,324</b>	<b>290,232</b>	<b>34,379</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,272,292</b>	<b>\$ 6,331,142</b>	<b>\$ 403,555</b>	<b>\$ 34,516</b>

**\*ELIMINATIONS AND ADJUSTING ENTRIES\***

	DEBIT	CREDIT	TOTAL
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	--	--	\$ 117,429
Accrued taxes	1,276(g)	--	84,610
Accrued interest	--	--	32,974
Commerical paper, net	--	--	130,750
Current maturities of long-term debt	--	--	108,695
Customer Deposits	--	--	30,672
Other current liabilities	1,151(b,c)	--	18,534
<b>Total current liabilities</b>	<b>2,427</b>	<b>--</b>	<b>523,664</b>
<b>LONG-TERM DEBT LESS CURRENT MATURITIES</b>	<b>--</b>	<b>--</b>	<b>2,244,248</b>
<b>DEFERRED CREDITS AND OTHER</b>			
Deferred income taxes	--	1,276(g)	1,363,461
Deferred investment tax credit	9,232(f)	--	50,861
Unamortized gain-sale of utility plant	--	--	82,363
Other deferred credits	--	--	387,223
<b>Total deferred credits</b>	<b>9,232</b>	<b>1,276</b>	<b>1,883,908</b>
<b>COMMITMENTS AND CONTINGENCIES (NOTE)</b>			
<b>MINORITY INTERESTS:</b>			
Non-Redeemable preferred stock of APS	--	--	142,051
Redeemable preferred stock of APS	--	--	29,110

COMMON STOCK EQUITY:

Common stock	2,250,064(a)		1,553,771
Retained earnings		76,129(a)	473,665
	-----	-----	-----
Total	2,250,064	76,129	2,027,436
	-----	-----	-----
TOTAL LIABILITIES AND EQUITY	\$2,268,493	\$ 77,405	\$6,850,417
	=====	=====	=====

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATING BALANCE SHEET**  
**ELIMINATING AND ADJUSTING ENTRIES**

(a)	Common stock		\$2,250,064	
		Accumulated deficit		\$76,129
		Other assets		2,173,935
	To eliminate PNW investment in subsidiaries			
		Common Stock	Earnings/Dividends	Total
		-----	-----	-----
	APS	\$1,793,627	\$55,697	\$1,849,324
	SunCor	406,391	(116,159)	290,232
	El Dorado	50,046	(15,667)	34,379
		-----	-----	-----
	Total	\$2,250,064	(\$76,129)	\$2,173,935
		=====	=====	=====
(b)	Other current liabilities		\$1,023	
		Customer and other receivables - net		\$1,023
	To eliminate intercompany receivables/payables			
		A/R PNW	A/P Subs Books	
		-----	-----	
	APS	\$636	\$636	
	SunCor	381	381	
	El Dorado	6	6	
		-----	-----	
	Total	\$ 1,023	\$ 1,023	
		=====	=====	
(c)	Other current liabilities		\$128	
		Other current assets		\$128
	To eliminate PNW payable to APS			
(d)	Minority interest-Suncor		\$6,770	
		Real estate investments - net		\$6,770
	To eliminate minority interest of Suncor JV partners			
(e)	Real estate investments - net		\$6,892	
		Other - assets		\$6,892
	To reclass PNW capitalized interest related to SunCor			
(f)	Deferred investment tax credit		\$9,232	
		Other deferred debits		\$9,232
	To reclass PNW ITC			
(g)	Accrued taxes		\$1,276	
		Deferred income taxes		\$1,276
	To reclass PNW accrued taxes			
(h)	Other assets		\$2,069	
		Customer and other receivables - net		\$2,069
	To reclass ELD Unity Note & interest to long term.			

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATING INCOME STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 1997**  
(THOUSANDS OF DOLLARS)

	PWCC	APS	SUNCOR	ELDO
<b>OPERATING REVENUES:</b>				
Electric		\$ 1,878,553		
Real Estate			116,473	
Total	--	1,878,553	116,473	--
<b>FUEL EXPENSES:</b>				
Fuel for electric generation		201,341		
Purchased power		235,286		
Total	--	436,627	--	--
<b>OPERATING EXPENSES:</b>				
Utility operations and maintenance		399,434		
Real estate operations			111,112	
Depreciation and amortization	268	365,671	2,346	--
Taxes other than income taxes		120,259		
Total	268	885,364	113,458	--
<b>OPERATING INCOME</b>	(268)	556,562	3,015	--
<b>OTHER INCOME (DEDUCTIONS):</b>				
Allowance for equity funds used during construction		--		
Interest on long-term debt	(17,318)	(140,931)	(4,197)	--
Other interest	(1,478)	(17,195)	--	--
Capital interest		16,208		
Preferred stock dividend requirements		(12,803)		
Other - net	252,170	(9,827)	6,516	7,897
Total	233,374	(164,548)	2,319	7,897
<b>INCOME BEFORE INCOME TAXES</b>	233,106	392,014	5,334	7,897
Income Tax Expense (Benefit)	(2,750)	153,324		(293)
<b>NET INCOME (LOSS)</b>	\$ 235,856	\$ 238,690	\$ 5,334	\$ 8,190

	* E L I M I N A T I O N S *		TOTAL
	DEBIT	CREDIT	
<b>OPERATING REVENUES:</b>			
Electric			\$ 1,878,553
Real Estate			116,473
Total	--	--	1,995,026
<b>FUEL EXPENSES:</b>			
Fuel for electric generation			201,341
Purchased power			235,286
Total	--	--	436,627
<b>OPERATING EXPENSES:</b>			
Utility operations and maintenance			399,434
Real estate operations	1,776(b)	1,260(d)	111,628
Depreciation and amortization			368,285
Taxes other than income taxes	1,287(c,d)		121,546
Total	3,063	1,260	1,000,893
<b>OPERATING INCOME</b>	(3,063)	(1,260)	557,506
<b>OTHER INCOME (DEDUCTIONS):</b>			
Allowance for equity funds used during construction			--
Interest on long-term debt		1,776(b)	(160,670)
Other interest			(18,673)
Capital interest			16,208
Preferred stock dividend requirements			(12,803)
Other - net	252,214(a)	27(c)	4,569
Total	252,214	1,803	(171,369)

INCOME BEFORE INCOME TAXES	----- 255,277	----- 543	----- 386,137
Income Tax Expense (Benefit)	----- -----	----- -----	----- 150,281
NET INCOME (LOSS)	----- \$ 255,277 =====	----- \$ 543 =====	----- \$ 235,856 =====



**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATING INCOME STATEMENT**  
**ELIMINATING ENTRIES**

(a)	Other - net (Subsidiary income)	\$252,214	
	Retained Earnings		\$252,214
	To eliminate PWCC Equity in earnings from subsidiaries		
		PWCC	
	APS	238,690	
	SunCor	5,334	
	El Dorado	8,190	
		-----	
	Total	252,214	
		-----	
(b)	Real Estate Operations	\$1,776	
	Interest on long term debt		\$1,776
	To reclass Capitalized Interest for SunCor Land Sales.		
(c)	Taxes other than income taxes	\$27	
	Other - net		\$27
	To reclass PNW property taxes		
(d)	Taxes other than income taxes	\$1,260	
	Real estate operations		\$1,260
	To reclass SunCor property taxes		

**SUNCOR DEVELOPMENT COMPANY  
CONSOLIDATING BALANCE SHEET  
FOR THE MONTH ENDED DECEMBER 31, 1997**

	ACCOUNT DESCRIPTION	SUNCOR CORPORATE	LPSCO	SUNCOR FARMING	SMLP	PVGC	HOMES	SUNCOR PALM VALLEY
<b>ASSETS:</b>								
CURRENT ASSETS								
	CASH AND SHORT TERM INVESTMENTS	3,847,842	316,271	100,708	864,098	(1,583)	(173,224)	406,000
1	ACCOUNTS RECEIVABLE	297,492	110,197	78,866	350,872	29,467	1,154,192	
INTERCOMPANY ACCOUNTS:								
1	SASI	95						
1	LPSCO	91,260						
1	SMLP	18,788						
1	KABUTO JV							
1	PVGC					4,090,907		
1	SCM & GH - 129						(3,616,182)	
1	WWOS	12,397						
1	GOLDEN HERITAGE - GENERAL	421,643						
1	SCM-GENERAL	4,626,804						
1	HomeBUILDING I/C INTEREST	1,345,579					(1,345,580)	
1	HomeBUILDING CASH ADVANCES	8,996,796						
1	SUNRIDGE - DEVELOPMENT	86,771						
1	SUNRIDGE - GOLF	123,139						
1	SEDONA - DEVELOPMENT	23,754						
1	SEDONA - GOLF	92,155						
1	WIGWAM RESORT	302,257						
1	INTEREST RECEIVABLE	354,540						2,921
	NOTES RECEIVABLE	334,939			307,749			0
2	INVENTORIES					68,300		
2	PREPAID EXPENSES	38,272	21,863			46,503		2,028
	HOME INVENTORY	7,356					18,674,570	
	<b>TOTAL CURRENT ASSETS</b>	<b>21,021,877</b>	<b>448,331</b>	<b>179,574</b>	<b>1,522,719</b>	<b>4,233,594</b>	<b>14,693,776</b>	<b>410,948</b>

	ACCOUNT DESCRIPTION	WWOS	KABUTO JV	SUNCOR COMMERCIAL	H HILLS	R VIEJO
<b>ASSETS:</b>						
CURRENT ASSETS						
	CASH AND SHORT TERM INVESTMENTS	31,769	250	(326,546)		42,820
1	ACCOUNTS RECEIVABLE	96,566		122,241		
INTERCOMPANY ACCOUNTS:						
1	SASI					
1	LPSCO					
1	SMLP					
1	KABUTO JV					
1	PVGC					
1	SCM & GH - 129					
1	WWOS					
1	GOLDEN HERITAGE - GENERAL					
1	SCM-GENERAL					
1	HomeBUILDING I/C INTEREST					
1	HomeBUILDING CASH ADVANCES					
1	SUNRIDGE - DEVELOPMENT					
1	SUNRIDGE - GOLF					
1	SEDONA - DEVELOPMENT					
1	SEDONA - GOLF					
1	WIGWAM RESORT					
1	INTEREST RECEIVABLE			5,605		223
	NOTES RECEIVABLE			915,763		
2	INVENTORIES			33,892		
2	PREPAID EXPENSES			0		
	HOME INVENTORY					
	<b>TOTAL CURRENT ASSETS</b>	<b>128,335</b>	<b>250</b>	<b>750,955</b>	<b>0</b>	<b>43,042</b>

<b>ELIMINATIONS</b>						
	ACCOUNT DESCRIPTION	REF	DEBIT	REF	CREDIT	CONSOLIDATED
<b>ASSETS:</b>						
CURRENT ASSETS						
	CASH AND SHORT TERM INVESTMENTS					5,108,404
1	ACCOUNTS RECEIVABLE			J	158,000	2,081,894
INTERCOMPANY ACCOUNTS:						
1	SASI			K	95	0

1	LPSCO			H	114,257	(22,997)	
1	SMLP			J	18,788	0	
1	KABUTO JV					0	
1	PVGC			N	4,090,907	0	
1	SCM & GH - 129	A	4,797,280	A	1,181,097	(0)	
1	WWOS			Q	12,397	0	
1	GOLDEN HERITAGE - GENERAL			A	421,643	0	
1	SCM-GENERAL			A	4,626,804	0	
1	HOMEBUILDING I/C INTEREST	C	1,345,580	C	1,345,580	(0)	
1	HOMEBUILDING CASH ADVANCES			B	8,996,796	0	
1	SUNRIDGE - DEVELOPMENT					86,771	
1	SUNRIDGE - GOLF					123,139	
1	SEDONA - DEVELOPMENT					23,754	
1	SEDONA - GOLF					92,155	
1	WIGWAM RESORT					302,257	
1	INTEREST RECEIVABLE			P	101,480	261,807	
	NOTES RECEIVABLE					1,558,451	
2	INVENTORIES					102,192	
2	PREPAID EXPENSES					108,666	
	HOME INVENTORY			E	1,938,311	16,743,614	
	TOTAL CURRENT ASSETS		6,142,859		23,006,155	26,570,106	

ACCOUNT DESCRIPTION	SUNCOR CORPORATE	LPSCO	SUNCOR FARMING	SMLP	PVGC	HOMES	SUNCOR PALM VALLEY
LONG-TERM ASSETS							
DEVELOPMENT PROJECTS							
HIDDEN HILLS							
RANCHO VIEJO							
PALM VALLEY							177,275,730
LITCHFIELD GREENS							2,277,974
KABUTO JV							
SCOTTSDALE MTN				8,838,343			
MARKETPLACE - AUTOPLEX							
TATUM RANCH	31,750,234						
TALAVI							
WIGWAM OUTLET STORES							
GOLDEN HERITAGE LAND						895,891	
BILTMORE ESTATES	41,893						
EQUITY INVESTMENTS:							
EQUITY IN CTRPT ASSOC-LLP	22,843,447						
INVEST IN KYRENE ASSOCIATES LLC							
INVEST IN PV APARTMENTS							1,368,213
INVESTMENT IN SUNRIDGE CANYON LLC	11,218,584						
INVESTMENT IN SEDONA GOLF LC	6,620,633						
INVESTMENT IN PLUMCOR REALTY LLC							
INVEST IN TALAVI ASSOCIATES LLC							
CONSOLIDATED ELIMINATING ENTITIES:							
INVEST IN KABUTO JV	5,797,485						
INVESTMENT IN WIGWAM OUTLET LLC	4,455,629						
INVEST IN SCOTTS MTN LTD PART	7,086,924						
INVEST IN GOLDEN HERITAGE	151,062						
GOLDEN HERITAGE DUE DILIGENCE	7,001						
INVESTMENT IN SCM	483,214						
INVESTMENT IN LPSCO	8,368,589						
INVESTMENT IN SASI							64,415
INVESTMENT IN PALM VALLEY	181,041,431						

ACCOUNT DESCRIPTION	WWOS	KABUTO JV	SUNCOR COMMERCIAL	H HILLS	R VIEJO
LONG-TERM ASSETS					
DEVELOPMENT PROJECTS					
HIDDEN HILLS				478,017	
RANCHO VIEJO					2,437,315
PALM VALLEY			15,327,464		
LITCHFIELD GREENS					
KABUTO JV		12,617,550			
SCOTTSDALE MTN					
MARKETPLACE - AUTOPLEX			17,125,079		
TATUM RANCH					
TALAVI			3,492,629		
WIGWAM OUTLET STORES	17,370,149				
GOLDEN HERITAGE LAND					
BILTMORE ESTATES					
EQUITY INVESTMENTS:					
EQUITY IN CTRPT ASSOC-LLP					
INVEST IN KYRENE ASSOCIATES LLC			1,446,636		
INVEST IN PV APARTMENTS					
INVESTMENT IN SUNRIDGE CANYON LLC					
INVESTMENT IN SEDONA GOLF LC					
INVESTMENT IN PLUMCOR REALTY LLC			847,741		
INVEST IN TALAVI ASSOCIATES LLC			2,325,106		

CONSOLIDATED ELIMINATING ENTITIES:  
 INVEST IN KABUTO JV  
 INVESTMENT IN WIGWAM OUTLET LLC  
 INVEST IN SCOTTS MTN LTD PART  
 INVEST IN GOLDEN HERITAGE  
 GOLDEN HERITAGE DUE DILIGENCE  
 INVESTMENT IN SCM  
 INVESTMENT IN LPSCO  
 INVESTMENT IN SASI  
 INVESTMENT IN PALM VALLEY

ELIMINATIONS

ACCOUNT DESCRIPTION	REF	DEBIT	REF	CREDIT	CONSOLIDATED
LONG-TERM ASSETS					
DEVELOPMENT PROJECTS					
HIDDEN HILLS					478,017
RANCHO VIEJO					2,437,315
PALM VALLEY					192,603,194
LITCHFIELD GREENS					2,277,974
KABUTO JV					12,617,550
SCOTTSDALE MTN					8,838,343
MARKETPLACE - AUTOPLEX					17,125,079
TATUM RANCH					31,750,234
TALAVI					3,492,629
WIGWAM OUTLET STORES					17,370,149
GOLDEN HERITAGE LAND					895,891
BILTMORE ESTATES					41,893
EQUITY INVESTMENTS:					
EQUITY IN CTRPT ASSOC-LLP					22,843,447
INVEST IN KYRENE ASSOCIATES LLC					1,446,636
INVEST IN PV APARTMENTS					1,368,213
INVESTMENT IN SUNRIDGE CANYON LLC					11,218,584
INVESTMENT IN SEDONA GOLF LC					6,620,633
INVESTMENT IN PLUMCOR REALTY LLC					847,741
INVEST IN TALAVI ASSOCIATES LLC					2,325,106
CONSOLIDATED ELIMINATING ENTITIES:					
INVEST IN KABUTO JV			R	8,768,265	(2,970,780)
INVESTMENT IN WIGWAM OUTLET LLC	O	17,498,042	O	23,026,125	(1,072,454)
INVEST IN SCOTTS MTN LTD PART	I	10,764,769	I	17,905,448	(53,755)
INVEST IN GOLDEN HERITAGE			D	151,062	0
GOLDEN HERITAGE DUE DILIGENCE					7,001
INVESTMENT IN SCM			D	483,214	0
INVESTMENT IN LPSCO			F	8,368,589	0
INVESTMENT IN SASI	L	650,000	L	714,415	0
INVESTMENT IN PALM VALLEY			V	181,041,431	0

ACCOUNT DESCRIPTION	SUNCOR CORPORATE	LPSCO	SUNCOR FARMING	SMLP	PVGC
INVESTMENT IN PALM VALLEY GOLF	6,359,255				
PALM VALLEY GOLF CONTRIB. CAP PROJECT 2000:	(4,090,907)				
INVESTMENT IN FIDDLESTICKS-SCOTTS	394,249				
INVESTMENT IN FIDDLESTICKS-TEMPE	2,544,985				
INVESTMENT IN FUNTASTICKS	3,444,214				
INVESTMENT IN GENERAL COMM OPS	50,453,138				
INVESTMENT IN PV MARKETPLACE	920,669				
INVESTMENT IN PV PAVILIONS	671,963				
INVESTMENT IN PV CROSSING	(151,342)				
INVESTMENT IN AUTOPLEX	(244,933)				
INVESTMENT IN TALAVI	(92,150)				
INVESTMENT IN METROCENTER	123,793				
INVESTMENT IN RESTORATION PLACE	(29,982)				
INVESTMENT IN LITCHFIELD PARK OPS	30,064				
INVESTMENT IN RANCHO VIEJO	2,420,586				
INVESTMENT IN HIDDEN HILLS	477,117				
COMMERCIAL PROPERTIES	0				5,431,977
LONG-TERM NOTES RECEIVABLE	4,462,797				
SDC PHASE I LAND NOTE TO WWOS	1,484,153				
SDC PAYOFF OF WWOS RLC	10,000,000				
SDC LOAN TO LPSCO	300,000				
PROPERTY & EQUIPMENT, NET	605,533		36,696	1,082	102,799
DEFERRED ASSETS	2,621,179	885,811			230,331
WATER, SEWER UTILITY PROP (NET)		9,768,026			
DEPOSITS					
TOTAL LONG-TERM ASSETS	362,570,507	10,653,837	36,696	8,839,425	5,765,107
TOTAL ASSETS	383,592,384	11,102,168	216,270	10,362,144	9,998,701

ACCOUNT DESCRIPTION	HOMES	SUNCOR PALM VALLEY	WWOS	KABUTO JV	SUNCOR COMMERCIAL
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1	INVESTMENT IN PALM VALLEY GOLF PALM VALLEY GOLF CONTRIB. CAP PROJECT 2000: INVESTMENT IN FIDDLESTICKS-SCOTTS INVESTMENT IN FIDDLESTICKS-TEMPE INVESTMENT IN FUNTASTICKS INVESTMENT IN GENERAL COMM OPS INVESTMENT IN PV MARKETPLACE INVESTMENT IN PV PAVILIONS INVESTMENT IN PV CROSSING INVESTMENT IN AUTOPLEX INVESTMENT IN TALAVI INVESTMENT IN METROCENTER INVESTMENT IN RESTORATION PLACE INVESTMENT IN LITCHFIELD PARK OPS INVESTMENT IN RANCHO VIEJO INVESTMENT IN HIDDEN HILLS							
	COMMERCIAL PROPERTIES							18,090,608
	LONG-TERM NOTES RECEIVABLE		459,833					
	SDC PHASE I LAND NOTE TO WWOS							
	SDC PAYOFF OF WWOS RLC							
	SDC LOAN TO LPSCO							
	PROPERTY & EQUIPMENT, NET	955,170	71,604		16,691			
3	DEFERRED ASSETS		145,380		236,504			187,249
3	WATER, SEWER UTILITY PROP (NET)							
3	DEPOSITS	158,805						
-----								
	TOTAL LONG-TERM ASSETS	2,009,866	181,663,150		17,623,344	12,617,550		58,842,513
-----								
	TOTAL ASSETS	16,703,642	182,074,098		17,751,680	12,617,800		59,593,467
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ELIMINATIONS

ACCOUNT DESCRIPTION		H HILLS	R VIEJO	REF	DEBIT	REF	CREDIT	CONSOLIDATED
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1	INVESTMENT IN PALM VALLEY GOLF					M	6,359,255	0
	PALM VALLEY GOLF CONTRIB. CAP			N	4,090,907			0
	PROJECT 2000:							0
	INVESTMENT IN FIDDLESTICKS-SCOTTS			S	1,428,266	S	1,822,515	0
	INVESTMENT IN FIDDLESTICKS-TEMPE					S	2,544,985	0
	INVESTMENT IN FUNTASTICKS					S	3,444,214	0
	INVESTMENT IN GENERAL COMM OPS			S	890,859	S	51,343,998	0
	INVESTMENT IN PV MARKETPLACE					S	920,669	0
	INVESTMENT IN PV PAVILIONS					S	671,963	0
	INVESTMENT IN PV CROSSING			S	151,342			0
	INVESTMENT IN AUTOPLEX			S	244,933			0
	INVESTMENT IN TALAVI			S	92,150			0
	INVESTMENT IN METROCENTER					S	123,793	0
	INVESTMENT IN RESTORATION PLACE			S	29,982			0
	INVESTMENT IN LITCHFIELD PARK OPS					S	30,064	0
	INVESTMENT IN RANCHO VIEJO			U	23,942	U	2,444,528	0
	INVESTMENT IN HIDDEN HILLS			T	1,567	T	478,683	0
	COMMERCIAL PROPERTIES							23,522,585
	LONG-TERM NOTES RECEIVABLE							4,922,630
	SDC PHASE I LAND NOTE TO WWOS					P	1,484,153	0
	SDC PAYOFF OF WWOS RLC					P	10,000,000	0
	SDC LOAN TO LPSCO					G	300,000	0
	PROPERTY & EQUIPMENT, NET		8,298					1,797,872
3	DEFERRED ASSETS							4,306,454
	WATER, SEWER UTILITY PROP (NET)							9,768,026
3	DEPOSITS							158,805
-----								
	TOTAL LONG-TERM ASSETS	478,017	2,445,613		35,866,759		322,427,370	376,985,014
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	TOTAL ASSETS	478,017	2,488,655		42,009,619		345,433,525	403,555,121
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ACCOUNT DESCRIPTION		SUNCOR CORPORATE	LPSCO	SUNCOR FARMING	SMLP	PVGC
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LIABILITIES:						
CURRENT LIABILITIES						
4	A/P & RETENTION	38,723	104,211	30,761	13,467	32,464
4	ACCRUED LIABILITIES	1,926,954	120,572	61,648	146,177	56,920
INTERCOMPANY ACCOUNTS:						
4	LPSCO - SDC		114,257			
4	SMLP - SDC				18,788	
4	SCM-SDC CASH ADVANCES 267					
4	GH-SDC INTERCO CAPITAL 265					
4	WWOS-SDC					
4	KABUTO JV-SDC					
	INTEREST PAYABLE	484,591				
	S/T NOTES PAYABLE OTHER					
	\$45 MILLION TERM LOAN	3,005,169				
	\$55 MILLION RLC					
	GOLDEN HERITAGE (PEW)					

5	TEXTRON LOAN					
	DEFERRED PROFIT	1,938,311		5,350		107,796
	PWCC INTERCO PAYABLE	236,126				
	CUSTOMER DEPOSITS	0				
	TOTAL CURRENT LIABILITIES	7,629,874	339,040	97,759	286,228	89,384
LONG-TERM LIABILITIES						
	LONG-TERM NOTES PAYABLE					
	WWOS OWES SDC PH I LAND NOTE					
	WWOS RLC PAYOFF BY SDC					
	CORPORATE TERM NOTE	\$41,994,831				
	CORPORATE RLC	40,600,000				
	LPSCO OWES SDC		300,000			
	GOLDEN HERITAGE (PEW)					
	TEXTRON LOAN					3,550,062
6	OTHER ACCRUED LIABILITIES	3,124,805	585,186	54,096		
6	DEFERRED TAXES		238,404			
6	LONG-TERM CUSTOMER DEPOSITS		479,788			
6	CONTRIB PROPERTY AIA		999,073			
	DEFERRED CREDIT	11,000				
	TOTAL L/T LIABILITIES	85,730,636	2,602,451	54,096	0	3,550,062
	TOTAL LIABILITIES	93,360,510	2,941,491	151,855	286,228	3,639,446

ACCOUNT DESCRIPTION	HOMES	SUNCOR PALM VALLEY	WWOS	KABITO JV	SUNCOR COMMERCIAL	
LIABILITIES:						
CURRENT LIABILITIES						
4	A/P & RETENTION	2,110,634	748,284	625,567	244,648	
4	ACCRUED LIABILITIES	410,842	122,084		1,066,471	
INTERCOMPANY ACCOUNTS:						
4	LPSCO - SDC					
4	SMLP - SDC					
4	SCM-SDC CASH ADVANCES 267	8,996,796				
4	GH-SDC INTERCO CAPITAL 265	1,432,265				
4	WWOS-SDC		12,397			
4	KABUTO JV-SDC					
	INTEREST PAYABLE	0		101,480		
	S/T NOTES PAYABLE OTHER					
	\$45 MILLION TERM LOAN					
	\$55 MILLION RLC					
	GOLDEN HERITAGE (PEW)	1,562,863				
	TEXTRON LOAN					
5	DEFERRED PROFIT		162,299			
	PWCC INTERCO PAYABLE					
	CUSTOMER DEPOSITS	1,555,966				
	TOTAL CURRENT LIABILITIES	16,069,366	1,032,667	739,444	15,000	1,311,120
LONG-TERM LIABILITIES						
	LONG-TERM NOTES PAYABLE					
	WWOS OWES SDC PH I LAND NOTE			1,484,153		
	WWOS RLC PAYOFF BY SDC			10,000,000		
	CORPORATE TERM NOTE					
	CORPORATE RLC					
	LPSCO OWES SDC					
	GOLDEN HERITAGE (PEW)					
	TEXTRON LOAN					
6	OTHER ACCRUED LIABILITIES	0			217,679	
6	DEFERRED TAXES					
6	LONG-TERM CUSTOMER DEPOSITS					
6	CONTRIB PROPERTY AIA					
	DEFERRED CREDIT					
	TOTAL L/T LIABILITIES	0	0	11,484,153	0	217,679
	TOTAL LIABILITIES	16,069,366	1,032,667	12,223,597	15,000	1,528,799

ELIMINATIONS							
ACCOUNT DESCRIPTION	H HILLS	R VIEJO	REF	DEBIT	REF	CREDIT	CONSOLIDATED
LIABILITIES:							
CURRENT LIABILITIES							
4	A/P & RETENTION	900	32,301	J,K,A	158,095		3,823,866
4	ACCRUED LIABILITIES		35,768				3,962,437
INTERCOMPANY ACCOUNTS:							
4	LPSCO - SDC			H	114,257		0
4	SMLP - SDC			J	18,788		0
4	SCM-SDC CASH ADVANCES 267			B	8,996,796		0

4	GH-SDC INTERCO CAPITAL 265		A	1,432,265		0
4	WWOS-SDC		Q	12,397		0
4	KABUTO JV-SDC					0
	INTEREST PAYABLE		P	101,480		484,591
	S/T NOTES PAYABLE OTHER					
	\$45 MILLION TERM LOAN					3,005,169
	\$55 MILLION RLC					0
	GOLDEN HERITAGE (PEW)					1,562,863
	TEXTRON LOAN				*	58,445
5	DEFERRED PROFIT		E	1,938,311		58,445
	PWCC INTERCO PAYABLE					275,445
	CUSTOMER DEPOSITS					236,126
						1,555,966
X	TOTAL CURRENT LIABILITIES	900	68,069	12,772,389	58,445	14,964,908
LONG-TERM LIABILITIES						
	LONG-TERM NOTES PAYABLE					
	WWOS OWES SDC PH I LAND NOTE		P	1,484,153		0
	WWOS RLC PAYOFF BY SDC		P	10,000,000		0
	CORPORATE TERM NOTE					41,994,831
	CORPORATE RLC					40,600,000
	LPSCO OWES SDC		G	300,000		0
	GOLDEN HERITAGE (PEW)					0
	TEXTRON LOAN		*	58,445		3,491,617
6	OTHER ACCRUED LIABILITIES					3,981,766
6	DEFERRED TAXES		F	207,912		30,492
6	LONG-TERM CUSTOMER DEPOSITS					479,788
6	CONTRIB PROPERTY AIA					999,073
	DEFERRED CREDIT					11,000
	TOTAL L/T LIABILITIES	0	0	12,050,510	0	91,588,567
	TOTAL LIABILITIES	900	68,069	24,822,899	58,445	106,553,475

ACCOUNT DESCRIPTION	SUNCOR CORPORATE	LPSCO	SUNCOR FARMING	SMLP	PVGC
MINORITY INTEREST					
EQUITY:					
SDC COMMON STOCK	1,022,000				
SDC ADDITIONAL PAID IN CAPITAL	405,368,522				
SDC EARNED SURPLUS-BEGINNING	(121,492,825)				
SDC EARNED SURPLUS-CURRENT	5,334,177				
SUBSIDIARY EARNINGS-CURRENT		29,982	(85,522)	2,907,509	(194,675)
SUBSIDIARY EQUITY:					
LPSCO		8,130,695			
SASI			149,937		
SMLP #3500				7,168,407	
PVGC					6,553,929
HOMEBUILDING					
PALM VALLEY #5500					
WWOS #4400					
KABUTO JV #3000					
COMMERCIAL PROPERTIES #2000					
HIDDEN HILLS #3300					
RANCHO SANTE FE #6600					
TOTAL EQUITY	290,231,874	8,160,677	64,415	10,075,916	6,359,255
TOTAL LIABILITIES AND EQUITY	383,592,384	11,102,168	216,270	10,362,144	9,998,701

ACCOUNT DESCRIPTION	HOMES	SUNCOR PALM VALLEY	WWOS	KABITO JV	SUNCOR COMMERCIAL
MINORITY INTEREST					
EQUITY:					
SDC COMMON STOCK					
SDC ADDITIONAL PAID IN CAPITAL					
SDC EARNED SURPLUS-BEGINNING					
SDC EARNED SURPLUS-CURRENT					
SUBSIDIARY EARNINGS-CURRENT	1,809,835	3,496,839	(831,462)	0	749,681
SUBSIDIARY EQUITY:					
LPSCO					
SASI					
SMLP #3500					
PVGC					
HOMEBUILDING	(1,175,560)				
PALM VALLEY #5500		177,544,592			
WWOS #4400			6,359,545		
KABUTO JV #3000				12,602,800	
COMMERCIAL PROPERTIES #2000					57,314,987
HIDDEN HILLS #3300					
RANCHO SANTE FE #6600					
TOTAL EQUITY	634,276	181,041,431	5,528,083	12,602,800	58,064,668
TOTAL LIABILITIES AND EQUITY	16,703,642	182,074,098	17,751,680	12,617,800	59,593,467

ACCOUNT DESCRIPTION	H HILLS	R VIEJO	ELIMINATIONS			
			REF	DEBIT	REF	CREDIT
MINORITY INTEREST						
EQUITY:						
SDC COMMON STOCK						
SDC ADDITIONAL PAID IN CAPITAL						
SDC EARNED SURPLUS-BEGINNING						
SDC EARNED SURPLUS-CURRENT						
SUBSIDIARY EARNINGS-CURRENT	(1,567)	(10,049)	D,F,I,M,S,V	8,799,172	L,O,T,U	928,599
SUBSIDIARY EQUITY:						
LPSCO			F	8,130,695		
SASI			L	799,937	L	650,000
SMLP #3500			I	23,244,640	I	16,076,233
PVGC			M	6,553,929		
HOMEBUILDING					D	1,175,560
PALM VALLEY #5500			V	177,544,592		
WWOS #4400			O	23,026,125	O	16,666,580
KABUTO JV #3000			R	12,602,800		
COMMERCIAL PROPERTIES #2000			S	57,572,855	S	257,868
HIDDEN HILLS #3300	478,683		T	478,683		
RANCHO SANTE FE #6600		2,430,635	U	2,444,528	U	13,893
TOTAL EQUITY	477,117	2,420,586		321,197,958		35,768,733
TOTAL LIABILITIES AND EQUITY	478,017	2,488,655		346,020,857		42,596,951



ACCOUNT DESCRIPTION	CONSOLIDATED
-----	-----
MINORITY INTEREST	6,769,772
-----	-----
EQUITY:	
SDC COMMON STOCK	1,022,000
SDC ADDITIONAL PAID IN CAPITAL	405,368,522
SDC EARNED SURPLUS-BEGINNING	(121,492,825)
SDC EARNED SURPLUS-CURRENT	5,334,177
SUBSIDIARY EARNINGS-CURRENT	0
SUBSIDIARY EQUITY:	
LPSCO	0
SASI	0
SMLP #3500	0
PVGC	0
HOMEBUILDING	0
PALM VALLEY #5500	0
WWOS #4400	0
KABUTO JV #3000	(0)
COMMERCIAL PROPERTIES #2000	0
HIDDEN HILLS #3300	0
RANCHO SANTE FE #6600	(0)
	-----
TOTAL EQUITY	290,231,874
	-----
TOTAL LIABILITIES AND EQUITY	403,555,121
	=====

\* TO RECLASS CURRENT PORTION OF PVGC LOAN AS OF 12/31/97

**SUNCOR DEVELOPMENT COMPANY  
CONSOLIDATING BALANCE SHEET  
DECEMBER 1997 CONSOLIDATING & ELIMINATING ENTRIES**

	DEBIT	CREDIT
A. SCM INTERCO A/P TO SDC	\$4,797,280	
GH INTERCO CAPITAL FROM SDC - ACQUISITION	\$1,432,265	
GH INTERCO A/P TO SDC		\$1,181,097
SDC A/R FROM GH		\$421,643
SDC A/R FROM SCM		\$4,626,804
B. HOMEBUILDING CASH ADVANCES FROM SDC	\$8,996,796	
SDC CASH ADVANCES TO HOMEBUILDING		\$8,996,796
C. SCM INTERCO CAPPED INTEREST	\$1,345,580	
SDC INTERCO INTEREST A/R FROM SCM		\$1,345,580
TO ELIMINATE INTERCO RECEIVABLES/PAYABLES BETWEEN HOMEBUILDING AND SDC		
D. SDC INVESTMENT IN GH		\$151,062
SDC DUE DILIGENCE COSTS - GHH ACQUISITION		--
SDC INVESTMENT IN SCM		\$483,214
HOMEBUILDING CURRENT YEAR INCOME	\$1,809,835	
HOMEBUILDING ACCUMULATED LOSSES		\$1,175,560
TO ELIMINATE INVESTMENT IN GH & SCM ON SDC BOOKS		
E. DEFERRED INTERCO PROFIT	\$1,938,311	
HOME INVENTORY		\$1,938,311
TO ELIMINATE B/S GROSS UP ON INTERCO LOT SALES BETWEEN SDC AND HOMEBUILDING		
F. LPSCO COMMON STOCK	\$78,200	
LPSCO PAID IN CAPITAL	\$7,417,170	
LPSCO EARNINGS - PRIOR	\$635,325	
SDC DEFERRED TAXES DIFFERENTIAL	\$207,912	
LPSCO EARNINGS - CURRENT YEAR	\$29,982	
SDC INVESTMENT IN LPSCO - CONTRIB CAPITAL		\$7,495,370
SDC INVESTMENT IN LPSCO - EARNINGS		\$665,307
SDC INVESTMENT IN LPSCO - DEFERRED TAXES DIFFERENTIAL		\$207,912
ELIMINATE SDC INVESTMENT IN LPSCO		
G. LPSCO LONG-TERM NOTES PAYABLE	\$300,000	
SDC LONG-TERM NOTES RECEIVABLE		\$300,000
ELIMINATE LPSCO INTERCOMPANY NOTE WITH SDC		
H. LPSCO ACCOUNTS PAYABLE	\$114,257	
SDC ACCOUNTS RECEIVABLE		\$114,257
ELIMINATE LPSCO INTERCOMPANY A/R WITH SDC		
I. SMLP CONTRIBUTED CAPITAL-MINORITY INT		\$5,311,464

	DEBIT	CREDIT
SMLP CONTRIBUTED CAPITAL-SDC GP	\$490,147	
SMLP DISTRIBUTED CAPITAL-SDC GP		\$6,059,112
SMLP CONTRIBUTED CAPITAL-SDC LP	\$2,100,000	
SMLP DISTRIBUTED CAPITAL-SDC LP		\$4,705,657
SMLP EARNINGS - PRIOR	\$20,654,493	
SMLP EARNINGS - CURRENT YEAR	\$2,907,509	
MINORITY INTEREST CONTRIBUTED CAPITAL	\$5,311,464	
MINORITY INTEREST - PRIOR (35%)		\$7,229,073
MINORITY INTEREST - CURRENT YEAR (35%)		\$1,017,628
SDC INVESTMENT IN SMLP-LP		\$2,100,000
SDC DISTRIBUTIONS FROM SMLP-LP	\$4,705,657	
SDC INVESTMENT IN SMLP-GP		\$490,147
SDC DISTRIBUTIONS FROM SMLP -GP	\$6,059,112	
SDC INVESTMENT IN SMLP - EARNINGS		\$15,315,301
SDC LAND BASIS DIFFERENTIAL	--	
ELIMINATE SDC INVESTMENT IN SMLP #3500		
J. SMLP ACCOUNTS PAYABLE	\$18,788	
SDC ACCOUNTS RECEIVABLE		\$18,788
GH ACCOUNTS PAYABLE	\$158,000	
SMLP ACCOUNTS RECEIVABLE		\$158,000
ELIMINATE SMLP INTERCOMPANY A/R WITH SDC AND HOMEBUILDING (PREMIUMS)		
K. SASI ACCOUNTS PAYABLE	\$95	
SDC ACCOUNTS RECEIVABLE		\$95
ELIMINATE SASI INTERCOMPANY A/R WITH SDC		
L. SASI CONTRIBUTED CAPITAL	\$339,023	
SASI CAPITAL DISTRIBUTIONS		\$650,000
SASI EARNINGS - PRIOR	\$460,914	
SASI EARNINGS - CURRENT YEAR		\$85,522
PV INVESTMENT IN SASI - CONTRIB CAPITAL		\$339,023
PV INVESTMENT IN SASI - DISTRIBUTIONS	\$650,000	
PV INVESTMENT IN SASI - EARNINGS		\$375,392
ELIMINATE PALM VALLEY INVESTMENT IN SASI		
M. PVGC CONTRIBUTED CAPITAL	\$6,158,173	
PVGC EARNINGS - PRIOR	\$395,756	
PVGC EARNINGS - CURRENT YEAR	(\$194,675)	
SDC INVESTMENT IN PVGC - EARNINGS		\$201,082
SDC INVESTMENT IN PVGC - CONTRIB CAPITAL		\$6,158,173
ELIMINATE SDC INVESTMENT IN PALM VALLEY GOLF		
N. SDC CONTRIB. CAPITAL TO PVGC	\$4,090,907	
PVGC ACCOUNTS RECEIVABLE		\$4,090,907

	DEBIT	CREDIT
ELIMINATE PVGC INTERCOMPANY A/R WITH SDC		
O.		
WWOS CONTRIBUTED CAPITAL-PHASE 1	\$9,500,000	
WWOS CONTRIBUTED CAPITAL-PHASE 2	\$13,526,125	
WWOS EARNINGS - PRIOR		\$1,101,590
WWOS EARNINGS - CURRENT YEAR		\$831,462
WWOS CAPITAL DISTRIBUTIONS-PHASE 1		\$9,500,000
WWOS CAPITAL DISTRIBUTIONS-PHASE 2		\$4,967,126
WWOS PREFERRED RETURN-PHASE 1		\$287,568
WWOS PREFERRED RETURN-PHASE 2		\$810,296
SDC INVESTMENT IN WWOS -PHASE 1		\$9,500,000
SDC INVESTMENT IN WWOS -PHASE 2		\$13,526,125
SDC INVESTMENT IN WWOS - EARNINGS	\$1,933,052	
SDC DISTRIBUTIONS FROM WWOS-PHASE 1	\$9,500,000	
SDC DISTRIBUTIONS FROM WWOS-PHASE 2	\$4,967,126	
SDC PREFERRED RETURN -PHASE 1	\$287,568	
SDC PREFERRED RETURN -PHASE 2	\$810,296	
SDC BASIS DIFFERENTIAL PH I BUILDINGS	--	
SDC BASIS DIFFERENTIAL PH I LAND	--	
SDC BASIS DIFFERENTIAL PH II LAND	--	
SDC 1994 CAPPED INTEREST ON WWOS		--
SDC 1995 DEVELOPMENT FEES		--
ELIMINATE SDC INVESTMENT IN WIGWAM OUTLET STORES #4400		
P.		
WWOS INTEREST PAYABLE	\$33,668	
WWOS INTEREST PAYABLE	\$67,813	
SDC INTEREST RECEIVABLE		\$33,668
SDC INTEREST RECEIVABLE		\$67,813
WWOS NOTES PAYABLE	\$1,484,153	
SDC NOTES RECEIVABLE		\$1,484,153
WWOS NOTES PAYABLE	\$10,000,000	
SDC NOTES RECEIVABLE		\$10,000,000
ELIMINATE WWOS INTERCOMPANY NOTES AND INTEREST WITH SDC		
Q.		
WWOS ACCOUNTS PAYABLE	\$12,397	
SDC ACCOUNTS RECEIVABLE		\$12,397
ELIMINATE WWOS INTERCOMPANY A/R WITH SDC		
R.		
KABUTO CONTRIBUTED CAPITAL - SDC	\$8,768,265	
KABUTO CONTRIBUTED CAPITAL - KABUTO	\$3,834,535	
MINORITY INTEREST		\$3,834,535
SDC INVESTMENT IN KABUTO - CONTR CAPITAL		\$5,914,509
BALANCING PLUG		\$2,853,757
SDC BASIS DIFFERENTIAL IN LAND	--	
SDC DEVELOPMENT COSTS		--

	DEBIT	CREDIT
ELIMINATE SDC INVESTMENT IN KABUTO JV #3000		
S.		
COMMERCIAL OPS CONTRIBUTED CAPITAL	\$57,572,855	
COMMERCIAL EARNINGS - PRIOR		\$257,868
COMMERCIAL EARNINGS - CURRENT YEAR	\$749,681	
SDC INVEST IN GEN COMMERCIAL OPS - EARNINGS	\$890,859	
SDC INVEST IN GEN COMMERCIAL OPS - CONT CAPITAL		\$51,343,998
SDC INVESTMENT IN OUTER LIMITS - PURCHASE		\$1,822,515
SDC INVESTMENT IN FIDDLE (SCOTTS) - CONT CAPITAL	\$1,090,059	
SDC INVESTMENT IN FIDDLE (SCOTTS) - EARNINGS	\$338,207	
SDC INVESTMENT IN FUNTASTICKS - CONT CAPITAL		\$3,282,433
SDC INVESTMENT IN FUNTASTICKS - EARNINGS		\$161,781
SDC INVESTMENT IN FIDDLE (TEMPE) - CONT CAPITAL		\$2,213,969
SDC INVESTMENT IN FIDDLE (TEMPE) - EARNINGS		\$331,016
SDC INVESTMENT IN PV MARKETPLACE - EARNINGS		\$920,669
SDC INVESTMENT IN PV PAVILIONS - EARNINGS		\$671,963
SDC INVESTMENT IN PV CROSSING - EARNINGS	\$151,342	
SDC INVESTMENT IN METROCENTER - EARNINGS		\$123,793
SDC INVESTMENT IN REST PLACE - EARNINGS	\$29,982	
SDC INVESTMENT IN LITCHFIELD OTHER - EARNINGS		\$30,064
SDC INVESTMENT IN AUTOPLEX - EARNINGS	\$244,933	
SDC INVESTMENT IN TALAVI - EARNINGS	\$92,150	
ELIMINATE SDC INVESTMENT IN COMMERCIAL OPERATIONS #2000		
T.		
HIDDEN HILLS CONTRIBUTED CAPITAL	\$478,683	
HIDDEN HILLS EARNINGS - PRIOR		\$0
HIDDEN HILLS EARNINGS - CURRENT YEAR		\$1,567
SDC INVESTMENT IN HIDDEN HILLS - EARNINGS	\$1,567	
SDC INVESTMENT IN HIDDEN HILLS - CONT CAPITAL		\$478,683
ELIMINATE SDC INVESTMENT IN HIDDEN HILLS JV #3300		
U.		
SDC INVESTMENT IN RANCHO VIEJO - EARNINGS	\$23,942	
SDC INVESTMENT IN RANCHO VIEJO - CAPITAL		\$2,444,528
RANCHO VIEJO CONTRIBUTED CAPITAL	\$2,444,528	
RANCHO VIEJO EARNINGS - PRIOR		\$13,893
RANCHO VIEJO EARNINGS - CURRENT YEAR		\$10,049
ELIMINATE SDC INVESTMENT IN RANCHO VIEJO JV #6600		
V.		
PV CONTRIBUTED CAPITAL	\$177,544,592	
PV EARNINGS - PRIOR		\$0
PV EARNINGS - CURRENT YEAR	\$3,496,839	
SDC INVESTMENT IN PALM VALLEY - EARNINGS		\$3,496,839
SDC INVESTMENT IN PALM VALLEY - DEVELOP		\$177,544,592
ELIMINATE SDC INVESTMENT IN PALM VALLEY #5500		
TOTAL	\$372,755,514	\$372,755,514

**SUNCOR DEVELOPMENT COMPANY  
CONSOLIDATING INCOME STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 1997**

ACCOUNT DESCRIPTION	SUNCOR	LPSCO	SCTS MTN	PVGC	G H HOMES	WWOS
<b>REVENUES:</b>						
SALE OF ASSETS	\$6,000,000	-	-	-	-	-
DEFERRED PROFIT	-	-	279,896	-	-	-
LAND SALES	40,827,538	-	4,876,887	-	-	-
HOME SALES	-	-	-	-	58,111,924	-
COMMERCIAL PROPERTIES	5,975,257	-	-	2,194,091	-	2,322,774
UTILITY SALES	-	1,618,907	-	-	-	-
MANAGEMENT FEES	1,149,442	-	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>53,952,237</b>	<b>1,618,907</b>	<b>5,156,783</b>	<b>2,194,091</b>	<b>58,111,924</b>	<b>2,322,774</b>
<b>OPERATING EXPENSES</b>						
COST OF ASSETS SOLD	5,043,300	-	-	-	-	-
COST OF LAND SOLD	33,564,613	-	2,079,251	-	-	-
COST OF HOMES SOLD	(2,322,193)	-	-	-	50,970,298	-
LAND PROJECT COSTS	2,118,718	-	239,337	-	-	-
COMMERCIAL PROPERTIES	4,498,370	-	-	1,725,179	-	1,072,563
GENERAL & ADMINISTRATIVE	9,882,277	-	204,301	-	4,909,682	-
UTILITY EXPENSE	-	1,397,097	-	-	-	-
RESORT OPERATIONS	10,202	-	-	-	-	-
DEPRECIATION & AMORTIZATION	716,227	178,950	563	158,207	336,901	954,720
<b>TOTAL OPERATING EXPENSES</b>	<b>53,511,514</b>	<b>1,576,047</b>	<b>2,523,452</b>	<b>1,883,386</b>	<b>56,216,881</b>	<b>2,027,283</b>
<b>NET OPERATING INCOME</b>	<b>440,723</b>	<b>42,860</b>	<b>2,633,331</b>	<b>310,705</b>	<b>1,895,043</b>	<b>295,491</b>
<b>OTHER INCOME AND GAINS:</b>						
EQUITY IN JOINT VENTURES	3,182,361	-	-	-	-	-
INTEREST INCOME	857,924	14,466	281,535	-	-	19,422
OTHER	-	-	-	-	49,269	-
<b>TOTAL OTHER INCOME AND GAINS</b>	<b>4,040,285</b>	<b>14,466</b>	<b>281,535</b>	<b>-</b>	<b>49,269</b>	<b>19,422</b>
<b>INTEREST EXPENSE</b>						
INTEREST EXPENSE	5,870,928	27,340	7,357	505,378	134,477	1,146,375
LESS: CAPITALIZED INTEREST	(3,494,746)	-	-	-	-	-
<b>TOTAL INTEREST EXPENSE</b>	<b>2,376,182</b>	<b>27,340</b>	<b>7,357</b>	<b>505,378</b>	<b>134,477</b>	<b>1,146,375</b>
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>2,104,825</b>	<b>29,986</b>	<b>2,907,509</b>	<b>(194,673)</b>	<b>1,809,835</b>	<b>(831,462)</b>
MINORITY INTEREST	480,231	-	-	-	-	-
<b>NET INCOME/(LOSS)</b>	<b>\$1,624,594</b>	<b>\$29,986</b>	<b>\$2,907,509</b>	<b>(\$194,673)</b>	<b>\$1,809,835</b>	<b>(\$831,462)</b>

ACCOUNT DESCRIPTION	HIDDEN HILLS	RANCHO VIEJO	ELIMINATING ENTRIES	CONSOLIDATED INCOME
<b>REVENUES:</b>				
SALE OF ASSETS	-	-	-	\$6,000,000
DEFERRED PROFIT	-	-	-	279,896
LAND SALES	-	265,847	-	45,970,272
HOME SALES	-	-	-	58,111,924
COMMERCIAL PROPERTIES	-	-	-	10,492,122
UTILITY SALES	-	-	-	1,618,907
MANAGEMENT FEES	-	-	-	1,149,442
<b>TOTAL OPERATING REVENUES</b>	<b>-</b>	<b>265,847</b>	<b>-</b>	<b>123,622,563</b>
<b>OPERATING EXPENSES</b>				
COST OF ASSETS SOLD	-	-	-	5,043,300
COST OF LAND SOLD	-	220,328	-	35,864,192
COST OF HOMES SOLD	-	-	-	48,648,105
LAND PROJECT COSTS	290	60,945	-	2,419,290
COMMERCIAL PROPERTIES	-	-	-	7,296,112
GENERAL & ADMINISTRATIVE	1,277	-	-	15,057,115
UTILITY EXPENSE	-	-	-	1,337,519
RESORT OPERATIONS	-	-	-	10,202
DEPRECIATION & AMORTIZATION	-	398	-	2,345,966
<b>TOTAL OPERATING EXPENSES</b>	<b>1,567</b>	<b>281,671</b>	<b>-</b>	<b>118,021,801</b>

NET OPERATING INCOME	(1,567)	(15,824)	-	5,600,762
-----				
OTHER INCOME AND GAINS:				
EQUITY IN JOINT VENTURES	-	-	-	3,182,361
INTEREST INCOME	-	5,775	-	1,179,122
OTHER	-	-	-	49,269
-----				
TOTAL OTHER INCOME AND GAINS	-	5,775	-	4,410,752
-----				
INTEREST EXPENSE				
INTEREST EXPENSE	-	-	-	7,691,855
LESS: CAPITALIZED INTEREST	-	-	-	(3,494,746)
-----				
TOTAL INTEREST EXPENSE	-	-	-	4,197,109
-----				
NET INCOME BEFORE MINORITY INTEREST	(1,567)	(10,049)	-	5,814,405
MINORITY INTEREST	-	-	-	480,231
-----				
NET INCOME/(LOSS)	(\$1,567)	(\$10,049)	-	\$5,334,174
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