SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 2-91651-D

PEACOCK FINANCIAL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

COLORADO	87-0410039
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
248 E. MAIN STREET SAN JACINTO, CALIFORNIA	92583
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (909) 487-8911

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
CLASS A COMMON STOCK, PAR VALUE $0.001 PER SHARE
(TITLE OF CLASS)

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 X NO

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [ ]

THE AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT AS OF DECEMBER 31, 1997 WAS $1,650,000.

THE NUMBER OF SHARES OF CLASS A COMMON STOCK OUTSTANDING AS OF DECEMBER 31, 1996.

DOCUMENTS INCORPORATED BY REFERENCE

NONE

ITEM 1. BUSINESS

Peacock Financial Corporation is a real estate master developer in Southern California and its primary mission is to take advantage of the changes happening in the San Jacinto Valley as the result of a $3 billion construction of the Eastside Lake reservoir by the Metropolitan Water District of Southern California.

Peacock Financial Corporation was pleased to announce two consecutive profitable years as a public company with a $222,009 net income and revenues of $2,075,386 for the year ending December 31, 1997 versus a net income of $140,803 and $3,369,000 revenue for the year ending December 31, 1996. During 1997 Peacock Financial Corporation went to escrow with Hawthorn Group, Ltd., an international investment fund manager, to provide Peacock with working capital as well as real estate development financing.

The Company currently employs 6 people. The company uses independent consultants for a variety of tasks, including engineering and architectural, shareholder relations and financial management. Its principal executive offices are located at 248 E. Main Street, San Jacinto, California 92583.

ITEM 2 - PROPERTIES

Apart from the Discontinued Operations, the Company's properties comprised of $374,397 Home Building Construction in Process, $1,216,036 land development cost and $1,224,292 investment in limited partnerships.

INVESTMENTS IN LIMITED PARTNERSHIPS

1. Carreon Professional Building - The Company formed a limited partnership in November 1990 and acquired the property for $2,031,300. During the year ending1992 the Company reduced its interest to 1% and has remained a general partner with a 1% interest, receiving a property management fee until 1997 when the property was sold.

2. Riverside Park Apartments - The Company formed a limited partnership in June 1992 and acquired two apartment buildings for $3,350,000 to be repaired, developed and managed. During the year ending 1992 the Company reduced its interest to 1% and has remained a general partner with a 1% interest, receiving a property management fee.

3. Canyon shadows Apartments - The Company acquired a 120-unit apartment complex in April 1995 for $ $875,000. The Company received a $975,000 loan that converts to a grant from the City of Riverside for the purpose of acquisition and rehabilitation and, in 1996, the Company was awarded $2,200,000 in Federal Tax Credits for the project. In December 1996, the project was sold to a tax credit partnership in which the Company retains a $905,000 capital account, as well as a 1% interest as the general partner for which it receives a management fee and 80% of the project cash flow.

4. St. Michel, LLC - In 1995, the Company formed a limited liability company to acquire a 63-lot residential subdivision in the San Jacinto Valley. In March 1996, the limited liability Company acquired an additional 110-lot subdivision also in the San Jacinto Valley. The Company retains a 50% ownership in the limited liability Company and receives an overhead fee for the construction and marketing of the homes.

ITEM 3 - LEGAL PROCEEDINGS

The Company is not presently involved in any material litigation nor, to its knowledge, is any material litigation threatened against the Company or its properties, other than routine litigation arising in the ordinary course of business which is expected to be covered by the Company's liability insurance.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Common Stock of the Company is traded in the over-the-counter market, and quoted on the Electronic Bulletin Board. During the fiscal year ending December 31, 1997, the Company's common stock traded between $.25 and $0.05 per share. The Company has not yet adopted any policy regarding payment of dividends.

<TABLE>
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Quarter Ended	Low	High
Mar 31, 1997	$0.15	$0.25
June 30, 1997	0.12	0.25
September 30, 1997	0.06	0.15
December 31, 1997	0.05	0.15

</TABLE>

At December 31, 1997, there were approximately 372 holders of record of the Company's stock.

ITEM 6 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See index to financial statements included herein.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fiscal year 1997 was the company's second year as a public company and it turned out to be another exciting year for the Company. Peacock Financial Corporation is pleased to announce two consecutive profitable years as a public company.

The Company continued its focus and attention to develop and invest in San Jacinto Valley, and succeeded in finding a suitable capital partner. The Company went to escrow with Hawthorn Group, Ltd., an international investment fund manager, to provide the Company with working capital as well as real estate development financing.

The Company continued with its prior year's decision to dispose all of its projects, which were outside of the Valley. These projects are identified as discontinued operations in the financial statements. The Company believes it will substantially benefit from the development of the Eastside Recreational Lake Reservoir and the future of San Jacinto Valley, has been positioning itself and has plans in place, to be the most successful developer in the Valley.

RESULTS OF OPERATIONS:

Revenues totaled $2,075,386 for the fiscal year ending December 31, 1997. For the year ending December 31, 1996 revenues were $3,369,000. The decrease in Revenue was due to the reduction and repositioning of the home-building operation.

General and Administration expenses for the year ended December 31, 1997 were $770,094 as compared to $638,745 for the year ended December 31, 1996. The increase in General and Administration expenses was related to increase in consulting services.

Depreciation and amortization was $14,385 for the year ended December 31, 1997 as compared to $8,190 for the year ended December 31, 1996. The increase was due to increase in loan fee amortization.

Interest income was $1 and interest expense was $173,431 for the year ended December 31, 1997 as compared to $1,802 interest income and $170,388 interest expense for the year ended December 31, 1996. The decrease in

interest income and increase in interest expense was due to increase in net cash used by operating activities.

Gain from operations of discounted segment was $90,955 for the year ended December 31, 1997 versus loss of $405,349 for the year ending December 31, 1996. Gain on disposal of discontinued segment was $1,003,534 versus $983,507 for the year ending December 31,1996. The gain and loss from operations and gain on disposal of discontinued segment was as the result of sale of the company's rental operations, i.e. the Corona Industrial Complex, the Anaheim Vacation R.V. Park and the Canyon Shadows Apartments.

ITEM 8 - CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINACAIL DISCLOSURE

None

ITEM 9 - DIRECTORS, EXECUTIVE OFFICERS, PROMOTION AND CONTROL PERSONS, COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

<TABLE>
<CAPTION>

NAME	AGE	POSITION	PERIOD OF SERVICE
<S>	<C>	<C>	<C>
Steve R. Peacock	52	President, Chief Executive Officer, and Director	Since 1986
Bruce Merati	40	Secretary/CFO	Since 1996
Jim Upton	49	Vice President of Development	Since 1997

</TABLE>

All directors hold office until the next annual shareholders meeting or until their death, resignation, and retirement or until their successors have been elected and qualified.

Mr. Steve R. Peacock, 52, is President, Chief Executive Officer, and a Director of Peacock Financial Corporation. He has broad experience in real estate development, property management and construction experience.

Mr. Bruce Merati, 40, is Chief Financial Officer and Secretary of Peacock Financial Corporation. He has over 18 years of accounting, business administration and investment banking experience.

Securities Exchange Act of 1934 requires all executive officers and directors to report any changes in ownership of common stock of the Company to the Securities and Exchange Commission and the Company. The management review and representations indicates no reports were required to be filed in 1996.

ITEM 10 - EXECUTIVE COMPENSATION

The following table shows the amount of compensation earned for services in all capacities to the company for the last two fiscal years for the executive officers at December 31, 1997.

NAME AND POSITION	YEAR	SALARY	OTHER	TOTAL
Steve R. Peacock, President and Chief Executive Officer, and Director	1997	$96,000	None	$96,000
Bruce Merati, Chief Financial Officer And Secretary	1997	None	$29,097	$29,097
Jim Upton, Vice President of Development	1997	$48,000	None	$48,000

ITEM 11 - SECURITY OWNERSHIP OF CERTAIN BENEFICAIL OWNERS AND MANAGMENT

At the close of business on December 31, 1997, the Company had 11,763,797 shares outstanding. The beneficial owner of more than five percent of any class of the company's voting securities are as follows:

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES	PERCENT OF CLASS
Common Stock	Steve R. Peacock	2,927,324	24.9%
Common Stock	Byron Radaker	2,010,048	17.1%
Common Stock	David Cottington	747,614	6.4%

ITEM 12 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Patricia Peacock, mother of Steve R. Peacock, President, has advanced the Company working capital. The balance outstanding as of December 31, 1997 was $500,000.

ITEM 13 - EXHIBITS AND REPORTS ON FORM 8-K

Audited Financial Statements and Notes thereto are filed as part of this report. On February 8, 1996, the Company filed Form 8-K containing its merger.

SIGNATURES

Pursuant to the requirements of section 13 or 15 (d) of the Securities Exchange Act of 1834, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PEACOCK FINANCIAL COPORATION

By: /s/ Steven R. Peacock

Steven R. Peacock
President and Chief Executive Officer

Dated: April 13, 1998

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Steven R. Peacock Steven R. Peacock	President, Chief Executive	April 13, 1998
/s/ Bruce Merati	Secretary	April 13, 1998

PEACOCK FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1997

<TABLE>
<CAPTION>

C O N T E N T S

</TABLE>

INDEPENDENT AUDITORS' REPORT

Peacock Financial Corporation and Subsidiaries
Board of Directors
San Jacinto, California

We have audited the accompanying consolidated balance sheet of Peacock Financial Corporation and Subsidiaries as of December 31, 1997 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 1997 and 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peacock Financial Corporation and Subsidiaries as of December 31, 1997 and the results of their operations and their cash flows for the years ended December 31, 1997 and 1996 in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 12 to the consolidated financial statements, the Company has suffered losses from operations for the years ended December 31, 1997 and 1996, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Jones, Jensen & Company
April 6, 1998

PEACOCK FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet

<TABLE>
<CAPTION>

ASSETS

	December 31, 1997
CURRENT ASSETS	
<S>	<C>
Cash and cash equivalents	$ 14,777
Total Current Assets	14,777
FIXED ASSETS, at cost, net of accumulated depreciation of $66,980 and $151,186, respectively	359,215
OTHER ASSETS	
Construction-in-process	374,397
Notes receivable - related parties (Note 7)	230,067
Developer fees receivable	226,000
Development costs (Note 3)	1,216,036
Investments in limited partnerships (Note 4)	1,224,292
Other assets	11,926
Total Other Assets	3,282,718
TOTAL ASSETS	$ 3,656,710

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEACOCK FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	December 31, 1997
CURRENT LIABILITIES	
<S>	<C>
Accounts payable	$ 219,934
Other current liabilities	189,423
Lines of credit (Note 5)	50,585
Notes payable - current portion (Note 6)	1,147,871

Note payable to stockholder (Note 7)	23,869
Total Current Liabilities	1,631,682
LONG-TERM DEBT	
Notes payable - long term (Note 6)	523,217
Total Liabilities	2,154,899
COMMITMENTS AND CONTINGENCIES (Note 9)	
STOCKHOLDERS' EQUITY	
Preferred stock: 10,000,000 shares authorized at $0.01 par value; 672,300 shares issued and outstanding	6,723
Common stock: 250,000,000 shares authorized at $0.001 par value; 11,763,797 shares issued and outstanding	11,764
Additional paid-in capital	2,335,379
Accumulated deficit	(852,055)
Total Stockholders' Equity	1,501,811
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,656,710

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEACOCK FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

<TABLE>
<CAPTION>

	For the Year Ended December 31, 1997	1996
<S>	<C>	<C>
REVENUES		
Home building and development sales	$ 1,992,736	$ 3,005,211
Property management and administration income	1,375	208,023
Commissions income	6,977	101,363
Other income	74,298	54,403
Total Revenues	2,075,386	3,369,000
EXPENSES		
Home building and development costs	1,989,958	2,990,836
General and administrative	770,094	638,745
Depreciation and amortization	14,385	8,190
Total Expenses	2,774,437	3,637,771
LOSS FROM CONTINUING OPERATIONS	(699,051)	(268,771)
OTHER INCOME (EXPENSE)		
Interest income	1	1,802
Interest expense	(173,431)	(170,386)

Total Other Income (Expense)	(173,430)	(168,584)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(872,481)	(437,355)
INCOME TAXES (Note 2)	-	-
LOSS FROM CONTINUING OPERATIONS	(872,481)	(437,355)
DISCONTINUED OPERATIONS (Note 11)		
Gain (loss) from operations of discontinued segment	90,956	(405,349)
Gain on disposal of discontinued segment	1,003,534	983,507
Total Discontinued Operations	1,094,490	578,158
NET INCOME	$ 222,009	$ 140,803

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEACOCK FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations (Continued)

<TABLE>
<CAPTION>

	For the Year Ended December 31,	
	1997	1996
<S>	<C>	<C>
EARNINGS (LOSS) PER SHARE		
Continued operations	$ (0.08)	$ (0.06)
Discontinued operations	0.10	0.08
EARNINGS (LOSS) PER SHARE	$ 0.02	$ 0.02
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	11,253,615	7,844,581

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEACOCK FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated
	Shares	Amount	Shares	Amount	Capital	Deficit
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	-	$ -	3,256,150	$ 3,256	$ 2,326,899	$ (1,214,867)

Common stock issued to acquire Connectivity and Technology, Inc.	-	-	5,183,850	5,184	(5,184)	-
Conversion of Class B common stock to preferred stock	672,300	6,723	(672,300)	(672)	(6,051)	-
Common stock issued for cash	-	-	2,700,095	2,700	154,269	-
Common stock issued for services	-	-	227,500	227	36,773	-
Deferred stock costs charged to paid-in capital	-	-	-	-	(265,810)	-
Accrued dividends	-	-	-	-	(25,422)	-
Net income for the year ended December 31, 1996	-	-	-	-	-	140,803
Balance, December 31, 1996	672,300	6,723	10,695,295	10,695	2,215,474	(1,074,064)
Common stock issued for cash	-	-	422,002	422	59,618	-
Common stock issued for services	-	-	646,500	647	83,459	-
Accrued dividends	-	-	-	-	(23,172)	-
Net income for the year ended December 31, 1997	-	-	-	-	-	222,009
Balance, December 31, 1997	672,300	$ 6,723	11,763,797	$ 11,764	$ 2,335,379	$ (852,055)

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEACOCK FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	For the Year Ended December 31,	
	1997	1996
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 222,009	$ 140,803
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	14,385	390,387
Stock issued for services	84,106	37,000
Discontinued operations	(244,982)	(542,664)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts and notes receivable	68,000	(293,060)
(Increase) decrease in accounts receivable - related parties	(78,152)	(44,324)
(Increase) decrease in other assets	(6,725)	(97,380)
Increase (decrease) in accounts payable	(75,947)	160,406
Increase (decrease) in other liabilities	(146,591)	72,850

Net Cash Used by Operating Activities	(163,897)	(175,982)
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress	(104,863)	(484,424)
Sale of property and equipment	214,890	-
Purchase of property and equipment	(1,951)	(345,250)
Net Cash Provided (Used) by Investing Activities	108,076	(829,674)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to shareholders	(20,902)	11,057
Repayment of notes payable	(833,312)	(93,600)
Proceeds from long-term borrowings	823,785	754,624
Proceeds from stock offerings	60,040	156,969
Net Cash Provided (Used) by Financing Activities	$ (20,389)	$ 829,050

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEACOCK FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)

<TABLE>
<CAPTION>

	For the Year Ended December 31,	
	1997	1996
<S>	<C>	<C>
NET INCREASE IN CASH	$ (76,210)	$ (176,606)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	90,987	267,593
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 14,777	$ 90,987
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Common stock issued for services	$ 84,106	$ 37,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid, net of amount capitalized	$ 272,867	$ 669,259
Income taxes paid	$ -	$ -

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEACOCK FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 1997

NOTE 1 - COMPANY BACKGROUND

The consolidated financial statements include those of Peacock Financial Corporation (Colorado) (Peacock) and its wholly-owned subsidiaries, Peacock Financial Corporation (California) (PFC) and Peacock International Corporation (Bahamas) (PIC). Collectively, they are referred to herein as "the Company".

Peacock was incorporated under the laws of the State of Colorado on February 16, 1984 under the name of Oravest International, Inc. It later changed its name to Camdon Holdings, Inc. and then to American Temperature Control, Inc., Connectivity and Technology, Inc., and finally to Peacock Financial Corporation on February 27, 1996. Peacock was incorporated for the purpose of creating a vehicle to obtain capital to seek out, investigate and acquire interests in products and businesses which may have a potential for profit.

PFC, a wholly-owned subsidiary, was formed on May 22, 1986. Its operations consist of the acquisition and enhancement of income-producing properties and the development of multi-use property including home building. Certain properties are owned by limited partnerships managed by the Company.

PIC, a wholly-owned subsidiary, was formed on December 8, 1997. It has had no operations to date, but was formed to invest and trade in securities on an international basis.

On February 27, 1996, the Company completed an Agreement and Plan of Reorganization whereby Peacock issued 7,767,702 shares of its common stock and 672,300 shares of its preferred stock in exchange for all of the outstanding common stock of PFC. Pursuant to the reorganization, the name of the Company was changed to Peacock Financial Corporation.

The reorganization was accounted for as a recapitalization of PFC because the shareholders of PFC control the Company after the acquisition. Therefore, PFC is treated as the acquiring entity. Accordingly, there was no adjustment to the carrying value of the assets or liabilities of Peacock. Peacock is the acquiring entity for legal purposes and PFC is the surviving entity for accounting purposes.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

a. ACCOUNTING METHOD

The Company's consolidated financial statements are prepared using the accrued method of accounting. The Company has elected a December 31 year end.

b. PARTNERSHIP INVESTMENTS

The Company's general and limited partnership interests are accounted for using the equity method, which reflects historical cost adjusted for the proportionate share of partnership earnings or losses. The Company has not recorded its share of losses in excess of its investment in each partnership.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

c. FIXED ASSETS

Fixed assets are carried at cost. The cost is depreciated over the estimated useful lives of 30 years for buildings and improvements and 5 to 6 years for furniture and equipment.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

d. INCOME TAXES

The Company provides for income taxes using the liability method under Statement of Financial Accounting Standards No. 109. Deferred income taxes arise principally from temporary differences for financial and tax reporting purposes in depreciation methods.

The Company has not recorded income taxes in 1997 or 1996 due to operating losses and loss carryovers. The Company has net operating loss carryovers of approximately $850,000 at December 31,1997 which expire in the years 2007 to 2012.

e. CASH AND CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments with maturities of three months or less at the time of acquisition.

f. EARNINGS (LOSS) PER SHARE

The computations of loss per share of common stock are based on the weighted average number of shares outstanding at the date of the consolidated financial statements.

g. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of Peacock Financial Corporation (Colorado) and its wholly-owned subsidiaries, Peacock Financial Corporation (California) and Peacock International Corporation (Bahamas). All significant intercompany accounts and transactions have been eliminated.

h. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

i. CONCENTRATIONS OF RISK

ACCOUNTS RECEIVABLE

Credit losses, if any, have been provided for in the consolidated financial statements and are based on management's expectations. The Company's accounts receivable are subject to potential concentrations of credit risk. The Company does not believe that it is subject to any unusual, or significant risks in the normal course of its business.

j. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the December 31, 1997 presentations.

NOTE 3 - DEVELOPMENT COSTS

Land improvements and related property development costs have been capitalized and will be amortized to the cost of the houses sold based upon the total number of homes to be constructed in each project. The land and land improvements of $1,216,036 at December 31, 1997 are recorded at the lower of cost or estimated net realizable value (see Note 9).

NOTE 4 - INVESTMENTS IN LIMITED PARTNERSHIPS

In November 1990, the Company formed a limited partnership to acquire, manage and develop certain real property referred to as the Carreon Professional Building. The partnership acquired the property for $2,031,300 on November 30, 1990 for $581,300 in cash and a promissory note of $1,450,000 that bears interest of 12, 12.5 and 13 percent per year for the first, second and third years, respectively. During the partnership year ended December 31, 1992, the Company sold its remaining limited interest in the partnership. The Company remains the general partner with a 1% interest. The Company receives a property management fee. The Company accounts for its remaining general partner interest using the equity method.

On June 29, 1992, the Company formed a limited partnership agreement to acquire two apartment buildings to be repaired, developed, and managed which are referred to as the Riverside Park Apartments. The partnership acquired the property for $3,350,000 on July 10, 1992 for $670,000 in cash and a promissory note of $2,680,000. In July 1992, the partnership entered into an agreement whereby the City of Riverside loaned the partnership $650,000 at 10.5 percent interest.

The loan will be forgiven by August 1, 2007. The debt and accrued interest are forgiven at one-fifteenth of the original balance per year. The agreement requires the partnership to meet certain restrictive covenants. The Company remains the general partner with a 1% interest and receives a property management fee.

In December 1995, the Company formed a limited liability company to acquire a 63-lot residential subdivision in the San Jacinto Valley. The Company retains a 50% ownership in the limited liability company and also receives an overhead fee for the construction and marketing of the homes.

NOTE 4 - INVESTMENTS IN LIMITED PARTNERSHIPS (CONTINUED)

During 1995, the Company received a $975,000 loan that converted to a grant from the City of Riverside to acquire and rehabilitate a 120-unit apartment complex (see Note 11). During April 1996, the Company was awarded $2,400,000 in Federal tax credits. During December 1996, the Company sold the completed project to a tax credit partnership named Canyon Shadows, L.P. retaining a 1% interest as general partner and receiving a $905,000 capital account in the partnership. Additional expenses of $319,292 were incurred by the Company on behalf of the partnership resulting in a total investment in Canyon Shadows, L.P. of $1,224,292 at December 31, 1997.

NOTE 5 - LINES OF CREDIT

The Company has two separate lines of credit with banks at December 31, 1997 in the aggregate maximum amount of $250,000. Borrowings outstanding under these lines of credit at December 31, 1997 were $34,754 and $15,831. The credit lines bear interest at the bank's index rate plus 2 percent or 12 percent currently and expire during June, 1998 and July, 1999, respectively.

NOTE 6 - NOTES PAYABLE

<TABLE>
<CAPTION>

Notes payable consist of the following:

	December 31, 1997
<S>	<C>
Note payable at 5%, secured by an assignment of partnership cash, interest payable quarterly, principal due January 1, 2007, convertible to common stock	$ 500,000
Note payable at variable rate (10.25% at December 31, 1997) collateralized by deed of trust on real property. Lump sum payment is due October 21, 1998.	194,222
Note payable at 10%, unsecured, due with accrued interest on or before February 1, 1997, currently in default.	371
Note payable at 10%, secured by deed of trust, due March 31, 1996, currently in default.	65,000
Note payable at 8%, unsecured, payable in monthly installments of $1,221 including interest, due January 4, 1999.	15,158
Note payable at 3%, collateralized by deed of trust on real property, due June 24, 2024 (Note 11).	70,000
Balance Forward	$ 844,751

</TABLE>

NOTE 6 - NOTES PAYABLE (Continued)

<TABLE>
<CAPTION>

Notes payable consist of the following (continued):

<S>	<C> December 31, 1997
Balance Forward,	$ 844,751
Note payable at 7%, secured by deed of trust on real property, payable in monthly installments of $1,621 including interest, due March 1, 2000.	40,081
Loan payable at 9%, collateralized by deed of trust on property, accrued interest and principal due February 15, 1997 (see Note 9(b)).	172,204
Note payable to individual at 10%, collateralized by deed of trust, payable in monthly interest only payments, principal due January 19, 1997 (see Note 9(b)).	125,000
Note payable, non-interest bearing, unsecured, payable in monthly installments of $1,000.	14,500
Construction note payable at 10.50% with a maximum balance of $750,000, principal and interest due July 1997, currently in default.	249,866
Debentures at 10%, unsecured, due December 31, 1997.	216,500
Other equipment loans	8,186
Total Notes Payable	1,671,088
Less: Current Portion	(1,147,871)
Long-Term Notes Payable	$ 523,217

</TABLE>

The aggregate principal maturities of notes payable are as follows:

<TABLE>
<CAPTION>

<S> Years Ending December 31,	<C>
1998	$ 1,147,871
1999	18,411
2000	4,806
2001	-
2002	-
Thereafter	500,000
Total	$ 1,671,088

</TABLE>

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company is a partner in several limited partnerships (Note 4). The Company occasionally pays for operating expenses of the partnerships and is reimbursed as funds become available to the partnerships. These advances are non-interest bearing and are reimbursed on a regular basis.

In 1994, the Company paid a legal settlement on behalf of one of the partnerships of which it is a partner. The payment has been recorded as a note receivable from the partnership. The note is non-interest bearing and is due on demand.

Two stockholders have made loans to the Company. The loans bear interest at 10 percent per annum and matured in March 1996. The balance outstanding at December 31, 1997 is $23,869.

NOTE 8 - PROFIT SHARING PLAN

In 1989, the Company adopted a profit sharing plan covering all eligible employees. Contributions are made at the discretion of the Board of Directors. There were no contributions to the plan for the years ended December 31, 1997 or 1996.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

a. GENERAL PARTNER OBLIGATIONS

The Company serves as general partner in several real estate development partnerships. The Company may be held liable for certain liabilities of these partnerships in its capacity as general partner. At December 31, 1997, the partnerships had no liabilities with recourse against the Company.

b. RENTS AND LEASES

During 1996, the Company acquired an historic 15-room hotel in downtown San Jacinto and converted it into an executive suites office building. The Company currently occupies approximately half of the offices and rents the remaining space to others. Financing, which consisted of a seller carry-back loan of $125,000 for the acquisition and a City of San Jacinto Redevelopment loan of $172,204 for the rehabilitation, is currently being restructured into long-term financing.

c. WRAP AROUND MORTGAGE

The Company has sold a property subject to a mortgage. The mortgage has not been fully assumed by the buyer. If the buyer defaults on the mortgage, the Company may be liable for the balance owing.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

d. VISTA RAMONA DEVELOPMENT COSTS

The Company has incurred costs associated with the development of a residential housing project. The costs incurred have been for engineering and planning for the project. The project encompasses 489 acres of land containing approximately 1,800 residential building lots. The Company controls 277 acres of the project through a joint venture. The remaining 212 acres are controlled by a separate joint venture which has filed for chapter 11 bankruptcy. The Company has reached an agreement with the lienholder of the land to acquire the lienholder's interest in the note and trust deed which encumber the 212 acres for $1,500,000 cash. The Company must make payment in full on or before April 4, 1996 to complete the agreement. If the 212 acres are not brought under the control of the Company, there is some uncertainty as to the recoverability of all development costs. The Company believes that regardless of the outcome of the attempt to gain control of the 212 acres, that more likely than not the entire amount of the development costs will be recovered from the remaining joint venture.

e. HOUSING GRANT

In April 1995, the Company acquired a 120 unit apartment complex using a $975,000 loan that converts to a grant from the City of Riverside, California. The loan is non-recourse and is secured by a second trust deed on the property. If the Company meets certain requirements pertaining to the complex, which have been stipulated by the city, the loan will be forgiven in its entirety. Management has complied with all of the requirements and believes that the repayment of $905,000 (the grant portion) of the $975,000 is highly remote. Accordingly, $905,000 of the amount has been recorded as income to the Company for the year ended December 31, 1997.

If the Company fails to meet the requirements, however, the entire unpaid principle balance, together with accrued interest, will become due at the discretion of the City of Riverside and foreclosure proceedings may be initiated on the property.

NOTE 10 - PREFERRED STOCK

The Company's preferred stock has the right to quarterly dividends to be paid at the annual rate of 6%. The quarterly dividend is to be paid to all shareholders of record, as of the last day of each quarter until such time as the Company causes such shares to be converted to common shares and "registered" (free trading) with the S.E.C. and the appropriate State regulatory agency.

Each preferred share is convertible into one share of the common stock of the Company, such conversion to occur automatically and registered concurrently with any public offering of the common shares of the Company.

Each share of preferred stock comes with a warrant. Each warrant entitles the holder to purchase one share of the common stock at a price of $2.20 per share, from the date of purchase until 180 days following the completion of the Company's initial public offering of common stock, or commencement of public trading therein. During the exercise period of the warrants, the Company, at its option, may call the warrants for redemption on a 30-day prior written notice to warrant holders of record at a redemption price of $.05 per warrant.

NOTE 11 - DISCONTINUED OPERATIONS

The Company decided to either sell or dispose of a portion of its operations during 1997. As a result, the assets and liabilities of those operations are being netted together as discontinued operations resulting in a balance of net assets at December 31, 1997 and 1996 of $0 and $683,190, respectively. The breakout of the amount at December 31, 1997 and 1996 is summarized as follows:

<TABLE>
<CAPTION>

	December 31, 1997	December 31, 1996
<S>	<C>	<C>
Assets of Discontinued Operations	$ -	$ 3,598,533
Liabilities of Discontinued Operations	-	(2,915,343)
Net Assets of Discontinued Operations	$ -	$ 683,190

</TABLE>

In addition, the operations of these projects are being netted together as loss on discontinued operations. The resulting gain (loss) for the years ended December 31, 1997 and 1996 was $90,956 and ($405,349), respectively. In addition, the Company recognized a gain on the disposition of the discontinued operations of $1,003,534 and $983,507 for the years ended December 31, 1997 and 1996, respectively.

NOTE 12 - GOING CONCERN

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant losses and does not currently have the means to pay the current maturities of its long term debt as they become due. These factors create an uncertainty about the Company's ability to continue as a going concern. The Company is currently, however, trying to obtain a $10,000,000 financing package. The Company expects to receive a portion of those funds shortly and the remaining balance before the end of 1998. As part of the arrangement, the Company will ultimately sell approximately 50% of the Company through a 504 stock issuance. Receiving the $10,000,000 could ultimately effect the realization of assets and liquidation of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

If the $10,000,000 is obtained, the Company's management believes that the Company will soon be able to generate revenues sufficient to cover its operating costs. Management also has plans to raise capital through the issuance of stock. The Company has not received any of the funds as of the date of this audit report

GUY E. DEVORRIS, J.D./C.P.M.-Registered Trademark-
1423 Second St., Suite C
Santa Monica, CA 90401
(310)/587-9100; fax (310)587-0009

April 1, 1998

Peacock Financial Corporation
248 E. Main Street
San Jacinto, CA 92583

RE: Canyon Shadows

To Whom this May Concern:

I am a knowledgeable, experienced professional in the area of low income rental housing with an expertise in low income housing tax credits and government assisted rental projects. My resume is attached.

I served as a financial consultant to Peacock Financial Corporation regarding the acquisition and rehabilitation of Canyon Shadows.

I am familiar with the legal opinion from Riordan and McKenzie. I concur with Attorney Cowan's opinion, that the likelihood that the funding from the City of Riverside under the HOME program would change character from a grant to a loan is highly remote. This is because the only way in which this could happen is if the property fails to rent to qualifying tenants (e.i., tenants whose income is below a certain percentage of the median as adjusted for family household size) at regulated rents (those published by the State and based upon the annual median income amounts published by HUD). The property is encumbered with recorded Regulatory Agreements from both the City and the State which require that units be leased only to qualifying tenants at the regulated rents and covenants are in place with the limited investor partner requiring the same. For all these reasons, the likelihood that the property would be operated in a fashion to give rise to a default under the HOME funding agreement is highly remote.

Thank you for your attention.

Sincerely,

Guy E. Devorris

Enclosures

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