

**LAKES ASSOCIATES LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS**

*December 31, 2006 and 2005*



**HUMES & BARRINGTON, LLP**  
*Certified Public Accountants*

**LAKES ASSOCIATES LIMITED PARTNERSHIP**  
**FINANCIAL STATEMENTS**  
*December 31, 2006 and 2005*

---

**Table of Contents**

	<u>Page</u>
Accountant's Compilation Report.....	1
Financial Statements	
Statement of Assets, Liabilities and Equity – Income Tax Basis .....	2
Statement of Partners' Equity – Income Tax Basis .....	3
Statement of Revenues and Expenses – Income Tax Basis .....	4
Statement of Other Income – Income Tax Basis .....	5



**HUMES & BARRINGTON, LLP**

*Certified Public Accountants*

*I d e a s T h a t M a k e A D i f f e r e n c e*

*Accountant's Compilation Report*

**To the Partners**  
**Lakes Associates Limited Partnership**  
**St. Louis, Missouri**

We have compiled the accompanying statement of assets, liabilities, and equity – income tax basis of Lakes Associates Limited Partnership as of December 31, 2006 and 2005, and the related statement of revenues and expenses and partner's equity – income tax basis for the years then ended and the accompanying supplementary information – income tax basis which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the income tax basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

**Humes & Barrington, LLP**

March 6, 2007

**Lakes Associates Limited Partnership**  
**Statement of Assets, Liabilities and Equity - Income Tax Basis**  
**December 31,**

	2006	2005
<b>Assets</b>		
<b>Investment Assets</b>		
Land	2,228,910	2,228,910
Buildings	8,147,770	8,147,770
Building Improvements	2,720,912	2,650,369
Furniture & Fixtures	2,101,151	2,045,696
Vehicles	6,400	24,231
Signs	0	475
Less: Accum Depr	(10,624,031)	(10,484,796)
	<b>Net Investment Assets</b>	<b>\$ 4,612,655</b>
	\$ 4,581,112	\$ 4,612,655
<b>Other Assets</b>		
Cash	106,518	106,518
Note Receivable - CA Bianco, Inc	247,816	20,000
Other Receivable	18,856	18,856
Escrow Deposits	364,968	179,715
Finance fees, Net of Amort	103,306	40,657
	<b>Total Other Assets</b>	<b>365,746</b>
	841,464	365,746
	<b>Total Assets</b>	<b>\$ 4,978,401</b>
	<u><b>\$ 5,422,576</b></u>	<u><b>\$ 4,978,401</b></u>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Due to C.A. Bianco, Inc.	494,851	57,909
Mortgage Note Payable	11,400,000	11,181,406
Security Deposits	172,580	149,372
	<b>Total Liabilities</b>	<b>\$ 11,388,687</b>
	\$ 12,067,431	\$ 11,388,687
<b>Partners' Equity</b>		
Balance, Beginning of Year	(6,410,288)	(6,352,065)
Less: Distributions	(538,000)	(811,000)
Net Income	303,433	752,779
	<b>Total Partners' Equity</b>	<b>(6,410,286)</b>
	(6,644,855)	(6,410,286)
	<b>Total Liabilities and Equity</b>	<b>\$ 4,978,401</b>
	<u><b>\$ 5,422,576</b></u>	<u><b>\$ 4,978,401</b></u>

**Lakes Associates Limited Partnership**  
**Statement of Revenues and Expenses - Income Tax Basis**  
**For the twelve months ended December 31,**

	<u>2006</u>	<u>2005</u>
<b>Income</b>		
Rental Income	3,217,377	3,214,844
Other Income	58,677	275,582
	<hr/>	<hr/>
<b>Total Income</b>	3,276,054	3,490,426
<b>Expenses</b>		
Real Estate Taxes	244,291	239,796
Repairs	510,075	558,105
Administrative Services	40,246	31,617
Management Fees	139,293	148,521
Professional Fees	37,032	8,584
Employment Services	637,242	509,855
Telephone	4,365	4,462
Advertising	70,879	136,183
Insurance	73,583	63,366
Interest	823,058	658,296
Depreciation	139,234	126,572
Utilities	253,323	252,290
	<hr/>	<hr/>
<b>Total Expenses</b>	2,972,621	2,737,647
<b>Net Income</b>	<u>\$ 303,433</u>	<u>\$ 752,779</u>

**Lakes Associates Limited Partnership**  
**Schedule of Other Income**  
**For the twelve months ended December 31,**

	<u>2006</u>	<u>2005</u>
<b>Other Income</b>		
Other Income	41,464	266,183
Gain from Insurance Proceeds	8,814	3,066
Forfeited Security Deposits	8,399	6,333
	<hr/>	<hr/>
<b>Total Other Income</b>	<u>\$ 58,677</u>	<u>\$ 275,582</u>

See Accountant's Compilation Report