

LAKES ASSOCIATES LIMITED PARTNERSHIP

FINANCIAL STATEMENTS

December 31, 2007 and 2006



HUMES & BARRINGTON, LLP
Certified Public Accountants

LAKES ASSOCIATES LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
December 31, 2007 and 2006

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



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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, 2007 and 2006, 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

February 19, 2008

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

	2007	2006
Assets		
Investment Assets		
Land	2,228,910	2,228,910
Buildings	8,147,770	8,147,770
Building Improvements	2,768,803	2,720,912
Furniture & Fixtures	2,134,056	2,101,151
Vehicles	6,400	6,400
Less: Accum Depr	(10,761,932)	(10,624,031)
	Net Investment Assets	4,581,112
	4,524,007	4,581,112
Other Assets		
Cash	106,518	106,518
Note Receivable - CA Bianco, Inc	-	247,816
Other Receivable	18,856	18,856
Escrow Deposits	108,267	364,968
Finance fees, Net of Amort	79,692	103,306
	Total Other Assets	841,464
	313,333	841,464
	Total Assets	\$ 5,422,576
	<u>\$ 4,837,340</u>	<u>\$ 5,422,576</u>
Liabilities and Equity		
Liabilities		
Due to C.A, Bianco, Inc.	14,966	494,851
Mortgage Note Payable	11,400,000	11,400,000
Security Deposits	192,229	172,580
	Total Liabilities	12,067,431
	11,607,195	12,067,431
Partners' Equity		
Balance, Beginning of Year	(6,644,855)	(6,410,288)
Less: Distributions	(672,000)	(538,000)
Net Income	547,000	303,433
	Total Partners' Equity	(6,644,855)
	(6,769,855)	(6,644,855)
	Total Liabilities and Equity	\$ 5,422,576
	<u>\$ 4,837,340</u>	<u>\$ 5,422,576</u>

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

	<u>2007</u>	<u>2006</u>
Income		
Rental Income	3,308,332	3,217,377
Other Income	98,999	58,677
	<hr/>	<hr/>
Total Income	3,407,331	3,276,054
Expenses		
Real Estate Taxes	226,450	244,291
Repairs	545,514	510,075
Administrative Services	38,815	40,246
Management Fees	143,594	139,293
Professional Fees	9,724	37,032
Employment Services	672,465	637,242
Telephone	4,208	4,365
Advertising	68,775	70,879
Insurance	103,375	73,583
Interest	651,232	823,058
Depreciation	137,903	139,234
Utilities	258,276	253,323
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Total Expenses	2,860,331	2,972,621
Net Income	<u>\$ 547,000</u>	<u>\$ 303,433</u>

See Accountant's Compilation Report

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

	<u>2007</u>	<u>2006</u>
Other Income		
Other Income	87,690	41,464
Gain from Insurance Proceeds	7,363	8,814
Forfeited Security Deposits	3,946	8,399
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Total Other Income	<u><u>\$ 98,999</u></u>	<u><u>\$ 58,677</u></u>

See Accountant's Compilation Report