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Reports from the
Office of the
Auditor General

FINCH LANE VEHICLES, INC.
IS MEMORIAL CORPORATION

SEC Project No. 041-20005-WAN-00-10
New Orleans, Louisiana

Financial Statements and Schedules

December 31, 1999

With Independent Auditors' Report Thereon

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: NOV 27 2001

FORD LANE TOWER, INC.
(A Nonprofit Corporation)

HUD Project No. 044-88055-8804-8F-L8

December 31, 1985

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KPMG Peat Marwick LLP

One Penn One Wall Street
New Orleans, LA 70112-3000

Independent auditors' report

Board of DIRECTORS
Pease Lake Towers, Inc.:

We have audited the accompanying balance sheet of Pease Lake Towers, Inc. (the Company), HUD Project No. 04-0005-040-00-18 (a nonprofit corporation), as of December 31, 1994, and the related statements of profit and loss (HUD Form 990), changes in owner's deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pease Lake Towers, Inc., HUD Project No. 04-0005-040-00-18 as of December 31, 1994, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government auditing standards, we have also issued a report dated February 13, 1994, on our consideration of the Company's internal control structure and a report dated February 13, 1994 on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG Peat Marwick LLP

February 13, 1994

Statement of Profit and Loss

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0042 (2-9) (10-1995)

Public Reporting Burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, reviewing and reviewing the collection of information, sending comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to the Office of Management and Budget, Paperwork Reduction Project (2502-0042), Washington, D.C. 20543-2000; write the Office of Management and Budget, Paperwork Reduction Project (2502-0042), Washington, D.C. 20543. Do not send the completed form to either of these addresses.

For the Period Ending	Entry	Project Number	Project Name		
12/31/95	12/31/95	061-0301561B-02-CB	Private Label THROCK, INC.		
row 1					
Department of Housing					
Real Estate Income \$100	Aparthome or Inmate (Long-Term) (Gross)		9100	\$	198,391
	Temp. Assistance Payments		9101	\$	952,387
	Furniture and Equipment		9102	\$	
	Sales and Commission		9103	\$	
	Storage and Parking Spaces		9110	\$	
	Federal Subsidy Income		9199	\$	
	Miscellaneous (Specify)		9198	\$	
	Total Real Estate Revenue Federal at 100% Occupancy				\$ 1,150,778
Vacancies \$100	Apartments		9200	\$	1,100
	Furniture and Equipment		9201	\$	
	Storage and Commission		9202	\$	
	Storage and Parking Spaces		9203	\$	
	Miscellaneous (Specify)		9204	\$	
	Total Vacancies				1,100
Net Rental Revenue From Revenue Less Vacancies					
\$ 1,149,678					
Utility and Congregate Services Income—HDB					
Total Service Income (Include Attached)					
Income Income—Fixed Operation					
Income from Investments—Revenue (Revised)					
Income from Investments—Revenue for Regulator's					
Income from Investments—Miscellaneous					
Total Financial Revenue					
Financial Revenue \$400	Leases and Rentals		9300	\$	1,000
	Rent and Other Charges		9301	\$	
	Storage and Parking Fees		9302	\$	
	Federal Federal Security Deposits		9303	\$	
	Other Revenue (Specify)		9304	\$	16,758
	Total Other Revenue				16,758
Total Revenue					
\$ 1,166,436					
Administrative Expenses \$200X200	Advertising		9400	\$	2,763
	Other Administrative Expense		9401	\$	
	Office Salaries		9402	\$	20,796
	Office Supplies		9403	\$	2,995
	Office or Social Awareness Fund		9404	\$	
	Management		9405	\$	68,743
	Storage or Supermarket Salaries		9406	\$	58,717
	Storage or Supermarket Staff Fees and		9407	\$	
	Legal Expenses (FVCS)		9408	\$	338
	Auditing Expenses (FVCS)		9409	\$	8,488
	Bookkeeping/Processing/Accounting Services		9410	\$	97,440
	Telephone and Advertising Service		9411	\$	1,753
	Rent (Spec)		9412	\$	
	Miscellaneous Administrative Expenses (Specify)		9413	\$	5,748
Total Administrative Expenses				360,718	
Utilities Expense \$400	Fuel Oil/Gas		9500	\$	
	Electricity (Light and Misc. Power)		9501	\$	42,018
	Water		9502	\$	18,873
	Sewer		9503	\$	
	Other		9504	\$	
Total Utilities Expense				60,891	

All amounts must be rounded to the nearest dollar (\$.00 and over, round up - \$.49 and below, round down.

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OMB 2502-0042 (2-9) (10-1995)
4810-108-0004-4376-2

U.S. GPO: 1995-0-250-000

Operating and Maintenance Expenses	Janitor and Cleaning Payroll	0060	\$	23,312	
	Janitor and Cleaning Supplies	0061	\$	4,241	
	Janitor and Cleaning Contract	0071	\$		
	Electricity Payroll/Contract	0075	\$	2,748	
	Electricity Supplies	0080	\$	28	
	Garbage and Trash Removal	0085	\$	4,238	
	Security Payroll/Contract	0090	\$	25,200	
	Security Payroll	0095	\$		
	Security Supplies	0098	\$	148	
	Security Contract	0097	\$	4,800	
	Repairs Payroll	0020	\$	5,285	
	Repairs Material	0040	\$	4,208	
	Repairs Contract	0045	\$	24,953	
	Systems Maintenance/Contract	0048	\$	5,222	
	Advertising/Printing Payroll and Maintenance	0047	\$	2,380	
	Advertising Print Materials/Contract	0047	\$		
	Phone Payroll	0028	\$		
	Contracting Payroll/Contract	0058	\$		
	Contracting Supplies	0063	\$	1,000	
	Other	0070	\$	682	
Administrative Operating and Maintenance Expenses	0088	\$	9,311		
Total Operating and Maintenance Expenses				\$ 765,263	
Taxes and Insurance	Real Estate Taxes	0100	\$		
	Property Taxes (Other)	0111	\$	10,214	
	Miscellaneous Taxes, Licenses and Permits	0110	\$		
	Property and Liability Insurance (Contract)	0200	\$	21,893	
	Public Bond Insurance	0201	\$	121	
	Workers' Compensation	0202	\$	7,357	
	Health Insurance and Other Employee Benefits	0203	\$	8,495	
	Other Insurance (Other)	0208	\$	1,123	
	Total Taxes and Insurance				\$ 48,003
Financial Expenses	Interest on Bonds Payable	0300	\$		
	Interest on Mortgage Payable	0305	\$	578,278	
	Interest on Notes Payable (Long Term)	0308	\$		
	Interest on Notes Payable (Short Term)	0309	\$		
	Storage Insurance Premium/Service Charge	0310	\$		
	Maintenance Financial Expenses	0315	\$		
	Total Financial Expenses				\$ 578,278
Effects of Depreciation Service Expenses	Total Service Expenses—Invoices Attached			1,237	\$ 1,237
	Total Cost of Operations Before Depreciation				\$ 1,087,811
	Profit (Loss) Before Depreciation				\$ 17,411
	Depreciation (Fixed Asset Expense)	0400			\$ 171,642
	Operating Profit or Loss				\$ 165,171
Corporate or Noncorporate Entity Expenses	Office Salaries	7100	\$		
	Legal Expenses (Other)	7120	\$		
	Taxes (Federal State Entity)	7130-01	\$		
	Other Expenses (Other)	7180	\$		
	Total Corporate Expenses				\$
Net Profit or Loss				\$ (63,011)	

Notes: 1. All depreciation treatments and assumptions. Consider may vary in actual order of priorities. See EEC 19C, 19E, 19I, 19J, 19K, 19L, 19M, 19N.

2. Depreciation on other assets and other maintenance charges. This information is for informational purposes only. See EEC 19C, 19E, 19I, 19J, 19K, 19L, 19M, 19N, 19O, and 19P for more information. 3. For more information regarding the 19C, 19E, 19I, 19J, 19K, 19L, 19M, 19N, 19O, and 19P, see the Instructions to Form 990.

Part II

1. Total principal payments required under the mortgage, even if payments under a Workout Agreement are less than the full amount under the mortgage.	\$ 48,720
2. Repayment Reserve deposits required by the Regulatory Agreement or Affirmative Covenant, even if payments may be temporarily suspended or waived.	\$ 32,840
3. Repayment or Paying Reserve amounts which are calculated as expense items on the Profit and Loss statement.	\$ 0.00
4. Other supplemental Reserve Expenses under the Paying Reserve Program that are included as expense items on the Profit and Loss statement.	\$ 0.00

Form 990

Form 990-BL (2014)
of 14

FRACE LAKE TOWNS, INC.
 (a nonprofit corporation)

REID Project No. 154-BR573-KAN-87-18

Statement of Cash Flow

Year ended December 31, 1985

Cash flows provided by operating activities:	
Cash received from grants and assistance payments	\$ 1,178,321
Interest received	9,823
Other operating cash receipts	28,828
Cash paid to suppliers and employees	(809,888)
Interest paid	(156,854)
Net cash provided by operating activities	<u>289,830</u>
Cash flows used in investing activities:	
Purchase of fixed assets	(8,820)
Restricted deposits, net	(143,188)
Net cash used in investing activities	<u>(152,008)</u>
Cash flows used in financing activities -	
principal payments on mortgage payable	(68,752)
Net increase in unrestricted cash	69,070
Unrestricted cash at January 1, 1985	<u>52,600</u>
Unrestricted cash at December 31, 1985	\$ <u>121,670</u>
Reconciliation of net loss to net cash provided by operating activities:	
Net loss	(65,031)
Depreciation	332,843
Change in assets and liabilities:	
Increase in accounts receivable	(1,845)
Increase in prepaid expenses	(4,893)
Increase in accounts payable	(78)
Increase in accrued wages and payroll taxes payable	2,740
Increase in deferred donations	570
Increase in accrued interest payable	<u>1270</u>
Net cash provided by operating activities	\$ <u>182,607</u>

See accompanying notes to financial statements.

PEACE LAKE TOWERS, INC.
A Nonprofit Corporation

HUD Project No. 144-88801-94A-02-1A

Notes to Financial Statements

14) Lease Subsidies

Approximately 82% of rental income in 1995 was received from HUD as rent subsidies under the Section 8 Housing Assistance Payments Contract Program.

HUD approves rent increases to meet the debt payment needs of the rents payable as well as to fund the operational needs of the company. Because of this, the Company is limited in its ability to generate revenues and is economically dependent to the extent of HUD's approval of future rent increases.

15) Market Value of Investments

As of December 31, 1995, the Company has \$122,756 of its reserves for investments invested in U.S. Treasury bills which have a market value of \$123,215. The gross unrealized gain on these investments as of December 31, 1995 is \$458. There are no unrealized losses.

PLACER LEASE COMPANY, INC.
 (A Regeneron Corporation)

MSR Project No. 068-88055-888-87-18

Notes to Financial Statements

(9) Investments

The Company has invested a portion of its reserve for replacements in U.S. Treasury bills. These investments are recorded at cost.

(10) Mortgage Payable

The Company has a mortgage note payable to FNB at a rate of 9.25% per year due in monthly installments of \$13,881, including interest, through June 1, 2023. The mortgage is secured by the land, building and equipment located at 8023 Chef Mouton Highway in New Orleans, Louisiana.

The amount of principal maturities subsequent to December 31, 1990 are as follows:

Year ended December 31:	
1991	\$ 54,375
1992	59,654
1993	64,933
1994	70,212
1995	77,287
Thereafter	\$ 182,421
	\$ 432,879
Less current portion of mortgage payable	54,235
Total mortgage payable, excluding current portion	\$ 378,644

(11) Related Party Transactions

The Company paid an affiliate the following fees for services provided during the year:

Management fee	\$ 48,743
Accounting services	9,408
Driver service	8,304
	\$ 66,455

Included in accounts payable is \$4,878 due to affiliated companies.

(Continued)

PEACE LAKE FUNDERS, INC.
A Nonprofit Corporation

HUD Project No. 344-00150-04A-00-04

Notes to Financial Statements

December 31, 1995

13) Organization and Significant Accounting Policies

Peace Lake Funders, Inc. (the Company) is a nonprofit Louisiana Corporation organized to provide residential facilities to the elderly and the handicapped. The Company was established under Section 501(c)(3) of the Housing Act of 1959, Section 8 Housing Assistance Payments Contract. The Company is exempt from income tax under the provision of the Internal Revenue Code Section 511(c)(3).

significant accounting policies used by the Company in preparing and presenting its financial statements are summarized as follows:

1a) Fixed Assets

Fixed assets are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from 5 years on equipment to 35 years on buildings.

1b) Restricted Deposits and Funded Reserves

Under the terms of an agreement with the Department of Housing and Urban Development (HUD), the Company is required to maintain a reserve for replacements to aid in funding extraordinary maintenance and repair and replacement of fixed assets. These funds can be used only in accordance with HUD guidelines and with the approval of, or as directed by HUD.

1c) Compensated Absences

Full-time employees who work at least 32 hours per week are granted vacation in varying amounts (maximum of 20 days per year) as established by the Personnel Policy Handbook. Part-time employees who are scheduled to work at least 16 hours per week on other than an occasional basis are eligible on a pro-rata basis. A maximum of one year of accrued earned vacation days may be carried over from one calendar year to another. Upon termination, employees with more than six months employment would receive any unused vacation. As of December 31, 1995, the unaccrued accrued vacation liability is \$4,849.

Sick leave accrues at varying rates (maximum of 12 days per year). There is no payment for sick leave at the time of termination.

(Continued)

PEACE LARK TOWERS, INC.
(A Nonprofit Corporation)

IRS Project No. 884-B9055-8448P-L8

Statement of Changes in Donor's Deficit

Year ended December 31, 1995

Deficit at January 1, 1995	\$12,982,980
Net loss	<u>188,821</u>
Deficit at December 31, 1995	<u>\$13,171,801</u>

See accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

PEACE LAKE TIMBERS, INC.
 (A Nonprofit Corporation)

WFO Project No. 044-02855-444-89-14

Supporting Data Required By WFO

Year ended December 31, 1985

Accounts and Notes Receivable Other Than From Tenants

None

Delinquent Tenant Accounts Receivable

	Number of Months	Amount paid due
Delinquent 30 days	-	\$ -
Delinquent 31-60 days	2	829
Delinquent 61-90 days	"	"
Delinquent over 90 days	1	1,118
		\$ <u>1,947</u>

Secured Tenant Deposits

None

Tenant Security Deposits

tenant security deposits are held in a separate bank account in the name of the project.

Reserve For Depreciation

in accordance with the provisions of the regulatory agreement, restricted cash is held by the Military National Bank to be used for repairs and replacement of property with the approval of WFO as follows:

Balance - January 1, 1985	\$ 159,558
Monthly deposits and interest earned	<u>82,218</u>
Balance - December 31, 1985	\$ <u>241,776</u>

Continued

PEACE LEAGUE FOUND, INC.
18, Nonprofit Corporation

EEO Project No. 241-89051-849-02-18

Supporting Data Required by EEO

Revenue for Residential Receipts

In accordance with the provisions of the regulatory agreement, restricted cash is held by the Whitney National Bank to be used for new admissions to property with the approval of EEO as follows:

Balance - January 3, 1995	\$ 5,210
Interest earned	<u>132</u>
Balance - December 31, 1995	\$ <u>5,342</u>

Accounts Payable (other than trade creditors)

Included in accounts payable are amounts due to an affiliate of \$5,488.

Accrued Taxes

None

Commission of Claims

None

Unallocated Distributions of Financial Income to Stockholders or Partners

None

Composition of Other Revenue (Account number 5290)

Other revenue consists of the following:

Non-apartment room rental	\$ 12,876
Beauty salon income	1,726
Other donations	774
Insurance proceeds	<u>2,321</u>
	\$ <u>17,897</u>

See accompanying independent auditors' report.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 OFFICE OF MULTIFAMILY HOUSING COMPLIANCE AND OCCUPANCY
COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS AND RESIDUAL RECEIPTS

PROPERTY NAME	FISCAL PERIOD ENDING	PROJECT NUMBER
Pocono Lake Towers, Inc.	12 / 31 / 93	ORA No. 004-00010-04B-07-1B
PART A - COMPLETE SURPLUS CASH		
CASH	1. Cash (Months 11/90, 11/91, 11/92, 11/93)	\$ 145,643
	2. Tenant security deposits due for period covered by financial statement	\$
	3. Other Income	\$
(a) Total Cash (Add Lines 1, 2, and 3)		\$ 145,643
CURRENT OBLIGATIONS	4. Annual mortgage interest payable	\$ 19,376
	5. Delinquent mortgage principal payments	\$
	6. Delinquent deposits to interest for replacements	\$
	7. Accounts payable due within 90 days	\$ 15,376
	8. Loans and notes payable - 90 days (90 days) due within 90 days (payment due 1/1/94)	\$ 4,873
	9. Delinquent tax (insurance or RFP) before Deprec.	\$
	10. Annual expenses (not revenues)	\$ 9,993
	11. Prepaid items (Months 1/90)	\$
	12. Tenant security deposits liability (Months 1/91)	\$ 21,639
	13. Other (Specify)	\$
(b) Less Total Current Obligations (Sub Lines 4 through 13)		\$ 68,571
(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))		\$ 77,072
PART B - COMPLETE DISTRIBUTIONS TO OWNERS AND REQUIRED DISBURSE TO RESIDUAL RECEIPTS		
DISTRIBUTIONS TO OWNERS	1. Surplus Cash	\$ 44,872
	2a. Amount (Sub Section 4) paid (during Fiscal Period Covered by the Statement)	\$ -0-
	2b. Distributions Accrued and Unpaid as of the End of the Prior Fiscal Period	\$ -0-
	2c. Distributions Paid During Fiscal Period Covered by Statement	\$ -0-
	3. Amount to be Carried on Statement (Part a) (Sub Section 4) minus (Part b) (Sum of 2a plus 2b minus 2c)	\$ -0-
4. Amount Available for Distribution During Fiscal Period	\$ -0-	
5. Deposit Due Residual Receipts (Must be accompanied with Mortgage within 90 days after Fiscal Period ends)	\$ 44,872	
LOAN TO BORROWER	PREPARED BY	APPROVED BY
DATE		DATE

83201-10-0000 1-10-93

FORCE LAKE TOWER, INC.

SEC Project No. 044-88288-Ann-SP-18

Schedule of Funds in Financial Institutions as of December 31, 1995

	General Ledger Balance
A. Funds held by mortgagee, regular operating account - Whitney National Bank (checking) ¹	\$ 215,504
B. Funds held by mortgagee in trust, tenant security deposits: Whitney National Bank (checking) ¹	22,828
Funds held by mortgagee, total	238,332
C. Funds held by mortgagee (in trust):	
Reserve fund for replacements:	
Treasury bill, 5.487% maturing 1/8/96 ¹	34,685
Treasury bill, 5.487% maturing 3/1/96 ¹	34,688
Treasury bill, 5.418% maturing 4/1/96 ¹	79,000
Whitney National Bank savings 2.15% ¹	13,425
	161,798
Reserve fund for residual receipts - Whitney National Bank, savings, 2.50% ¹	30,263
Funds held by mortgagee, total	192,061
Total funds in financial institutions	\$ 430,393
Investments held by related party	\$ 2,189

¹ Bank balances confirmed by Whitney National Bank.

See accompanying independent auditor's report.

FRACK LABE TROVER, INC.
 a Memphis Corporation
 and Registrant No. 001-00001-000-00-10
 Schedule of Changes in Fixed Assets
 Year ended December 31, 1975

	Assets		Accumulated Depreciation				net carrying amount December 31, 1975
	Balance January 1, 1975	Additions	Balance December 31, 1975	Current additions	Retire-ments	Balance December 31, 1975	
Land	\$ 192,478	-	\$ 192,478	-	-	-	\$ 192,478
Building	1,002,712	414	1,003,126	222,749	-	1,003,126	1,475,358
Building equipment	292,842	-	145,842	8,419	-	287,423	11,277
Fleet	4,419	-	4,419	149	-	4,270	1,492
Prepaid	2,152	-	2,152	122	-	1,930	1,222
Intangible	2,152	-	2,152	122	-	1,930	1,222
	\$ 1,586,743	\$ 414	\$ 1,587,157	\$ 354,419	\$ -	\$ 1,232,738	\$ 1,486,582

See accompanying independent auditors' report.

KPMG Peat Marwick LLP

One 1000 One Shell Square
New Orleans, LA 70116-2000

SCHEDULE 3

Independent Auditors' Report on Compliance With Specific Requirements Applicable to Major HUD Programs

Board of Directors
Peace Lake Towers, Inc.

We have audited the financial statements of Peace Lake Towers, Inc. (the Company), HUD Project No. 84-08181-00A-00-1A as nonprofit corporation as of and for the year ended December 31, 1995 and have issued our report thereon dated February 13, 1996.

We have also audited the Company's compliance with the specific program requirements governing the following: Federal financial reports; affirmative fair housing; mortgage status; replacement reserve; residual receipts; security deposits; cash receipts and disbursements; tenant application, eligibility and re-certification and management functions that are applicable to its major HUD-assisted programs for the year ended December 31, 1995. The management of the Company is responsible for compliance with these requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, COMMERCE Auditing Standards, issued by the Comptroller General of the United States, and the consolidated audit guide for Audits of HUD Programs (the Guide), issued by the U.S. Department of Housing and Urban Development, Office of Inspector General in July 1995. These standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Company complied, in all material respects, with the requirements described above that are applicable to its major HUD-assisted programs for the year ended December 31, 1995.

This report is intended for the information of the Board of Directors, management and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

February 13, 1996

POACE LAKE TOWER, INC.

RE: Project No. 041-0010-000-0P-10

Schedule of Findings and Questioned Costs

December 10, 1978

Findings

Questioned
Costs

None

KPMG Peat Marwick LLP

Suite 2000 One Shell Square
New Orleans, LA 70112-2000

Schedule 1

Independent Auditor's Report on the Internal Control Structure

Board of Directors
Peace Lake Towers, Inc.

We have audited the financial statements of Peace Lake Towers, Inc., (the Company), HUD Project No. 048-EM045-EM04-EP-18 is a nonprofit corporation as of and for the year ended December 31, 1994 and have issued our report thereon dated February 13, 1995. We have also audited the Company's compliance with requirements applicable to its major HUD-assisted program and have issued our report thereon dated February 13, 1995.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Consolidated Audit Guide for Audits of HUD Programs (the "Guide") issued by the U. S. Department of Housing and Urban Development. Office of the Inspector General in July 1993. These standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Company complied with laws and regulations, noncompliance with which would be material to a major HUD-assisted program.

The management of the Company is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, activities and documents by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and that HUD-assisted programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audits, we obtained an understanding of the design of relevant internal control structure policies and procedures and determined whether they had been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of the Company and on its compliance with specific requirements applicable to its major HUD-assisted programs and to report on the internal control structure in accordance with the provisions of the Guide and not to provide any assurance on the internal control structure.

We performed tests of controls, as required by the Guide, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant in preventing or detecting material noncompliance with specific requirements applicable to the Company's HUD-assisted programs. Our procedures were less in scope than would be necessary to render an opinion on such internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a HUD-assisted program, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management and the U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

February 13, 1994

KPMG Peat Marwick LLP

1400 1000 One Shell Square
New Orleans, LA 70112-2000

Exhibit A

Independent Auditors' Report on Compliance at the Financial Statement Level

Board of Directors
Peano Lake Towers, Inc.

We have audited the financial statements of Peano Lake Towers, Inc. (the Company), HUD Project No. 144-0000-000-00-00 as a nonprofit corporation as of and for the year ended December 31, 1995 and have issued our report thereon dated February 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Company is the responsibility of the Company's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Company's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Directors, management, and the U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

February 13, 1996

PEACE LAKE TOWNS, INC.

SEC Project No. 141-20001-WAS-07-10

Owner's Certification

December 31, 1993

We hereby certify that we have examined the accompanying financial statements and supporting data of Peace Lake Towns, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

PEACE LAKE TOWNS, INC.

By:

Richard R. Schell

Date:

2-23-94

By:

L. C. & W. C.

Date:

February 22, 1994