LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996

3. INVESTMENTS - CONTINUED

Gross gains and losses for the year ended June 30, 1996 consisted of the following:

	Gains	Losses
Equity Securities		
Taylor Medical, Inc.	$770,529	
AUG, Inc.		$125,000
CEI Investments	35,342	
Totals	805,871	125,000

At June 30, 1996, LEDC has committed to invest an additional $1,500,000 in Gulf Coast Bidco, Inc.

In connection with the sale of investments in one investee company, LEDC entered into an agreement with the acquirer whereby LEDC may receive additional revenue earned over a period of time based on the level of revenues generated by the investee company in future years. This contingent gain is not reflected in the accompanying consolidated financial statements.

LEDC entered into agreements with investment managers to manage the operations of its subsidiaries through approximately fiscal 2000 or earlier if certain conditions are met, as specified in the agreements. These subsidiaries had total assets of approximately $3,983,258 at June 30, 1996.

Under these agreements, the investment managers will receive annual fees of 2.5% of the initial $5,000,000 capital contributed by LEDC. This initial base amount is reduced by any funds that are returned to LEDC in the form of a dividend or from the sale or liquidation of these investments, excluding any gain or loss realized, adjusted quarterly. In addition to this annual fee, the investment managers are entitled to receive 20% of net investment income and net realized gains from dispositions of investments by the subsidiaries after the initial $5,000,000 of capital contributions are returned to LEDC as dividends. LEDC paid management fees to the investment managers of $133,654 in the year ended June 30, 1996.

Under state law, LEDC may invest in, among other things, obligations of the U.S. Treasury or any other federally insured investment as well as common or preferred stock of certain closely held businesses.

2. DEPOSITS WITH BANKS

Under state law LEDC may deposit funds with any bank located within the state and organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, LEDC may invest in time deposits or certificates of deposit of those banks.

Bank deposits must be secured by federal depository insurance or the pledge of securities owned by the bank. The market value of the pledged securities must at all times equal or exceed 100% of the uninsured amount on deposit with the bank.

At June 30, 1996, the carrying amount of LEDC's cash and certificates of deposit was $8,433,030 and the bank balance was approximately the same amount. Of the $8,433,030, approximately $5,053,902 is covered by FDIC insurance and by securities that are pledged as collateral and segregated by the Federal Reserve Bank in a pledge account. Approximately $3,259,528 are covered by securities held by the pledging financial institution. Due to an oversight, $119,600 of deposits were unsecured at June 30, 1996. This situation was corrected subsequent to year-end.

3. INVESTMENTS

The cost and estimated fair value, including gross unrealized gains and losses of the corporation's investments at June 30, 1996 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt investments	$1,363,246		$200,716	$1,162,530
Equity investments	5,595,227	$50,327	256,744	5,388,810
Total investments	6,958,473	50,327	457,460	6,551,340

Investments as of June 30, 1996, consist of securities for which market quotations are not readily available and, consistent with LEDC's policy, are reflected at fair value estimated by the corporation's or the respective subsidiary's management. Such securities are restricted as to salability or transferability. Gross unrealized depreciation in the fair value of investments was $212,460 and gross unrealized appreciation in the fair value of investments was $50,327 for the year ended June 30, 1996. Proceeds from sales of investments for the year ended June 30, 1996 were $1,077,189. Gross gains of $805,871 and gross losses of $125,000 were realized on those sales.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. STATE APPROPRIATION AND POOLED INVESTMENTS

The Louisiana Legislature has dedicated a portion of vendors' compensation from the collection of sales and use taxes to LEDC, for use in its general operations, through June 30, 1996. LEDC received approximately $8,758,535 in the year ended June 30, 1996 under this arrangement. In addition, LEDC deposits all receipts from interest income, loan principal repayments, etc. into the state treasury for investment purposes.

Effective July 1, 1996 the vendors compensation funds received by LEDC are to be dedicated solely to the workforce development and training fund which will be administered by LEDC. The Louisiana Legislature has authorized LEDC to withdraw approximately $5,869,560 from the state treasury in the year ended June 30, 1997. If that amount proves insufficient to fund LEDC's operating requirements, LEDC can, with the approval of the Louisiana Legislative Budget Committee, withdraw additional funds from the state treasury. These additional withdrawals are limited to LEDC's share of pooled investments held in the state treasury.

L. INCOME TAXES

Income accruing to LEDC is exempt from federal and state income taxes pursuant to Internal Revenue Code Section 115(1) since such income is derived from the existence of an essential governmental function.

M. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits. State law allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment of annual and sick leave which would otherwise have been used to compute years of service for retirement. The liability for unused annual leave payable at June 30, 1996 is $27,746. The leave payable is recorded in the accompanying consolidated financial statements.

N. ENCUMBRANCE ACCOUNTING

LEDC does not employ encumbrance accounting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. INVESTMENTS - CONTINUED

In preparing the financial statements, the corporation's management is required to make significant judgments that affect the reported amounts of investments as of the date of the balance sheet and the change in unrealized appreciation (depreciation) for the period.

The process of valuing investments requires significant judgments that are particularly susceptible to change. The corporation's management believes that investment values are appropriate. While the corporation's management uses available information to recognize declines in investment values, future adjustments may be necessary based on changes in economic conditions or changes in the results of the operations of investee companies.

The valuation policies of the corporation's management in determining the fair value of the corporation's investments include the following:

- Marketable securities listed on a national securities exchange are valued at their closing sales price on the valuation date;
- Marketable securities traded over-the-counter are valued at their closing bid price on the valuation date, as reported in the National Association of Securities Dealers' Automated Quotation System (NASDAQ) or if not reported in NASDAQ, as reported by the National Quotation Bureau (or any successor to such organization);
- Restricted securities (securities not freely marketable, but part of a class of securities listed on a national securities exchange or traded over-the-counter) are valued at a discount from the security's value determined under the above subsections, reflecting their limited marketability; and
- All other securities are valued initially at cost with subsequent adjustments to values which reflect meaningful third-party transactions in the private market or at fair market value reflecting, in any event, their marketability, the business and prospects of the issuer of such securities and other relevant factors.

J. ACCRUED VENDOR COMPENSATION RECEIVABLE

Vendor compensation is generally collected by LEDC approximately three months in arrears. At the balance sheet date, LEDC estimates the amount receivable based upon current and historic trends in the level of vendor compensation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. INCOME RECOGNITION

Investment income earned is recognized on the accrual basis of accounting.

Interest income on loans and debt instruments is generally accrued on the principal balance outstanding. The accrual of interest income on loans and debt instruments is discontinued when the receipt of principal and interest on a timely basis becomes doubtful. Any accrued interest is reversed when a loan is placed on nonaccrual.

G. ALLOWANCE FOR LOSSES ON LOANS AND GUARANTEES

Valuation allowances have been established and are available for absorbing losses incurred on loans and guarantees. All losses are charged to either the reserve for loan losses or the accrual for losses on guarantees when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance or accrual at the time of recovery.

Management's judgment as to the level of future losses on existing loans and guarantees involves the consideration of current and anticipated economic conditions and their potential effects on specific borrowers; an evaluation of the existing relationships among loans, potential losses, and the present level of the allowance and the accrual; and management's internal review of the loan and loan guarantee portfolio. In determining the collectibility of certain loans and the possibility of losses on loan guarantees, management also considers the fair value of any underlying collateral.

H. FORECLOSED REAL ESTATE

Real estate properties acquired through, or in lieu of, loan foreclosures are initially recorded at fair value at the date of foreclosure. After foreclosure, foreclosed assets are carried at the lower of (a) fair value minus estimated costs to sell or (b) cost. Costs relating to development and improvement of property are capitalized, whereas costs relating to the holding of property are expensed.

I. INVESTMENTS

The corporation records its investments at estimated fair value as determined by the corporation's management. Fair value generally is considered to be the amount which the corporation might reasonably expect to receive for its investments if negotiations for sale were entered into on the valuation date. Valuation as of any particular date, however, is not necessarily indicative of the amount which the corporation ultimately may realize as a result of a future sale or other disposition of the investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. USE OF ESTIMATES

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the fair value of investments, the allowance for losses on loans and guarantees, and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties.

While management uses available information to recognize losses on loans and guarantees and foreclosed real estate, future additions may be necessary based on changes in economic conditions. In addition, the Office of Financial Institutions, as an integral part of its examination process, periodically review LEDC's allowances for losses on loans, guarantees, and foreclosed real estate. As a result of these examinations, LEDC may be required to recognize additions to the allowances based on the regulators' judgements about information available to them at the time of their examination.

D. BASIS OF ACCOUNTING

LEDC is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of LEDC are included on the balance sheet. The consolidated statement of income presents increases (e.g., revenues) and decreases (e.g., expenses) in retained earnings.

LEDC is a proprietary fund type which is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they occur.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments (including LEDC's share of pooled investments held in the state treasury) with a maturity of three months or less when purchased.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL
FOR THE YEAR ENDED JUNE 30, 1996

	RETAINED EARNINGS	NET UNREALIZED DEPRECIATION	TOTAL CAPITAL
Balances at July 1, 1995	$47,155,436		$47,155,436
Prior period adjustment		$(245,000)	(245,000)
Adjusted balances at July 1, 1995	47,155,436	(245,000)	46,910,436
Net income	11,419,381	(162,133)	11,257,248
Balances at June 30, 1996	58,574,817	(407,133)	58,167,684

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996

4. LOANS

The balance in the LEDC's loan portfolio consisted of the following at June 30, 1996:

Direct loans	$651,644
Participation loans	820,695
Total loans	1,472,339
Provision for loan losses	304,000
Net loans	1,168,339

Activity in the allowance for loan losses was as follows for the year ended June 30, 1996:

Balance, July 1, 1995	$733,327
Provision charged to expense	37,167
Charge-offs	(505,604)
Recoveries	39,110
Balance, June 30, 1996	304,000

5. ACCRUAL FOR LOSSES ON LOAN GUARANTEES

To meet the financing needs of its customers, LEDC is a party to various financial instruments with off-balance sheet risk in the normal course of business. These financial instruments consist primarily of financial guarantees. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheet. The contract or notional amounts of those instruments reflect the extent of the involvement LEDC has in particular classes of financial instruments. LEDC's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for financial guarantees is represented by the contractual notional amount of those instruments. LEDC uses the same credit policies in making these commitments and conditional obligations as it does for on-balance sheet instruments.

LEDC evaluates customers' creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by LEDC upon extension of credit, is based on management's credit evaluation of the customer.

Financial guarantees are conditional commitments issued by LEDC to guarantee the performance of a customer to a third party. The credit risk involved in issuing financial guarantees is essentially the same as that involved in extending loan facilities to its customers.

At June 30, 1996, LEDC had guaranteed approximately $5,819,496 of $8,186,777 of loans to customers made by various banks.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$11,257,248
Adjustments to reconcile net income	
Net realized gain on sale of investments	(680,871)
Change in unrealized loss on investments	162,133
Provision for loan losses	37,167
Decrease in accrued vendor compensation	1,127,430
Increase in accrued interest receivable	(740)
Increase in other assets	(59,852)
Increase in accounts payable and accrued expenses	42,084
Net cash provided by operating activities	11,884,599
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in longer-term interest-bearing deposits with banks	(491,387)
Purchase of investments	(1,450,000)
Proceeds from sale of investments	1,077,189
Net loan repayments and recoveries	1,041,867
Net cash provided by investing activities	177,669
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,062,268
CASH AND CASH EQUIVALENTS, beginning of year	30,810,313
CASH AND CASH EQUIVALENTS, end of year	42,872,581

See accompanying notes to financial statements.

JOHN S. DOWLING & COMPANY
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Louisiana Economic Development Corporation
Baton Rouge, Louisiana

We have audited the consolidated financial statements of the Louisiana Economic Development Corporation, as of and for the year ended June 30, 1996, and have issued our report thereon dated September 20, 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.

The management of Louisiana Economic Development Corporation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments 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 executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities 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 audit of the financial statements of Louisiana Economic Development Corporation for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Louisiana Economic Development Corporation is a public authority whose purpose is to stimulate the flow of private capital in the form of long-term loans and other financial assistance for the sound financing of the development, expansion, and retention of small business concerns in the State of Louisiana as a means of providing high levels of employment, income growth, and expanded social and economic opportunities, especially to disadvantaged persons and within distressed areas. It is a component unit of the State of Louisiana and was authorized by Louisiana Revised Statutes 51:2311.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local government entities. The GASB issued a Codification of Governmental Accounting and Financial Reporting Standards in November, 1984, with a subsequent update in June, 1987. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments.

The Louisiana Economic Development Corporation prepares its financial statements in accordance with standards established by the GASB. Their Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying consolidated financial statements present only transactions of Louisiana Economic Development Corporation and subsidiaries, a component unit of the State of Louisiana.

Annually the State of Louisiana through the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy issues both comprehensive and general purpose financial statements which include the activity contained in the accompanying consolidated financial statements as an enterprise fund. The general purpose financial statements are audited by the Louisiana Legislative Auditor.

B. BASIS OF CONSOLIDATION

The financial statements included in this report reflect the consolidated financial condition and results of operations of Louisiana Economic Development Corporation and its wholly owned subsidiaries, Louisiana Fund Corporation and Louisiana Economic Development Corporation Louisiana Venture Fund (collectively "LEDC"). All significant intercompany accounts have been eliminated in consolidation.

5. ACCRUAL FOR LOSSES ON LOAN GUARANTEES - CONTINUED

Changes in the accrual for losses on loan guarantees are summarized as follows:

Balance, July 1, 1995	$1,894,469
Recoveries	346,533
Balance, June 30, 1996	2,241,002

6. REAL ESTATE OWNED

The balance in real estate owned at June 30, 1996 consisted of the following:

Real estate owned	$528,000
Allowance for loss on real estate owned	(258,720)
Real estate owned, net	269,280

Real estate owned at June 30, 1996 consists of a building and approximately 20 acres of land located in Terrebonne Parish, Louisiana, which was acquired through foreclosure on a loan guarantee to Kirk Manufacturing, Inc. in prior years. At the time of foreclosure the entire balance of the guarantee was charged-off to the allowance for loss and the above property was never recorded on the books of the corporation. Accordingly, for the year ended June 30, 1996 an entry was made to establish the real estate owned account at the property's appraised value, as of November 1995, of $528,000 with a simultaneous adjustment to establish an allowance account necessary to reduce the carrying value to $269,280 which is the amount currently being offered to the corporation by the Terrebonne Parish Government for the purchase of the property.

7. FIXED ASSETS

Fixed assets which consist solely of furniture, fixtures, and equipment are not reflected in the accompanying balance sheet at June 30, 1996. Due to the immateriality of the items acquired the cost is generally expensed as incurred. Inventory records are maintained by the purchasing department of the Department of Economic Development which conducts an annual physical inventory of each sub-department including LEDC. The additions and deletions shown in the schedule of property includes transfers of furniture, fixtures and equipment between the various sub-departments of the Department of Economic Development including LEDC, at historical cost.

LEDC does not capitalize and has not incurred any interest costs on fixed assets.

LEDC has no infrastructure assets.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996

7. FIXED ASSETS - CONTINUED

As of and for the year ended June 30, 1996, LEDC had the following activity in its fixed assets:

Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
$57,202	$25,532	$4,780	$77,954

8. PRIOR PERIOD ADJUSTMENT

Beginning retained earnings has been adjusted to correctly reflect the fair value of investments at July 1, 1995. The result of this correction of an error was a $245,000 reduction in beginning retained earnings.

9. RETIREMENT PLAN

All full-time employees of LEDC participate in the Louisiana State Employees' Retirement System ("LASERS"). LASERS is a multiple-employer cost-sharing plan administered on a statewide basis, covering all classified and unclassified employees of the state government of Louisiana. LEDC's current year total and covered payroll for the year ended June 30, 1996 was approximately $273,726.

The LASERS is a defined benefit contributory pension plan to which employees contribute 7.5% of their salaries, and LEDC contributes 11.9% of the employees' salaries toward future benefits. Amounts contributed for the year ended June 30, 1996 by employees and LEDC were approximately $20,301 and $32,755, respectively.

Members are vested after 10 years of service. A member is eligible to retire after at least 10 years of service at age 60, 25 years at age 55, or after 30 years at any age. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% of the highest 3 consecutive years of creditable service. Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

Act 14 of the 1990 Louisiana Legislature provided for a new retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to two years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a

9. RETIREMENT PLAN - CONTINUED

result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the LASER's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among pension plans and employers.

LASERS does not make separate measurements of assets and the pension benefit obligation for individual participating employers. The pension benefit obligation at June 30, 1995, for LASERS as a whole, determined through an actuarial valuation performed as of that date, was $5.697 billion. LASER's net assets available for benefits on that date (valued at amortized cost) were $3.590 billion, leaving an unfunded pension benefit obligation of $2.107 billion.

Ten-year historical trend information showing LASER's progress in accumulating sufficient assets to pay benefits when due is presented in LASER's June 30, 1995 audited financial reports.

10. BOARD COMPENSATION AND PER DIEM

The Board of Directors of LEDC do not receive compensation or per diems; however, they are reimbursed for travel expenses incurred on behalf of the corporation. The following schedule sets forth the names and amounts paid to board members for travel expenses for the year ended June 30, 1996:

Tommy Vassel	$122
Madelyn Bennett	183
Larry Porter	497
W.T. Hanna, Jr.	573
	1,375

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF INVESTMENTS
JUNE 30, 1996

	Cost	Valuation By Management
DEBT INVESTMENTS		
Phoenix Environmental, Inc. - Promissory note dated December 8, 1993, interest payable quarterly at 15%, due December 31, 1996	$16,898	$8,449
Phoenix Environmental, Inc. - Promissory note dated January 17, 1995, interest payable at due date at 12%, due April 17, 1995	66,667	16,298
Phoenix Environmental, Inc. - Promissory note dated February 14, 1995, interest payable at due date at 12%, due May 15, 1995	33,333	8,151
Phoenix Environmental, Inc. - Promissory note dated March 31, 1996, interest payable monthly at 10%, due on demand	8,667	4,333
Presonus Audio Electronics, Inc. - $50,000 convertible debenture dated June 12, 1996, due June 12, 1997, interest of 8% due December 12, 1996 and thereafter quarterly	50,000	50,000
GDC Engineering, Inc. - $286,667 secured Promissory note dated March 10, 1993, interest payable monthly at the base rate on corporate loans as published by the Wall Street Journal, fifty-four monthly principal installments of $5,309, payable beginning October 1, 1993	118,601	118,601
Commercial Technologies, Inc. - Promissory note dated September 6, 1995, interest payable at 18%, due December 28, 1995	224,765	112,383
US Agencies, Inc. - Senior secured convertible note, due April 30, 2000, dated May 25, 1995, interest payable quarterly at 8%, beginning December 31, 1995	250,000	250,000

Continued on next page.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF INVESTMENTS (CONTINUED)
JUNE 30, 1996

	Cost	Valuation By Management
DEBT INVESTMENTS - CONTINUED		
Central Pharmacy Services, Inc. - 8% subordinated debenture, due December 31, 1988	$219,316	$219,316
Industrial Equipment Rentals, Inc. - 12% subordinated debenture, due July 1, 2003	333,333	333,333
Autocount, Inc. - $10,000 promissory note dated October 1995, interest payable at 12% annually, due on demand	10,000	10,000
Autocount, Inc. - $3,333 promissory note dated November 1995, interest payable at 12% annually, due on demand	3,333	3,333
Autocount, Inc. - $3,333 promissory note dated December 1995, interest payable at 12% annually, due on demand	3,333	3,333
Autocount, Inc. - demand note	25,000	25,000
Total debt investments	1,363,246	1,162,530
EQUITY INVESTMENTS		
Gulf Coast Business and Industrial Development Corporation - 45,455 shares of Class C common stock	1,000,000	1,000,000
New Orleans SBIDCO, Inc. - 2,000,000 shares of Class B, nonvoting common stock	2,000,000	2,000,000
United Agents Holdings, Inc. - 35,000 shares of Series A convertible preferred stock (8% cumulative)	350,000	350,000

Continued on next page.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 1996

INTEREST INCOME	
Interest on loans	$144,490
Interest on investments held by state treasurer	1,891,646
Interest on time deposits with banks and other	529,038
Total interest income	2,565,174
PROVISIONS FOR LOSSES	
Provision for losses on loans	37,167
Provision for losses on guarantees	-0-
Total provisions for losses	37,167
NET INTEREST INCOME AFTER PROVISIONS FOR LOSSES	2,528,007
NON-INTEREST INCOME	
Vendor compensation	8,758,535
Guarantee fees	56,483
Other	84,151
Total non-interest income	8,899,169
NON-INTEREST EXPENSE	
Salaries and employee benefits	351,751
Management and professional fees	152,193
Interagency transfer	120,289
Other	64,433
Total non-interest expense	688,666
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS	
Net realized gain on investments	680,871
Change in unrealized depreciation of investments	(162,133)
Net realized and unrealized gain on investments	518,738
NET INCOME	11,257,248

See accompanying notes to financial statements.

JOHN S. DOWLING & COMPANY
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Louisiana Economic Development Corporation
Baton Rouge, Louisiana

We have audited the consolidated financial statements of Louisiana Economic Development Corporation as of and for the year ended June 30, 1996, and have issued our report thereon dated September 20, 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 consolidated financial statements are free of material misstatement.

Compliance with laws, regulations and contracts applicable to Louisiana Economic Development Corporation is the responsibility of Louisiana Economic Development Corporation's management. As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of Louisiana Economic Development Corporation's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the consolidated 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 under Government Auditing Standards.

We noted a certain immaterial instance of noncompliance that we have reported to the management of Louisiana Economic Development Corporation in a separate letter dated September 20, 1996.

This report is intended for the information of the Board of Directors, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

John S. Dowling + Co.

Opelousas, Louisiana
September 20, 1996

P.O. Box 433 4766 I-49 North Service Road Opelousas, Louisiana 70571-0433 Telephone 318-948-4848 Telefax 318-948-6109

• Harold Dupre, CPA • Joel Lanclos, Jr., CPA • Dwight Ledoux, CPA • Russell J. Stelly, CPA • John Newton Stout, CPA •
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LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the consolidated financial statements.

- Condition:

  Cash per the general ledger is not being reconciled to cash per the fiscal department reports.

  Criteria:

  The cash accounts should be reconciled to the fiscal reports per FACS on a monthly basis, to provide evidence that all cash receipts and disbursements are being properly and accurately recorded.

  Effect:

  Errors in posting cash receipts and disbursements are not corrected on a timely basis.

  Management's Response:

  Management is formulating a procedure by which fiscal will forward the Economic Development Fund Balance via fiscal department reports to LEDC's accounting department where a worksheet will be used to reconcile the balance to cash in the general ledger on a monthly basis.

- Condition:

  Loan guarantee balances are being maintained through verbal communication with financial institutions with no hard evidence obtained to verify loan payment histories.

  Criteria:

  The loan guarantee agreements require the financial institutions to provide LEDC with quarterly status reports which include payment histories.

  Effect:

  Failure to obtain current hard evidence of the guaranteed loan balances resulted in inaccurate balances on 18 of 48 guarantees on the trail balance at year-end.

Management's Response:

Management is formulating and will implement procedures so that each reporting bank sends a payment history for the previous period on each outstanding loan guaranteed or participated in by LEDC.

- Condition:

Minutes of the Board of Directors' meetings do not reflect proper approval of charge-offs of direct and participation loans or the payoff of loan guarantees.

Criteria:

The minutes should contain adequate evidence of Board review and approval of all charge-offs and guarantee payoffs in order to ensure that only authorized and approved activity occurs in these accounts.

Effect:

Lack of formal documentation procedures related to the review and approval process provides an opportunity for unauthorized transactions to occur and not be detected.

Management's Response:

Management will inform the standing finance committee of the board of directors that when such action is recommended on a committee level that the report to the full board reflect the specific recommendations on charge-offs and be read into the minutes. The actions on guarantee pay-offs are academic because such actions is prescribed by the guarantee agreement and does not require board action. However, loan guarantee pay-offs are reported to the finance committee and thereby are reported to the board and staff will recommend that these actions also be read into the minutes.

- Condition:

The minutes of the Board of Directors' meetings do not indicate that the Board periodically evaluates and approves the adequacy of the allowances for loan losses and the accrual for loss on loan guarantees.

Criteria:

The minutes of the Board of Directors' meetings should contain evidence that the Board has, on at least a quarterly basis, reviewed and approved the charge-offs, recoveries and proposed provision to be charged to the allowance accounts based upon current information provided by management and the accounting department.

Effect:

Failure to continually monitor the activity in the allowance for loan losses and accrual for loss on loan guarantees accounts may result in inadequate levels of reserves being maintained or possibly in excess levels of reserves.

Management's Response:

Management will report any changes in condition of the portfolio to the standing finance committee of the board of directors and recommend allowances for loan losses and accrual for loss on guarantees. The recommendation of the finance committee will be reported to the full board and read into the minutes.

- Condition:

Adequate procedures do not exist to ensure that actions taken by management and/or the Board of Directors with respect to loans, guarantees, charge-offs, recoveries, restructuring agreements, foreclosures, etc. are transmitted to the accounting department in an accurate and timely manner.

Criteria:

A proper flow of information is necessary to ensure that all actions taken by management and/or the Board of Directors are properly recorded on the books and records of the corporation in an accurate and timely manner.

Effect:

Lack of adequate procedures for the flow of financial information results in errors and omissions from the books and records (e.g., at June 30, 1996 the books did not reflect real estate owned which was acquired in prior years through foreclosure. The guarantee loan trial at June 30, 1996 did not contain 3 loans that had been closed prior to June 30, 1996 and 2 loans had been removed from the trial for which the payoff of the guarantee amounts had not yet occurred at June 30, 1996.)

Management's Response:

Management will develop and implement procedures to insure that hard copies of any action concerning loans, guarantees, charge-offs, recoveries, restructuring agreements, foreclosures, etc. are transmitted to the accounting department in an accurate and timely manner. A log book of actions will be kept as a permanent record of all actions.

A material weakness is a reportable condition in which the design or operation of one or more of the 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 may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe all of the conditions noted above to be material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Louisiana Economic Development Corporation for the year ended June 30, 1996.

This report is intended for the information of the Board of Directors, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

John S. Dowling + Co.

Opelousas, Louisiana
September 20, 1996

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF INVESTMENTS (CONTINUED)
JUNE 30, 1996

	Cost	Valuation By Management
EQUITY INVESTMENTS - CONTINUED		
Marine Power, Inc. - 1,193 shares of 8.3% Class B preferred stock	$119,307	$119,307
Phoenix Environmental, Inc. - 1,020 shares of 10% cumulative, voting convertible Class A preferred stock	102,000	51,000
Presonus Audio Electronics, Inc. - 1,000 shares of Series A preferred stock	100,000	100,000
Total equity investments	5,595,227	5,388,810
Total investments	6,958,473	6,551,340

As discussed in Note 8 to the consolidated financial statements, beginning retained earnings has been adjusted to correct the carrying value of investments at July 1, 1995.

In accordance with Government Auditing Standards, we have also issued a report dated September 20, 1996 on our consideration of Louisiana Economic Development Corporation's internal control structure and a report dated September 20, 1996 on its compliance with laws and regulations.

John S. Dowling + Co.

Opelousas, Louisiana
September 20, 1996

JOHN S. DOWLING & COMPANY
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Louisiana Economic Development Corporation
Baton Rouge, Louisiana

We have audited the accompanying consolidated financial statements of Louisiana Economic Development Corporation and subsidiaries, a component unit of the State of Louisiana, as of June 30, 1996, and for the year then ended as listed in the foregoing table of contents. These financial statements are the responsibility of the management of Louisiana Economic Development Corporation. 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. Those 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, such consolidated financial statements present fairly, in all material respects, the financial position of Louisiana Economic Development Corporation and subsidiaries at June 30, 1996, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The information contained in the Consolidated Supplemental Schedule of Investments is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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JOHN S. DOWLING & COMPANY
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Louisiana Economic Development Corporation
Baton Rouge, Louisiana

We have audited the consolidated financial statements of Louisiana Economic Development Corporation as of and for the year ended June 30, 1996, and have issued our report thereon dated September 20, 1996.

We noted an immaterial instance of noncompliance with laws and regulations.

At June 30, 1996, the balance of funds on deposit with one financial institution were not fully covered by FDIC insurance and/or pledged securities as required by law. This situation was an oversight which was corrected subsequent to year-end.

We also noted the following matter which should be addressed by management:

In reviewing loan files, several technical exceptions were noted on individual files which have been communicated to management. We recommend that these exceptions be followed up on and cleared as soon as possible.

John S. Dowling + Co.

Opelousas, Louisiana
September 20, 1996

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LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED BALANCE SHEET
JUNE 30, 1996

ASSETS	
Cash held in state treasury	$42,200,718
Short-term interest-bearing deposits with banks and other cash equivalents	671,863
Total cash and cash equivalents	42,872,581
Longer-term interest-bearing deposits with banks	7,818,267
Investments - at fair value (cost $6,958,473)	6,551,340
Loans, net	1,168,339
Accrued vendor compensation receivable	1,451,086
Accrued interest receivable	281,037
Real estate owned, net	269,280
Other assets	59,852
Total assets	60,471,782
LIABILITIES AND CAPITAL	
LIABILITIES	
Accounts payable and accrued expenses	$63,096
Accrual for losses on loan guarantees	2,241,002
Total liabilities	2,304,098
CAPITAL	
Net unrealized depreciation in investments	(407,133)
Retained earnings	58,574,817
Total capital	58,167,684
Total liabilities and capital	60,471,782

See accompanying notes to financial statements.