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LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1998

TABLE OF CONTENTS

John Newton Stout, CPA
Joel Lanclos, Jr., CPA
Russell J. Stelly, CPA
Dwight Ledoux, CPA
Chizal S. Fontenot, CPA
James L. Nicholson, Jr., CPA
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JSDC
JOHN S. DOWLING & COMPANY
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

John S. Dowling, CPA
(1904-1984)

Harold Dupre, CPA
Retired

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of Louisiana Economic Development Corporation, a component unit of the State of Louisiana, as of June 30, 1998, and for the year then ended as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of Louisiana Economic Development Corporation. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Economic Development Corporation as of June 30, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 1998 on our consideration of Louisiana Economic Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Board of Directors
Louisiana Economic Development Corporation
Page 2

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The information contained in the combining financial statements and the supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

John S. Dowling & Company

Opelousas, Louisiana
September 23, 1998

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINED BALANCE SHEET
JUNE 30, 1998

	ENTERPRISE FUNDS	
	1998	(Memorandum Only) 1997
ASSETS		
Cash held in state treasury	$24,067,182	$61,189,970
Short-term interest-bearing deposits with banks and other cash equivalents	4,774,145	580,082
Total cash and cash equivalents	28,841,327	61,770,052
Longer-term interest-bearing deposits with banks	14,001,864	8,680,315
Investments - at fair value (cost $10,559,784)	12,635,819	8,808,410
Loans, net	969,483	1,053,329
Accrued vendor compensation receivable		1,507,449
Accrued interest receivable	225,304	380,702
Real estate owned, net	269,280	269,280
Other assets	4,375	68,263
Total assets	56,947,452	82,537,800
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Awards payable		$881,778
Accounts payable and accrued expenses	$80,487	111,166
Accrual for losses on loan guarantees	1,819,708	1,912,532
Total liabilities	1,900,195	2,905,476
FUND EQUITY		
Net unrealized appreciation in investments	2,076,035	1,176,014
Retained earnings		
Reserved for EDAP		9,248,645
Reserved for Workforce Development		7,752,567
Unreserved	52,971,222	61,455,098
Total fund equity	55,047,257	79,632,324
Total liabilities and fund equity	56,947,452	82,537,800

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINED STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 1998

	ENTERPRISE FUNDS	
	1998	(Memorandum Only) 1997
OPERATING REVENUES		
Interest income		
Interest on loans	$40,819	$91,985
Interest on funds held by state treasurer	1,740,273	2,814,842
Interest on time deposits with banks and other	746,535	435,963
Intergovernmental		
Vendor compensation		9,238,439
Appropriation from state	7,000,000	9,550,000
Guarantee fees	153,651	66,206
Other	44,303	84,896
Total operating revenues	9,725,581	22,282,331
OPERATING EXPENSES		
Provisions for losses		
Loans	(61,623)	(401,741)
Guarantees		(142,313)
Direct allocation - Navy project	6,000,000	
Salaries and employee benefits	361,383	374,398
Management and professional fees	587,346	157,890
Administrative fees	128,712	124,199
EDAP awards		301,355
Workforce Development and Training Awards		225,683
DECA awards		689,596
Advertising and promotional - Workforce		973,686
Other	100,180	103,575
Total operating expenses	7,115,998	2,406,328
OPERATING INCOME	2,609,583	19,876,003
NONOPERATING REVENUES		
Net realized gain on investments	406,541	5,490
Change in unrealized appreciation of investments	900,021	1,583,147
Total nonoperating revenues	1,306,562	1,588,637
INCOME BEFORE OPERATING TRANSFERS	3,916,145	21,464,640
OPERATING TRANSFER TO STATE GENERAL FUND	(11,500,000)	
NET INCOME (LOSS)	(7,583,855)	21,464,640

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINED STATEMENT OF CHANGES IN FUND EQUITY
FOR THE YEAR ENDED JUNE 30, 1998

	RETAINED EARNINGS	NET UNREALIZED APPRECIATION (DEPRECIATION)	TOTAL CAPITAL 1998	TOTAL CAPITAL (Memorandum Only) 1997
Balances at July 1	$78,456,310	$1,176,014	$79,632,324	$58,167,684
Net income (loss)	(8,483,876)	900,021	(7,583,855)	21,464,640
Program transfers to D.E.D.	(17,001,212)		(17,001,212)	
Balances at June 30	52,971,222	2,076,035	55,047,257	79,632,324

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998

	ENTERPRISE FUNDS 1998	(Memorandum Only) 1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before operating transfers	$3,916,145	$21,464,640
Adjustments to reconcile net income		
Net realized (gain) loss on sale of investments	(406,542)	(5,690)
Change in unrealized loss (gain) on investments	(900,021)	(1,583,147)
Provisions for losses on loans and guarantees	(61,623)	(544,054)
(Increase) decrease in accrued vendor compensation	1,507,449	(56,364)
(Increase) decrease in accrued interest receivable	155,398	(99,665)
(Increase) decrease in other assets	63,888	(8,409)
Increase (decrease) in accounts payable and accrued expenses	(30,679)	48,070
Increase (decrease) in awards payable	(881,778)	531,778
Net cash provided by operating activities	3,362,238	19,747,359
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to state general fund	(11,500,000)	
Transfer to Department of Economic Development	(16,651,212)	
Net cash used by noncapital financing activities	(28,151,212)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in longer-term interest-bearing deposits with banks	(5,473,145)	(862,048)
Purchase of investments	(4,864,099)	(795,691)
Proceeds from sale of investments	2,712,942	127,257
Loan originations net of repayments and recoveries	(515,449)	680,594
Net cash (used) by investing activities	(8,139,751)	(849,888)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,928,725)	18,897,471
CASH AND CASH EQUIVALENTS, beginning of year	61,770,052	42,872,581
CASH AND CASH EQUIVALENTS, end of year	28,841,327	61,770,052
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITY		
EDAP loan closed but undisbursed at June 30, 1997		$350,000
Conversion of loan receivable to common stock	$369,690	

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

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.

B. REPORTING ENTITY

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the State of Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and

   a. The ability of the state to impose its will on that organization and/or

   b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the state.

2. Organizations for which the state does not appoint a voting majority but are fiscally dependent on the state.

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Louisiana Economic Development Corporation is considered to be a component unit of the State of Louisiana due to the fact that the state appoints its Board of Directors and has the ability to impose its will on the organization. The accompanying combined financial statements present only transactions of the Louisiana Economic Development Corporation and its consolidated subsidiaries, and the Economic Development Awards Program, and the Workforce Development and Training Program, which collectively are a component unit of the State of Louisiana.

Pursuant to the provisions of Louisiana Revised Statutes 51:2331.1, the Economic Development Awards Program, ("EDAP"), was created and placed under the authority of the Board of Directors of the Louisiana Economic Development Corporation to serve as the sole mechanism through which the Department of Economic Development evaluates, financially assists, awards appropriations,

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. REPORTING ENTITY - CONTINUED

grants, or loans, engages in joint ventures, or provides incentives or involvements to industrial and business development projects that promote economic development and that require state assistance for basic infrastructure development. Effective July 1, 1997, this program was transferred to the Department of Economic Development. (See Note 10 to the financial statements).

Pursuant to the provisions of Louisiana Revised Statutes 51:2331, the Louisiana Workforce Development and Training Program was created to develop and provide customized workforce training programs to existing and prospective Louisiana businesses as a means of improving the competitiveness and productivity of Louisiana's workforce and business community; upgrading employee skills for new technologies or production processes; and assisting Louisiana businesses in promoting employment stability. Effective July 1, 1997, this program was transferred to the Department of Economic Development. (See Note 10 to the financial statements).

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 general purpose financial statements as an enterprise fund. The general purpose financial statements of the state are audited by the Louisiana Legislative Auditor.

C. BASIS OF CONSOLIDATION

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

D. FUND ACCOUNTING

The accounts of Louisiana Economic Development Corporation are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds contained in the financial statements in this report are included under one broad fund category and one generic fund type as follows:

Proprietary Fund

Enterprise Fund - Where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. USE OF ESTIMATES

The general purpose financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the general purpose 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 general purpose 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 reviews 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.

F. 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 combined statement of revenues and expenses present 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.

Under the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", LEDC has elected not to follow Financial Accounting Standards Board's guidance issued subsequent to November 30, 1989.

G. 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
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. 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.

I. 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.

J. FORECLOSED REAL ESTATE

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

K. 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.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. STATE APPROPRIATION AND POOLED INVESTMENTS

The Louisiana Legislature has authorized LEDC to withdraw approximately $11,909,690 from the state treasury in the year ended June 30, 1999. 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. LEDC also has $212,500 in funds available which have been carried over from the fiscal year ended June 30, 1998 to the fiscal year ended June 30, 1999 to fund a certificate of deposit on an approved loan guarantee of $187,500 and the balance due on a consulting contract of $25,000.

M. 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.

N. 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, 1998 is $23,969. The leave payable is recorded in the accompanying consolidated financial statements.

O. ENCUMBRANCE ACCOUNTING

LEDC does not employ encumbrance accounting.

P. PRIOR YEAR - MEMORANDUM ONLY (RESTATED)

The information for the prior year contained in the combined financial statements is presented under the caption "memorandum only" to indicate that it is presented only to facilitate financial analysis.

The prior year balances have been restated to reflect a supplemental appropriation to the Economic Development Awards Program for fiscal year ended June 30, 1997 in the amount of $4,550,000; and to reflect additional vendors compensation receivable at June 30, 1997 in the amount of $121,636 for the Workforce Development and Training Program with corresponding increases in revenues of the respective programs for the year ended June 30, 1997.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

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, 1998, the carrying amount of LEDC's cash with banks and certificates of deposit was $14,442,498 and the bank balance was approximately the same amount. Of the $14,442,498, approximately $5,624,774 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 $6,922,895 is covered by securities held by the pledging financial institution in LEDC's name. At June 30, 1998, $1,894,829 of deposits were unsecured.

3. INVESTMENTS

The cost and estimated fair value, including gross unrealized gains and losses of the corporation's investments at June 30, 1998 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt investments	$450,532		$(168,334)	$282,198
Equity investments	10,109,252	$2,479,076	(234,707)	12,353,621
Total investments	10,559,784	2,479,076	(403,041)	12,635,819

Investments as of June 30, 1998, 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. Proceeds from sales of investments for the year ended June 30, 1998 were $2,712,942. Gross gains of $1,317,507 and gross losses of $910,966 were realized on those sales.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

3. INVESTMENTS - CONTINUED

Gross gains and losses for the year ended June 30, 1998 consisted of the following:

	Gains	Losses
Commercial Technologies		$224,468
CEI Investments	$29,048	
Autocount		684,997
Industrial Equipment	1,042,557	
Cardiovascular Ventures, Inc.	218,108	
Control Engineers	27,794	
Life Point Systems, Ltd.	—	1,501
Totals	1,317,507	910,966

As of June 30, 1998, the following reductions in the carrying value of investments have been recorded:

Debt instruments:	
Petrochemical Services, Inc.	$168,334
Equity instruments:	
Life Point Systems, Ltd.	61,500
Central Pharmacy Services, Inc.	28,474
Hirel Holding, Inc.	88,292
Aviation Group, Inc.	56,441
	403,041

In its normal course of business, the LEDC and its subsidiaries become party to various financial transactions that involve various risks, including market and credit risk. The management of LEDC or its subsidiaries minimizes exposure to loss from investing activities by evaluating the business and prospects of potential investee companies.

In an effort to diversify the risk in the investment portfolio, the management of LEDC or its subsidiaries follow established policies which require them to avoid concentrations in any one industry or customer group. Management believes that at original cost, the investment portfolio had no significant industry or customer concentrations in the fiscal year ended June 30, 1998.

LEDC entered into agreements with investment managers to manage the operations of its subsidiaries through approximately fiscal 2007 or earlier if certain conditions are met, as specified in the agreements. These subsidiaries had total assets of approximately $7,428,755 at June 30, 1998.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

3. INVESTMENTS - CONTINUED

Under the agreements entered into for Louisiana Fund Corporation and Louisiana Venture Fund, 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 these investment managers of $442,392 in the year ended June 30, 1998.

Louisiana Growth Fund, L.L.C. (the Fund) was formed under the laws of the State of Louisiana on November 1, 1997 to provide venture capital financing through loans or stock purchases in small business enterprises maintaining headquarters and production facilities in Louisiana. The Fund is comprised of one member, Louisiana Economic Development Corporation (LEDC). Pursuant to an Investment and Management Services Agreement (the Agreement), the Fund is managed by Banc One Capital Markets, Inc. (BOCM), formerly known as Banc One Capital Corporation. BOCM provides the Fund with administrative services and is responsible for identifying, investigating, evaluating and making investments in small business enterprises. Under the Agreement, BOCM will receive an annual fee of 2.5% of the initial $5,000,000 capital contribution less any funds returned to the Fund from the sale or liquidation of investments, adjusted quarterly. In addition to the annual fee, BOCM is entitled to receive 20% of net investment income and net realized gains from dispositions of investments by the Fund after the initial $5,000,000 capital contribution is recovered by the Fund in cash or publicly marketable securities. The Fund incurred management fee expense of $82,334 to BOCM in the period ended June 30, 1998. The Fund will continue until November 1, 2007, unless terminated prior to that date due to complete liquidation of investments. The Fund may be extended for up to two years to allow for liquidation of assets.

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.

As of June 30, 1998, all of the investments of LEDC consist of debt or equity securities, the instruments of which are held by LEDC or its agent in LEDC's name.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

4. LOANS

The balance in the LEDC's loan portfolio consisted of the following at June 30, 1998:

Direct loans	$936,790
Participation loans	160,172
Total loans	1,096,962
Provision for loan losses	(127,479)
Net loans	969,483

Activity in the allowance for loan losses was as follows for the year ended June 30, 1998:

Balance, July 1, 1997	$175,832
Provision charged to expense	(61,623)
Charge-offs	-0-
Recoveries	13,270
Balance, June 30, 1998	127,479

Pursuant to an evaluation by management and the Board of Directors at year end, it was determined that the reserves for losses on loans was overstated. Accordingly, for the year ended June 30, 1998, a negative provision of $61,623 was recorded.
At June 30, 1998, LEDC had committed to an additional $275,000 subordinated debenture to the Louisiana Community Development Capital Fund BIDCO, Inc.

Loan guarantees approved but unfunded at June 30, 1998 amounted to $2,315,250. LEDC has also committed to placing a certificate of deposit in the amount of $750,000 in a financial institution as collateral for a $1,000,000 stand-by letter of credit in favor of Iberia Parish to be called on only in case of an unresolvable financial default by Pride Aviation (Aviation Group) on rent payments to Acadiana Regional Airport Authority. The term of the stand-by letter of credit is to be 3 years. LEDC will receive warrants on 15,000 shares of Aviation Group, Inc.'s common stock to be exercised in 3 years upon termination of the letter of credit.

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 combined 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.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

5. ACCRUAL FOR LOSSES ON LOAN GUARANTEES - CONTINUED

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, 1998, LEDC had guaranteed approximately $11,391,088 of $16,399,383 of loans to customers made by various banks.

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

Balance, July 1, 1997	$1,912,532
Provision charged to expense	-0-
Charge-offs net of recoveries	(92,824)
Balance, June 30, 1998	1,819,708

6. REAL ESTATE OWNED

The balance in real estate owned at June 30, 1998 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, 1998 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 1996, of $528,000 with a simultaneous adjustment to establish an allowance account necessary to reduce the carrying value to $269,280 which was the estimated fair value at June 30, 1996.

On April 1, 1997 LEDC entered into a cooperative endeavor agreement with the Terrebonne Parish Government (TPG), wherein TPG will assume responsibility as of April 1, 1997, for a term of 10 years, for obtaining a suitable tenant for the property. The agreement provides that rental payments, after initial repair costs incurred by TPG are reimbursed, are to be split 75% to LEDC and 25% to TPG. The 75% paid to LEDC is to be accumulated and, at any time during the term of the agreement that payments equal the $269,280 agreed upon sale price, the title to the property will be transferred to TPG.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

7. FIXED ASSETS

Fixed assets which consist solely of furniture, fixtures, and equipment are not reflected in the accompanying balance sheet at June 30, 1998. 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.

As of and for the year ended June 30, 1998, LEDC had the following activity in its fixed assets:

Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
$88,080	$272	$14,449	$73,903

8. RETIREMENT PLAN

Plan Description - Substantially all employees of the Louisiana Economic Development Corporation are members of the Louisiana State Employees' Retirement System (LASERS), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy - Plan members of the Louisiana Economic Development Corporation are required by state statute to contribute 7.5% of their annual covered salary and the office (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 12.4% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contribution is funded by the State of Louisiana through the annual legislative appropriation. The Louisiana Economic Development Corporation's employer contributions to LASERS for the years ended June 30, 1998, 1997 and 1996 were $39,910, $39,519 and $32,755 and were equal to the required contribution for each year.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

9. 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, 1998:

Tommy Vassel	$514
Leon Kahn	46
Larry Porter	989
A.J. Roy	94
Ben Carson	930
Randal Moore	413
Marsha Goff	274

10. PROGRAM TRANSFER

During the year ended June 30, 1997, the Louisiana State Legislature approved the transfer of administrative responsibility for the Workforce Development and Training Program and the Economic Development Awards Programs from the LEDC to the Department of Economic Development effective July 1, 1997. Therefore, effective July 1, 1997, the balances remaining in these funds were transferred to the office of the secretary of the Department of Economic Development.

11. BUILDING LEASE

LEDC entered into a 5 year lease contract with Union Planters Bank of Louisiana for 2,259 square feet of office space. The lease commenced on December 1, 1996 and expires November 30, 2001 with an option to renew for an additional 5 years. Monthly lease payments amount to $2,692.25. The lease agreement also calls for the lessor to provide 5 parking spaces at a nearby public parking facility at the initial rate of $43.20 per space per month. Parking rates are subject to change.

As of June 30, 1998, future minimum building rental payments are as follows for each of the years ended June 30:

1999	$32,307
2000	32,307
2001	32,307
2002	13,461
	110,382

For the year ended June 30, 1998, payments made under the lease agreement were $32,307 for office space and $2,311 for parking.

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINING BALANCE SHEET - ENTERPRISE FUNDS
JUNE 30, 1998

	LEDC AND SUBSIDIARIES CONSOLIDATED	ECONOMIC DEVELOPMENT AWARDS PROGRAM	WORKFORCE DEVELOPMENT AND TRAINING	TOTALS 1998	TOTALS (MEMORANDUM ONLY) 1997
ASSETS					
Cash held in state treasury	$24,067,182			$24,067,182	$61,189,970
Short-term interest-bearing deposits with banks and other cash equivalents	4,774,145			4,774,145	580,082
Total cash and cash equivalents	28,841,327	-0-	-0-	28,841,327	61,770,052
Longer-term interest-bearing deposits with banks	14,001,864			14,001,864	8,680,315
Investments - at fair value (cost $10,559,784)	12,635,819			12,635,819	8,808,420
Loans, net	969,483			969,483	1,053,329
Accrued vendor compensation receivable					1,507,449
Accrued interest receivable	225,304			225,304	380,702
Real estate owned	269,280			269,280	269,280
Other assets	4,375			4,375	68,263
Total assets	56,947,452	-0-	-0-	56,947,452	82,537,800

Continued on next page.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINING BALANCE SHEET - ENTERPRISE FUNDS (CONTINUED)
JUNE 30, 1998

	LEDC AND SUBSIDIARIES CONSOLIDATED	ECONOMIC DEVELOPMENT AWARDS PROGRAM	WORKFORCE DEVELOPMENT AND TRAINING	TOTALS 1998	TOTALS (MEMORANDUM ONLY) 1997
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable and accrued expenses	$80,487			$80,487	$111,166
Awards payable					881,778
Accrual for losses on loan guarantees	1,819,708			1,819,708	1,912,532
Total liabilities	1,900,195	-0-	-0-	1,900,195	2,905,476
FUND EQUITY					
Net unrealized appreciation (depreciation) in investments	2,076,035			2,076,035	1,176,014
Retained earnings					
Reserved for EDAP					9,248,645
Reserved for Workforce Development					7,752,567
Unreserved	52,971,222			52,971,222	61,455,098
Total fund equity	55,047,257	-0-	-0-	55,047,257	79,632,324
Total liabilities and fund equity	56,947,452	-0-	-0-	56,947,452	82,537,800

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINING STATEMENT OF REVENUES AND EXPENSES - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	LEDC AND SUBSIDIARIES CONSOLIDATED	ECONOMIC DEVELOPMENT AWARDS PROGRAM	WORKFORCE DEVELOPMENT AND TRAINING	TOTALS 1998	TOTALS (MEMORANDUM ONLY) 1997
OPERATING REVENUES					
Interest income					
Interest on loans	$40,819			$40,819	$91,985
Interest on funds held by state treasurer	1,740,273			1,740,273	2,814,842
Interest on time deposits with banks and other	746,535			746,535	435,963
Intergovernmental					
Vendor compensation					9,238,439
Appropriation from state	7,000,000			7,000,000	9,550,000
Guarantee fees	153,651			153,651	66,206
Other	44,303			44,303	84,896
Total operating revenues	9,725,581	-0-	-0-	9,725,581	22,282,331

Continued on next page.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINING STATEMENT OF REVENUES AND EXPENSES - ENTERPRISE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

	LEDC AND SUBSIDIARIES CONSOLIDATED	ECONOMIC DEVELOPMENT AWARDS PROGRAM	WORKFORCE DEVELOPMENT AND TRAINING	TOTALS 1998	TOTALS (MEMORANDUM ONLY) 1997
OPERATING EXPENSES					
Provisions for losses					
Loans	$(61,623)			$(61,623)	$(401,741)
Guarantees					(142,313)
Salaries and employee benefits	361,383			361,383	374,398
Management and professional fees	587,346			587,346	157,890
Administrative fees	128,712			128,712	124,199
Direct allocation - Navy project	6,000,000			6,000,000	
Other	100,180			100,180	103,575
Awards					
EDAP awards					301,355
Workforce awards					225,683
DEGA awards					689,596
Advertising and promotional - Workforce					973,686
Total operating expenses	7,115,998	-0-	-0-	7,115,998	2,406,328
OPERATING INCOME	2,609,583	-0-	-0-	2,609,583	19,876,003
NONOPERATING REVENUES					
Net realized gain on investments	406,541			406,541	5,490
Change in unrealized appreciation of investments	900,021			900,021	1,583,147
Total nonoperating revenues	1,306,562	-0-	-0-	1,306,562	1,588,637

Continued on next page.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINING STATEMENT OF REVENUES AND EXPENSES - ENTERPRISE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

	LEDC AND SUBSIDIARIES CONSOLIDATED	ECONOMIC DEVELOPMENT AWARDS PROGRAM	WORKFORCE DEVELOPMENT AND TRAINING	TOTALS	
				1998	(MEMORANDUM ONLY) 1997
INCOME BEFORE OPERATING TRANSFERS	$3,916,145			$3,916,145	$21,464,640
OPERATING TRANSFERS TO STATE GENERAL FUND	(11,500,000)	-0-	-0-	(11,500,000)	-0-
NET INCOME (LOSS)	(7,583,855)	-0-	-0-	(7,583,855)	21,464,640

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINING STATEMENT OF CHANGES IN FUND EQUITY - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	LEDC AND SUBSIDIARIES CONSOLIDATED	ECONOMIC DEVELOPMENT AWARDS PROGRAM	WORKFORCE DEVELOPMENT AND TRAINING	TOTALS 1998	TOTALS (MEMORANDUM ONLY) 1997
Balances at July 1	$62,631,112	$9,248,645	$7,752,567	$79,632,324	$58,167,684
Net income (loss)	(7,583,855)			(7,583,855)	21,464,640
Program transfers to DED		(9,248,645)	(7,752,567)	(17,001,212)	
Balances at June 30	55,047,257	-0-	-0-	55,047,257	79,632,324

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998

	LEDC AND SUBSIDIARIES CONSOLIDATED	ECONOMIC DEVELOPMENT AWARDS PROGRAM	WORKFORCE DEVELOPMENT AND TRAINING	TOTALS 1998	TOTALS (MEMORANDUM ONLY) 1997
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before operating transfers	$3,916,145			$3,916,145	$21,464,640
Adjustments to reconcile net income					
Net realized (gain) loss on sale of investments	(406,541)			(406,541)	(5,490)
Change in unrealized loss (gain) on investments	(900,021)			(900,021)	(1,583,147)
Recapture of provisions for losses on loans	(61,623)			(61,623)	(544,054)
(Increase) decrease in accrued vendor compensation			$1,507,449	1,507,449	(56,364)
(Increase) decrease in accrued interest receivable	129,718		25,680	155,398	(99,665)
(Increase) decrease in other assets	56,016		7,872	63,888	(8,409)
Increase (decrease) in accounts payable and accrued expenses	21,459		(52,138)	(30,679)	48,070
Increase (decrease) in awards payable		$(651,355)	(230,423)	(881,778)	531,778
Net cash provided by operating activities	2,755,153	(651,355)	1,258,440	3,362,238	19,747,359

Continued on next page.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

	LEDC AND SUBSIDIARIES CONSOLIDATED	ECONOMIC DEVELOPMENT AWARDS PROGRAM	WORKFORCE DEVELOPMENT AND TRAINING	TOTALS 1998	TOTALS (MEMORANDUM ONLY) 1997
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to state general fund	$(11,500,000)			$(11,500,000)	
Transfer to Department of Economic Development		$(8,898,645)	$(7,752,567)	(16,651,212)	
Net cash used by noncapital financing activities	(11,500,000)	(8,898,645)	(7,752,567)	(28,151,212)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in longer-term interest-bearing deposits with banks	(5,473,145)			(5,473,145)	$(862,048)
Purchase of investments	(4,864,099)			(4,864,099)	(795,691)
Proceeds from sale of investments	2,712,942			2,712,942	127,257
Loan originations net of repayments and recoveries	(515,449)			(515,449)	680,594
Net cash (used) by investing activities	(8,139,751)	-0-	-0-	(8,139,751)	(849,888)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,884,598)	(9,550,000)	(6,494,127)	(32,928,725)	18,897,471
CASH AND CASH EQUIVALENTS, beginning of year	45,725,925	9,550,000	6,494,127	61,770,052	42,872,581
CASH AND CASH EQUIVALENTS, end of year	28,841,327	-0-	-0-	28,841,327	61,770,052

Continued on next page.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

	LEDC AND SUBSIDIARIES CONSOLIDATED	ECONOMIC DEVELOPMENT AWARDS PROGRAM	WORKFORCE DEVELOPMENT AND TRAINING	TOTALS 1998	TOTALS (MEMORANDUM ONLY) 1997
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITY					
EDAP loan closed but undisbursed at June 30, 1997					$350,000
Conversion of loan receivable to common stock	$369,690			$369,690	

SUPPLEMENTAL INFORMATION

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF INVESTMENTS
JUNE 30, 1998

	Cost	Valuation By Management
DEBT INVESTMENTS		
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	$42,940	$42,940
Petrochemical Services, Inc. $60,000 secured promissory note, dated August 21, 1997, interest payable quarterly at 10%, annual principal installments of $10,000 beginning on August 21, 1999. A royalty held on revenue is payable quarterly through August 21, 2001	272,934	104,600
Central Pharmacy Services, Inc. - 8% subordinated debenture, due December 31, 1998	109,658	109,658
Presonus Audio Electronics, Inc. - $25,000 convertible debenture, due September 31, 1998 interest of 8%	25,000	25,000
Total debt investments	450,532	282,198
EQUITY INVESTMENTS		
Gulf Coast Business and Industrial Development Corporation - 113,636 shares of Class C common stock	2,500,000	2,500,000
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
Life Point Systems, Ltd. - 1.776250% limited partnership interest	62,500	1,000
Central Pharmacy Services, Inc. - 7,035 shares of 8% cumulative preferred stock	120,158	91,684
Pride Aviation Group, Inc. - 82,153 shares $.01 par common stock	369,690	313,249

Continued on next page.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF INVESTMENTS (CONTINUED)
JUNE 30, 1998

	Cost	Valuation By Management
EQUITY INVESTMENTS - CONTINUED		
First Louisiana BIDCO - 98,000 shares convertible Series B preferred stock, par $25.51	$2,500,000	$2,500,000
U.S. Agencies, Inc. - 370,000 shares, Class B nonvoting common stock	370,924	1,850,000
Imaging Technology Solutions, LLC	500,000	500,000
Hirel Holding, Inc. - 3,592 shares of common stock	269,314	181,022
US Agencies, Inc. - 250,000 shares of common stock	250,000	1,250,000
Presonus Audio Electronics, Inc. - 1,500 shares of Series A preferred stock	150,000	150,000
Professional Employer Services, Inc. - 60 shares of Class D convertible preferred stock	666,666	666,666
Total equity investments	10,109,252	12,353,621
Total investments	10,559,784	12,635,819

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 1998

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

No findings.

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

N/A

SECTION III - MANAGEMENT LETTER

No findings.

RELATED REPORT

John Newton Stout, CPA
Joel Lanclos, Jr., CPA
Russell J. Stelly, CPA
Dwight Ledoux, CPA
Chizal S. Fontenot, CPA
James L. Nicholson, Jr., CPA
G. Kenneth Pavy, II, CPA
Darren J. Carl, CPA

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

John S. Dowling, CPA
(1904-1984)

Harold Dupre, CPA
Retired

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the general purpose financial statements of the Louisiana Economic Development Corporation , a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 23, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Louisiana Economic Development Corporation's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described below.

98-1. Inadequate Security for Deposits

Condition

Approximately $1,894,829 of the $14,442,498 of deposits with financial institutions was unsecured at June 30, 1998.

Criteria

La. Rev. Statute 39:1225 requires that balances on deposit with financial institutions are to be secured by a pledge of securities in amounts which at all times are to be equal to 100% of the amount of collected funds on deposit to the credit of the depositing authority in excess of federally insured limits.

Effect

Unsecured deposits are subject to loss in the event of the failure of the financial institutions.

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

The Board of Directors
Louisiana Economic Development Corporation
Page 2

Recommendation

Management should take the necessary steps to obtain adequate security for deposits in excess of FDIC insurance.

Managements Response

The financial institutions involved have been contacted and have pledged additional securities necessary to fully secure LEDC deposits.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana Economic Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the management of LEDC in a separate letter dated September 23, 1998.

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 & Company

Opelousas, Louisiana
September 23, 1998

John Newton Stout, CPA
Joel Lanclos, Jr., CPA
Russell J. Stelly, CPA
Dwight Ledoux, CPA
Chizal S. Fontenot, CPA
James L. Nicholson, Jr., CPA
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JSDC
JOHN S. DOWLING & COMPANY
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Harold Dupre, CPA
Retired

MANAGEMENT LETTER

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

We have audited the general purpose financial statements of the Louisiana Economic Development Corporation, a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 23, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

As a part of our audit, we have issued our report on the financial statements, dated September 23, 1998, and our report on internal control and compliance with laws, regulations, and contracts, dated September 23, 1998.

During the course of our audit, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 98-2 - Documentation Deficiencies

The review of loan and investment files noted several instances where required documentation was not obtained or was outdated. Failure to obtain all required documentation in a timely manner could lead to increased credit and/or investment risk in the future. Management should correct these deficiencies as soon as possible and should consider the development of follow-up procedures to ensure that all required documentation has been obtained.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendation.

John S. Dowling & Company

Opelousas, Louisiana
September 23, 1998

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

M.J. "Mike" Foster, Jr.
Governor

Kevin P. Reilly
Secretary

CORRECTIVE ACTION PLAN
September 25, 1998

Louisiana Legislative Auditor
Baton Rouge, Louisiana

Name and address of public accounting firm: John S. Dowling & Company
Post Office Box 433
Opelousas, LA 70571-0433

Audit period: June 30, 1998

FINDINGS - Financial Statement Audit

Compliance

98-1 Inadequate Security for Deposits

Recommendation: Steps should be taken to obtain an adequate pledge of securities to secure deposits in excess of FDIC insurance.

Action taken: The financial institutions involved have been contacted and additional securities have or will be pledged to fully secure the deposits of LEDC.

FINDINGS

Management Letter

98-2 Documentation Deficiencies

Recommendation: Management should correct these deficiencies as soon as possible and should consider the implementation of follow-up procedures to ensure that all required documentation is obtained.

Action taken: Management recently discussed our current procedures of requiring monthly financial from companies for which we issued guarantees. This requirement was considered excessive documentation since LEDC does not monitor operation on a monthly basis. It was determined at that time to revise the documents requiring theses reporting requirements, requiring only quarterly conditions, after the first year only annual statements would be required. We are currently revising the documents accordingly.

Management recently discussed our current procedure of requiring quarterly financial statements from our venture capital partners with the Office of Financial Institutions' auditors. The requirement was considered excessive documentation since LEDC has a representative on the respective boards of these organizations. It was determined at that time to revise the documents requiring these quarterly financial, requiring only quarterly financial on newly created entities for the first year of operation to assure compliance with required investment criteria, after the first year only annual statements would be required. We are currently revising the documents accordingly.

Signature: ____________ Title: Executive Director

Signature: ____________ Title: Deputy Director

Signature: ____________ Title: Accountant