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LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Financial Statements and Schedule

June 30, 1997 and 1996

With Independent Auditors' Report Thereon

KPMG Peat Marwick LLP

Premier Tower
Suite 1700
451 Florida Street
Baton Rouge, LA 70801-1705

Independent Auditors' Report

The Board of Directors
Louisiana Economic Development Corporation
Louisiana Venture Fund:

We have audited the accompanying balance sheets of Louisiana Economic Development Corporation Louisiana Venture Fund (the Fund) as of June 30, 1997 and 1996, and the related statements of operations, changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and with *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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Economic Development Corporation Louisiana Venture Fund as of June 30, 1997 and 1996, and the results of its operations and its cash flows for the periods then ended in conformity with generally accepted accounting principles.

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

In accordance with Government Auditing Standards, we have also issued a report dated August 22, 1997 on our consideration of Louisiana Venture Fund's internal control structure and a report dated August 22, 1997 on its compliance with laws and regulations.

KPMG Peat Marwick LLP

August 22, 1997

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Balance Sheets

June 30, 1997 and 1996

Assets	1997	1996
Cash and cash equivalents (note 2)	$ 130,827	183,458
Investments - at fair value (cost - $1,557,426 and $1,525,568 in 1997 and 1996, respectively) - (note 3)	2,004,994	1,238,852
Receivables	56,016	-
Other assets, held-for-sale (note 3)	-	51,102
	$ 2,191,837	1,473,412
Liabilities and Fund Equity		
Dividend payable (note 4)	106,790	65,510
Accrued expenses	6,500	-
	113,290	65,510
Fund equity	1,880,972	1,944,618
Cumulative realized losses	(250,000)	(250,000)
Net unrealized appreciation (depreciation) in investments	447,575	(286,716)
	2,078,547	1,407,902
	$ 2,191,837	1,473,412

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Statements of Operations

For the years ended June 30, 1997 and 1996

	1997	1996
Investment income:		
Interest earned:		
Interest-bearing deposits	$ 6,249	16,441
Investments	47,590	13,654
Total investment income	53,839	30,095
Expenses:		
Management fees (note 5)	50,240	50,638
Professional fees	17,004	14,211
Bank charges	1,871	-
Total expenses	69,115	64,849
Net investment loss	(15,276)	(34,754)
Realized and unrealized gains (losses) on investments (note 3):		
Net realized gain (loss) on investments	58,420	(89,658)
Change in unrealized appreciation (depreciation) of investments	734,291	(161,716)
Net realized and unrealized gains (losses) on investments	792,711	(251,374)
Net operating income (loss)	$ 777,435	(286,128)

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Statements of Changes in Fund Equity

For the year ended June 30, 1997 and 1996

	Fund equity	Net investment income	Cumulative realized losses	Net unrealized depreciation	Total
Balances at June 30, 1995	$ 2,009,539	-	(125,000)	(125,000)	1,759,539
Net investment loss for the year ended June 30, 1996	-	(34,754)	-	-	(34,754)
Net realized loss on investments for the year ended June 30, 1996	-	-	(89,658)	-	(89,658)
Net unrealized depreciation in fair value of investments for the year ended June 30, 1996	-	-	-	(161,716)	(161,716)
Dividend declared in 1996	(64,921)	34,754	(35,342)	-	(65,509)
Balances at June 30, 1996	1,944,618	-	(250,000)	(286,716)	1,407,902
Net investment loss for the year ended June 30, 1997	-	(15,276)	-	-	(15,276)
Net realized gain on investments for the year ended June 30, 1996	-	-	58,420	-	58,420
Net unrealized appreciation in fair value of investments for the year ended June 30, 1997	-	-	-	734,291	734,291
Dividend declared in 1997	(63,646)	15,276	(58,420)	-	(106,790)
Balances at June 30, 1997	$ 1,880,972	-	(250,000)	447,575	2,078,547

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Statements of Cash Flows

For the years ended June 30, 1997 and 1996

	1997	1996
Cash flows from operating activities:		
Net operating income (loss)	$ 777,435	(286,128)
Adjustments to reconcile net operating results to net cash provided by operating activities:		
Increase in receivables	(56,016)	-
Net realized (gain) loss on investments	(58,420)	89,658
Change in unrealized depreciation of investments	(734,291)	161,716
Increase in accrued expenses	6,500	-
Net cash provided by (used in) operating activities	(64,792)	(34,754)
Cash flows from investing activities:		
Purchase of capital stock	(26,667)	(100,000)
Funding of loan receivable	(17,922)	(111,766)
Proceeds from sale of investments	58,420	35,342
Principal payments received on loans receivable	63,840	64,921
Net cash provided by (used in) investing activities	77,671	(111,503)
Cash flows from financing activities - payment of dividend	(65,510)	(132,902)
Net decrease in cash and cash equivalents	(52,631)	(279,159)
Cash and cash equivalents at beginning of year	183,458	462,617
Cash and cash equivalents at end of year	$ 130,827	183,458

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Notes to Financial Statements

June 30, 1997 and 1996

(1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Louisiana Economic Development Corporation Louisiana Venture Fund (the Fund) in the preparation of its financial statements:

(a) Description of the Fund

The Fund was formed under the laws of the State of Louisiana on July 5, 1990 as a wholly-owned fund of the Louisiana Economic Development Corporation (LEDC), a public corporation. Pursuant to the Louisiana Economic Development Act, the Fund was formed to provide venture capital financing through loans to or stock purchases in small business enterprises maintaining headquarters and production facilities in Louisiana.

The Fund is managed by Source Capital Corporation, formerly Louisiana Seed Capital Corporation (the Fund's Manager or Source). Source provides the Fund with administrative services and is responsible for identifying, investigating, evaluating and making investments in small business enterprises. The Fund was managed by Source until June 30, 1997. The Fund's Manager is considering exercising its option to extend the management agreement for up to three additional years. At the expiration of the management agreement, LEDC will assume management responsibilities of the Fund.

(b) Cash and Cash Equivalents

The Fund considers cash in banks, money market investments, certificates of deposit with maturities of ninety days or less and investments in U.S. Treasury bills with maturities of thirty days or less to be cash equivalents.

(c) Investments

The Fund records its investments at estimated fair value as determined by the Fund's Manager. Fair value generally is considered to be the amount which the Fund 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 Fund ultimately may realize as a result of a future sale or other disposition of the investments.

(Continued)

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Notes to Financial Statements

In preparing the financial statements, the Fund's Manager 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 Fund's Manager believes that investment values are appropriate. While the Fund's Manager 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 Fund's Manager in determining the fair value of the Fund'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.

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On January 1, 1995, the Fund adopted Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (FAS 114) and Statement of Financial Accounting Standards No. 118, "Accounting by Credits for Impairment of a Loan - Income Recognition and Disclosures" (FAS 118). Pursuant to FAS 114 and 118, a loan is considered to be impaired when it is probable that a creditor will be unable to collect all principal and interest amounts due, according to the contractual terms of the loan agreement. When a loan is impaired, the measurement of its impairment can be determined in one of three ways, as follows: (1) the present value of the expected cash flows of the loan discounted at the loan's original effective interest rate, (2) the observable market price of the impaired loan, or (3) the fair value of the collateral of a collateral-dependent loan. The amount by which the recorded investment in the loan exceeds the measure of the impaired loan is recognized by recording a valuation allowance with a corresponding charge to the provision for loan losses. The effect of adopting FAS 114 and FAS 118 on the Fund's financial condition and results of operations was immaterial.

(d) Income Recognition

Investment interest income earned by the Fund is recognized on the accrual basis of accounting. Dividend income is recognized on the ex-dividend date.

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.

The cost of each specific security is used to determine gains or losses on sales of securities. Such gains or losses are reported as a component of realized gains (losses). Purchases and sales of investments are recorded on a trade date basis.

(e) Income Taxes

Income accruing to the Fund, which is wholly-owned by a state agency, 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.

(Continued)

(f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents

Cash and cash equivalents are recorded at cost, which approximated market at June 30, 1997 and 1996. Cash and cash equivalents of the Fund at June 30, 1997 and 1996 were:

	1997	1996
Cash	$ 130,827	126,358
U.S. Treasury bills	-	57,100
	$ 130,827	183,458

As required by terms of a management agreement with Source Capital Corporation, the depository bank has pledged securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance, the market value of which is at least equal to the amount on deposit at all times.

(3) Investments

The cost and estimated fair value, including gross unrealized gains and losses, of the Fund's investments at June 30, 1997 and 1996 were as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
June 30, 1997:				
Debt instruments	$ 592,788	-	(392,802)	199,986
Preferred stock	348,664	-	-	348,664
Common stock	615,974	945,000	(104,630)	1,456,344
Total investments	1,557,426	945,000	(497,432)	2,004,994

(Continued)

	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
June 30, 1996:				
Debt instruments	$ 785,597	-	(200,716)	584,881
Preferred stock	519,971	-	(51,000)	468,971
Common stock	220,000	-	(35,000)	185,000
Total investments	$ 1,525,568	-	(286,716)	1,238,852

Investments as of June 30, 1997 and 1996, consist primarily of securities for which market quotations are not readily available and, consistent with the Fund's policy, are reflected at fair value estimated by the Fund's Manager. Such securities are restricted as to salability or transferability.

In its normal course of business, the Fund becomes a party to various financial transactions that involve various risks, including market and credit risk. The Fund's Manager minimizes its exposure to loss from its investing activities by evaluating the business and prospects of potential investee companies.

At June 30, 1997 and 1996, debt instruments of $69,029 and $175,165, respectively, were identified by management as having a higher degree of risk than other debt instruments in the portfolio. The 1997 total of $69,029 represents the carrying value of debt instruments issued by GDC Engineering, Inc. Management believes that the collateral securing this note is sufficient to ensure repayment.

In August 1996, the Fund sold all assets acquired via dation from Phoenix Environmental to Petrochemical Service, Inc. The fund received a promissory note for $60,000 and the right to receive royalties based on future revenue.

In January 1997 the Fund exchanged its preferred stock in Marine Power for 35,972 shares of common stock in Hirel Holding, Inc., a public company. The shares received are restricted for a period of 2-3 years depending upon Marine Power's performance. The Fund's shares are protected against certain declines in the market price.

In June 1997, the Fund converted its US Agencies debenture into 250,000 shares of common stock.

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LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Notes to Financial Statements

In August 1996, the fund converted its note from PreSonus to Preferred stocks.

As of June 30, 1997 and 1996, the Fund has recorded the following reductions in the carrying value of its investments:

	1997	1996
Commercial Technologies, Inc. - debt instruments	$ 225,464	112,382
Commercial Technologies - common stock	70,000	35,000
Phoenix Environmental, Inc. - debt instruments	167,338	88,334
Phoenix Environmental, Inc. - preferred stock	-	51,000
Hirel Holding - common stock	34,630	-
	$ 497,432	286,716

Also during fiscal 1996, the Fund wrote-off its investment in AUG, Inc. resulting in a realized loss of $125,000.

(4) Dividends

Net investment income (loss) plus any realized cash gains from investments and any cash received from the disposition of investments are distributed annually as a dividend to the LEDC.

At June 30, 1997 and 1996, the following components were recorded as a dividend payable to the LEDC:

	1997	1996
Net investment loss	$ (15,276)	(34,754)
Gain realized from disposition of CEI investments	58,420	35,342
Cash received as principal paydown from Phoenix Environmental	15,874	8,333
Cash received as principal paydown from GDC Engineering, Inc.	47,772	56,589
	$ 106,790	65,510

(Continued)

(5) Related Party Transactions

The LEDC entered into an agreement with Source to manage the operations of the Fund for a period of seven years through June 30, 1997.

Under the agreement, Source will receive an annual fee of 2.5% of the initial $2,500,000 capital contributed by the LEDC, less any funds invested in small business enterprises that are returned to the 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, Source is entitled to receive 20% of net investment income and net realized gains from dispositions of investments by the Fund after the initial $2,500,000 capital contribution is returned to the LEDC as dividends. The Fund paid management fees to Source of $50,240 and $50,638 in the years ended June 30, 1997 and 1996, respectively.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Schedule of Investments

June 30, 1997 and 1996

	1997			1996		
	Cost	Valuation by the Fund's manager	Percentage of fund equity	Cost	Valuation by the Fund's manager	Percentage of fund equity
Debt instruments:						
Phoenix Environmental, Inc. - promissory note, dated December 8, 1993, interest payable quarterly at 15%, due December 31, 1996	$ -	-	-	16,898	8,449	0.6%
Phoenix Environmental, Inc. - promissory note, dated January 17, 1995, interest payable at due date at 12%, due April 17, 1995	-	-	-	66,667	16,298	1.2%
Phoenix Environmental, Inc. - promissory note, dated February 14, 1995, interest payable at due date at 12%, due May 15, 1995	-	-	-	33,333	8,151	0.6%
Phoenix Environmental, Inc. - promissory note, dated March 31, 1996, interest payable monthly at 10%, due on demand	-	-	-	8,667	4,333	0.3%
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	3.6%
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	69,029	69,029	3.3%	118,601	118,601	8.4%
Petrochemical Services, Inc. - $60,000 secured promissory note, dated August 21, 1996, 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.	282,625	114,291	5.5%	-	-	-

(Continued)

Schedule, cont.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Schedule of Investments, Continued

	1997			1996		
	Cost	Valuation by the Fund's manager	Percentage of fund equity	Cost	Valuation by the Fund's manager	Percentage of fund equity
Commercial Technologies, Inc. - promissory note, dated September 6, 1995, interest payable at 18%, due December 26, 1995	$ 224,468	-	-	224,765	112,383	8.0%
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	17.8%
Autocount, Inc. - $10,000 promissory note, dated October 1995, interest payable at 12% annually, due on demand	10,000	10,000	0.5%	10,000	10,000	0.7%
Autocount, Inc. - $3,333 promissory note, dated November 1995, interest payable at 12% annually, due on demand	3,333	3,333	0.2%	3,333	3,333	0.2%
Autocount, Inc. - $3,333 promissory note dated December 1995, interest payable at 12% annually, due on demand	3,333	3,333	0.2%	3,333	3,333	0.2%
Total debt instruments	592,788	199,986	9.6%	785,597	584,881	41.6%
Common Stock:						
Hirel Holang, Inc., 3,592 shares of common stock	269,307	234,677	11.3%	-		
Commercial Technologies, Inc., 1,567,500 shares of common stock in 1996 and 1995	70,000	-	-	70,000	35,000	2.5%
Autocount, 106,667 shares of common stock	26,667	26,667	1.3%	-	-	-
US Agencies, Inc., 250,000 shares common stock	250,000	1,175,000	56.5%	-	-	-
Veeder Root, Final Earnout payment due September 30, 1997	-	20,000	1.0%	-	-	-

(Continued)

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
LOUISIANA VENTURE FUND

Schedule of Investments, Continued

	1997			1996		
	Cost	Valuation by the Fund's manager	Percentage of fund equity	Cost	Valuation by the Fund's manager	Percentage of fund equity
Marine Power, Inc., 1,500 shares of common stock in 1996 and 1995	$ -	-	-	150,000	150,000	10.7%
Total common stock	615,974	1,456,344	70.1%	220,000	185,000	12.1%
Preferred stock:						
Autocount, Inc., 8,333 shares of Series B preferred stock in 1996 and 1995	99,996	99,996	4.8%	99,996	99,996	7.1%
Autocount, Inc., 17,498 shares of Series D Preferred stock in 1996 and 1995	66,667	66,667	3.2%	66,667	66,667	4.7%
Autocount, Inc., 8,000 shares of Series C preferred stock in 1996 and 1995	32,001	32,001	1.5%	32,001	32,001	2.3%
Marine Power, Inc., 1,193 shares of 8.3% Class B preferred stock in 1996 and 1995	-	-	-	119,307	119,307	8.5%
Phoenix Environmental, Inc., 1,020 shares of 10% cumulative, voting convertible Class A preferred stock in 1996 and 1995	-	-	-	102,000	51,000	3.6%
Presonus Audio Electronics, 1,500 and 1,000 shares of Series A preferred stock in 1997 and 1996	150,000	150,000	7.2%	100,000	100,000	7.1%
Total preferred stock	348,664	348,664	16.8%	519,971	469,971	33.3%
Total investments	$ 1,557,426	2,004,994	96.5%	1,525,568	1,238,852	88.0%

Note: All of the Fund's investments represent securities which are restricted as to salability or transferability.

KPMG Peat Marwick LLP

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Baton Rouge, LA 70801-1705

Compliance Report Based on Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Louisiana Economic Development Corporation
Louisiana Venture Fund:

We have audited the financial statements of Louisiana Economic Development Corporation Louisiana Venture Fund (the Fund) as of and for the year ended June 30, 1997, and have issued our report thereon dated August 22, 1997.

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

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

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

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

KPMG Peat Marwick LLP

August 22, 1997

KPMG Peat Marwick LLP

Premier Tower
Suite 1700
451 Florida Street
Baton Rouge, LA 70801-1705

Report on Internal Control Structure in Accordance
With *Government Auditing Standards*

The Board of Directors
Louisiana Economic Development Corporation
Louisiana Venture Fund:

We have audited the financial statements of Louisiana Economic Development Louisiana Venture Fund (the Fund) Corporation as of and for the year ended June 30, 1997, and have issued our report thereon dated August 22, 1997.

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 the Fund 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 audits of the financial statements of the Fund for the year ended June 30, 1997, 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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 structure and its operation that we consider to be material weaknesses as defined above.

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

KPMG Peat Marwick LLP

August 22, 1997