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LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1999

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

John S. Dowling, CPA
1904-1984

Retired

Harold Dupre, CPA
1996
John Newton Stout, CPA
1998
Dwight Ledoux, CPA
1998

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, 1999, 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, 1999, 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 17, 1999 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.

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
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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 Supplemental Schedule of Investments on page 20-21 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 & Co.

Opelousas, Louisiana
September 17, 1999

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
BALANCE SHEET
JUNE 30, 1999

	ENTERPRISE FUND	
	1999	(Memorandum Only) 1998
ASSETS		
Cash held in state treasury	$14,805,861	$24,067,182
Short-term interest-bearing deposits with banks and other cash equivalents	4,240,519	4,774,145
Total cash and cash equivalents	19,046,380	28,841,327
Longer-term interest-bearing deposits with banks	17,432,848	14,001,864
Investments - at fair value (cost $10,954,228)	12,989,071	12,635,819
Loans, net	1,299,501	969,483
Accrued vendor compensation receivable	1,496,374	
Accrued interest receivable	274,045	225,304
Real estate owned, net	269,280	269,280
Other assets	50,822	4,375
Total assets	52,858,321	56,947,452
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$79,085	$80,487
Accrual for losses on loan guarantees	2,264,322	1,819,708
Total liabilities	2,343,407	1,900,195
FUND EQUITY		
Retained earnings		
Unreserved	50,514,914	55,047,257
Total fund equity	50,514,914	55,047,257
Total liabilities and fund equity	52,858,321	56,947,452

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 1999

	ENTERPRISE FUND	
		(Memorandum Only)
	1999	1998
OPERATING REVENUES		
Interest income		
Interest on loans	$94,507	$40,819
Interest on funds held by state treasurer	798,961	1,740,273
Interest on time deposits with banks and other	1,015,812	746,535
Dividend income	171,371	
Intergovernmental		
Vendor compensation	4,829,224	
Appropriation from state		7,000,000
Guarantee fees	131,561	153,651
Other	195,543	44,303
Total operating revenues	7,236,979	9,725,581
OPERATING EXPENSES		
Provisions for losses		
Loans	95,005	(61,623)
Guarantees	1,181,341	
Direct allocation	780,000	6,000,000
Salaries and employee benefits	425,889	361,383
Management and professional fees	243,609	587,346
Administrative fees	132,909	128,712
Other	118,010	100,180
Total operating expenses	2,976,763	7,115,998
OPERATING INCOME	4,260,216	2,609,583
NONOPERATING REVENUES		
Net increase (decrease) in fair value of investments	(492,559)	1,306,562
Total nonoperating revenues	(492,559)	1,306,562
INCOME BEFORE OPERATING TRANSFERS	3,767,657	3,916,145
OPERATING TRANSFER TO STATE GENERAL FUND	(8,300,000)	(11,500,000)
NET (LOSS)	(4,532,343)	(7,583,855)
RETAINED EARNINGS, beginning of year	55,047,257	79,632,324
Program transfers to D.E.D.		(17,001,212)
RETAINED EARNINGS, end of year	50,514,914	55,047,257

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1999

	ENTERPRISE FUND 1999	(Memorandum Only) 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before operating transfers	$3,767,657	$3,916,145
Adjustments to reconcile net income		
Net increase (decrease) in fair value of investments	492,559	(1,306,562)
Provisions for losses on loans and guarantees	1,276,346	(61,623)
(Increase) decrease in accrued vendor compensation	(1,496,374)	1,507,449
(Increase) decrease in accrued interest receivable	(62,322)	155,398
(Increase) decrease in other assets	(46,447)	63,888
Increase (decrease) in accounts payable and accrued expenses	(1,402)	(30,679)
Increase (decrease) in awards payable		(881,778)
Net cash provided by operating activities	3,930,017	3,362,238
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to state general fund	(8,300,000)	(11,500,000)
Transfer to Department of Economic Development		(16,651,212)
Net cash used by noncapital financing activities	(8,300,000)	(28,151,212)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in longer-term interest-bearing deposits with banks	(4,201,178)	(5,473,145)
Purchase of investments	(1,010,319)	(4,864,099)
Proceeds from sale of investments	172,011	2,712,942
Loan originations net of repayments and recoveries	(385,478)	(515,449)
Net cash used by investing activities	(5,424,964)	(8,139,751)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,794,947)	(32,928,725)
CASH AND CASH EQUIVALENTS, beginning of year	28,841,327	61,770,052
CASH AND CASH EQUIVALENTS, end of year	19,046,380	28,841,327
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITY		
Conversion of loan receivable to common stock		$369,690

See accompanying notes to financial statements.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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 general purpose financial statements present only transactions of the Louisiana Economic Development Corporation and its consolidated subsidiaries.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. REPORTING ENTITY - CONTINUED

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. 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 position and results of operations and cash flows 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.

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.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. USE OF ESTIMATES - CONTINUED

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.

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.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. INVESTMENTS - CONTINUED

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.

L. STATE APPROPRIATION AND POOLED INVESTMENTS

The Louisiana Legislature has authorized LEDC to withdraw approximately $12,128,103 from the state treasury in the year ended June 30, 2000. 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.

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

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. COMPENSATED ABSENCES - CONTINUED

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, 1999 is $36,281. 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

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

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, 1999, the carrying amount of LEDC's cash with banks and certificates of deposit was $21,673,366 and the bank balance was approximately the same amount. Of the $21,673,366, approximately $18,031,781 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 $3,404,035 is covered by securities held by the pledging financial institution in LEDC's name. At June 30, 1999, $237,550 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, 1999 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt investments	$937,462	$15,994		$953,456
Equity investments	10,016,766	2,479,076	$(460,227)	12,035,615
Total investments	10,954,228	2,495,070	(460,227)	12,989,071

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

3. INVESTMENTS - CONTINUED

Investments as of June 30, 1999, 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 and maturities of debt and equity investments for the year ended June 30, 1999 were $172,011. Gross gains of $2,275 and gross losses of $181,022 were realized on those sales. Realized gains and losses are calculated independently of net change in fair value of investments. Realized gains or losses on investments that had been held in more than one fiscal year and sold in the current year have been included as a net change in the fair value of investments reported in prior years and the current year.

Gross gains and losses for the year ended June 30, 1999 consisted of the following:

	Gains	Losses
CEI Investments	$2,275	
Hirel Holding, Inc.		$181,022
Total	2,275	181,022

As of June 30, 1999, the following reductions in the carrying value of investments have been recorded:

Equity instruments:	
Life Point Systems, Ltd.	$61,500
Central Pharmacy Services, Inc.	28,474
Pride Aviation Group, Inc.	215,653
Presonus Audio Electronics, Inc.	154,600
	460,227

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, 1999.

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 $7,335,288 at June 30, 1999.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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 $59,830 in the year ended June 30, 1999.

Louisiana Growth Fund, LLC (the Fund) was formed under the laws of the State of Louisiana on November 1, 1998 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 $125,000 to BOCM in the period ended June 30, 1999. 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, 1999, 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.

4. LOANS

The balance in the LEDC's loan portfolio consisted of the following at June 30, 1999:

Direct loans	$1,182,287
Participation loans	346,538
Total loans	1,528,825
Provision for loan losses	(229,324)
Net loans	1,299,501

4. LOANS - CONTINUED

Activity in the allowance for loan losses was as follows for the year ended June 30, 1999:

Balance, July 1, 1998	$127,479
Provision charged to expense	95,005
Charge-offs	-0-
Recoveries	6,840
Balance, June 30, 1999	229,324

Loan guarantees approved but unfunded at June 30, 1999 amounted to $367,500. LEDC has placed 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.

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, 1999, LEDC had guaranteed approximately $12,383,744 of $17,090,005 of loans to customers made by various banks. Included in the loans guaranteed at June 30, 1999 were several lines of credit totaling $2,025,000 of which LEDC guaranteed 71%. The amount drawn down on the lines of credit at June 30, 1999 was $470,253 of which LEDC guaranteed $329,177.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

5. ACCRUAL FOR LOSSES ON LOAN GUARANTEES - CONTINUED

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

Balance, July 1, 1998	$1,819,708
Provision charged to expense	1,181,341
Charge-offs net of recoveries	(736,727)
Balance, June 30, 1999	2,264,322

6. REAL ESTATE OWNED

The balance in real estate owned at June 30, 1999 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, 1999 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.

On April 1, 1998 LEDC entered into a cooperative endeavor agreement with the Terrebonne Parish Government (TPG), wherein TPG will assume responsibility as of April 1, 1998, 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.

7. FIXED ASSETS

Fixed assets which consist solely of furniture, fixtures, and equipment are not reflected in the accompanying balance sheet at June 30, 1999. 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
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

7. FIXED ASSETS - *CONTINUED*

As of and for the year ended June 30, 1999, LEDC had the following activity in its fixed assets:

Balance July 1, 1998	Additions	Deletions	Relocations	Balance June 30, 1999
$73,903	$23,646	$(279)	$(7,335)	$89,935

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 12.3% 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, 1999, 1998 and 1997 were $43,313, $39,910 and $39,519 and were equal to the required contribution for each year.

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, 1999:*

Tommy Vassel	$381
Leon Kahn	293
James Pierson	101
Ben Carson	227
Marsha Goff	567

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

10. 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 $70.20 per space per month. Parking rates are subject to change.

As of June 30, 1999, future minimum building rental payments are as follows for each of the years ended June 30:

2000	$32,307
2001	32,307
2002	13,461
	78,075

For the year ended June 30, 1999, payments made under the lease agreement were $32,307 for office space and $4,212 for parking.

11. PRIVATIZATION

For the year ended June 30, 1999, LEDC made payments totaling $25,250 for conducting a privatization study for the agency. The study was completed; however, no further action has been taken.

RELATED REPORT

Joel Lanclos, Jr., CPA
Russell J. Stelly, CPA
Chizal S. Fontenot, CPA
James L. Nicholson, Jr., CPA
G. Kenneth Pavy, II, CPA
Darren J. Cart, CPA
Michael A. Roy, CPA

JSDC

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

John S. Dowling, CPA
1904-1984

Retired
Harold Dupre, CPA
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John Newton Stout, CPA
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Dwight Ledoux, CPA
1998

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, 1999, and have issued our report thereon dated September 17, 1999. 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.

99-1. Inadequate Security for Deposits

Condition

Approximately $237,550 of the $21,673,366 of deposits with financial institutions was unsecured at June 30, 1999.

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.

Recommendation

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

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.

This report is intended for the information and use of the Board of Directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

John S. Dowling + Co.

Opelousas, Louisiana
September 17, 1999

SUPPLEMENTARY INFORMATION

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
SUPPLEMENTAL SCHEDULE OF INVESTMENTS
JUNE 30, 1999

	Cost	Valuation By Management
DEBT INVESTMENTS		
Petrochemical Services, Inc. $300,000 secured promissory note, dated August 21, 1998, 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	$99,000	$99,000
Glass Masters, LLC - 14% promissory note, due 10/31/2005	500,000	508,492
P. J.'s Coffee and Tea Company, Inc. - 12% promissory note, due 8/3/2003	200,000	207,502
H. B. Rentals, LC - 12% promissory note, due 8/3/2003	138,462	138,462
Total debt investments	937,462	953,456
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	154,037

Continued on next page.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES
BATON ROUGE, LOUISIANA
SUPPLEMENTAL SCHEDULE OF INVESTMENTS (CONTINUED)
JUNE 30, 1999

	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
Presonus Audio Electronics, Inc. - 101,828 shares of common stock	101,828	101,828
Hirel Holding, Inc. - 3,592 shares of common stock		
US Agencies, Inc. - 250,000 shares of common stock	250,000	1,250,000
Presonus Audio Electronics, Inc. - 2,040 shares of Series A preferred stock	175,000	20,400
Professional Employer Services, Inc. - 60 shares of Series D convertible preferred stock	666,666	666,666
73.2 shares of Series E convertible preferred stock	50,000	50,000
Total equity investments	10,016,766	12,035,615
Total investments	10,954,228	12,989,071

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Louisiana Economic Development Corporation as of and for the year ended June 30, 1999, and have issued our report thereon dated September 17, 1999. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The year 2000 supplementary information on page 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Louisiana Economic Development Corporation is or will become year 2000 compliant, that Louisiana Economic Development Corporation's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Louisiana Economic Development Corporation does business are or will become year 2000 compliant.

John S. Dowling + Co.

Opelousas, Louisiana
September 17, 1999

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

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
YEAR 2000 REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 1999

The Information Systems Department of the Department of Economic Development has upgraded LEDC's internal hardware computer systems for year 2000 compliance. Financial Accounting Systems, the manufacturer of LEDC's accounting software, has represented to LEDC that the software is year 2000 compliant. LEDC has received information from many of their financial institutions that extensive testing under state and federal guidelines has been performed and is still currently being performed. LEDC also has cash held in the state treasury. The state treasury issued a September, 1999 phase percent completion report indicating that the planning and assessment efforts relating to the year 2000 have been completed. The majority of correction, testing and implementation has been performed; however, the state treasury is currently working on these stages. The Department of Economic Development inputs all of LEDC's cash receipts and disbursements into the Integrated Statewide Information Systems (ISIS) program, which is the accounting program for the majority of state programs. The office of Statewide Information Systems (OSIS) implemented the final phase of year 2000 upgrades for the ISIS program in January, 1999. OSIS has tested and will continue to test all ISIS subsystems until January 1, 2000. However, contingency plans are being worked on in the event of unforeseen problems.

LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BATON ROUGE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 1999

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

98-1 Inadequate Security for Deposits

Corrective action taken. Security for deposit at financial institution was obtained subsequent to year end.

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

N/A

SECTION III - MANAGEMENT LETTER

98-2 Documentation Deficiencies

Corrective action taken.

State of Louisiana

DEPARTMENT OF ECONOMIC DEVELOPMENT
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION

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

Kevin P. Reilly
Secretary

CORRECTIVE ACTION PLAN

September 17, 1999

Louisiana Legislative Auditor
Baton Rouge, LA 70804

Louisiana Economic Development Corporation of Baton Rouge, Louisiana respectfully submits the following corrective action plan for the year ended June 30, 1999.

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

Audit period: Year ended June 30, 1999

FINDINGS-FINANCIAL STATEMENT AUDIT

Noncompliance

99-1 Inadequate Security for Deposits

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

FINDINGS-FEDERAL AWARD PROGRAMS AUDIT

N/A

FINDINGS-MANAGEMENT LETTER

N/A

Sincerely yours,

Dennis A. Manshack
Executive Director
Louisiana Economic Development Corporation

DAM/pbn

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AN EQUAL OPPORTUNITY EMPLOYER