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LOUISIANA TRANSIT COMPANY, INC.

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Years Ended December 31, 2005 and 2004

LOUISIANA TRANSIT COMPANY, INC.

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December 31, 2005 and 2004

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Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Louisiana Transit Company, Inc.
Metairie, Louisiana

We have audited the accompanying balance sheets of Louisiana Transit Company, Inc. (an S corporation), as of December 31, 2005 and 2004 and the related statements of income and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. 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 audits 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.

As more fully described in Note 6 to the financial statements, the Company has not determined the cost of its defined benefit pension plan in accordance with U.S. generally accepted accounting principles, which require the cost of employees' pensions to be recognized over the employees' respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. In addition, information necessary to provide certain required disclosures with regard to the Company's defined benefit plan was not available. The effects of these departures on the financial statements are not reasonably determinable.

In our opinion, except for the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Transit Company, Inc., as of December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's contract with its sole customer was effectively terminated as of March 31, 2006. Management has indicated it plans to wind down the Company's affairs sometime after March 31, 2006. The financial statements do not include any adjustments that might result from any unanticipated consequences of the liquidation of the Company.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2006, on our consideration of Louisiana Transit Company, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 15 is presented for the purpose 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, except for the effects on employee pension costs as explained in the third paragraph of our report on page 1 and the uncertainty described in the first paragraph above, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
February 24, 2006

LOUISIANA TRANSIT COMPANY, INC.

BALANCE SHEETS

December 31, 2005 and 2004

ASSETS

	2005	2004
CURRENT ASSETS		
Cash	$ 621,214	$ 410,704
Certificate of deposit	100,000	100,000
Excise tax refund receivable	8,739	20,110
Other receivables	50,012	5,846
Accounts receivable - Jefferson Parish	122,135	120,845
Accrued interest receivable	1,636	1,250
Fuel inventory	5,069	6,464
Prepaid expenses	560,628	1,003,812
Deposits	596	0
TOTAL CURRENT ASSETS	1,470,029	1,669,031
OTHER ASSETS		
Deposits	0	596
	$ 1,470,029	$ 1,669,627

See Notes to the Financial Statements.

LOUISIANA TRANSIT COMPANY, INC.

BALANCE SHEETS - CONTINUED

December 31, 2005 and 2004

LIABILITIES AND STOCKHOLDERS' EQUITY

	2005	2004
CURRENT LIABILITIES		
Accounts payable - trade	$ 60,238	$ 149,168
Accrued expenses	206,260	220,800
Notes payable	555,792	759,997
Refundable deposits	-	2,000
Reserve for tokens	6,882	0
TOTAL CURRENT LIABILITIES	829,172	1,131,965
LONG-TERM LIABILITIES		
Reserve for tokens	0	8,000
	829,172	1,139,965
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock, par value $100; 5,000 shares authorized, 1,750 shares issued and outstanding	175,000	175,000
Retained earnings	465,857	354,662
	640,857	529,662
	$ 1,470,029	$ 1,669,627

LOUISIANA TRANSIT COMPANY, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS
For the Years Ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUES	$ 1,924,479	$ 2,677,812
DIRECT COSTS	3,454,925	3,532,610
GROSS PROFIT (LOSS)	(1,530,446)	(854,798)
GENERAL AND ADMINISTRATIVE EXPENSES	1,725,747	2,242,666
OPERATING LOSS	(3,256,193)	(3,097,464)
OPERATING SUBSIDY	2,976,836	2,810,578
	(305,755)	(286,886)
OTHER INCOME (EXPENSES)		
Management fees	441,815	426,019
Other income	1,237	1,250
	443,052	427,269
NET INCOME	163,695	140,383
RETAINED EARNINGS AT BEGINNING OF YEAR	354,662	319,279
DISTRIBUTIONS TO STOCKHOLDERS	(52,500)	(105,000)
RETAINED EARNINGS AT END OF YEAR	$ 465,857	$ 354,662

See Notes to the Financial Statements.

LOUISIANA TRANSIT COMPANY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income	$ 163,695	$ 140,383
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Decrease (increase) in operating assets		
Accounts receivable - other/excise tax	11,371	(2,401)
Accounts receivable - Jefferson Parish	(1,290)	(26,633)
Other receivables	(44,166)	26,088
Accrued interest receivable	(386)	0
Fuel inventory	1,394	(4,088)
Prepaid expenses	443,184	12,704
Increase (decrease) in operating liabilities		
Accounts payable	(88,930)	82,662
Accrued expenses	(14,540)	(65,118)
Reserve for tokens	(1,117)	(6,837)
Refundable deposits	(2,000)	(6,837)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	467,215	156,760

See Notes to the Financial Statements.

LOUISIANA TRANSIT COMPANY, INC.

STATEMENTS OF CASH FLOWS - CONTINUED

For the Years Ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Net reduction in notes payable to fund insurance premiums	$ (204,205)	$ (40,003)
Dividend distributions to stockholders	(52,500)	(105,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(256,705)	(145,003)
NET INCREASE (DECREASE) IN CASH	210,510	11,757
CASH AT BEGINNING OF YEAR	410,704	398,947
CASH AT END OF YEAR	$ 621,214	$ 410,704

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2005	2004
Cash paid during the year for:		
Interest expense - financing of insurance premiums	$ 18,962	$ 17,605
Income taxes	0	0

LOUISIANA TRANSIT COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2005 and 2004

NOTE 1 - BUSINESS ACTIVITY/PLANS TO LIQUIDATE

Business Activity/Plans to Liquidate

The Company's operations consist of managing and operating mass transit facilities and operations for the East Bank of the Parish of Jefferson, Louisiana. The Company operates under a contract with the Parish of Jefferson, Louisiana (the Parish), to provide these services (See Note 7). The Company's contract with Jefferson Parish, its sole customer, was set to expire on December 31, 2005. An extension was granted until March 31, 2006, but the Company's contract will effectively terminate thereafter. As a result, management has indicated that the Company would wind down its affairs and liquidate sometime after March 31, 2006.

The winding down of Company affairs is expected to include the termination of Company contracts and obligations, including its pension plans and the collective bargaining agreement. Management plans to liquidate all assets and payoff creditors, file all regulatory reports and income tax returns, and eventually distribute dividends to shareholders of any remaining net assets. The notes to the financial statements include additional specific information regarding management's plans.

Basis of Accounting/Significant Estimates

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. In some situations, generally accepted accounting principles require that financial statements of companies for which liquidation appears imminent, be presented on a liquidation basis, which presents assets at amounts expected to be realized in liquidation and liabilities at amounts expected to be paid to creditors. Management has determined that the going concern basis remains appropriate at December 31, 2005 due to the continuation of normal operations through March 31,2006, and their estimate that there are no material differences in the carrying amounts of assets and liabilities at December 31, 2005 on a going concern basis versus on a liquidation basis. It is at least reasonably possible that management's estimate of the effects on the December 31, 2005 financial statements with regard to its plan for liquidation will change in the near term due to unanticipated future events, and the effects of any such changes could be material.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary is presented to assist in understanding Louisiana Transit Company, Inc. (the Company's), financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform with U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The presentation of financial statements in conformity with U.S. 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.

Receivables

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account. No allowances were established at December 31, 2005 and 2004, because all accounts receivable were considered to be collectible. The Company generally does not require collateral regarding receivables.

Inventory

The Company's inventory of fuel is stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Property, plant and equipment used by the Company are owned by the Parish, and are not included on the Company's balance sheet.

Reserve for Tokens

The Company recognizes a liability for tokens sold but not redeemed. The Company periodically recognizes income for the estimated value of tokens sold that management believes will not be redeemed for use. The Company recognized $6,882 and $8,000 of such revenues in 2005 and 2004, respectively. Any remaining liability at March 31, 2006, the date the Company will cease operations, will be recognized as revenue.

Advertising Costs

Advertising costs are expensed as incurred. In 2005 and 2004, the Company recognized $257 and $332, respectively, of such costs which are included in general and administrative expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows

The Company considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 3 - OFF BALANCE SHEET RISK

Carrying amounts of the Company's deposits (checking accounts and certificate of deposit) were $721,214 and $510,704, and the bank balances were $745,284 and $623,508 at December 31, 2005 and December 31, 2004, respectively. Of the bank balances, $195,172 and $189,527 was covered by federal depository insurance and $550,112 and $433,981 were uninsured and uncollateralized at December 31, 2005 and December 31, 2004, respectively.

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following at December 31, 2005 and 2004.

Note payable of $555,792 at December 31, 2005 to First Insurance Funding Corporation bearing interest at 6.30 percent. The Company was scheduled to make nine monthly payments of principal and interest totaling $63,387 beginning January 31, 2006 with a final payment due September 30, 2006. The note is unsecured and the proceeds were used to pay for certain 2006 insurance premiums. As of March 31, 2006, the Company plans to eliminate the vast majority of its insurance coverage for the remainder of the year, which will substantially reduce the amount of this note, and also result in a corresponding reduction and/or refund of the prepaid insurance balance at December 31, 2005.

Note payable of $759,997 at December 31, 2004 to First Insurance Funding Corporation bearing interest at 5.95 percent. The Company made nine monthly payments of principal and interest totaling $86,551 beginning January 31, 2005, with a final payment due September 30, 2005. The note was unsecured and the proceeds were used to pay for certain 2005 insurance premiums.

NOTE 5 - INCOME TAXES

The Company elected by unanimous consent of its stockholders to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal and state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

NOTE 6 - EMPLOYEE BENEFIT PLANS

The Company has two employee benefit plans as follows:

A.T.U. Pension Plan

The A.T.U. Pension Plan (a defined contribution money purchase pension plan) provides coverage for all hourly employees who have attained the age of 20½ years and are employed by the Company on January 1 of each year. Employees are 100 percent vested after 5 years. The employer and employee contributions are mandatory based upon the Employee Collective Bargaining Agreement. Employee contributions were 7 percent of gross pay for 2005 and 2004. Employer contributions were 13 percent of gross pay for 2005 and 2004. The Company's contributions totaled $240,694 and $263,007 for 2005 and 2004, respectively. In conjunction with plans to wind down the Company's affairs (See Note 1), management plans to terminate the plan or merge it into a successor plan during 2006.

Employee Benefit Plan for Salaried Employees

The Employee Benefit Plan for Salaried Employees (a defined benefit plan) provided retirement and disability benefits for all employees not covered under the A.T.U. Pension Plan who attained the age of 21 years and who had been employed by the Company for one year. Benefits accrued evenly over all years of participation at a rate of 2 percent of compensation per year up to a maximum benefit of 40 percent of compensation plus 2 percent of average compensation for each year of service from January 30, 1991, to actual retirement, up to a maximum of 20 years. The Plan was amended in 2002 to be in compliance with ERISA and Department of Labor requirements. The Company terminated the plan as of January 29, 2006, and the Company's actuarial consultants have indicated that the plan assets are sufficient to cover plan liabilities as of the termination date.

The amount of employer contributions, $151,256 and $155,360 in 2005 and 2004, respectively, were computed by plan actuaries using the methods of accruing benefits as described above.

The Company is required under U.S. generally accepted accounting principles to implement Statement of Financial Accounting Standards No. 87, Statement of Financial Accounting Standards No. 132 and Statement of Financial Accounting Standards No. 132(R), with regard to the defined benefit plan described above. Under SFAS 87 the annual costs of providing for employees' pensions is to be recognized over the employees' respective service periods, and a liability is to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. In some instances, a pension plan asset is to be recognized when the fair value of plan assets exceeds the accumulated benefit obligation. Additionally, SFAS 87, SFAS 132 and SFAS 132(R) require certain disclosures

NOTE 6 - EMPLOYEE BENEFIT PLANS - Continued

regarding details on assets, obligations, cash flows, net periodic benefit costs and certain activities within the plan. Actuarial methods utilized by the Company's actuary did not conform to methods prescribed by SFAS 87, SFAS 132 and SFAS 132(R) and, as such, the information necessary for implementation of SFAS 87, SFAS 132 and SFAS 132(R) was not available. The effects of these departures from U.S. generally accepted accounting principles are therefore not reasonably determinable.

NOTE 7 - OPERATING SUBSIDY

On December 29, 1997, the Company signed a contract with the Parish to provide management services and facilities to operate the transit system for the East Bank of Jefferson Parish for the period January 1, 1998 through December 31, 2001. On September 24, 2001, the Company renewed its contract with Jefferson Parish to operate the transit system on essentially the same terms through December 31, 2005. The contract was extended through March 31, 2006, but was effectively terminated thereafter (See Note 1).

Under these contracts, all revenues derived from operations are the property of the Parish, and reimbursements of most operating expenses are limited to predetermined maximum (budgeted) amounts. Insurance, bus parts and supplies, and fuel costs are fully reimbursed by the Parish, and certain expenses such as salaries and fringe benefits of management personnel are not reimbursed, as they are considered to be compensated through management fees paid to the Company. In addition, the Company receives an incentive fee of 10 percent of the difference between actual expenses incurred and related budgeted expenses included in the contract in the event that the actual expenses are less than budgeted amounts during the contract periods.

The contract also contains deductive/additive factors which allow the Parish to appropriately reduce/increase the budget in the event of a reduction/increase in the actual service hours provided by the Company. Accordingly, the Company decreased its operating budget by a deductive factor of $41.07 per hour, for service hours less than 88,000 during the year ended December 31, 2005 and the Company decreased its operating budget by a deductive factor of $39.62 per hour for service hours less than 88,000 during the year ended December 31, 2004 During 2005, the Company operated the buses for 67,533 hours, resulting in a budget deduction of $840,580. During 2004, the Company operated the buses for 86,088 hours, resulting in a budget deduction of $75,754.

The Company received management fees of $441,815 and $426,019 in 2004.

NOTE 7 - OPERATING SUBSIDY (Continued)

Incentive fees earned for the years ended December 31, 2005 and 2004, were $19,737 and $15,811, respectively.

Operating subsidies earned during the years ended December 31, 2005 and 2004, totaled $2,976,836 and $2,810,578, respectively, exclusive of the monthly management fees noted above.

NOTE 8 - COMMITMENTS

The Company has executed an irrevocable standby letter of credit in favor of Jefferson Parish for a maximum amount of $100,000 at December 31, 2005 and 2004, in lieu of obtaining a performance bond for the management contract. The letter of credit is secured by a certificate of deposit in the amount of $100,000 which is being held by the issuing bank. On December 31, 2005, the letter of credit expired and was not renewed.

NOTE 9 - COLLECTIVE BARGAINING AGREEMENT

The Company operates under a collective bargaining agreement with Amalgamated Transit Union, Division 1535 (Union). From February 2002 through January 31, 2006, union workers are entitled to a 4 percent wage increase each year after their first year, and a 13 percent pension contribution to be made by the Company each year through January 31, 2006. As of December 31, 2005 and 2004, 85 percent of the work force was employed under this agreement. The collective bargaining agreement was extended until March 31, 2006 and was not renewed for periods thereafter due to the non-renewal of the contract with Jefferson Parish (See Note 1).

NOTE 10 - RELATED-PARTY TRANSACTIONS

At December 31, 2005 and 2004, $122,135 and $120,845 was due from Jefferson Parish relating to the operating subsidy, respectively.

SUPPLEMENTAL INFORMATION

LOUISIANA TRANSIT COMPANY, INC.

SCHEDULES OF REVENUES AND EXPENSES

For the Years Ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUES		
Sales	$ 1,919,137	$ 2,677,062
Other	5,342	750
	$ 1,924,479	$ 2,677,812
DIRECT COSTS		
Fuel	$ 454,991	$ 437,224
Tires	2,845	1,889
Salaries and wages	1,640,176	1,578,667
Employee benefits	257,852	280,731
Lubrication	12,820	13,381
Insurance	919,453	1,066,764
Interest - insurance financing	18,962	17,605
Repairs and maintenance	147,826	136,349
	$ 3,454,925	$ 3,532,610
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries - officers	$ 194,820	$ 191,000
Salaries - other	322,107	683,879
Advertising	257	332
Automobile and truck expenses	4,778	2,667
Conventions	469	1,006
Contributions	900	2,100
Dues and subscriptions	549	2,909
Employee pension costs	421,700	425,734
Insurance - group health and life	414,223	546,885
Insurance - other	39,927	23,493
Legal and professional	43,295	44,812
Maintenance and repairs	29,101	31,253
Miscellaneous	12,683	17,520
Office	7,619	14,289
Printing	8,617	18,439
Safety material	5,521	5,928
Taxes - payroll	205,442	217,142
Taxes - other	4,352	5,338
Utilities and telephone	5,303	5,552
VIP passes	4,084	2,388
	$ 1,725,747	$ 2,242,666

LOUISIANA TRANSIT COMPANY, INC.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Year Ended December 31, 2005

LOUISIANA TRANSIT COMPANY, INC.

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

To the Board of Directors & Stockholders
Louisiana Transit Company, Inc.
Metairie, Louisiana

We have audited the basic financial statements of Louisiana Transit Company, Inc. (the Company), as of and for the year ended December 31, 2005, and have issued our report thereon dated February 24, 2006. Our opinion was qualified as explained in paragraphs 3 and 4 of our report. We conducted our audit in accordance with U.S. 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 Company's 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial

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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 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 of management, the Jefferson Parish Council, and the U.S. Department of Transportation. However, this report is a matter of public record and its distribution is not limited.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
February 24, 2006

Kushner LaGraize, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors & Stockholders
Louisiana Transit Company, Inc.
Metairie, Louisiana

Compliance

We have audited the compliance of Louisiana Transit Company, Inc. (the Company), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Company's compliance with those requirements.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

In our opinion, the Company complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Company is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Company's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Company as of and for the year ended December 31, 2005, and have issued our report thereon dated February 24, 2006. Our opinion was qualified as explained in paragraphs 3 and 4 of our report. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

This report is intended for the information of management, Jefferson Parish Council, and the U.S. Department of Transportation. However, this report is a matter of public record and its distribution is not limited.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
February 24, 2006

LOUISIANA TRANSIT COMPANY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2005

Federal Grantor/Pass Through Grantor/Program Title	***Federal CFDA Number***	***Grant Number***	***Federal Expenditures***
U.S. Department of Transportation			
Passed through Jefferson Parish Council Jefferson Parish, Louisiana Federal Transit Formula Grant	20.507	LA-90-X278	$1,338,033

LOUISIANA TRANSIT COMPANY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2005

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Louisiana Transit Company, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LOUISIANA TRANSIT COMPANY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the financial statements of Louisiana Transit Company, Inc.

2. No reportable conditions relating to the audit of the financial statements are reported in the ***Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***.

3. No instances of noncompliance material to the financial statements of Louisiana Transit Company, Inc. were disclosed during the audit.

4. No reportable conditions relating to the audit of the major federal award program are reported in the ***Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Expenditures of Federal Awards.***

5. The auditors' report on compliance for ***Federal Transit Formula Grant*** expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award program for Louisiana Transit Company, Inc.

7. The program tested as a major program included the ***Federal Transit Formula Grant—CFDA #20.507.***

8. The threshold for distinguishing types A and B programs was $500,000.

9. Louisiana Transit Company, Inc., was determined to be a low-risk auditee.

FINDINGS — FINANCIAL STATEMENTS AUDIT

None.

FINDINGS AND QUESTIONED COSTS — MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

LOUISIANA TRANSIT COMPANY, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2005

There are no prior findings on which to report the status.