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FINANCIAL STATEMENTS AND AUDITOR'S REPORT

CANAL STREET DEVELOPMENT CORPORATION

(A component unit of the City of New Orleans, Louisiana)

For the years ended December 31, 1999 and 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 08-16-00

PAILET, MEUNIER and LeBLANC, L.L.P.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

CANAL STREET DEVELOPMENT CORPORATION

(A component unit of the City of New Orleans, Louisiana)

For the years ended December 31, 1999 and 1998

CONTENTS

PAILET, MEUNIER and LeBLANC, L.L.P.
Certified Public Accountants
Management Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Canal Street Development Corporation

We have audited the accompanying statements of financial position of Canal Street Development Corporation, a component unit of the City of New Orleans, State of Louisiana, a nonprofit organization under Internal Revenue Service Code Section 501 (c) (3), as of and for the years ended December 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization'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 *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 resonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Canal Street Development Corporation, a component unit of the City of New Orleans, State of Louisiana, as of December 31, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2000, on our consideration of Canal Street Development Corporation'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.

Pailet, Meunier & LeBlanc, L.L.P

New Orleans, Louisiana
May 4, 2000

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CANAL STREET DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 1999 and 1998

	1999	1998
ASSETS		
CURRENT ASSETS		
Cash	$ 895,910	$ 431,902
Accounts Receivable	356,442	496,103
Note Receivable - Primary Government	216,250	201,250
Due From Primary Government	1,328,924	927,189
Total Current Assets	2,797,526	2,056,444
OTHER ASSETS		
Note Receivable - 800 Canal Street	4,626,250	4,842,500
Certificate of Deposit (Restricted)	0	1,000,000
Total Other Assets	4,626,250	5,842,500
FIXED ASSETS		
Land	896,124	896,124
Building	8,057,509	8,057,509
Leasehold Improvements	386,318	386,318
	9,339,951	9,339,951
Less Accumulated Depreciation	(1,015,010)	(793,965)
Total Fixed Assets	8,324,941	8,545,986
Total Assets	$ 15,748,717	$ 16,444,930

The accompanying notes are an integral part of the financial statements.

CANAL STREET DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 1999 and 1998

LIABILITIES AND NET ASSETS

	1999	1998
CURRENT LIABILITIES		
Accounts Payable	$ 5,761	$ 3,200
Security Deposit Payable	3,500	3,500
Note Payable - Bank One	24,670	146,949
Accrued Liabilities	9,740	4,870
Note Payable - Primary Government	216,250	201,250
Deferred Rent	8,800	0
Total Current Liabilities	268,721	359,769
LONG-TERM LIABILITIES		
Note Payable - Primary Government	0	1,000,000
Note Payable - Primary Government	4,626,250	4,842,500
Total Long-Term Liabilities	4,626,250	5,842,500
NET ASSETS		
UNRESTRICTED	2,528,805	1,696,675
TEMPORARILY RESTRICTED	8,324,941	8,545,986
Total Net Assets	10,853,746	10,242,661
Total Liabilities and Net Assets	$ 15,748,717	$ 16,444,930

The accompanying notes are an integral part of the financial statements.

CANAL STREET DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
UNRESTRICTED NET ASSETS		
Support Services	1,530,903	1,072,178
Investment Income	46,530	52,407
Net Assets Released from Restriction:		
Expiration of Time Restrictions	221,045	217,715
Total Unrestricted Net Assets	1,798,478	1,342,300
EXPENSES		
PROGRAM EXPENSES:		
Consulting Fees	11,000	12,000
Depreciation Expense	221,045	217,715
Interest Expense	334,065	344,191
Land Lease - Mercier	89,741	88,088
Base Rent	165,564	0
Capital Improvements Expense	14,000	0
Professional Fees	34,599	23,971
Total Program Expenses	870,014	685,965
SUPPORT SERVICES:		
Administrative	416	768
Employee Benefits	13,121	14,147
Miscellaneous	0	182
Office Rent	4,870	4,870
Office Supplies	1,250	2,714
Payroll Taxes	4,875	4,894
Parking	3,165	4,056
Real Estate Taxes	7,554	11,041
Salaries	60,854	61,126
Telephone	229	335
Total Support Services	96,334	104,133
Increase (Decrease) in Unrestricted Net Assets	$ 832,130	$ 552,202

(Continued)

The accompanying notes are an integral part of the financial statements.

CANAL STREET DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
Temporarily Restricted Net Assets		
Net Assets released from restrictions		
Expiration of time restriction	$ (221,045)	$ (217,715)
Increase (Decrease) in Temporarily Restricted Net Assets	(221,045)	(217,715)
Increase in Net Assets	611,085	334,487
Net Assets at Beginning of Year	10,242,661	9,908,174
Net Assets at End of Year	$ 10,853,746	$ 10,242,661

The accompanying notes are an integral part of the financial statements.

CANAL STREET DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1999 and 1998

	1999	1998
Cash Flows From Operating Activities:		
Increase in Net Assets	$ 564,555	$ 282,080
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation Expense	221,045	217,715
(Increase) Decrease in Operating Assets:		
Accounts Receivable	139,661	164,472
Due from Primary Government	(416,735)	(228,872)
Note Receivable - Primary Government	216,250	(17,917)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	2,561	(91,270)
Accrued Liabilities	4,870	4,870
Deferred Rent	8,800	(5,225)
Due to Primary Government	(1,201,250)	(183,333)
Certificate of Deposit	1,000,000	0
Total adjustments	(24,798)	(139,560)
Net Cash Provided (Used) by Operating Activities	539,757	142,520
Cash Flow From Investing Activities:		
Cash Payments for the Purchase of Property	0	(259,601)
Short-term investments, net	46,530	52,407
Net Cash Provided (Used) by Investing Activities	46,530	(207,194)
Cash Flow From Financing Activities:		
Proceeds From Issuance of Long-Term Debt	0	146,949
Principal Payments on Other Long-Term Debt	(122,279)	0
Net Cash Provided (Used) by Financing Activities	(122,279)	146,949
Net Increase (Decrease) in Cash and Equivalents	464,008	82,275
Cash and Equivalents, Beginning of Year	431,902	349,627
Cash and Equivalents, End of Year	$ 895,910	$ 431,902
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest Expense	$ 334,065	$ 344,191

The accompanying notes are an integral part of the financial statements.

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Canal Street Development Corporation ("Organization" or "CSDC") is a nonprofit, public benefit corporation which was formed on August 8, 1989 under the Internal Revenue Code section 501 (c) (3) . The Organization's main assets consist of the donation of the building known as the D.H. Holmes building located in the 800 block of Canal Street, New Orleans, Louisiana ("Building"), the real property known as the D.H. Holmes annex, and a parking garage. The Building was developed into the Chateau Sonesta Hotel ("Hotel") comprised of separate dwelling units and commercial retail space, and the D.H. Holmes annex was developed into an 87-unit apartment complex. The Organization was established for the sole and exclusive purpose of stimulating business development in the Central Business District and the adaptive reuse and development of Canal Street for commercial purposes. This objective is currently being met through renovations and the leasing of donated real estate. Canal Street Development Corporation is a proprietary activity which is reported as a component unit in the separate financial statements of the City of New Orleans, Louisiana. The Organization's Board of Directors is comprised of two Councilmen from the City Council and other Board Members that are appointed by the Mayor of the City of New Orleans, Louisiana.

BASIS OF ACCOUNTING

The Organization uses the accrual basis of accounting.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Organziation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net asets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CONTRIBUTIONS

The Organization adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made* in 1995. In accordance with SFAS No. 116, contributions received

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS - CONTINUED

are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under SFAS No. 116, donor restricted contributions previously unreported are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. CSDC's fixed assets are temporarily restricted by the act of the donation agreement between D. H. Holmes and the Organization. The agreement states that the donee transferred title exclusively for public purposes. These include maintenance of the property, promotion of social welfare, combatting community deterioration, increasing employment opportunities, increasing tourism and enhancing tourist amenities on Canal Street, and preserving and improving the historic and unique aesthetic quality of the Canal Street area. Property and equipment are depreciated using the straight-line method over a term of thirty-nine (39) years.

FINANCIAL STATEMENT PRESENTATION

In 1995, the Organziation elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations.* Under SFAS No. 117, the Organization is required to report information regarding its financial position and

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION - CONTINUED

activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a Statement of Cash Flows. As permitted by this new statement, the Organization has discontinued its use of fund accounting, and has accordingly, reclassified its financial statements to present the three classes of net assets required.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The certificate of deposit and corresponding note payable to the City of New Orleans, as of December 31, 1998, is further described in Note 4 - Security Agreement by CSDC and Contingent Liability.

NOTE 2 - RETIREMENT PLAN

All of Canal Street Development Corporation's work force are employed by the City of New Orleans, Louisiana. These employees are covered under the retirement plan of the City of New Orleans, Louisiana. The Organization receives no benefits nor has any obligations relating to this plan.

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS

The property on which the project is constructed, designated as the "D.H. Holmes Property", was donated to CSDC. This property was subsequently leased to Historic Restoration Inc. ("HRI") originally under one lease and later amended into separate leases, for the purpose of developing residential apartments, a first-class hotel and a parking garage to serve the public. The original lease and the hotel and apartment's seven lease amendments have been approved by the Council of the City of New Orleans.

The separate leases signed by and between CSDC (Landlord) and HRI include: (1) Seventh Amendment and Restatement of Apartments Lease Agreement dated March 30, 1994, (2) the Sixth Amendment and Restatement of Hotel Lease dated September 15, 1993, as amended by First Amendment to Sixth Amendment and Restatement of Hotel Lease Agreement dated May 6, 1997, (3) The Hotel Parking Lease dated September 15, 1993, as amended by First Amendment to Hotel Parking Lease dated May 6, 1997, and (4) the Apartments Parking Lease dated September 15, 1993, as amended by First Amendment and Restatement to Apartments Parking Lease.

On March 30, 1994, HRI assigned and transferred the leased premises mentioned in the Seventh Amendment and Restatement of Apartment Lease Agreement to 800 Iberville Street Limited Partnership ("Iberville").

HRI assigned and transferred the leased premises mentioned in the Sixth Amendment and Restatement of Hotel Lease (hereinafter referred to as the "Hotel Lease" to the 800 Canal Street Limited Partnership. Additionally, 800 Canal Street Limited Partnership assigned and transferred the leased premises mentioned in the First Amendment to the Hotel Parking Lease to Sonesta Louisiana Hotel Corporation, who then assigned the leased premises to HRI Parking Corporation.

<u>APARTMENTS LEASE</u>

The terms of the Apartments Lease assigned to 800 Iberville Street Limited Partnership are as follows:

The term of the Apartments Lease is effective December 1, 1989, the Lease Commencement Date, and ends 99 years thereafter.

(1) <u>Fixed Rent:</u> Commencing with the Rental Commencement Date (Decemeber 1, 1994) and continuing until the end of the term, tenant shall pay a fixed minimum rent to CSDC on a monthly basis as follows:

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

Apartments Lease - Continued

(a) Year one - $32,400 for the year.

(b) Years two through the expiration or termination of the lease, Fixed Rent shall be adjusted annually (but not decreased) commencing on the first anniversary of the Rental Commencement Date in accordance with the CPI Adjustment and Fixed Rent Appraisal provisions of the Apartments Lease.

(c) Year sixteen (16) and every 10 years thereafter, Fixed Rent is tied to Market Value by appraisal.

(2) Percentage Rent: Commencing with Year Six, a percentage rent is due in the amount of six (6%) percent of gross income as defined in the Apartments Lease, in excess of $1,125,000 (the "Percentage Rent Threshold Level"). For the years ended Decemeber 31, 1999 and 1998, no percentage rents were received by CSDC.

(3) Additional Rent: Commencing January 21, 1993, CSDC was to receive two-thirds (2/3) of all monies received as percentage rental from third parties. For the years ended December 31, 1999 and 1998, CSDC collected no percentage rent from third parties.

(4) Base Commercial Rent Participation: Commencing January 21, 1993, thirty (30%) percent of any base or fixed commercial rent paid by any commercial tenant is due to CSDC. For the years ended December 31, 1999 and 1998, no Base Commercial Rent Participation was received by CSDC.

(5) Air Rights Rent: CSDC is entitled to receive in advance Landlord Air Rights Rent in the amount of $5,700 per annum, commencing on the Rental Commencement Date (December 1, 1994). Beginning Decemeber 1, 2000, the rent will increase by 15% every five years. For the years ended December 31, 1999 and 1998, $5,700 of Air Rights Rent was received by CSDC.

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

Apartments Lease - Continued

(6) Landlord Administrative Expense (LAE): The Landlord shall receive a certain minimum amount of annual revenue for Landlord Administrative Expenses. LAE shall not be payable in addition to any rent unless the sum of such annual rent payments total less than $12,000 per year, or unless there is an event of foreclosure.

Hotel Lease

The terms of the Hotel Lease between CSDC and 800 Canal Street Limited Partnership ("Partnership") are as follows:

The term of the Hotel Lease is for ninety-nine (99) years and is effective as of December 1, 1989, the Lease Commencement Date.

(1) Fixed Rent: Commencing with the Rental Commencement Date (December 1, 1994) and continuing until the end of the term, tenant shall pay a fixed minimum rent to the Landlord on a monthly basis as follows:

(a) Year one - $259,200 for the year

(b) Years two through the expiration or termination of the lease, Fixed Rent shall be adjusted annually (but not decreased) commencing on the first anniversary of the Rental Commencement Date in accordance with the CPI Adjustment and Fixed Rent Appraisal provisions of the Hotel Lease.

(c) Year sixteen (16) and thereafter, Fixed Rent is tied to Market Value by appraisal. The Hotel will be appraised every ten (10) years.

(d) Reduction in monthly Fixed Rent equal to one-half (1/2) of the monthly base rent payable to Mercier Realty & Investment Company under the lease known as the "Corner Lot Lease."

(2) Percentage Rent: Commencing with Year Six, a percentage rent in the amount of six (6%) percent of gross income as defined in the Hotel Lease, in excess of $6,500,000 (the "Percentage Rent Threshold Level"). For the years ended December 31, 1999 and 1998, no percentage rent was received by CSDC.

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

Hotel Lease - Continued

The Percentage Rent Threshold Level may be increased after Year Six, but only after Fixed Rent has exceeded $390,000. The method for recalculating the Percentage Rent Threshold Level is detailed in the Hotel Lease.

(3) Additional Rent: Commencing January 21, 1993, CSDC receives forty-one (41%) of all monies actually received as percentage rental from third parties or as otherwise provided in the lease agreement with such third parties. At December 31, 1999, the Partnership had the following subtenants:

a) Red Fish Grill - operations began on January 15, 1997

b) Orleans Optical - operations began on October 21, 1997

c) Mr. Larry Coiffure Creations - operations began on November 4, 1997

d) Storyville District New Orleans, LLC - operations began on December 29, 1998

e) Magnifique Parfumes and Cosmetics, Inc. - operations began on December 29, 1998

Percentage rent due to or paid to CSDC during 1999 on the above subleases was $172,847.

(4) Revenue Sharing Rent: Revenue Sharing Rent shall only be payable after the earlier to occur of : (a) the payment of the Principal Reduction Payment to Bank One for described loans, or (b) the cancellation or satisfaction of the Bank One loans. The Revenue Sharing Rent will be equal to fifteen (15%) percent of Net Cash Flow (as defined) for the project each quarter. No revenue sharing rent was due as of December 31, 1999 and 1998.

(5) Base Commercial Rent Participation: Commencing January 21, 1993, forty-one (41%) percent of all monies actually received by Tenant as a result of any base or fixed commercial rent paid to the Partnership by any commercial subtenant, after the deduction of (a) the Commercial Space Expense, and (b) the Tenant Participation Fee, as defined, is due from the Partnership. Except as provided

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

herein, Base Commercial Rent participation shall be paid within thirty (30) days after such base commercial rent is paid by such subtenant to Tenant, and after the appropriate expenses are deducted. This excludes rents paid by the hotel operator to the Partnership.

(6) Air Rights Rent: The Partnership is required to pay CSDC Air Rights Rent in the amount of $330 per month, commencing on the Rental Commencement Date (December 1, 1994). Beginning December 1, 1999, the rent will increase by 15% every five years. For the years ended December 31, 1999 and 1998, $4,109 of air rights rent was received.

(7) Landlord Administrative Expenses (LAE): CSDC shall receive a certain minimum amount of annual revenue for Landlord Administrative Expenses. LAE shall not be payable in addition to any Rent (other than Carrying Cost Rent) unless the sum of such annual Rent payments totals less than $51,000 per year, or unless there is an event of foreclosure under the Subordinating Mortgage.

Subtenant - Red Fish Grill

On August 7, 1996, the Hotel (800 Canal Street Limited Partnership) entered into a Lease with 115 Bourbon, L.L.C. (Red Fish Grill) for the operation of a restaurant, bar, restaurant-related catering and/or other related purposes having a character and quality similar to and consistent with that of the Hotel as of the date of the execution of the Lease, with sales of food and alcoholic beverages primarily on-premises, and the kitchen, office, and support facilities necessary for this use.

The term of the Lease is for forty (40) years and is effective as of January 16, 1997, the Lease Commencement Date.

(1) Fixed Rent: Commencing with the Lease Commencement Date (January 16, 1997) and continuing until the end of the term, tenant shall pay a fixed minimum rent to the Landlord on a monthly basis as follows:

(a) Year one - $12.50 per square foot, or $8,976.92 per Lease period for a total of $116,700 annually.

(b) Years two through ten - $12.50 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

Subtenant - Red Fish Grill (Continued)

(c) Years eleven (11) through fifteen (15) - $15.00 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(d) Years sixteen (16) through twenty (20) - $17.50 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(e) Years twenty-one (21) through twenty-five (25) - $20.00 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(f) Year's twenty-six (26) through thirty (30) - $22.50 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(g) Years thirty-one (31) through thirty-five (35) - $25.00 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(h) Years thirty-six (36) through forty (40) - $27.50 per square foot or 80% of previous lease year's combined Percentage Rent and fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(2) Percentage Rent: As a further inducement for the Landlord's entering into this Lease with Red Fish Grill, the Tenant will pay a Percentage of Gross Receipts (as defined in the Lease) as follows:

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Subtenant - Red Fish Grill (Continued)

Increments of Gross Receipts	Percentage
$0 - $3,000,000	3%
$3,000,001 - $6,000,000	5%
Excess over $6,000,000	4.5%

Gross Receipts will exclude any amounts paid by Storyville District New Orleans, L.L.C. which Storyville District New Orleans, L.L.C. has included in its gross receipts and upon which it has paid rent to the extent required under its separate lease with Landlord.

(3) Operating Costs: The tenant will pay a proportionate share of all costs incurred by the Landlord for management, maintenance or capital improvements to the building.

(4) Real Estate Tax and Insurance Expenses: The tenant will also reimburse the Landlord for a proportionate share of expenses for real estate taxes and insurance paid.

Subtenant - Orleans Optical

On March 26, 1997, the Hotel (800 Canal Street Limited Partnership) entered into a Lease with Orleans Optical, Inc. (Orleans Optical) for the operation of a retail store selling prescription and non-prescription glasses, sunglasses and contact lenses and similar items, and performing optical services such as eye examinations, together with office, and support facilities necessary for this use.

The term of the lease is for ten (10) years with an effective date of October 21, 1997. The Tenant shall have two (2) options to extend the Lease Term for a period of five (5) Lease Years each, upon the terms and conditions set forth below:

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Subtenant - Orleans Optical - (Continued)

(1) Fixed Rent: From and after the Commencement Date, the Tenant shall pay as fixed minimum rent the sum of:

 (a) Years one through five - $29.72 per square foot or $27,192 annually

 (b) Years six through ten - $33.32 per square foot or $30,488 annually

 (c) Option years eleven through fifteen and thereafter - to be calculated at the then prevailing market rate

(2) Percentage Rent Rate: As a further inducement for Landlord's entering into this Lease with Tenant, the Tenant agrees to pay a percentage rent of gross receipts (as defined in the Lease) as follows:

 (a) Years one through five - Six (6%) percent of excess gross receipts over natural break ($453,200)

 (b) Years six through ten - Six (6%) percent of excess gross receipts over natural break ($508,133)

 (c) Option years eleven through twenty - Six (6%) percent of excess gross receipts over natural break (as calculated at extension of Lease terms).

(3) Operating Costs: The tenant will pay a proportionate share of all costs incurred by the Landlord for management, maintenance or capital improvements to the building.

(4) Real Estate Tax and Insurance Expenses: The tenant will also reimburse the Landlord for a proportionate share of expenses for real estate taxes and insurance paid.

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Subtenant - Mr. Larry Coiffure Creations

On September 30, 1997, the Hotel (800 Canal Street Limited Partnership) entered into a Lease with Mr. Larry Coiffure Creations, Inc. (Mr. Larry Coiffure Creations) for the operation of a hair salon providing hair styling and cutting and the sale of products, together with office and support facilities necessary for this use.

The term of the Lease is for five (5) years beginning sixty (60) days following the date on which the Leased Premises are "Ready for Occupancy" which was November 14, 1997. There are no options to extend the Lease.

(1) Fixed Rent: Commencing with the Lease Commencement Date, January 12, 1998 and continuing until the end of the term, Tenant shall pay a fixed minimum rent to the Landlord on a monthly basis as follows:

(a) Year one - $29.88 per square foot or $14,016 annually

(b) Year two - $32.44 per square foot or $15,216 annually

(c) Year three - $35.00 per square foot or $16,416 annually

(d) Year four - $37.56 per square foot or $17,616 annually

(e) Year five - $40.12 per square foot or $18,816 annually

(2) Percentage Rent: As a further inducement for Landlord's entering into this Lease with the Tenant, the Tenant agrees to pay a percentage rent of gross receipts (as defined in the Lease) as follows:

(a) Year one - Six (6%) percent of excess gross receipts over natural break ($233,600)

(b) Year two - Six (6%) percent of excess gross receipts over natural break ($253,600)

(c) Year three - Six (6%) percent of excess gross receipts over natural break ($273,600)

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Subtenant - Mr. Larry Coiffure Creations (Continued)

(d) Year four - Six (6%) percent of excess gross reciepts over natural break ($293,600)

(e) Year five - Six (6%) percent of excess gross receipts over natural break ($313,600)

(3) Operating Costs: The tenant will pay a proportionate share of all costs incurred by the Landlord for management, maintenance or capital improvements to the building.

(4) Real Estate Tax and Insurance Expenses: The tenant will also reimburse the Landlord for a proportionate share of expenses for real estate taxes and insurance paid.

Subtenant - Storyville District New Orleans, L.L.C.

On January 26, 1998, the Hotel (800 Canal Street Limited Partnership) entered into a Lease with Storyville District New Orleans, L.L.C. (Storyville District) for the operation of an entertainment club having a character and quality similar to and consistent with that of the Hotel, featuring live musical performances and/or other entertainment, a bar, or lounge, which may serve food and alcoholic and non-alcoholic beverages and the necessary kitchen, office, and support facilities appropriate for this use.

The term of the Lease is for ten (10) years to commence on May 15, 1998, or the date Tenant opens for business, whichever is sooner ("Commencement Date"). Storyville District actually began operations on December 29, 1998. The Tenant shall have five (5) options to extend the Lease Term for a period of five (5) Lease Years each, upon the terms and conditions set forth hereinafter. In the event the Tenant's Gross Receipts (as defined in the Lease) for the five-year period ending with the twentieth Lease Year (excluding from such five-year period the two Lease Years with the highest and lowest Gross Receipts), are less than $5,500,000 per year on average, the Tenant shall have no further options to renew this Lease, and the Lease shall automatically terminate at the end of the fifteenth Lease Year.

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Subtenant - Storyville District New Orleans, L.L.C.

(1) Fixed Rent: Commencing with the Lease Commencement Date, May 15, 1998, and continuing until the end of the term, tenant shall pay a fixed minimum rent to the Landlord on a monthly basis as follows:

(a) Years one through three - $16.00 per square foot or $12,485 per lease period, for a total of $162,305 annually

(b) Year four - greatest of (i) $18.00, (ii) 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, or (iii) 80% of the average combined Percentage Rent and Fixed Minimum Rent for the previous three Lease Years, but not less than the previous Lease Year's Fixed Minimum Rent.

(c) Years five and six - $18.00 or 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(d) Year seven - greatest of (i) $18.00, (ii) 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, or (iii) 80% of the average combined Percentage Rent and Fixed Minimum Rent for the previous three Lease Years, but not less than the previous Lease Year's Fixed Minimum Rent.

(e) Years eight and nine - $18.00 or 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(f) Year ten - greatest of (i) $18.00, (ii) 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, or (iii) 80% of the average combined Percentage Rent and Fixed Minimum Rent for the previous three Lease Years, but not less than the previous Lease Year's Fixed Minimum Rent.

(g) Option years eleven (11) to fifteen (15) - $20.00 or 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Subtenant - Storyville District New Orleans, L.L.C. - Continued

(h) Option years sixteen (16) to twenty (20) - $22.00 or 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(i) Option years twenty-one (21) to twenty-five (25) - $24.00 or 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(j) Option years twenty-six (26) to thirty (30) - $26.00 or 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

(k) Option years thirty-one (31) to thirty-five (35) - $28.00 or 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

Notwithstanding the foregoing, Fixed Minimum Rent shall be adjusted every three (3) years beginning in year thirteen (13) to be the greater of (i) the dollar amount set forth above for the applicable option period, or (ii) 65% of previous Lease Year's combined Percentage Rent and Fixed Minimum Rent for the previous three Lease Years, but not less than the previous Lease Year's Fixed Minimum Rent.

(2) Percentage Rent: As a further inducement for the Landlord entering into this Lease with Tenant, from and after the Commencement Date, the Tenant agrees to pay the Landlord a percentage rent of gross receipts (as defined in the Lease) as follows:

Increment of Gross Receipts	Percentage
$0 - $4,000,000	5%
$4,000,001 - $6,000,000	6%
Excess over $6,000,000	7%

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Subtenant - Storyville District New Orleans, L.L.C. - Continued

(3) Operating Costs: The tenant will pay a proportionate share of all costs incurred by the Landlord for management, maintenance or capital improvements to the building.

(4) Real Estate Tax and Insurance Expenses: The tenant will also reimburse the Landlord for a proportionate share of expenses for real estate taxes and insurance paid.

Subtenant - Magnifique Parfumes and Cosmetics, Inc.

On May 11, 1998, the Hotel entered into a lease with Magnifique Parfumes and Cosmetics, Inc. for the operation of a perfume retail store selling perfumes, cosmetics, hair care, skin care and related products and accessories together with an office, and support facilities necessary for this use. Landlord shall have no control over Tenant's standard price policies.

The term of the lease is for five years to commence on the date the leased premises are "Ready for Occupancy", or the date Tenant opens for business, whichever is sooner. The premises were available for occupancy on October 1, 1998, and operations began on December 29, 1998. Therefore, the effective date of the lease was October 1, 1998. The tenant shall have two options to extend the lease term for a period of five lease years each, upon the terms and conditions set forth hereinafter.

Notwithstanding anything to the contrary contained herein, in the event that Tenant's Gross Receipts for the first three lease years do not average more than $450,000 per year, Tenant may terminate this Lease, at its sole option, at the end of the third lease year.

(1) Fixed rent: Commencing with the lease commencement date, October 1, 1998, tenant shall pay Landlord as fixed minimum rent for the leased premises the sum of:

(a) Year one - $30.00 per square foot or $61,680 annually

(b) Year two - $32.00 per square foot or $65,792 annually

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Subtenant - Magnifique Parfumes and Cosmetics, Inc. - Continued

(c) Year three - $34.00 per square foot or $69,904 annually

(d) Year four - $36.00 per square foot or $74,016 annually

(e) Year five - $38.00 per square foot or $78,128 annually

(f) Option years six through eleven - to be negotiated at prevailing market rate

(g) Option years twelve through sixteen - to be negotiated at prevailing market rate

(2) Percentage rent: As a further inducement for Landlord's entering into this lease with tenant, from and after the commencement date, the tenant agrees to pay the Landlord a percentage rent of gross receipts as follows:

(a) Year one - 6% of excess gross receipts over $1,028,000

(b) Year two - 6% of excess gross receipts over $1,096,533

(c) Year three - 6% of excess gross receipts over $1,165,067

(d) Year four - 6% of excess gross receipts over $1,233,600

(e) Year five - 6% of excess gross receipts over $1,302,133

(f) Option years six through eleven - 6% of excess gross receipts over natural break to be determined at time of renewal

(g) Option years twelve through sixteen - 6% of excess gross receipts over natural break to be determined at time of renewal

(3) Operating costs: The tenant will pay a proportionate share of all costs incurred by the Landlord for management, maintenance or capital improvements to the building.

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Subtenant - Magnifique Parfumes and Cosmetics, Inc. - Continued

(4) Real estate tax and insurance expense: The tenant will also reimburse the Landlord for a proportionate share of expenses for real estate taxes and insurance paid.

Hotel Parking Lease

The term of the hotel parking lease, signed in May, 1997, mirrors that of the hotel lease between CSDC and the Partnership. During the term, the Partnership shall pay the following rentals to CSDC:

(1) Fixed Minimum Rent: The Partnership shall pay a fixed minimum rent to CSDC on a monthly basis as follows:

(a) Lease years one through three - $225,000 for the year, plus the amount of any Mercier lease increases and the amount of any real estate tax increases.

(b) Lease years four through the expiration or termination of the lease - $250,000 per year, plus the amount of any Mercier lease increases and the amount of any real estate tax increases.

(2) Percentage Rent: In addition to fixed minimum rent, the Partnership shall pay percentage rent as follows:

(a) Lease years one through three - 85% of any monthly excess revenues (over $605,000 on an annual basis, increased by 2 1/2% annually, and increased by the amount of any Mercier increases and the amount of any real estate tax increases)

(b) Lease years four through the expiration or termination of the lease 80% of any monthly excess revenues (over $605,000 on an annual basis, increased by 2 1/2% annually, and increased by the amount of any Mercier increases and the amount of any real estate tax increases)

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Hotel Parking Lease - Continued

(c) The Partnership is obligated to pay percentage rent to CSDC only after reimbursement for the defined tenant improvements, as defined in the lease.

The calculation of Percentage Rent for 1999 is as follows:

Gross Revenue from Operations:	
Total Revenue from Operations	$927,449
Less:	
Sales Taxes	(97,772)
Hotel Rental Concessions	0
Base	(634,896)
Excess Revenue Subject to Percentage Rent	$194,781
Percentage Rate	.85
Percentage Rent	$165,564

(3) Tenant Improvements: The Partnership may reimburse itself for the tenant improvements, as defined, from the capital improvements fund for the entire cost of the improvements plus interest thereon computed at the rate of ten (10%) percent per annum. In addition, the Partnership may use percentage rent (see above) if the capital improvement funds are insufficient.

(4) Operating Costs and Insurance Premiums: In addition to fixed minimum rent and percentage rent, the Partnership shall pay monthly to CSDC its proportionate share, as defined, of all costs incurred by CSDC in maintaining, repairing, operating and insuring the leased premises.

(5) Utilities: The Partnership shall pay all utilities required, used or consumed in the leased premises.

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Land Lease

CSDC leases the land for the Garage under an agreement with Mercier Realty and Investment Company.

The original land lease began March, 1968 and terminates February, 2020. The minimum monthly rental payable to Mercier Realty is $5,650 plus a calculated increase based on the annual change (closest to August 1) in the CPI as defined in the lease. The annual rent increase is limited to seven (7%) percent per year. If the CPI increase over the preceding year is equal to or greater than twelve (12%) percent, then the actual CPI increase shall be used and the annual limitation would not apply. Currently, the monthly rental payment is $7,290.

On June 1, 1997, CSDC entered into a Lease with Dryades Savings Bank, FSB, a federally chartered savings bank, to purchase, install, and operate an automated teller machine (ATM) on a portion of the Property.

The term of the Lease is for five (5) years and is effective as of June 1, 1997. Upon the expiration of the Initial Term, the Lease will automatically renew for continuous and successive renewal periods of two (2) years each, unless canceled by Dryades or CSDC by written notice by either party provided thirty (30) days prior to each renewal date.

(1) Fixed Rent: Commencing with the Lease Commencement Date June 1, 1997, and continuing until the end of the term, tenant shall pay fixed minimum rent to the Landlord on a monthly basis of $500.

(2) Surcharge Rent: In addition to the fixed minimum rent, the Lease provides for payment of a Surcharge Rent to CSDC based on the Foreign Transaction Volume (in U.S. Dollars) according to the following schedule:

Surcharge Rent:	Surcharge Rent Paid to CSDC
Foreign Transaction Volume (in U.S. Dollars):	
$1,000 or less	25% of such Foreign Transaction
$1,001 - $2,000	40% of such increment of Foreign Transaction Volume plus Surcharge Rent attributable to lesser volume
$2,001 - 3,000	50% of such increment of Foreign Transaction Volume plus Surcharge Rent attributable to lesser volume

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (CONTINUED)

Dryades Savings Bank, FSB - Continued

Surcharge Rent:	Surcharge Rent Paid to CSDC
Foreign Transaction Volume (in U.S. Dollars):	
$3,001 - 5,000	60% of such increment of Foreign Transaction Volume plus Surcharge Rent attributable to lesser volume
$5,001 and greater	70% of such increment of Foreign Transaction Volume of Foreign Rent attributable to lesser volume

The surcharge rental calculations for the year ended December 31, 1999, were:

Month	Foreign Transaction Volume First $1,000	Foreign Transaction Volume Over $1,000	Percentage Due First $1,000	Percentage Due Over $1,000	Surcharge Rent Due to CSD
January	$1,000.00	$ 279.25	0.25	0.40	$ 361.70
February	1,000.00	417.50	0.25	0.40	417.00
March	1,000.00	681.75	0.25	0.40	522.70
April	1,000.00	153.25	0.25	0.40	311.30
May	1,000.00	219.75	0.25	0.40	337.90
June	1,000.00	445.50	0.25	0.40	428.20
July	1,000.00	214.50	0.25	0.40	335.80
August	1,000.00	135.75	0.25	0.40	304.30
September	1,000.00	244.25	0.25	0.40	347.70
October	1,000.00	261.75	0.25	0.40	354.70
November	1,000.00	240.75	0.25	0.40	346.30
December	1,000.00	162.00	0.25	0.40	314.80
Total	$12,000.00	$ 3,456.00			$4,382.40

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 4 - SECURITY AGREEMENT BY CSDC AND CONTINGENT LIABILITY

Bank One of Louisiana (formerly Premier Bank) entered into a loan agreement with 800 Iberville Limited Partnership. This endeavor agreement required CSDC to pledge a $1,000,000 certificate of deposit as security. As of December 31, 1998, this agreement was recorded in the Statement of Financial Position as a certificate of deposit with a corresponding note payable due to primary government. This money was borrowed from the City of New Orleans. The interest earned on this money was remitted to the City and was not reflected in the financial statements. The certificate of deposit matured in June, 1999, and was not renewed. The funds were returned to the City of New Orleans, and the certificate of deposit, and corresponding note payable, were removed from the books of CSDC.

NOTE 5 - NOTE PAYABLE - BANK ONE

On April 15, 1998, 800 Canal Street Limited Partnership entered into a loan agreement with Bank One, Louisiana (formerly First National Bank of Commerce) for the funding of capital improvements to the Garage. The loan was made on behalf of Canal Street Development Corporation. All principal and interest payments have been made by the Garage and have been offset against rents due to CSDC.

The original amount of the loan was $170,000, and interest is payable at the rate of 8.6%. The note is secured by a collateral assignment of Leases and Rents.

As of December 31, 1999, the remaining unpaid balance on this note was $24,670.

NOTE 6 - NOTES PAYABLE

Long-term notes payable consists of the following:

	1999	1998
Variable rate sub-recipient note payable to the City of New Orleans representing proceeds from the Department of Housing and Urban Development, due on July 15, 2002	$4,842,500	$5,043,750
Less: current maturities	(216,250)	(201,250)
Total Long-Term note payable	$4,626,250	$4,842,500

NOTE 6 - NOTES PAYABLE - CONTINUED

Scheduled maturities of long-term debt and variable interest rates as of December 31, are as follows:

Year	Amount
2000	$ 216,250
2001	2,004,167
2002	2,622,083
Total	$ 4,842,500

The City of New Orleans borrowed $5,600,000 from the U.S. Department of Housing and Urban Development through its Section 108 Loan Program which originated March 1994. The City in turn loaned the funds to CSDC who in turn loaned the funds to 800 Canal Street Limited Partnership.

CSDC initially held a third-ranking collateral leasehold mortgage on the property in connection with the Section 108 loan. Under the Memorandum of Understanding effective May 1, 1997, CSDC now holds a fourth-ranking collateral subordinate to the new Bank One loan (See Note 8).

NOTE 7 - CONCENTRATION OF CREDIT RISK

The bank balances at Bank One are comprised of the following which are not fully secured by federal deposit insurance:

	1999	1998
Demand deposits, per bank statements	$ 983,681	$ 1,692,676
Deposits secured by federal deposit insurance	(100,000)	(200,000)
Total unsecured deposits	$ 883,681	$ 1,492,676

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE 8 - SUBSEQUENT EVENT

Tenant Lease - Chifici Enterprises, Inc. d/b/a Deanie's Seafood

In early 2000, CSDC entered into a lease with Chifici Enterprises, Inc., d/b/a Deanie's Seafood for the operation of a restaurant with ancillary bar, and catering facility.

The term of the lease is for ten years to commence the earliest of (i) 120 days following the Tenant's receipt of permits for Tenants Improvements, or (ii) the date the Tenant opens for business (as determined by the date of Tenant's Certificate of Occupancy or actual opening, whichever first occurs), or (iii) 180 days after the effective date. If the Tenant is granted the right to renew or extend this Lease, the term will include all renewal or extension terms that become effective by reason of the Tenant's exercise of this option.

(1) Fixed Rent: During the primary term, the tenant shall pay landlord as fixed rent for the leased premises the sum of:

Years	Base Monthly Rent	Fixed Rent/Year
1 - 4	$10,000	$120,000
5 - 7	12,000	144,000
8 - 10	15,000	180,000

Option Term Rent: Fixed Rent during the option term shall be adjusted in *accordance with increases in the Consumer Price Index.*

Construction Period Rent: During the construction period, the tenant shall pay the landlord in an amount equal to $1,000 per month.

(2) Percentage Rent: None

(3) Operating Costs: The tenant will pay a proportionate share of all costs incurred by the Landlord for management, operation, maintenance, or insurance of the building.

NOTE 8 - SUBSEQUENT EVENT (CONTINUED)

Tenant Lease - Chifici Enterprises, Inc. d/b/a Deanie's Seafood - Continued

(4) Real Estate Tax Expenses: The Tenant will also reimburse the Landlord for a proportionate share of expenses for real estate taxes paid, including, but not limited to, all real property taxes, rates, duties and assessments, local improvement taxes, import charges or levies, whether general or special, that are levied, charged or assessed against the Building by any lawful taxing authority, whether federal, state, county, municipal, school or otherwise.

(5) Security Deposit: $10,000

PAILET, MEUNIER and LeBLANC, L.L.P.
Certified Public Accountants
Management Consultants

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

To The Board of Directors
Canal Street Development Corporation

We have audited the financial statements of Canal Street Development Corporation (a nonprofit organization) as of and for the year ended December 31, 1999, and have issued our reports thereon dated May 4, 2000. 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 Canal Street Development Corporation'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 option 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 Canal Street Development Corporation'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 reporting. Our consideration of the internal control over financial reporting 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 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.

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This report is intended for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than specified parties.

Postlethwaite & Netterville? Paulet, Maunier & LeBlanc, LLP

New Orleans, Louisiana
May 4, 2000