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REPORT

CANAL STREET DEVELOPMENT CORPORATION
(A Component Unit of the City of New Orleans, Louisiana)

DECEMBER 31, 2008 AND 2007

CANAL STREET DEVELOPMENT CORPORATION

INDEX TO REPORT

DECEMBER 31, 2008 AND 2007

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
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INDEPENDENT AUDITOR'S REPORT

May 13, 2009

To the Board of Directors
Canal Street Development Corporation
New Orleans, Louisiana

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 year ended December 31, 2008, and the related statements of activities and cash flows for the year 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 audit. The financial statements of Canal Street Development Corporation for the year ended December 31, 2007, were audited by other auditors whose report thereon, dated June 23, 2008, expressed an unqualified opinion.

We also audited the adjustment described in Note 13 that was applied to restate the 2007 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2007 financial statements other than in respect of the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2007 financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contain 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canal Street Development Corporation as of December 31, 2008, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit for the year ended December 31, 2008 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2009, 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 important for assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

CANAL STREET DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007 (Restated)
CURRENT ASSETS		
Cash	$ 7,391,069	$ 6,565,311
Accounts receivable	199,158	102,181
Due from the City of New Orleans	567,335	790,528
Total current assets	8,157,562	7,458,020
FIXED ASSETS		
Land	896,124	896,124
Building	7,619,246	7,619,246
Leasehold improvements	445,713	445,713
	8,961,083	8,961,083
Less: accumulated depreciation	(2,838,584)	(2,633,050)
Total fixed assets	6,122,499	6,328,033
TOTAL ASSETS	$ 14,280,061	$ 13,786,053

LIABILITIES AND NET ASSETS

	2008	2007 (Restated)
CURRENT LIABILITIES:		
Accrued liabilities	$ 163,194	$ 50,197
Security deposit payable	10,000	10,000
Total current liabilities	173,194	60,197
NET ASSETS:		
Unrestricted	7,984,368	7,397,823
Temporarily restricted	6,122,499	6,328,033
Total net assets	14,106,867	13,725,856
TOTAL LIABILITIES AND NET ASSETS	$ 14,280,061	$ 13,786,053

See accompanying notes.

CANAL STREET DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007 (Restated)
UNRESTRICTED NET ASSETS		
Unrestricted revenues and other support:		
Program service fees	$ 1,033,043	$ 949,084
Investment income	106,119	239,817
Net asssets released from restriction	205,534	205,533
Total unrestricted revenues and other support	1,344,696	1,394,434
Expenses:		
Program expenses	704,486	695,316
General and administrative expenses	53,665	71,845
Total expenses	758,151	767,161
Increase in unrestricted net assets	586,545	627,273
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions	(205,534)	(205,533)
(Decrease) in temporarily restricted net assets	(205,534)	(205,533)
INCREASE IN NET ASSETS	381,011	421,740
NET ASSETS, BEGINNING OF YEAR	13,725,856	13,304,116
NET ASSETS, END OF YEAR	$ 14,106,867	$ 13,725,856

See accompanying notes.

CANAL STREET DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 381,011	$ 421,740
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	205,534	205,534
(Increase) decrease in:		
Accounts receivable	(96,977)	792,487
Due from the City of New Orleans	223,193	123,844
Increase (decrease) in operating liabilities:		
Accrued liabilities	112,997	4,868
Net cash provided by operating activities	825,758	1,548,473
NET INCREASE IN CASH AND CASH EQUIVALENTS	825,758	1,548,473
Cash and cash equivalents - beginning of year	6,565,311	5,016,838
CASH - END OF YEAR	$ 7,391,069	$ 6,565,311
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest expense	$ -	$ -

See accompanying notes.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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 and economic development endeavors downtown. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 Organization, 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 assets 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 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.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. 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, combating 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. Donated property and equipment are depreciated using the straight line method over the estimated useful life of the asset. CSDC reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment.

All acquisitions of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Purchased property and equipment are carried at cost. Depreciation is provided using the straight line method over the estimated useful lives of the assets as follows:

Buildings	39 years
Leasehold Improvements	39 years
Furniture and Fixtures	10 years
Office Equipment	5 years

Depreciation expense for the years ended December 31, 2008 and 2007 was $205,534 and $205,534, respectively. This amount was reclassed from restricted net assets to unrestricted net assets.

Functional Expenses:

Expenses are charged directly to program expenses and management and administrative based on specific identification.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation:

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

2. PENSION PLAN:

The Organization's employees participate in the Employees' Retirement System of the City of New Orleans (Plan). The pension expense recorded by the Organization for contributions to the retirement system for the years ended December 31, 2008 and 2007 was $1,049 and $1,614, respectively.

Plan Membership:

The Employees' Retirement System of the City of New Orleans covers all City employees except for fire and police employees.

Plan Description:

The Employees' Retirement System of the City of New Orleans, a single-employer defined benefit pension plan is controlled and administered by a separate Board of Trustees. The Plan covers all employees of the Organization. The Plan provides retirement, deferred and disability

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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2. PENSION PLAN: (Continued)

Plan Description: (Continued)

benefits, survivor benefits and cost of living adjustments to plan members and beneficiaries. The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The financial report for the years ended December 31, 2008 and 2007 may be obtained by writing to: The Employees' Retirement System of the City of New Orleans, 2400 Canal Street, Room 342, New Orleans, Louisiana 70119 or by calling (504) 826-1985.

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS:

The property, on which the project is constructed, designed 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 and/or its affiliates 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, Second Amendment to Sixth Amendment and Restatement of Hotel Lease dated August 30, 2000, and Seventh Amendment and Restatement of Hotel Lease Agreement dated October 23, 2007, (3) the Hotel Parking Lease dated September 15, 1993, as amended by First Amendment to Hotel Parking Lease dated May 6, 1997 and Amended and Restated Hotel Parking Lease Agreement dated October 23, 2007, and (4) the Apartments Parking Lease dated September 15, 1993, as amended by First Amendment and Restatement of Apartments Parking Lease dated March 30, 1994.

On March 30, 1994, HRI assigned and transferred its interest in the Seventh Amendment and Restatement of Apartments Lease Agreement to 800 Iberville Street Limited Partnership ("Iberville").

HRI assigned and transferred its interest in the Sixth Amendment and Restatement of Hotel Lease (hereinafter referred to as the "Hotel Lease") to the 800 Canal Street Limited Partnership ("800 Canal"). Additionally, 800 Canal assigned and transferred its interest in the First Amendment to the Hotel Parking Lease to Sonesta Louisiana Hotel Corporation, who then assigned its interest in the lease to HRI Parking Corporation. In connection with the 2007 Chateau Sonesta Hotel Restructuring, said assignments of the First Amendment of the Hotel Parking Lease were terminated and 800 Canal assigned and transferred its interest in the Amended and Restated Hotel Parking Lease to HRI Lodging Incorporated, who then assigned and transferred its interest in the lease to HRI Parking Corporation.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant 800 Iberville -Apartments Lease:

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) 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 CSDC on a monthly basis as follows:

(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.

For the years ended December 31, 2008 and 2007, fixed rent amounted to $41,339, and $41,339, respectively.

(2) Percentage Rent: Commencing with year six, a percentage rent is due in the amount of six percent (6%) of gross income as defined in the Apartments Lease, in excess of $1,125,000 (the "Percentage Rent Threshold Level"). For the years ended December 31, 2008 and 2007, percentage rent was $8,034 and $7,218, respectively.

(3) Additional Rent: Commencing January 21, 1993, CSDC is to receive two-thirds (2/3) of all monies received as percentage rental from third parties. On June 22, 2000, the Apartments (800 Iberville Street Limited Partnership) signed a lease with LFBP #1, LLC d/b/a/ G. W. Fins. This entity opened for business in March 2001. For the years ended December 31, 2008 and 2007, additional rent was $30,216 and $35,881, respectively.

(4) Base Commercial Rent Participation: Commencing January 21, 1993, thirty percent (30%) of any base or fixed commercial rent paid by any commercial tenant is due to CSDC. However, CSDC will not be entitled to receive Base Commercial Rent Participation for the period of time commencing on the date the Apartments are

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant 800 Iberville -Apartments Lease: (Continued)

completed and opened to the public through February 28, 2005 to the extent that commercial sublease rent payable is equal to or less than $7.00 per square foot, adjusted annually. For the years ended December 31, 2008 and 2007, Base Commercial Rent Participation was to $14,083 and $10,717, respectively.

(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 December 1, 2000, the rent will increase by 15% every five years. For the years ended December 31, 2008 and 2007, Air Rights Rent was $7,538 and $7,538, respectively.

(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. For the years ended December 31, 2008 and 2007 no Landlord Administrative Expense reimbursement was received.

Subtenant – LFBP #1, LLC:

On June 22, 2000, the Apartments (800 Iberville Street Limited Partnership) entered into a contract with LFBP #1, LLC (Little Fish, Big Pond), for the operation of a restaurant, including all uses incidental or related, under the trade name of G. W. Fins. The tenant has agreed to continuously use, occupy and operate the business except for (a) casualty, (b) holidays on which restaurants within the French Quarter are generally closed for business, or (c) up to fourteen (14) business days in any calendar year for repairs or renovations to the Premises.

The term of the lease is for forty-two (42) years commencing on the Term Commencement Date. The restaurant did not open for business until March 2001.

(1) Fixed Rent: Commencing with the term commencement date, base rent is payable as follows:

(a) Year 1 - $5.00 per square foot, or $35,000 annually.

(b) Year 2 - $5.20 per square foot, or $36,400 annually.

(c) Year 3 - $5.41 per square foot, or $37,856 annually.

(d) Year 4 - $5.62 per square foot, or $39,970 annually.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Subtenant – LFBP #1, LLC: (Continued)

(e) Year 5 - $5.85 per square foot, or $40,945 annually.

(f) Year 6 - $6.08 per square foot, or $42,583 annually.

(g) Year 7 - $6.33 per square foot, or $44,286 annually.

(h) Year 8 - $6.58 per square foot, or $46,048 annually.

(i) Year 9 - $6.84 per square foot, or $47,900 annually.

(j) Year 10 - $7.12 per square foot, or $49,816 annually.

(k) Year 11 - $10.25 per square foot, or $71,750 annually.

(l) Year 12 - $10.66 per square foot, or $74,620 annually.

(m) Year 13 - $11.09 per square foot, or $77,605 annually.

(n) Year 14 - $11.53 per square foot, or $80,709 annually.

(o) Year 15 - $12.53 per square foot, or $87,709 annually.

(p) Year 16 - $16.00 per square foot, or $112,000 annually.

(q) Year 17 - $16.64 per square foot, or $116,480 annually.

(r) Year 18 - $17.31 per square foot, or $121,139 annually.

(s) Year 19 - $18.00 per square foot, or $125,985 annually.

(t) Year 20 - $18.72 per square foot, or $131,024 annually.

(u) Year 21 through 42 – to be negotiated in year 20 of the lease.

(2) Percentage Rent: Commencing one month after the commencement date, percentage rent is payable as follows:

(a) Year 1 – Five percent (5%) of Gross Sales over $2,508,878.

(b) Year 2 – Five percent (5%) of Gross Sales over $2,536,878.

(c) Year 3 – Five percent (5%) of Gross Sales over $2,565,998.

(d) Year 4 – Five percent (5%) of Gross Sales over $2,596,283.

(e) Year 5 – Five percent (5%) of Gross Sales over $2,627,779.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Subtenant – LFBP #1, LLC: (Continued)

(f) Year 6 – Five percent (5%) of Gross Sales over $2,660,535.

(g) Year 7 – Five percent (5%) of Gross Sales over $2,694,602.

(h) Year 8 – Five percent (5%) of Gross Sales over $2,730,030.

(i) Year 9 – Five percent (5%) of Gross Sales over $2,766,877.

(j) Year 10 – Five percent (5%) of Gross Sales over $2,805,196.

(k) Year 11 – Five percent (5%) of Gross Sales over $3,243,878.

(l) Year 12 – Five percent (5%) of Gross Sales over $3,301,278.

(m) Year 13 – Five percent (5%) of Gross Sales over $3,360,974.

(n) Year 14 – Five percent (5%) of Gross Sales over $3,423,058.

(o) Year 15 – Five percent (5%) of Gross Sales over $3,563,058.

(p) Year 16 – Five percent (5%) of Gross Sales over $4,048,878

(q) Year 17 – Five percent (5%) of Gross Sales over $4,138,478.

(r) Year 18 – Five percent (5%) of Gross Sales over $4,231,662.

(s) Year 19 – Five percent (5%) of Gross Sales over $4,328,574.

(t) Year 20 – Five percent (5%) of Gross Sales over $4,429,361.

(u) Year 21 through 42 – to be negotiated in year 20 of the lease.

(3) Operating Costs: Tenant shall pay its pro rata share (4.82%) of property taxes and insurance premiums for all insurance maintained in connection with the Building.

Subtenant – Chifici Enterprises, Inc. d/b/a Deanie's Seafood:

On December 9, 2003, the Board of Directors approved the terms of an additional lease with Deanie's Seafood for approximately 742 square feet on the first floor of the former D.H. Holmes annex along Iberville Street to be used as additional private dining and banquet space for Deanie's Seafood Restaurant.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Subtenant – Chifici Enterprises, Inc. d/b/a Deanie's Seafood: (Continued)

The term of the lease will run coterminous with the existing lease expiring on December 31, 2009. The lease term will begin on or about the earlier of 120 days following the tenant's receipt of the permits for tenant improvements, or the date the tenant opens for business.

Base rental rate is $12.00 per square foot. Percentage rent does not apply. The rent will escalate in a proportionate share to the original lease dated February 17, 2000. The tenant will have three (3) options to extend for periods of five (5) years each commencing at the tenth anniversary of the original lease term.

Tenant 800 Canal Street - Hotel Lease:

Summary of Seventh Amendment and Restatement of Hotel Lease Agreement by and between Canal Street Development Corporation ("CSDC") and 800 Canal Street Limited Partnership ("800 Canal") dated October 23, 2007 (the "Lease").

1. Parties:
    (a) Landlord: CSDC
    (b) Tenant: 800 Canal Street Limited Partnership

2. Leased Premises: certain fee simple and leasehold estates owned or leased by CSDC, situated in Square 67, Second Municipal District, New Orleans, Louisiana, described more particularly in Schedule "1" of the Lease, together with all improvements and constructions thereon, and all appurtenances thereunto appertaining, and the Air Space described on Schedule "16" to the Lease. The Leased Premises includes CSDC's leasehold estate under the Salmen Lease.

3. Term (Section 5):
    (a) Primary term: ninety-nine (99) years, from 12/1/89 to 11/30/2088 (term expires simultaneously with expiration of Apartments Lease term)
    (b) Option: none

4. Temporary Adjustment Period:
    (a) October 23, 2007 through the earlier to occur of: (i) December 31, 2014 or (ii) the date on which the interest of Tenant under the Lease is sold or otherwise transferred to a third party.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant 800 Canal Street - Hotel Lease: (Continued)

5. Rent (Section 7):

(a) Types of Rent:

(i) Base Rent

Payable monthly, in advance of the first of each month, as follows:

(a) Temporary Adjustment Period

(1) October 23, 2007 – December 31, 2008: $218,000 per year ($18,166.67 per month)

(2) On January 1st of each year from January 1, 2009 through 2014, increases by the lesser of 2.5% or CPI

(b) After Temporary Adjustment Period

(1) Annual adjustment based upon increase in CPI (rent, as adjusted, shall never be less than previous year)

(2) On December 1st of 2010, 2020, 2030, 2040, 2050, 2060, 2070 and 2080 Base Rent is adjusted to equal the average of the total Base Rent and Percentage Rent paid over the 3 year period prior to the applicable Base Rent Adjustment Date, multiplied by 80% (in addition to CPI adjustment).

For the years ended December 31, 2008 and 2007 fixed rent was $218,000 each year.

(ii) Percentage Rent (Payable within 90 days following the end of each calendar year – by March 31st (March 30th in leap years)):

(a) Temporary Adjustment Period

(1) 5% of Gross Income in excess of the following annual threshold: ($124,000 + Base Rent during the current lease year / 5%). For example, the Percentage Rent for the period 1/1/08 – 12/31/08 will be 5% of Gross Income in excess of $6,840,000.

CANAL STREET DEVELOPMENT CORPORATION
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3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant 800 Canal Street - Hotel Lease: (Continued)

(2) Definition of "Gross Income" modified to include telephone net revenues and to exclude garage revenues and commercial space subtenant rent; Gross Income is defined in Section 1.3 of the Lease.

(b) After Temporary Adjustment period

(1) 6% of Gross Income in excess of breakpoint; breakpoint is increased annually by quotient of Fixed Rent divided by 6% once Fixed Rent exceeds $480,000

For the years ended December 31, 2008 and 2007 percentage rent was $62,894 and $-0-, respectively.

(iii) Revenue Sharing Rental:

(a) Temporary Adjustment Period

(1) None

(b) After Temporary Adjustment Period

(1) 15% of Net Cash Flow of the Project each quarter, payable by the 20th day after the end of each quarter

For the years ended December 31, 2008 and 2007 rent revenue sharing was not due.

(iv) Additional Rent: Commencing January 21, 1993, 41% of all monies actually received by 800 Canal for any percentage rental from third party tenants; payable within 30 days of receipt by 800 Canal; no change during Temporary Adjustment Period; 800 Canal must use commercially reasonable efforts to collect all percentage rent and other rent due from any third party.

For the years ended December 31, 2008 and 2007 additional rent was not due.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant 800 Canal Street - Hotel Lease: (Continued)

(v) Base Commercial Rent Participation: Commencing January 21, 1993, 41% of any base commercial rent paid to 800 Canal and hotel operator by any commercial subtenant (excluding base commercial rent paid by hotel operator to 800 Canal); payable within 30 days of receipt by 800 Canal; no change during Temporary Adjustment Period.

For the years ended December 31, 2008 and 2007, Base Commercial Rent Participation was $176,032 and $99,158, respectively.

(vi) Air Rights Rent: $436.43 per month, subject to 15% increase every five years (the next increase will take effect 12/1/08); no change during Temporary Adjustment Period.

For the years ended December 31, 2008 and 2007, Air Right Rent was $6,004 and $6,004, respectively.

(vii) Temporary Adjustment Period Deferred Rent: The difference between the actual rent paid under the Lease during the Temporary Adjustment Period and the amount of rent that would have been due if the Temporary Rent Concessions had not occurred, plus interest of 6% per annum beginning January 1, 2014; payable quarterly from Net Cash Flow commencing January 1, 2028 or upon sale of the project; additional interest accrues commencing 1/1/2028; interest portion of any payments not timely made is compounded.

(b) Mercier Lease Offset:

Temporarily suspended under the terms of the temporary adjustment period of the Hotel Lease.

(i) 800 Canal shall be entitled to reduction in monthly Fixed Rent otherwise due under the Lease equal to ½ of monthly base rent paid by 800 Canal to Mercier under Corner Lot Lease, so long as Corner Lot Lease remains in effect.

(ii) 800 Canal acknowledges that CSDC has right (but not obligation) to cure 800 Canal default under Corner Lot Lease, and 800 Canal agrees to give immediate notice of default to CSDC and to assign Corner Lot Lease to CSDC on demand (in which event premises of Corner Lot Lease would become part of premises of Lease).

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Subtenant – Red Fish Grill:

On August 7, 1996, the Hotel (800 Canal Street Limited Partnership) entered into a Lease with 115 Bourbon, LLC (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.

(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.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: *(Continued)*

Subtenant – Red Fish Grill: (Continued)

(f) Years 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:

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, LLC which Storyville District New Orleans, LLC 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.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Subtenant -- Storyville District New Orleans, LLC:

On January 26, 1998, the Hotel (800 Canal Street Limited Partnership) entered into a Lease with Storyville District New Orleans, LLC (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.

On February 4, 2002, Storyville District New Orleans, LLC, a subtenant of the Hotel Lease, entered into an agreement with Bourbon Street Management, LLC to sublease the premises they currently occupy for the remainder of the lease term. The leased premises will be used only for the operation of an entertainment club having a character and quality similar to and consistent with that of the Hotel. All terms of the lease between the Hotel and Storyville District New Orleans, LLC will remain the same. However, the sublease redefined the lease years to agree with the original lease.

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.

(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.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Subtenant – Storyville District New Orleans, LLC: (Continued)

(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.

(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.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Subtenant – Storyville District New Orleans, LLC: (Continued)

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'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 defined in the Lease) as follows:

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

(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.

In 2007, the Quint Davis Group sold its interest in Storyville District to an entity owned by Jacques Chrysochoos. The CSDC board consented to the sale and approved the transfer of all rights under the Storyville lease to the new owner. Chrysochoos currently operates two establishments under the sublease.

Subtenant – Studio E:

On July 1, 2008, the Hotel (800 Canal Street Limited Partnership) entered into a Lease with Studio-E LLC (Studio E) for the operation of a first-class hair salon with retail sale of related merchandise that is customary in first-class hair salons and with rights to hang artworks on the wall for sale, but only in conjunction with the primary use of the leased premises as a first-class hair salon.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Subtenant – Studio E: (Continued)

The lease term is for five (5) years beginning on the Lease Commencement Date of November 11, 2008. The Tenant shall have one option to extend the lease term for a period of five (5) years.

(1) Fixed Rent: Commencing with the Lease Commencement Date, November 11, 2008, and continuing until the end of the term, Tenant shall pay a fixed minimum rent to the Landlord on a monthly basis as follows:

Initial Term: $1,500 per month for total of $18,000 annually

Extension term: $1,725 per month for a total of $20,700 annually

(2) Fixed Minimum Rent Construction Credit: Under the terms of the lease, when the tenant completed the initial improvements to the property, the tenant will provide the landlord with a full accounting for and reasonable evidence of its out-of-pocket expenditures and lien waivers from all contractors, subcontractors and suppliers of materials who have constructed or performed work or provided materials in connection with the initial improvements. The tenant will be permitted to deduct the initial improvement costs from its first twelve (12) months of fixed minimum rent in an aggregate amount not to exceed $18,000.

(3) Proportionate Share of Commercial Space Expense: Tenant is expected to pay a proportionate share (calculated to be 2.05%) of commercial space expenses including, but not limited to insurance, lease management fees and commissions, real estate taxes, repairs and maintenance.

For the year ended December 31, 2008 a total of $3,000 in fixed minimum rent construction credits was used in lieu of rent payments. Forty-one percent (41%) of rents collected by 800 Canal Street Limited Partnership ("800 Canal") are due to CSDC on a monthly basis. Since no rents were collected by 800 Canal, there were no resulting rent revenues for CSDC.

Tenant 800 Canal Street – Hotel Parking Lease:

Summary of Amended and Restated Hotel Parking Lease by and between Canal Street Development Corporation ("CSDC") and 800 Canal Street Limited Partnership ("800 Canal") effective as of October 23, 2007 (the "Lease").

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant 800 Canal Street – Hotel Parking Lease: (Continued)

This summary is prepared as of March 31, 2008. Provisions required to be fully performed prior to March 31, 2008 are not included in this summary. Capitalized terms used in this summary but not defined herein shall have the respective meanings set forth in the Lease.

1. Parties:

   (a) Landlord: CSDC (Lessee under the Mercier Ground Lease)

   (b) Tenant: 800 Canal (assignee of Historic Restoration, Inc.)

2. Leased Premises (Section 2): Former D.H. Holmes Parking Garage (contains approximately 340 parking spaces) and all improvements, located in part on land owned by Mercier Realty & Investment Co., and in part on land owned by CSDC (the "Garage"), together with entrance and exit ramp facilities and the non-exclusive right and license to use certain lobby and elevator facilities appurtenant thereto (the "Leased Premises")

3. Term (Section 3):

   (a) Primary term: 5/4/2007 – 5/3/2012

   (b) Option Term(s): 800 Canal has option to extend Term for successive periods of five (5) years each, not to exceed 99 years from December 1, 1989, upon 90 days prior written notice to CSDC.

      (i) Terms and conditions of each option to renew, including rent, shall be negotiated by the parties in good faith, prior to the expiration of the Primary Term or then-current Option Term, or such exercise will not be valid and the Lease will terminate.

      (ii) CSDC must timely exercise each option granted under the Mercier Ground Lease, provided that 800 Canal furnishes CSDC with notice of exercise not less than 60 days prior to the last day on which CSDC may exercise.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant 800 Canal Street – Hotel Parking Lease: (Continued)

(c) Termination: Notwithstanding options granted, Lease will automatically terminate concurrently with the expiration, termination, or cancellation of the Hotel Lease. If Mercier Ground Lease is terminated or expires, Lease shall terminate as of same date, subject to any non-disturbance and attornment or similar rights granted directly by Mercier to 800 Canal or its Mortgagee. CSDC has the right to terminate, or to make equitable adjustment to, the Lease if CSDC's right under the Mercier Ground Lease are substantially reduced as a result of circumstances reasonably beyond CSDC's control.

4. Temporary Adjustment Period:

(a) October 23, 2007 through the earlier to occur of: (i) December 31, 2014 or (ii) the date on which the interest of Tenant under the Lease is sold or otherwise transferred to a third party.

5. Rent (Section 4):

(a) Types of Rent:

(i) Fixed Minimum Rent (Section 4(a)): Payable monthly, in advance on the first of each month, as follows:

(a) Temporary Adjustment Period: October 23, 2007 – December 31, 2014: $209,569.92 per year ($17,464.16 per month) plus Mercier increases. Although not provided for under the Lease, in practice, 800 Canal pays the full amount of rent due under the Mercier Ground Lease and receives a deduction of $7,130.87 per month against the rent due to CSDC. The monthly amount due after this deduction is $10,333.29.

(b) Outside Temporary Adjustment Period: $250,000 per year ($20,833.33 per month) plus Mercier increases. Although not provided for under the Lease, in practice, 800 Canal pays the full amount of rent due under the Mercier Ground Lease and receives a deduction of $7,130.87 per month against the rent due to CSDC. The monthly amount due after this deduction is $13,702.46.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant 800 Canal Street – Hotel Parking Lease: (Continued)

Mercier Increases: (i) any increase in minimum guaranteed rent under the Mercier Lease in excess of $7,130.87 per month and (ii) any increases in property taxes due from CSDC under the Mercier Lease in excess of those paid for the year 1997.

For the years ended December 31, 2008 and 2007 Fixed Rent was $206,563 and $188,430, respectively.

(ii) Percentage Rent (Section 4(b)): Payable on or before the 10th of each month with an annual reconciliation made within 30 days following end of each Lease Year (on or before May 30th of each year).

(a) Temporary Adjustment Period: October 23, 2007 – December 31, 2014: 50% of the gross revenues of the garage less various expenses, (including 800 Canal's proportionate share of CSDC's costs to operate, maintain, and insure the Building, expenses incurred by 800 Canal in the operation and maintenance of the garage, real estate taxes, Mercier Increases, the base management fee of $24,000 (escalated 2.5% per year) and the Monthly Capital Improvement Fund Deposit).

(b) Outside Temporary Adjustment Period: 80% of all revenue collected from operation of the Garage less 35% of gross valet parking income less taxes, in excess of the sum of the breakpoint (escalated annually by 2.5%) plus any Mercier Increases, calculated pursuant to the following formula:

80% x [(Monthly Gross Garage Revenues – Monthly Taxes) – (Annual Threshold + Mercier Increases)]

(c) On or before 10th day following end of each calendar month, 800 Canal must provide a certified written statement showing Net Garage Revenues generated for each month of the current Lease Year; 800 Canal must keep records for purpose of ascertaining the amount payable as Percentage Rent (for not less than three years following the end of each Lease Year).

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant 800 Canal Street – Hotel Parking Lease: (Continued)

For the years ended December 31, 2008 and 2007 Percentage Rent was $-0- and $4,823, respectively.

(iii) Capital Improvement Fund Deposits: Tenant pays the lesser of (i) $2,000 or (ii) Net Garage Revenues less Fixed Minimum Rent and expenses incurred by 800 Canal in the operation and maintenance of the garage (but not management fees paid to garage operator).

For the years ended December 31, 2008 and 2007, Capital Improvement Fund Deposits was $24,000 and $24,000, respectively.

(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. 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.

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, which lease was amended by that Amendment to Lease dated effective as of April 1, 2007.

The primary terms 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 of the lease (February 17, 2000). The latter option applied and the lease became effective on August 15, 2000. Deanie's has three options to extend the term for five years each and a fourth option to extend the term for two additional years. The term will include all renewal or extension terms that become effective by reason of the Tenant's exercise of an option.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS: (Continued)

Tenant Lease – Chifici Enterprises, Inc. d/b/a Deanie's Seafood: (Continued)

(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 Annual Rent
1 – 4	$ 10,000	$ 120,000
5 – 8	12,000	144,000
(through August 31, 2008 only)		
Sept. 1, 2008 – Year 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.

For the years ended December 31, 2008 and 2007 Fixed Rent was $156,000 and $144,000, respectively.

(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.

(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

4. CASH:

As of December 31, 2008 and 2007, CSDC has cash book balances in the amount of $7,391,069 and $6,565,311 respectively. The bank balances are comprised of the following:

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

4. CASH: (Continued)

	2008	2007
Demand deposits, per bank statements	$ 7,391,069	$ 6,565,311
Deposits secured by federal deposit insurance	(326,227)	(200,000)
Total deposits	7,064,842	6,365,311
Pledged Securities	7,728,655	6,810,875
Total unsecured deposits	$ --	$ --

5. CONCENTRATION OF CREDIT RISK

Financial instruments that are exposed to concentrations of credit risk consist of cash, accounts receivable and investments. Cash is secured by FDIC insured banking institutions as well as pledged assets as illustrated in Note 4. Receivables are principally with tenants who operate a hotel, apartment complex, and garage. Tenants also sublease space for restaurants and retail establishments. Regular collection efforts generally result in all rents due to Canal Street Development Corporation collected timely, however, anything that would interrupt the usual course of business activity could affect the collection of rent. CSDC does not use an allowance for doubtful accounts since historically collection of receivables has not been at risk. As of December 31, 2008, CSDC did not have significant concentrations of credit risk.

6. RENT EXPENSE:

The Canal Street Development Corporation, as a component unit of the City of New Orleans, maintains office space within the facilities currently used by other City departments. CSDC pays rent to the City on a month to month lease. Rent expense for the years ending December 31, 2008 and 2007 was $8,941 and $4,870, respectively.

7. LEASING FEES:

Effective February 17, 2000, Canal Street Development amended and restated the lease between itself and Mercier Realty and Investment Company for lease of the ground under a portion of CSDC's properties at 800 Iberville and ground under Deanie's leased premises. The lease calls for payment of fixed rent adjusted annually for CPI and percentage rent over a specific threshold. In lieu of percentage rent, CSDC pays additional rent calculated at 37.5% of base commercial rent collected by CSDC from Deanie's for the ground under Deanie's leased premises.

For the years ended December 31, 2008 and 2007 leasing fees were $147,445 and $164,911, respectively.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

7. LEASING FEES: (Continued)

Future minimum lease payments under the Mercier lease are as follows:

Year Ending December 31,	Amount
2009	$ 91,197
2010	91,197
2011	91,197
2012	91,197
2013 and beyond	729,576
	$1,094,364

8. COOPERATIVE ENDEAVOR AGREEMENT:

Description of the Project:

The Canal Street Development Corporation (CSDC), together with the Downtown Development District (DDD) and the City of New Orleans (City) are sponsors of certain capital improvements to Canal Street from Claiborne Avenue to the Mississippi River. These capital improvements include repaving sidewalks, landscaping and generally contributing to the overall beautification of the Canal Street corridor.

Description of the Project:

In order to define and coordinate the rights and responsibilities of the co-sponsors of the project, CSDC, DDD and the City entered into a Cooperative Endeavor Agreement setting forth their respective financial obligations in connection with the project.

In order to finance the proposed capital improvements, the Louisiana Public Facilities Authority, a public trust and public corporation of the State of Louisiana agreed to lend CSDC the proceeds of certain revenue bonds in the aggregate principal amount of $9,680,000. The issuance date was September 25, 2002.

In 2004, the City of New Orleans entered into an $11.5 million bond issuance, paying CSDC's remaining debt on the original issuance. Under the terms of the Cooperative Endeavor Agreement, CSDC and the DDD agreed to assume responsibility for repayment of the debt, with CSDC agreeing to make debt service on the bond issuance. CSDC has not been required to pledge assets, nor were they required to pledge future rents. The Cooperative Endeavor Agreement states payments will be made by CSDC provided cash flows are sufficient in any given year. Ultimately, the responsibility for payment of the debt lies with the City of New Orleans in the event that CSDC cannot make the payments.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

8. COOPERATIVE ENDEAVOR AGREEMENT: (Continued)

Description of the Project: (Continued)

The DDD has agreed to be responsible for payments on $2,000,000 of the debt by payment to or reimbursement to CSDC, or approximately 17.39% of each debt service payment as of December 31, 2008 and 2007.

Financial Obligation of Canal Street Development Corporation:

Under the terms of the Cooperative Endeavor Agreement, CSDC agrees to:

(1) make available to the City certain funds on hand in the amount of $300,000 toward Project Costs;

(2) make payments to the City Bond Trustee for all of the bond debt service on the City Bonds (provided that if CSDC's revenues are insufficient to make all or part of these debt service payments or CSDC's payments toward bond debt service exceed $850,000 during any calendar year, then DDD's obligation to make up the $300,000 of debt service payments annually to the City Bond Trustee shall become effective;

(3) pay the DDD's portion during any calendar year where the DDD's tax revenues are insufficient or have not yet been collected to permit DDD to timely pay its obligations;

(4) direct the $500,000 made available by the City to be used solely to pay a portion of the Project Costs.

9. DUE FROM THE CITY OF NEW ORLEANS:

In October 2001, the garage at 931 Bienville was sold at public auction for $506,000. The Act of Sale on the garage was effective in February 2002. An Ordinance of the City of New Orleans declared that the proceeds from the sale were to be held in the Capital Fund to be used for CSDC purposes. These proceeds will be used to satisfy CSDC's out-of-pocket funding of the Capital Street Improvements Project, as described above.

The City of New Orleans also holds funds for payment of CSDC's operating expenses. The City paid from these funds expenses in the amount of $223,193 and $123,844 for the years ending December 31, 2008 and 2007, respectively. The balance in this account at December 31, 2008 and 2007 was $61,335 and $284,528, respectively.

As of December 31, 2008 and 2007, the total due from the City was $567,335 and $790,528, respectively.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

10. NET ASSETS:

Temporarily Restricted Net Assets:

All fixed assets net of depreciation are classified as temporarily restricted by the act of donation between D.H. Holmes and CSDC. At December 31, 2008 and 2007, temporarily restricted net assets totaled \$6,122,499 and \$6,328,033, respectively.

Unrestricted-Board Designated Net Asset:

The Board designated unrestricted funds for the following purposes:

\$100,000	Designated in 2004 for use in the City's marketing campaign
80,666	Remaining funds from the 2001 designation for special purposes
\$180,666	Total board-designated unrestricted funds

11. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets are released from temporary donor restrictions by satisfying the restricted purpose.

12. SUBSEQUENT EVENTS:

Subsequent to year-end, CSDC entered into a Cooperative Endeavor Agreement with the City to renovate and restore the building under the Saenger Theatre Renewal Project. Under the agreement, the City will provide through Disaster-Community Development Block Grant funding for the project.

In April 2009 CSDC along with Saenger Theatre Partnership, Ltd. entered into a Pre-Development Cost Agreement to loan up to \$1,200,000 each to the Saenger Theatre Redevelopment Company L.L.C. to pay certain pre-development costs related to the restoration and renovation of the Saenger Theatre. All advances made by CSDC under the agreement are considered interest bearing loans at a rate of 0.72% per annum.

13. RESTATEMENT:

During the fiscal year ended December 31, 2008, CSDC determined that \$2,386,210 was incorrectly classified as temporarily restricted net assets. As a result, the 2007 financial statements were restated. The effect of the restatement was to decrease temporarily restricted net assets and increase unrestricted net assets in the amount of \$2,386,210 for the year ended December 31, 2007.

14. RECLASSIFICATION:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

CANAL STREET DEVELOPMENT CORPORATION
SUPPLEMENTARY INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 AS RESTATED

	2008	2007
PROGRAM EXPENSES:		
Consulting fees	$ 15,258	$ 6,219
Depreciation expense	205,534	205,534
Leasing fees	147,445	164,911
Land improvements expense	-	250,000
Professional fees	336,249	68,652
Total program expenses	$ 704,486	$ 695,316

	2008	2007
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative	$ 4,496	$ 3,724
Employee benefits	7,550	25,805
Miscellaneous	3,862	1,877
Office rent	8,941	4,870
Office supplies	482	770
Payroll taxes	1,136	2,959
Real estate taxes	11,645	10,550
Salaries	15,280	20,466
Telephone	273	824
Total general and administrative expenses	$ 53,665	$ 71,845

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 13, 2009

Canal Street Development Corporation
New Orleans, Louisiana

We have audited the financial statements of Canal Street Development Corporation, as of and for the year ended December 31, 2008, and have issued our report thereon dated May 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Canal Street Development Corporation (CSDC), a component unit of the City of New Orleans as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered CSDC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CSDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CSDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. (Findings 08-01 to 08-02)

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weaknesses.

Compliance and Other Matters

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 agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Canal Street Development Corporation in the schedule of findings 08-03 to 08-05.

This report is intended solely for the information and use of the Legislative Auditor, audit committee, management, and others within the organization and grant awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

CANAL STREET DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Canal Street Development Corporation.

2. The auditor disclosed no instances of noncompliance which were material to the financial statements of Canal Street Development Corporation.

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS:

08-01 There is a lack of internal controls over cash receipts which resulted in CSDC not making timely deposits of rent receipts. Deposits were made approximately two weeks to one month after receipt. There should be proper internal controls over cash receipts including depositing all funds timely. Failure to make timely deposits could result in funds being lost, misplaced or stolen. *In addition, it contributes to the risk that revenue will not be recognized properly.* We recommend CSDC formulate proper internal controls over cash receipts including policies that require timely deposits of cash receipts. The implementation of internal controls should include a systematic review and authorization process which would assist in the detection and prevention of errors and misstatements.

08-02 As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the CSDC's financial complexity, along with cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and the annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency, The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. We recommend that management review their system to determine if it would become cost effective to develop and implement internal controls over year-end adjusting journal entries and the preparation of their annual financial statements.

CANAL STREET DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

OTHER MATTERS:

08-03 CSDC uses a series of spreadsheets and Excel workbooks to record transactions which enable the preparation of financial statements; however there is no formal accounting system in place. A formal accounting system should be implemented to provide for greater internal controls and better reporting of CSDC's assets, liabilities, net assets and activity during the year. A formal accounting system allows an entity to record entries into a general ledger, generate a trial balance and prepare basic financial statements for internal use. In addition, using a formal accounting system allows for more internal controls over the reporting of the entity's assets, liabilities, net assets and activity. Not having a formal accounting system in place could result in improper reporting of CSDC's assets, liabilities, net assets and activities. We recommend that CSDC develop or purchase a formal accounting system for use in recording transactions.

08-04 CSDC does not perform regular random audits of tenants who are subject to percentage rent and other rent revenues based on sales or collections. CSDC should perform audits of revenues and collections from tenants. Random audits help detect errors and identify missed revenues. Tenants should know that they may be asked to produce documentation of revenue and collections to facilitate careful and accurate reporting. We recommend that CSDC begin random audits of revenues and collections.

08-05 During the audit it was noted that there are no written accounting policies and procedures for cash receipts, check writing and voucher preparation for items that are not processed through the City's procurement system. CSDC should establish formal written accounting policies and procedures. Written policies and procedures communicate expectations to employees, provide guidance when questions arise and provide continuity in the event of personnel changes or disasters. We recommend CSDC prepare written accounting policies and procedures.

STATUS OF PRIOR YEAR FINDINGS:

07-01 In the prior year, it was noted that CSDC chose to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This comment is repeated in current year comment number 08-02.

CITY OF NEW ORLEANS
CANAL STREET DEVELOPMENT CORPORATION

May 27, 2009

Mr. Steven Theriot
Louisiana Legislative Auditor
1600 North 3rd Street
PO BOX 94397
Baton Rouge, LA 70804-9397

Mr. Theriot:

The Canal Street Development Corporation (CSDC) engaged Duplantier, Hrapmann, Hogan and Maher to conduct an audit of the statement of its financial position as of December 31, 2007 and 2008 and the related statements of activities and cash flows for the years then ended. Included in the report issued May 13, 2009 is a schedule of findings required to be reported under generally accepted government auditing standards. The CSDC's response is listed below each finding.

08-01 There is a lack of internal controls over cash receipts which resulted in CSDC not making timely deposits of rent receipts. Deposits were made approximately two weeks to one month after receipt. There should be proper internal controls over cash receipts including depositing all funds timely. Failure to make timely deposits could results in finds being lost, misplaced or stolen. In addition, it contributes to the risk that revenue will not be recognized properly. We recommend CSDC formulate proper internal controls over cash receipts including policies that require timely deposits of cash receipts. The implementation of internal controls should include a systematic review and authorization process which would assist in the detection and prevention of errors and misstatements.

Because of staff limitations, we currently use a system of informal review however we are in the process of formulating official policies and procedures for internal controls. We are implementing a policy for timely deposit of cash receipts. We expect to have formal policies and procedures for internal control completed and implemented by December 31, 2009.

08-02 As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by

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management based upon the CSDC's financial complexity, along with cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and the annual financial statements, complete with notes, in accordance with generally accepted accounting principles, has not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. We recommend that management review their system to determine if it would become cost effective to develop and implement internal controls over year-end adjusting journal entries and the preparation of their annual financial statements.

The board is currently discussing the job requirements for an accounting professional to oversee the accounting functions and journal entry preparation. We will consider the cost-effectiveness of hiring a person with the level of expertise that would allow us to prepare the financial statements.

<u>OTHER MATTERS:</u>

08-03 CSDC uses a series of spreadsheets and Excel workbooks to record transactions which enable the preparation of financial statements; however there is no formal accounting system in place. A formal accounting system should be implemented to provide for greater internal controls and better reporting of CSDC's assets, liabilities, net assets and activity during the year. A formal accounting system allows an entity to record entries into a general ledger, general a trial balance and prepare basic financial statements for internal use. In addition, using a formal accounting system allows for more internal controls over the reporting of the entity's assets, liabilities, net assets and activity. Not having a formal accounting system in place could result in improper reporting of CSDC's assets liabilities, net assets and activities. We recommend that the CSDC develop or purchase a formal accounting system for use in recording transaction.

We are currently considering purchase of an accounting software program.

08-04 CSDC does not perform regular random audits of tenants who are subject to percentage rent and other rent revenues based on sales or collections. CSDC should perform audits of revenues and collections from tenants. Random audits help detect errors and identify missed revenues. Tenants should know that they may be asked to produce documentation of revenue and collections to facilitate careful and accurate reporting. We recommend that CSDC begin random audits of revenues and collections.

We plan to contract with an audit firm to perform audits of tenants and sub-tenant revenues

08-05 During the audit it was noted that there are no written accounting policies and procedures for cash receipts, check writing and voucher preparation for items that are not processed through the City's procurement system. CSDC should establish formal written accounting policies and procedures. Written policies and procedures communicate expectations to employees, provide guidance when questions arise and provide continuity in the event of personnel changes or disasters. We recommend CSDC prepare written accounting policies and procedures.

When internal control policies and procedures are finalized we plan to issue a written manual. We expect this work to be published by December 31, 2009.

If you have any questions or need additional information, please feel free to contact me at (504) 658-0920.

Very truly yours,

Cynthia M. Connick

Cynthia M. Connick
Executive Director

cc: Board of Directors