

Louis Armstrong
New Orleans International Airport

December 10, 2010

Mr. Albert Sampey, CPA
P.O. Box 2009
Apopka, Florida 32704-2009

Dear Mr. Sampey:

We are in receipt of your letters of April 28, 2010, May 21, 2010 and September 28, 2010 and have considered your recommendations for our continued compliance with all policies and procedures regarding payment of Allowable Costs and compliance with PFC Law as defined in the *General Revenue Bond Indenture and the First Supplemental Trust Indenture by and among The New Orleans Aviation Board (the "NOAB"), as Issuer, The City of New Orleans, Louisiana and The Bank of New York Trust Company, NA, as Trustee, Relating to \$88,370,000 New Orleans Aviation Board Revenue Bonds (Passenger Facility Charge Projects), \$65,530,000 Series 2007A (AMT), \$4,295,000 Series 2007B-1 (non-AMT), and \$18,545,000 Series 2007B-2 (AMT) dated as of November 9, 2007 ("the Indenture")*, during the quarters ended on December 31, 2009 and March 31, 2010.

We respond as follows:

April 28, 2010 - Compliance Finding Item 1 – Ineligible Cost Requirement under the 2007 PFC General Revenue Bond Indenture: Sufficient amounts to fund the estimated ineligible Requirement were deposited with the Trustee prior to any draw of funds from the Not Exceeding \$65,000,000 New Orleans Aviation Board Interim Revenue Notes (Passenger Facility Charge Projects) Series 2009 A Drawdown Bond Facility and Credit Facility (2009 A Drawdown Bonds). The 2009 A Drawdown Bonds have since been redeemed. The NOAB will comply with all requirements of the 2007 General Revenue Bond Indenture with future bond issuances.

April 28, 2010 - Compliance Finding Item 2 – Debt Service Transfer Payments: The NOAB notes that transfers to the Debt Service fund in October, November and December of 2009 were made one business day later than the requirement listed in the 2007 Bond Resolution. The NOAB will assure that such transfers are made in a timely fashion.

April 28, 2010 - Compliance Finding Item 3 - Systematic Tracking of Program Management Costs against Independent Fee Estimates: The NOAB is developing a cost tracking application that allows for comparison of fees invoiced against estimates such as independent fee estimates. The NOAB and its program management and development team will monitor expenditures, and circumstances, on each project to assure that grant requirements are met.

April 28, 2010 - Compliance Finding Item 4 - "Disproportionate" Program Management Costs: The NOAB is aware that the current percentages of program management costs funded by PFCs as a portion of overall PFC-funded project costs are above industry norms. The three projects specified experienced significant delays to their planned implementation as a result of Hurricane Katrina's aftermath (the "Katrina Disaster"). The region served by the Airport was heavily damaged and activity at the Airport was diminished, requiring analysis and re-evaluation of the purpose and need for each project. Changes and redesigns, as well as the program management functions needed to accomplish them, increased initial project soft costs. The Expansion of Concourse "D" was intended to increase capacity at the Airport significantly but was redesigned after the disaster to accommodate changed capacity needs. The New ARFF Station was significantly delayed and substantially reworked to accommodate revisions to the design and reviews of eligibility initiated by the FAA Southwest Region Airports Office. Additionally, revisions to the Airport Layout Plan following Katrina required relocation of the facility to suit future airfield development. The Aircraft Loading Bridge project was impacted by general disaster-related delays and incurred additional program management cost because the program manager was also performing the design services. Significant additional resources were needed to fulfill the intent of the project scopes and avoid substantial construction change orders. While the initial soft costs of the projects make up a significant percentage of pre-construction project costs, it is expected that once the projects are constructed and complete, the overall percentage of program management cost will decrease.

April 28, 2010 - Disbursement Issues

Project 963 - Part 1542 Security System. The program manager's disbursement worksheet allocation was observed not to match the related Johnson Controls pay request, No. 34. This mismatch has been corrected.

Project 963 - Part 1542 Security System. The Contractor control sheet was observed not to match the corresponding Pay Request, No. 37. The control sheet has been updated.

Project 974 - Concourse D Expansion: the funding sources of TIME and PFCs were observed to be reversed on the allocation for invoice requisition #R9741109A. This allocation has been revised.

Project 974 – Concourse D Expansion:

NY Associates invoice No. 14168 related to pay request No. 62 has been revised and is now accurate.

Project 1069 – Residential Sound Insulation Project:

ETI Pay Requests Nos. 2, 3 and 4 were found to be inaccurate or incomplete. These issues have been corrected.

ART Invoice No. 18 mis-allocated a reimbursement for expenses related to the CONRAC to include funding other than CONRAC funds. This error is being corrected currently.

April 28, 2010 – Previous Quarters' Issues

Two firms invoicing for program management services for the Residential Sound Insulation Program. Each firm is performing distinct services: ART is addressing procurement of services for this multiple phase project and Parsons Aviation Louisiana was performing project management functions. Parsons Aviation Louisiana has completed their services. The NOAB will assure that the costs for program management service are in compliance with FAA Guidelines for this project.

The NOAB is developing a system for monitoring encumbrances against available funding sources. Work is proceeding on a comprehensive program that will track project budgets and be robust to changes in funding sources.

May 21, 2010 – Compliance Finding Item 1 – Reimbursements from Recent Application Approval - Recently approved projects in PFC Application #10 were begun with local funding ahead of PFC approval and FAA AIP participation. The NOAB and its program management and development team are analyzing disbursements and preparing to reimburse each project that incurred eligible costs prior to PFC approval from PFC funds to local funds.

May 21, 2010 – Compliance Finding Item 2 – The NOAB notes that the transfer to the Debt Service fund in January of 2010 was made two business days later than the requirement specified in the 2007 Bond Resolution. The NOAB will assure that such transfers are made in a timely fashion.

May 21, 2010 – Compliance Finding Item 3 - Systematic Tracking of Program Management Costs against Independent Fee Estimates: The NOAB is commissioning a cost tracking application. The NOAB and its program management and

development team will monitor expenditures, and circumstances, on each project to assure that grant requirements are met.

May 21, 2010 – Compliance Finding Item 4 - “Disproportionate” Program Management Costs. The NOAB is aware that the current percentages of program management costs as a portion of overall project costs are above industry norms. The Aircraft Loading Bridges, Expansion of Concourse “D”, and the New ARFF Station projects were impacted by the Katrina Disaster as discussed above. The Part 1542 Security System was also delayed and substantially reworked as a result of the disruption to the Airport’s capital program following the disaster. In order to comply with FAA requirements with respect to procuring program management services, it was necessary to rebid the contract for program management at the Airport. Additionally, the program managers were required to manage multiple designers, including architectural, engineering and specialized security systems. Significant additional resources were needed to fulfill the intent of the project scope and avoid or minimize substantial construction change orders. The Airport expects that once the projects are completed, the ultimate percentage of program management costs paid from PFCs to total expenditures from PFCs will be reduced.

May 21, 2010 – Observed Disbursement Issues

Project 1088 – Airfield Lighting Vault: the control sheet with the project file was observed to be out of date, lacking two change orders. This control sheet has been updated.

Project 1032 – Airport Wildlife Consultants: the pay request Nos. 10 and 11 were without updated previously-paid amounts; pay request No. 10 was without a vendor invoice in the file. These pay requests have been corrected.

ART Invoice No. 19 paid on requisition No. R1290110A was paid from funds allocated differently than the invoice requisition. The payment allocation and the documentation have been revised.

ART Invoice No. 21 included a reimbursement for expenses related to the CONRAC that was mis-allocated to other projects. This allocation has been updated.

May 21, 2010 - Prior Findings from Previous Quarters:

Project 1069 – Residential Sound Insulation – Pay request No. 4 from Hamps was not completed properly. This pay request has been corrected.

Program Manager - ART Invoice No. 18 mis-allocated a reimbursement for expenses related to the CONRAC to include funding other than CONRAC funds. This error has been corrected.

September 28, 2010 – Compliance Finding Item 1 – Transfer of investment earning on Series 2010 Bonds Debt Service Reserve Account to Receipts Fund. This transfer has been made and NOAB staff has taken the necessary action to ensure that all future transfers are made, as required by the Third Supplemental Trust Indenture Section 3.06(c).

September 28, 2010 – Compliance Finding Item 2 – Transfer of funds to fully fund the 2009 PFC Project Ineligible Sub-Account of the TIME/PFC Account. Funds have been transferred based on the Program Manager’s Ineligible Cost Estimate and funding will be updated as specified in the General Trust Indenture.

September 28, 2010 – Compliance Finding Item 3 – Implementation of PFC Project to Update Noise Contour Maps. On October 29, 2010, NOAB published a Notice of Intent to withdraw this project.

September 28, 2010 – Compliance Finding Item 4 – tracking of program management costs. NOAB acknowledges this observation and notes that the May 21, 2010, Letter had a similar caution. The staff will monitor expenses and detail unusual circumstances so as to avoid payments that exceed accepted norms for eligible costs.

September 28, 2010 – Compliance Finding Item 5 – Disproportionate program management costs. This observation is similar to the May 21, 2010 Finding, Item 5, discussed above.

September 28, 2010 – Observed Disbursement Issues

Project 963 – NOAB staff will review this discrepancy and will initiate any action necessary to appropriately discharge the Board’s responsibilities under the approved contract.

Project 1025 – Requisition R10250310A contained a discrepancy in the control sheet amount paid when compared with the vendor’s payment request. NOAB staff and the program manager will investigate and revise the documents as needed.

Project 1088 – NOAB staff will review the subject payment requests and correct as needed.

Project 1088 – The project was initially funded from the funding source of 966, prior to approval for use of PFC funding of 965. NOAB staff will investigate and assure the proper coding for future payment requests.

September 28, 2010 Findings from Previous Quarters

NOAB Staff are analyzing costs incurred for project in Application 10 to establish whether there are costs eligible for PFC funding incurred in developing the projects prior to approval of the application.

NOAB has reallocated costs associated with ART Invoice 18 and is currently processing reallocation for Invoice 21 from City Blueprint & Supply Company for the CONRAC.

The NOAB is currently commissioning and validating a program to track and manage contracts and costs for current projects. The NOAB program and development team will continuously validate and monitor the inputs and outputs to this system to assure accuracy and control of the capital program.

The NOAB welcomes your recommendations and will continue to assure its compliance with all requirements of PFC Law as defined by the General Revenue Bond Indenture and First Supplemental Trust Indentures as well as application FAA grant and PFC assurances. Where inaccuracies or deficiencies are discovered, the NOAB will act promptly and correct the issues.

Sincerely,

A handwritten signature in black ink that reads "Deanna P. Felder". The signature is written in a cursive style with a large initial "D".

Deanna P. Felder
Airport Financial Manager

cc: Mr. Iftikhar Ahmad, Director of Aviation
Mr. Don Mauras, Acting Deputy Director of Planning and Development