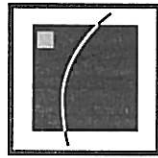


January 29, 2009



R O T H
M C H U G G
& ASSOCIATES
Limited Liability Company

Mr. Zack Carter
Alabama Arise
P.O. Box 612
Montgomery, Alabama 36101

Subject: Mobile County CDBG Disaster Housing Assistance Program (Hurricane Katrina)

Dear Mr. Carter:

As a follow up to our discussion yesterday with Mr. Paul Nelson, I understand that you need updated information regarding the subject project. I want to help you with this and also provide a little background of the program and the involvement of our firm.

In October 2006 our office accepted the daunting task of administering the Hurricane Katrina CDBG Disaster grant for Mobile County with no idea of what a monumental or emotional task it would be. Regrettably our first year was spent in trial and error trying to determine the fairest and most appropriate way to deal with applicants and assure that all program requirements were met. This delay in program implementation caused a lot of criticism that "the money was not being spent fast enough."

Although our firm had previously dealt with much smaller (non-disaster housing grants), we had no idea or any preparation for what to expect. The documentation and paperwork requirements were consistent with prior efforts, but the volume and complexity were on a scale that we had not previously encountered. While we had to learn quickly to adapt and find workable solutions, it took even less time to discover that we were dealing with people in a desperate situation yearning for a decent living environment free from the mold, mildew and the devastation left behind as a result of Katrina's wrath.

The staff and I feel that we could write a book full of stories from Mobile County Alabama, but we would only be scratching the surface of a very complex social and economic problem. While the United States is reeling from an economic downturn of epic proportions, there are still many victims of Hurricane Katrina who are struggling to regain a semblance of their life that existed prior to August 29, 2005. As Americans struggle to deal with loss of jobs, curtailed production schedules, business closures, and rising costs, most of us can not fathom what it is like to face these challenges along with trying to re-build a home that was lost or damaged by Hurricane Katrina. Many attempted to make repairs with their own limited resources or FEMA funds and were taken advantage of by unscrupulous contractors who took their money and never returned to do the work. Consequently, trees remained on top of houses; roofs continued to leak ruining what remained of interior ceilings, walls and floors; heating and air conditioning systems were destroyed; septic systems became clogged and sewage backed up into many homes; and people were stricken with physical and mental illnesses due to their unsanitary and demoralizing living conditions.

At this point we are proud to say that we are making strides in improving the housing conditions of the citizens of Mobile County who remain eligible program applicants and Hurricane Katrina victims. As a result of this project; 71 homes have been replaced or repaired; another 30 homes are under contract; and replacement or repair of another 70 homes is in process. However, **the need remains great.** We have identified some 120 conventional or manufactured homes that are either completely gone or are totally uninhabitable and need to be demolished and replaced. In addition, some 500 homes continue to need an extensive degree of rehabilitation. This need cannot be met with the existing funds remaining in the CDBG grant.

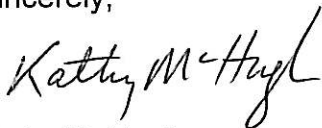
In order to establish a "reasonable" cost to address the known need, we added dollar amounts for each category of need based on an average estimate of \$160,000 for modular housing, \$55,000 for manufactured homes, and \$50,000 for housing rehabilitation. Based upon this conservative estimate, the housing assistance program would need approximately \$48,595,309 to replace or repair all homes on the eligible applicant list.

Unfortunately, this estimate does not take into account the hundreds of Mobile citizens who either applied after the program deadline or have called our office since that time to say that they did not know about the program at all. It also does not take into account hundreds of renters who lost all of their worldly possessions and had to start over with little other than support from family and friends and a small amount of FEMA rental assistance. Due to limited funding, Mobile County had to make a difficult choice to prioritize homeowners and the program has been unable to assist renters.

It is difficult to estimate the unmet housing needs in Mobile County as a result of Hurricane Katrina; however, we believe that the amount is likely double the conservative estimate shown above. This amount would be very consistent with the information presented by Mr. Bill Johnson (ADECA Director) in his appeal to the Congressional Committee last year.

For your reference, I have attached a summary of the information cited above. We hope that this is helpful to you in your efforts to justify the needs that still exist and can not be addressed without governmental assistance.

Sincerely,



Kathy McHugh
ROTH, McHUGH & ASSOCIATES, LLC