

changed during the course of the performance of the contract, and future negotiations with the state could result in additional changes in such rates and prices during the remainder of the contract, further increasing this risk.

The Road Home contract has been amended to include performance measures, with financial penalties for failure to achieve these measures. We have, in fact, been subject to some of these penalties. Although contract modifications must be agreed to by both parties, in the future, the contract could be further amended in ways that prove to be unfavorable to us. There is, therefore, no assurance that this contract can be performed profitably. Because of the size of The Road Home contract, poor financial results from this contract would adversely affect our overall operating results and the value of our stock.

The Road Home contract exposes us to many different types of liability, some of which could be substantial.

- Homeowners, rental housing owners, or others dissatisfied with the amount of money they have received from, or their treatment under, this program may take action against the State of Louisiana and us, including possible class action or other substantial litigation. These actions could disrupt the program significantly by diverting substantial management time and resources and could result in substantial liability for us. Lawsuits have been filed; however, these suits have not disrupted the program to date.
- Due to the acceleration of the program, we have terminated employees working under The Road Home contract earlier than initially anticipated. Some of those former employees have taken action against us, and more actions may be instituted, whether or not merited, including possible class action or other litigation.
- Although much of the work under the contract has been and will be performed by subcontractors, the State of Louisiana considers us responsible for the timely, satisfactory performance of all aspects of the contract, as is typical for prime contractors.
- We and our subcontractors gather and maintain sensitive information concerning potential and actual program participants. Failure to maintain and secure such information properly and failure to take appropriate action to prevent fraud could result in substantial liability for us.
- Although the contract provides that, with several exceptions, we may charge as an expense under the contract reasonable costs and fees incurred in defending and paying claims brought by third parties arising out of our performance, there can be no assurance that all of our costs and fees will be reimbursed. The contract also provides that we will indemnify the State of Louisiana for certain liabilities. Such liabilities could be substantial and exceed the amounts of, or may not be covered by, available insurance.
- There is a risk that reimbursement will be sought from us for any excess amounts paid to grant recipients and for the costs to re-perform certain services.

Because of its nature, size, and scope, The Road Home contract subjects us to increased public scrutiny and pressure, particularly to operate at a fast pace, as well as to numerous additional audits, reviews, and investigations, all of which divert management attention and increase our costs.

The Road Home contract may be the largest non-construction contract ever awarded by the State of Louisiana. As a result, members of both the executive and legislative branches of the state government have paid, and will continue to pay, substantial attention to this contract. Both houses of the state legislature have held numerous hearings at which our management has been asked to testify. Changes in the state legislature and the Louisiana Recovery Authority during the term of our contract have also led to increased scrutiny of The Road Home contract and our efforts related to it. We expect that there will continue to be intense public and political pressure associated with The Road Home contract, particularly to continue to operate the program and execute a smooth transition of the program at a fast pace.