

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING, is entered into this 27th day of July, 2004, by and between the State of Illinois, acting through the Illinois Department of Children and Family Services and hereinafter called the "State" and Habilitative Systems, Inc

WITNESSETH

WHEREAS, the State has the duty to provide for the health, safety, and welfare of its residents; and

WHEREAS, the Illinois Department of Children and Family Services provides child welfare services in Illinois with the goal of making sure all Illinois children live in safe and loving homes; and

WHEREAS, Habilitative Systems, Inc. is a comprehensive human services organization with a 26-year history of providing services in the Chicago area that runs the Children and Family Services Care Center to serve urban children, youth and families in need of support and intervention to remain intact, become independent and/or reach their potential; and

WHEREAS, the parties shall enter into a grant or award agreement, to be effective for fiscal year 2005 and subject to compliance with all applicable State law and necessary certifications, on the basis of the following terms, among others:

The State will agree:

1. To provide \$75,000 to Habilitative Systems, Inc. to enhance two of its existing service programs and engage in the planning process for the development of additional services consistent with the cutting edge restructuring of the department and its redefined goals and objectives;

Habilitative Systems, Inc. will agree:

2. To meet all duties and obligations imposed by state law respecting nonfederal-aid projects;
3. To promptly pay all persons and entities engaged on projects undertaken pursuant to this Memorandum of Understanding;
4. To assume the responsibility of Habilitative Systems' programs and initiatives ; and

The parties will mutually agree:

5. That, with respect to the State funding, program initiation will be the responsibility of Habilitative Systems, Inc. and is to be coordinated with the State.

FROM : HABILITATIVE SYSTEMS

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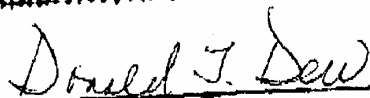
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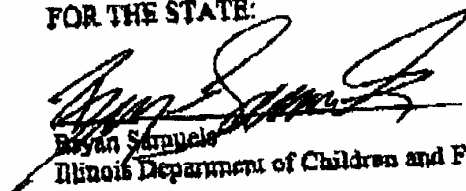
IN WITNESS WHEREOF, the State and Habilitative Systems, Inc. have caused this Memorandum of Understanding to be executed by their authorized representatives on the 27th Day of July, 2004.

HABILITATIVE SYSTEMS, INC.:



Donald J. Dew
President/CEO

FOR THE STATE:



Bryan Samuels
Illinois Department of Children and Family Services