

CONTRACT NO.: 11718

PROFESSIONAL AUDIT AND TAX

SERVICES AGREEMENT

BETWEEN

FLS GROUP, LLC

AND

KENMORE SENIOR HOUSING LIMITED PARTNERSHIP

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AGREEMENT

THIS PROFESSIONAL AUDIT AND SERVICES AGREEMENT ("Agreement") is made effective as the 21st day of December 2015 by and between **KENMORE SENIOR HOUSING LIMITED PARTNERSHIP**, with offices at 60 East Van Buren Street, Chicago, Illinois 60605, acting on behalf of the Property Owner described below, and **FLS GROUP LLC**, an Illinois limited liability company (hereinafter referred to as the "Auditor"), with offices at 4709 West Golf Road, Suite 200, Skokie, Illinois 60076.

RECITALS

WHEREAS, Kenmore Senior Apartments (the "Property") is an eight story residential apartment building for seniors located at 5040 N. Kenmore, Chicago, Illinois, which includes 100 apartments, and is owned by a low-income housing tax credit partnership, Kenmore Senior Housing Limited Partnership, an Illinois limited partnership (the "Property Owner" or "Limited Partnership"); the General Partner of the Property Owner is Kenmore Housing Development, LLC, an Illinois limited liability company, of which the Chicago Housing Authority is the sole member;

WHEREAS, the CHA is engaged in the development and operation of safe, decent and sanitary housing throughout the City of Chicago for low-income families in accordance with the United States Housing Act of 1937, 42 USC 1437 et seq.; regulations promulgated by the United States Department of Housing and Urban Development ("HUD"), and the State Housing Authorities Act, 310 ILCS 10/1 et seq.; as amended, and other applicable laws, regulations and ordinances, and assists the Partnership with certain administrative and managerial efforts relevant to the Property;

WHEREAS, the Partnership desires to retain the services of a professional auditor to perform financial audit and tax services for the Property and Property Owner, which shall be conducted in accordance with generally accepted auditing standards issued by the Comptroller General of the United States;

WHEREAS, the CHA released a Request for Proposal ("RFP") Event No. 254 (2015) on November 6, 2015 (attached hereto as Exhibit I) on behalf of the Partnership;

WHEREAS, in response to the RFP, the Auditor submitted its original proposal dated November 23, 2015 (including its Best and Final Offer and Fee Form, the "Proposal"). The following portions of the Proposal are attached hereto in Exhibit II and are incorporated by reference as if fully set forth herein:

1. Schedule A – MWDBE Utilization Plan
2. Schedule B – Letter of Intent and Certification Letters;
3. Schedule C – Section 3 Utilization Plan; and
4. HUD forms 5369A, 5369C and 5370C-Non Construction; and

WHEREAS, the Partnership and the Auditor desire to enter into this Agreement for auditing and tax services and the Auditor states that it is ready, willing and able to provide the audit services in accordance with the terms and conditions of this Agreement for the benefit and purposes of the Partnership.

NOW THEREFORE, in consideration of the mutual promises and the terms and conditions set forth herein, the Partnership and the Auditor do hereby agree as follows:

ARTICLE 1 INCORPORATION OF RECITALS

The recitals set forth above are incorporated by references as if fully set forth herein.

ARTICLE 2 AUDITOR'S DUTIES AND RESPONSIBILITIES

Section 2.01 Services to be Performed

A. Scope of Services

Auditor shall provide and prepare a financial statement and compliance audit of the Property (Kenmore Senior Apartments) for the fiscal year ending December 31, 2015 and potentially for the subsequent fiscal year ending December 31, 2016, in the event the Limited Partnership exercises the option reserved under this Agreement. See Attachment A for Draft and Final Audit and Tax Returns due dates. The statement should include the following:

- Balance Sheet
- Statement of Operations
- Statement of Cash Flows
- Statement of Partner's Equity (Deficit)
- Notes to Financial Statements
- Independent Auditor's Report

Additionally, Auditor shall annually prepare for execution by the General Partner of the Partnership all tax returns of the Partnership, shall annually audit the books of the Partnership, and shall certify, in accordance with tax basis accounting with adjustment for generally accepted accounting principles, a balance sheet, a profit and loss statement, and a cash flow statement. With respect to each fiscal year during the Partnership's operations, at such time as the Auditor shall have prepared the proposed tax return for such year, the Auditor shall provide copies of such proposed tax return to the Limited Partner of the Partnership for its review and comment. Any reasonable, material changes in such proposed tax return recommended by the Limited Partner's accountants shall be made by the Auditor prior to the completion of such tax return for execution by the General Partner.

REPORTS / DELIVERABLES

1. One (1) unbound and five (5) bound paper copies of each audit, along with an electronic version (PDF) of the final audit reports. The electronic version must be provided as a draft to the review and comment seven days prior to final publication.
 2. Appropriate tax returns filed timely (federal and state Partnership income Form 1065), or, should an extension be needed, the selected firm shall be responsible for filing a Application for Automatic Extension of Time to File Certain Business Income Tax, other Returns.
 3. The auditor will be expected to provide a letter to the Limited Partnership on the non-immaterial instances of noncompliance. This letter will also include general observations made during the audit that could be helpful to the management/oversight of the properties.
- B. In carrying out its Services, the Auditor shall prepare and provide certain work product, reports, charts, evaluations, documents, data and other information, including but not limited to, work materials, devices, documents, data, studies, reports, findings or information in any form prepared or assembled either in hard copy or on diskette, (collectively "Deliverables") for delivery to the Limited Partnership. All reports shall include at a minimum; (i) a description of Auditor's methodology used to perform the review; (ii) the extent of the review; (iii) the limitations on the scope of the review, if any; and (iv) when applicable, findings and recommendations related to the particular subject matter of the review. The Limited Partnership reserves the right to reject Deliverables which in the reasonable judgment of the Limited Partnership do not adequately represent the intended level of completion or standard of performance, do not include relevant information or data, do not include all documents specified in this Agreement, or are reasonably necessary for the purposes for which the Limited Partnership made this Agreement with the Auditor. The Limited Partnership will notify the Auditor in writing of any deficiencies the Limited Partnership may identify involving a Deliverable, and the Auditor shall remedy such deficiencies within a reasonable time not to exceed ten (10) days. Partial or incomplete Deliverables may be accepted for review only when required for a specific purpose and when consented to in advance by the Limited Partnership. Such Deliverables may not be considered as satisfying the requirements of this Agreement and partial or incomplete Deliverables shall in no way relieve the Auditor of its commitments hereunder. Specifically, all services shall be performed in accordance with the professional care standards required by the American Institute of Certified Public Accountants (AICPA) and industry best practices, and in accordance with the terms and conditions of this Agreement.
- C. Timeline.

See Attachment A

Section 2.02 Performance Standards

The Auditor shall perform all Services required of it under this Agreement with that degree of skill, care and diligence normally shown by an entity performing services of a scope, purpose and magnitude comparable with the nature of the Services to be provided under this Agreement. Specifically, all Services shall be performed in accordance with the professional care standards required by the American Institute of Certified Public Accountants (AICPA) and in accordance with the terms and conditions of this Agreement. The Auditor acknowledges that it may be provided with or have access to valuable and confidential information and records of the Limited Partnership. The Auditor shall at all times provide the Services in accordance with applicable laws, regulations and professional standards.

Section 2.03 Key Personnel

Key personnel providing Services shall include Bruce Schiff, CPA. The Auditor retains the right to substitute key personnel with reasonable cause, provided, however, the Limited Partnership shall have the right to approve such staff changes, which approval shall not be unreasonably be withheld.

Section 2.04 Non-Discrimination

A. The Auditor shall comply with the Civil Rights Act of 1964, 42 U.S.C. sec. 2000 et seq. (1989), as amended; Exec. Order No.11,246, 30 Fed. Reg. 12,319 (1965), reprinted in 42 U.S.C. 2000(e) note, as amended by Exec. Order No. 11,375, 32 Fed. Reg. 14,303 (1967) and by Exec. Order No.12,086, 43 Fed. Reg. 46,501 (1978); Age Discrimination Act, 42 U.S.C. sec. 6101-6106 (1989); Rehabilitation Act of 1973, 29 U.S.C. sec. 793-794 (1988); Fair Housing Amendments Act, 42 U.S.C. Sec. 3601 et seq. (1988); and Americans with Disabilities Act of 1990, 42 U.S.C. §12101; as supplemented by 41 C.F.R. Part 60 et seq. (1990).

Section 2.05 MBE/WBE and Section 3 Participation

Subject to Exhibit II, the Auditor's proposal dated November 23, 2015, the Auditor agrees to comply with the CHA's Minority Business Enterprise/Women's Business Enterprise Participation ("MBE/WBE") requirements and the CHA's Section 3 requirements in accordance with the Auditor's MBE/WBE Utilization Plan and Section 3 Utilization Plan, which is attached hereto and incorporated herein by reference.

Section 2.06 Ownership of Documents; Records and Reports

A. All Deliverables and all information in any form prepared, assembled or encountered by or provided to the Auditor under this Agreement, not including the Auditor's work papers, (collectively the "Owned Deliverables") are the property of the Limited Partnership, except as provided below in paragraph B. During the

performance of its Services, the Auditor shall be responsible for any loss or damage to such Owned Deliverables and information while in the Auditor's possession and shall restore any lost or damaged Owned Deliverables at the Auditor's sole cost and expense. If not restorable, the Auditor shall be responsible for any loss suffered by the Limited Partnership because of such destruction.

The Owned Deliverables shall become the property of the Limited Partnership upon full and final payment for such Owned Deliverables; provided, however, that the Auditor shall have the right to retain copies of all Owned Deliverables required for compliance with applicable professional standards or internal policies for record keeping purposes only. All work papers of the Auditor shall remain the property of the Auditor.

- B. The Auditor has created, acquired or owns various concepts, methodologies, and techniques, models, templates, software, user interfaces or screen designs; general purpose consulting and software tools, and logic, coherence and methods of operation of systems, all of which have been specifically identified and established as being the Auditor's property (collectively, the "Auditor Property"). Auditor shall retain all ownership rights to Auditor Property, including any enhancements thereto made during the course of providing the Services. To the extent that the Auditor utilizes any Auditor Property (including, without limitation, any hardware, software, proprietary or confidential information or trade secrets of the Auditor) in performing the Services hereunder and contained in the Owned Deliverables, such property shall remain the property of the Auditor and the Limited Partnership shall acquire no right or interest in such property, except for a royalty-free, non-exclusive license to use Auditor Property in connection with the use of the Owned Deliverables for the purpose for which they were contemplated to be used.
- C. The Auditor shall use reasonable efforts, subject to laws, regulations and professional standards applicable to the Services and to the provisions of Sections 9.04 and 9.05 herein, to deliver or cause to be delivered all documents, data, studies, reports, findings or information including, but not limited to, all Deliverables prepared for the Limited Partnership under the terms and conditions of this Agreement, to the Limited Partnership promptly in accordance with the time limits prescribed in this Agreement, and if no time limit is specified, then upon reasonable demand therefor or upon termination or completion of the Services hereunder. If the Auditor fails to make such delivery upon demand, then the Auditor shall pay to the Limited Partnership any damages the Limited Partnership may sustain by reason thereof to the extent such damages have been awarded through a final disposition and determination of any claim of damage arising under this Section. The Auditor shall maintain any such records and Deliverables not delivered to the Limited Partnership or demanded by the Limited Partnership for a period of three (3) years after the final payment made in connection with this Agreement.

The Auditor shall maintain its books, records, documents, and other evidence and

adopt accounting procedures and practices sufficient to properly reflect all costs of whatever nature claimed to have been incurred or anticipated to be incurred in connection with the Auditor's performance of this Agreement. The accounting procedures shall be in accordance with commercially reasonable accounting principles and practices, consistently applied throughout the Auditor's performance of its obligations under this Agreement.

The Auditor shall maintain records showing actual time devoted and costs incurred. The Auditor shall keep books, documents, papers, records and accounts in connection with the Services to be performed hereunder sufficient to substantiate Auditor's invoices copies of which would (1) be open to an independent audit to be conducted by the CHA, HUD, the Comptroller General of the United States or their duly authorized representatives; and allow inspection, copying, abstracting and transcriptions of these materials. In addition, the Auditor shall maintain said documents, in a safe place and make them available for at least five (5) years after the final payment made in connection with this Agreement.

Section 2.07 Audit Requirement

The Limited Partnership retains an irrevocable right to audit the Auditor's books and records sufficient to substantiate Auditor's invoices and propose the disallowance of any billings deemed by Limited Partnership to be inappropriate upon written notice to the Auditor.

Section 2.08 Confidentiality

All Deliverables, reports, documents, data and information prepared, or assembled by or provided by the Limited Partnership to the Auditor pursuant to this Agreement ("Confidential Information") are to remain confidential and to be used solely in connection with this Agreement. The Auditor agrees to comply with applicable professional standards regarding the handling, use and disclosure of Limited Partnership's Confidential Information.

The Auditor shall comply with AICPA Ethics Rule 301 and the Auditor shall not disclose or make available Confidential Information to any third party individual or organization in violation of AICPA Ethics Rule 301. In the event the Auditor is served or presented with a *subpoena* or is otherwise required by law to disclose Confidential Information which may be in the Auditor's possession by reason of this Agreement, the Auditor must, unless prohibited by law or mandatory professional standards applicable to Auditor, promptly give notice to the Limited Partnership's Chief Executive Officer and General Counsel of such *subpoena* or requirement so that the Limited Partnership will have, at Limited Partnership's sole cost and expense, the opportunity to contest such *subpoena* or requirement by any means available to it before the Confidential Information is submitted or disclosed by the Auditor to a court or other third party.

Pursuant to the Company's engagement of Auditor for the purposes of providing external audit services, Company and Auditor further agree that the Limited Partnership shall not impose

any additional policy, protocol or any other instrument of any type (whether oral, written or electronic) upon Auditor or its personnel with respect to the confidentiality provisions of this Agreement, not otherwise required by applicable law, regulation or other binding agreement.

Section 2.09 Subcontracts and Assignments

The Auditor shall not subcontract, assign, delegate or otherwise transfer all or any part of its obligations under this Agreement, unless otherwise provided for herein, without the prior written approval of the Limited Partnership. The absence of such prior written approval shall void the attempted subcontracting, assignment, delegation or transfer and shall have no legal effect on the Services or this Agreement.

The Auditor shall not transfer or assign, in whole or in part, any funds or claims due or which may become due under this Agreement without the prior written approval of the Limited Partnership. Any attempted transfer or assignments of any contract funds, either in whole or in part, or any interest therein, which shall be due or to become due to the Auditor, without the prior written approval of Limited Partnership shall be void. The Limited Partnership expressly reserves the right to assign or otherwise transfer all or any part of its rights or interests hereunder.

Section 2.10 Patents and Copyrights

To the extent applicable, the Limited Partnership reserves an exclusive, perpetual and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for Limited Partnership or HUD purposes, including, but not limited to, commercial exploitation: (a) the copyright or patent in any work developed or discovered in the performance of the Services under this Agreement, and (b) any rights of copyright or patent to which the Auditor purchases ownership with funds awarded pursuant to this Agreement for the purpose of meeting the objectives of this Agreement.

Section 2.11 Religious Activities

Concerning the Services to be provided under this Agreement, the Auditor agrees:

- A. that it shall not discriminate against any person on the basis of religion and shall not limit employment or give preference in employment to persons on the basis of religion; and
- B. that it shall not discriminate when rendering the Services hereunder against any person on the basis of religion and shall not limit such Services or give preference to persons on the basis of religion.

Section 2.12 Drug-Free Workplace

The Auditor shall establish procedures and policies to promote a "Drug-Free Workplace." Further, the Auditor shall notify all employees of its policy for maintaining a "Drug-Free

Workplace," and the penalties that may be imposed for drug abuse violations occurring in the workplace. Further, the Auditor shall notify the Limited Partnership if any of its employees providing Audit Services are convicted of a criminal drug offense in the workplace no later than ten (10) days after such conviction.

Section 2.13 Force Majeure

Notwithstanding any other provision in this Agreement, the Contractor shall not be liable or held responsible for any failure to perform or for delays in performing its obligation under the Agreement, including but not limited to, the scope of services set forth hereunder which result from circumstance or causes beyond Contractor's reasonable control, including without limitation, fire or casualty, acts of God, strikes or labor disputes, war or violence, or any lay, order or requirement of any government agency or authority.

Section 2.14 General Conditions for Non-Construction Contracts

The Contractor agrees to comply with the terms and conditions of HUD's General Conditions for Non-Construction Contracts (HUD form 5370-C (10/2006)) ("General Conditions"), which is attached hereto as Exhibit V and incorporated by reference as if fully set forth herein. In the event of a conflict between the terms and conditions of General Conditions and the Agreement, the terms and conditions of the Agreement shall control.

Section 2.15 CHA Inspector General

It is the duty of the Contractor and its subcontractors to cooperate with the CHA Inspector General in any investigation or hearing undertaken, as permitted by professional auditing standards and regulation. All of the Contractor's subcontracts must include this provision and require agreement and compliance with the same.

Section 2.16 Compliance with CHA Policies

The Contractor shall comply with the applicable provisions of all CHA policies including, but not limited to:

- Ethics Policy
- Local Transportation & Mileage Reimbursement Policy
- CHA Travel Guidelines
- General Business Expense Policy

ARTICLE 3. TERM OF AGREEMENT

Section 3.01 Term of Agreement

The initial term of this Agreement shall be for a period of one (1) year, commencing on

and effective from December 21, 2015 through December 20, 2016.

Section 3.02 Contract Extension Options

The Limited Partnership may extend this Agreement for one (1) additional one-year term under the same terms and conditions as this original Agreement, subject, however, to any price or cost adjustments applicable as the result of the reserved option term(s) identified in Exhibit II, by providing written notice of its intent to exercise such option to the Auditor within thirty (30) days prior to the expiration of this Agreement. Such notice shall set forth the extension period. The Agreement shall be modified to reflect the time extension in accordance with the provisions of Section 9.03 hereof.

Section 3.03 Timeliness of Performance

The Auditor shall work in a professional and workmanlike manner and with the diligence required by professional standards to provide the Services and Deliverables within the time limits required under Attachment A. The timelines, dates and deadlines set forth in Section 2.01 of this Agreement are deemed to be material terms affecting the Limited Partnership's rights and Auditor's duties hereunder. The Auditor and the Limited Partnership acknowledge that sometimes deadlines are dictated by the requirements of agencies or events outside of the control of the Limited Partnership and the Auditor.

ARTICLE 4. COMPENSATION

Section 4.01 Amount of Compensation

The Limited Partnership shall pay to the Auditor for the due performance of the Services under and in accordance with this Agreement a firm fixed fee in the amount Nine Thousand Eight Hundred Fifty and 00/100 Dollars (\$9,850.00) for the initial one (1) year base term. In the event of an early termination of this Agreement, the Limited Partnership shall only be obligated to pay only for Services provided by Auditor in accordance with the terms and conditions of this Agreement up to the date of termination. The Auditor agrees not to perform, and waives any and all claims of payment for work that would result in billings beyond the fixed fee amount(s) specified herein without a prior written amendment to this Agreement authorizing said additional work. The Auditor recognizes an affirmative duty to monitor its performance and billings to such that the scope of work is completed within this firm fixed fee amount.

Section 4.02 Payment

The Contractor shall submit periodic invoices on a progress basis during the term of this Agreement. Each invoice shall contain back-up information as required by the Limited Partnership, including but not limited to, a brief description of the services provided during the invoice period. The Limited Partnership shall not be required to give approval or make payments pursuant to a submitted invoice unless the information required to be included with the invoice,

or that has been specifically requested by the Limited Partnership, and all the reporting requirements and Deliverables as set forth in this Agreement, or other reasonable and written requests by Limited Partnership for additional information, have been met.

Limited Partnership will make commercially reasonable efforts to make payment for services rendered under this Agreement within thirty (30) days after receipt and approval of each invoice submitted. All invoices shall be subject to review and approval by the Limited Partnership. If the Limited Partnership objects to all or any portion of any invoice, it shall notify the Contractor of its objection in writing and both parties shall make every effort to settle the disputed portion of the invoice. Notwithstanding the foregoing, the Limited Partnership may, at its option, pay the undisputed portion of any invoice without being deemed to have accepted the disputed portion. All disputes regarding invoices shall be handled in accordance with the paragraph no. 7 of the General Conditions.

Section 4.03 Availability of Funds/Non-Appropriation

Funding for this Agreement is subject to: 1) availability of federal funds from HUD; 2) the approval of funding by the CHA's Board of Commissioners; and 3) the Auditor's performance of the Services in accordance with the terms of this Agreement. Furthermore, in the event that no funds or insufficient funds are appropriated and budgeted in any fiscal period of the CHA for payments to be made under this Agreement, then the Limited Partnership may notify the Auditor of such occurrence and this Agreement shall terminate on the earlier of the last day of the fiscal period for which sufficient appropriation was made or whenever the funds appropriated for payment under this Agreement are exhausted. No payments shall be made or due to Auditor under this Agreement beyond those amounts appropriated and budgeted by the CHA to fund payments to the Limited Partnership.

ARTICLE 5 DISPUTES

In the event of a dispute between the Limited Partnership and the Contractor involving this Agreement, both parties will attempt to negotiate a resolution. If the parties cannot resolve the dispute through negotiation, either party shall, unless otherwise set forth herein, submit the dispute in writing to Limited Partnership's Director of Procurement and Contracts, who shall, with reasonable promptness, render a decision concerning the dispute submitted. The decision of the Director of Procurement and Contracts shall be final and binding.

ARTICLE 6 RISK MANAGEMENT

Section 6.01 Insurance

1. The Auditor shall obtain, pay for and maintain at all times during the term of this Agreement the types of insurance specified below. All policies shall be issued by a carrier or carriers acceptable to the Limited Partnership. With the exception of the Professional Liability insurer, all other insurance providers shall be licensed to do business in the State of Illinois and shall have an "A" rating according to the most recent edition of Best's Insurance Guide.

A. Workers Compensation and Occupational Disease Insurance

Workers Compensation and Occupation Disease Insurance in accordance with the laws of the State of Illinois (Statutory), Coverage A, and Employer's Liability, Coverage B, in an amount of not less than \$500,000/\$500,000/\$500,000.

B. Commercial Liability Insurance (Primary and Umbrella)

Commercial Liability Insurance or equivalent with limits of not less than \$1,000,000 per occurrence with an Aggregate of not less than \$1,000,000. In addition to the stipulations outlined above, the insurance policy is to include coverage for Contractual Liability, Product Liability-Completed Operations, Personal and Advertising Injury and will also cover injury to Auditor's agents, subcontractors, invitees and guests and their personal property. The Limited Partnership is to be endorsed as additional insured on Auditor's policy and such insurance will be endorsed as primary and non-contributory with any other insurance available to the Limited Partnership.

C. Automobile Liability Insurance (Primary and Umbrella)

When any motor vehicles (owned, non-owned and hired) are used in connection with the Services to be performed, the Manager shall provide Comprehensive Automobile Liability Insurance with limits of not less than One Million Dollars (\$1,000,000) per occurrence CSL, for bodily injury and property damage. The Limited Partnership is to be endorsed as an additional insured on the policy and such insurance will be endorsed primary and non-contributory with any other insurance available to the Limited Partnership.

D. Professional Liability

Whenever, any architects, engineer, accountants or other professional consultants perform work in connection with the Agreement, Professional Liability Insurance covering acts, errors, or omissions shall be maintained with limits of not less than One Million Dollars (\$1,000,000.00) per occurrence. When policies are renewed or replaced, the policy retroactive date must coincide with, or precede, the start of Services under the Contract. A claims-made policy, which is not renewed or replaced, must have an extended reporting period of two (2) years.

E. Umbrella Liability

Umbrella Liability coverage, if applicable, is to follow the form of the Primary Insurance requirements outlined above.

2. Related Requirements

The Auditor shall furnish the Chicago Housing Authority, Department of Procurement and Contracts, 60 East Van Buren, Chicago, Illinois 60605, original Certificates of Insurance evidencing the required coverage to be in force on the Effective Date of this Agreement, and Renewal Certificates of Insurance, or such similar evidence, if coverage have an expiration or renewal date occurring during the term of this Agreement or extensions thereof. The receipt of any certificates does not constitute agreement by the Limited Partnership that the insurance requirements in the Agreement have been fully met or that the insurance policies indicated on the certificate are in compliance with all Agreement requirements. The insurance policies shall provide for ninety (90) days prior written notice to be given to the Limited Partnership in the event coverage is substantially changed, canceled or non-renewed.

Renewal Certificates of Insurance, requested endorsements, or such similar evidence is to be received by the Department of Procurements and Contracts prior to expiration of insurance coverage. The receipt of any certificate does not constitute agreement by the Limited Partnership that the insurance requirements in this Agreement have been fully met or that the insurance policies indicated on the certificate are in compliance with the requirements of this Agreement. The insurance policies shall provide for thirty (30) days written notice to be given to the Limited Partnership in the event coverage is substantially changed, canceled or non-renewed.

If any of the insurance required herein is underwritten on a claims made basis, the retroactive date shall be prior to or coincident with the date of this Agreement and the Certificate of Insurance shall state the coverage is "claims made" and also the Retroactive Date. The Auditor shall maintain coverage for the duration of this Agreement. Any extended reporting period premium (tail coverage) shall be paid by Auditor. The Auditor shall annually provide to the Limited Partnership a certificate of insurance evidencing the required coverage. It is further agreed that the Auditor shall provide the Limited Partnership a thirty (30) days' notice in the event of the occurrence of any of the following conditions: aggregate erosion in advance of the Retroactive Date, cancellation and/or non-renewal.

The Auditor shall require all subcontractors to carry the insurance required herein or the Auditor may provide the coverage for any or all of its subcontractors, and if so, the evidence of insurance submitted shall so stipulate and adhere to the same requirements and conditions as outlined in Section (1) above.

The Auditor expressly understands and agrees that any insurance or self-insurance programs maintained by the Limited Partnership shall apply in excess of and will not contribute with insurance provided by the Auditor under this Agreement.

Section 6.02 Indemnification

A. Personal Injury/Property Damage

The Auditor agrees to protect, defend, indemnify, keep, save, and hold the Limited Partnership, its officers, officials, employees and agents free and harmless from and against any and all liabilities, losses, penalties, damages, settlements, environmental liability, costs, charges,

professional fees, including attorney's fees, or other expenses or liabilities of every kind, nature and character arising out of or relating to any and all claims, liens, demands obligations, actions, suits, judgment or settlements, proceeding or causes of action of every kind, nature and character for bodily injury, illness or death to individuals and physical damage to real or tangible personal property (collectively "Claims") in connection with or arising directly or indirectly out of the negligence, acts or omissions of the Auditor, its partners, employees, agents and subcontractors while engaged in the performance of the Services under this Agreement. The Auditor further agrees to investigate, handle, respond to, provide defense for and defend all suits for any and all Claims, at its sole expense and agrees to bear all other costs and expenses related thereto, even if the Claims are considered groundless, false or fraudulent. As a condition to the foregoing indemnity obligation, the Limited Partnership shall provide the Auditor with prompt notice of any claim arising under this indemnification provision and shall cooperate with the Auditor in connection with defending such claim. The Auditor shall be entitled to control the handling of any such Claims and to defend or settle any such claim in its entirety in its discretion, with counsel of its own choosing.

The Limited Partnership shall have the right, at its option and at Limited Partnership's expense, to participate in the defense of any suit, without relieving the Auditor of any of its obligations under this indemnity provision.

B. Infringement

- 1) The Auditor agrees to indemnify, defend and hold the Limited Partnership harmless from and against all claims, liabilities, losses, expenses, professional fees, including reasonable attorney's fees, fines, penalties, taxes or damages (collectively "Liabilities") asserted by any third party against the Limited Partnership to the extent such Liabilities result from the infringement by the Deliverables, or Auditor Property of any third party's trade secrets, trademarks, copyrights, or patents. The preceding provisions shall not apply to any infringement arising out of the following:
 - a) Use of the Deliverables other than in accordance with applicable documentation or instructions supplied by Auditor; or
 - b) Any alteration, modification or revision of the Deliverables not expressly authorized by the Auditor; or
 - c) The combination of the Deliverables with materials not supplied by the Auditor.

As a condition to the foregoing indemnity obligation, the Limited Partnership shall provide the Auditor with prompt notice of any claim arising under this indemnification provision and shall cooperate with the Auditor in connection with defending such claim. The Auditor shall be entitled to control the handling of any such claims subject to this indemnity and to defend or settle any such claims in its entirety in its discretion, with counsel of its own choosing.

- 2) In case any of the Deliverables or Auditor Property, or any portion of either are held, or in

the Auditor's reasonable opinion is likely to be held in any such suit to constitute an infringement and the use thereof enjoined, in, the Auditor shall within a reasonable time at its option, either:

- a) Secure a right to continue use of such infringing item by procuring a license for the Limited Partnership; or
- b) Replace, at Auditor's expense, such item with a substantially equivalent non-infringing item or modify such item so that it becomes non-infringing.

C. The Auditor expressly understands and agrees that the requirements set forth in these indemnity provisions to protect, defend, indemnify, keep, save and hold the Limited Partnership free and harmless are separate from and not limited by the Auditor's responsibility to obtain, procure and maintain insurance pursuant to Section 6.01 of this Agreement. Further, the indemnities contained in this Article shall survive the expiration or termination of this Agreement. The provisions of this Article are solely for the benefit of the parties hereto and not intended to grant any rights, contractual or otherwise, to any other person or entity.

ARTICLE 7. EVENTS OF DEFAULT, REMEDIES, TERMINATION, RIGHT TO OFFSET, SUSPENSION

Section 7.01 Events of Default Defined

Each of the following shall constitute an event of default:

- A. Any material misrepresentation, whether negligent or willful and whether in the inducement or in the performance, made by Auditor to the Limited Partnership.
- B. The Auditor's material failure to perform any of its obligations under this Agreement including, but not limited to, the following:
 - 1. Failure to perform the Services with sufficient personnel and equipment or with sufficient material in order to comply with Auditor's obligations under this Agreement;
 - 2. Inability to perform the Services as a result of insolvency, filing for bankruptcy or assignment for the benefit of creditors;
 - 3. Failure to promptly re-perform, within a reasonable time, Services/Deliverables that are erroneous or otherwise not in accordance with the terms of this Agreement unsatisfactory to the Limited Partnership;
 - 4. Failure to comply with a material term of this Agreement, including, but not limited to, the provisions concerning compliance with HUD regulations,

insurance and nondiscrimination; and

5. Any other acts specifically and expressly stated in this Agreement as constituting an event of default.

Section 7.02 Remedies

The occurrence of any event of default which the Auditor fails to cure within thirty (30) calendar days after receipt of written notice given in accordance with the terms of this Agreement and specifying the event of default or, if such event of default cannot be reasonably cured within thirty (30) calendar days after notice, or if the Auditor has failed to commence and continue diligent efforts to cure such default within thirty (30) days, the Limited Partnership may, at its sole option, declare the Auditor in default. Whether to declare the Auditor in default is within the sole discretion of the Limited Partnership. Written notification of the default, and any intention of the Limited Partnership to terminate the Agreement, shall be provided to the Auditor. Upon the giving of such notice, the Limited Partnership may invoke any or all of the following remedies:

- A. The right to terminate this Agreement as to any or all of the Services yet to be performed effective at a time specified by the Limited Partnership.
- B. The right to pursue any and all remedies, legal and/or equitable, available to the Limited Partnership.
- C. The right to withhold all or any part of Auditor's compensation hereunder with respect to Services not completed in accordance with the terms hereof prior to the termination of this Agreement.
- D. The right to deem Auditor non-responsible in future contracts to be awarded by the Limited Partnership.

If the Limited Partnership considers it to be in its best interests, it may elect not to declare default or to terminate this Agreement hereunder. The parties acknowledge that this provision is solely for the benefit of the Limited Partnership and that if the Limited Partnership permits Auditor to continue to provide the Services despite one or more events of default, the Auditor shall in no way be relieved of any of its responsibilities, duties or obligations under this Agreement nor shall the Limited Partnership waive or relinquish any of its rights.

The remedies under the terms of this Agreement are not intended to be exclusive of any other remedies provided, but each and every such remedy shall be cumulative and shall be in addition to any other remedies, existing now or hereafter, at law, in equity or by statute. No delay or failure to exercise any right that accrues upon an event of default, or acquiescence therein, shall prohibit the Limited Partnership from pursuing such right, and every such right may be exercised from time to time and as often as may be deemed expedient at the sole discretion of the Limited Partnership.

Section 7.03 Termination for Convenience

The Limited Partnership may terminate this Agreement, or all or any portion of the Services to be performed under it, at any time by written notice from the Limited Partnership to Auditor when the Agreement may be deemed to be no longer in the best interests of the Limited Partnership. If the Limited Partnership elects to terminate the Agreement in full, all Services to be performed hereunder shall cease effective ten (10) days after the date of receipt of the notice in accordance with ARTICLE 10 of this Agreement if no date is given, or upon the effective date stated in the notice. The Auditor shall be compensated in accordance with Section 4.01 herein for all Services rendered in accordance with the terms and conditions of this Agreement through the date of termination.

If the Limited Partnership's election to terminate this Agreement for default pursuant to Section 7.01 hereof is determined by a court of competent jurisdiction to have been wrongful, then in that case the termination shall be deemed to be a termination for convenience pursuant to this section 7.03.

Section 7.04 Suspension

The Limited Partnership may at any time request that the Auditor suspend its Services, or any part thereof, by giving fifteen (15) days prior written notice to the Auditor or upon no notice in the event of an emergency. No costs incurred after the effective date of such suspension shall be allowed. The Auditor shall promptly resume its performance of such Services under the same terms and conditions as stated herein upon written notice by the Limited Partnership and such equitable extension of time as may be mutually agreed upon by the Limited Partnership and the Auditor when necessary for continuation or completion of Services.

Section 7.05 No Damages for Delay

The Auditor agrees that it shall make no claims against the Limited Partnership for damages, charges, additional costs or fees incurred by reason of delays or suspension of work caused by the Limited Partnership in the performance of its obligations under this Agreement. The Auditor's sole and exclusive remedy for delays or suspension of work caused by the Limited Partnership is an extension of time equal to the duration of delay or suspension to allow the Auditor to perform its obligation under this Agreement.

ARTICLE 8. WARRANTIES, REPRESENTATIONS AND SPECIAL CONDITIONS

Section 8.01 Warranties and Representations

In connection with the execution of this Agreement, the Auditor Warrants and Represents:

A. That it and each of its employees, agents, subcontractors of any tier are competent

to perform the Services required under this Agreement and that the Auditor is legally authorized to execute and perform or cause to be performed this Agreement under the terms and conditions stated herein;

- B. That no officer, agent or employee of the Limited Partnership is employed by Auditor or has a financial interest directly or indirectly in this Agreement or the compensation to be paid hereunder except as may be permitted in writing by the CHA and HUD and that no payment, gratuity or offer of employment shall be made in connection with this Agreement by or on behalf of any sub-consultants to the Auditor or anyone associated therewith, as an inducement for the award of a subcontract or order; and the Auditor further acknowledges that any Agreement entered into, negotiated or performed in violation of any of the provisions set forth herein shall be void;
- C. That the Auditor shall not knowingly use the services of any ineligible subcontractor or consultant for any purpose in the performance of its Services under this Agreement;
- D. That the Auditor and its subcontractors, if any, are not in default at the time of the execution of this Agreement, or deemed by the CHA's Director Business Services Department to have, within five (5) years immediately preceding the date of this Agreement, been found to be in default on any contract awarded by the CHA and/or HUD;
- E. That the Auditor has carefully examined and analyzed the provisions and requirements of this Agreement and that it understands the nature of the Services required;
- F. That the Agreement is feasible of performance in accordance with all of its provisions and requirements and that the Auditor can and shall perform, or cause to be performed, the Services in accordance with the provisions and requirements of this Agreement;
- G. That, no representation, statement or promise, except those written representations, statements, or promises expressly made and contained in this Agreement, and any exhibits attached hereto and incorporated by reference herein, by the Limited Partnership, its officials, agents, or employees, have induced the Auditor to enter into this Agreement or have been relied upon by the Auditor;
- H. That neither the Auditor nor, to the best of its knowledge, its subcontractors are in violation of the provisions of 18 U.S.C. § 666 (a)(2) and other Federal criminal laws applicable to public contracts funded with federal government funds, the Illinois Criminal Code, 720 ILCS 5/33E-1 et seq. (1989), as amended; and the CHA's Ethics Policy, as amended;

- I. Auditor understands and agrees that any certification, affidavit or acknowledgment made under oath in connection with this Agreement is made under penalty of perjury and, if false, is cause for termination of this Agreement; and
- J. Services will be rendered by duly licensed professionals. .

Section 8.02 Joint and Several Liability

In the event that the Auditor, or its successors or assigns, if any, is comprised of more than one individual or other legal entity (or a combination thereof), then and in that event, each and every obligation or undertaking herein stated to be fulfilled or performed by the Auditor shall be in accordance with the firm's legal status as a limited liability partnership.

Section 8.03 Business Documents

The Auditor shall provide to the Limited Partnership evidence of its authority to conduct business in the State of Illinois, including without limitation, registrations of assumed names or limited partnerships and certifications of good standing with the Office of the Secretary of the State of Illinois. The Auditor has executed a Contractor's Affidavit which is incorporated into this Agreement by reference.

Section 8.04 Conflict of Interest

A. No member of the governing body of the Limited Partnership or other units of government and no other officer, employee, or agent of the Limited Partnership or other unit of government who exercises any functions or responsibilities in connection with the Services to which this Agreement pertains, shall have any personal interest, direct, or indirect, in this Agreement. No member of or delegate to the Congress of the United States or the Illinois General Assembly or Limited Partnership employee shall be entitled to any share or part of this Agreement or to any financial benefit to arise from it.

The Auditor covenants that it and its employees, or sub-consultants, presently have no interest and shall acquire no interest, direct or indirect, in this Agreement which would conflict in any manner or degree with the performance of the Services hereunder. The Auditor further covenants that in the performance of this Agreement, no person having any such interest shall be employed.

Additionally, pursuant to the conflict of interest requirements in OMB Circular A-102 and 24 C.F.R. §85.36(b)(3), no person who is an employee, agent, consultant, officer, or appointed official of the CHA and who exercises or has exercised any functions or responsibilities with respect to HUD assisted activities, or who is in a position to participate in a decision making process or gain inside information with regard to HUD activities, may obtain a financial interest or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for himself or herself or for those whom he or she has family or business ties, during his or her tenure or for one year thereafter.

Auditor shall perform the Services in accordance with all applicable laws and regulations related to conflicts of interest.

B. Furthermore, the Auditor represents that it is and will remain in compliance with federal restrictions on lobbying set forth in Section 319 of the Department of the Interior and Related Agencies Appropriations Act for Fiscal year 1990, 31 U.S.C. Subsection 1352, and related rules and regulations set forth at 54 Fed. Reg. 52,309 ff. (1989), as amended.

Section 8.05 Non-Liability of Public Officials

No official, employee or agent of the Limited Partnership shall be personally liable to the

Auditor or the Auditor's successor in interest for: (i) any default or breach by the Limited Partnership under this Agreement, (ii) any fee due to the Auditor or the Auditor's successor in interest or (iii) any other obligation arising under this Agreement.

Section 8.06 Independent Contractor

The Auditor shall perform under this Agreement as an independent contractor to the Limited Partnership and not as a representative, employee, agent, or partner of the Limited Partnership.

ARTICLE 9. GENERAL CONDITIONS

Section 9.01 Entire Agreement

This Agreement and the Exhibits attached hereto and incorporated by reference shall constitute the entire Agreement between the parties hereto relating to the subject matter hereof and no other covenant, conditions, promises or interpretations shall be implied between the parties that are not set forth herein.

Section 9.02 Counterparts

This Agreement may be executed in several identical counterparts, each of which shall be deemed an original and constitute one Agreement binding on the parties hereto.

Section 9.03 Amendments

No changes, amendments, modifications, or discharge of this Agreement, or any part thereof, shall be valid unless in writing and signed by the authorized agent of the Auditor and by the Chief Executive Officer of the Limited Partnership or their respective designees. The Limited Partnership shall incur no liability for additional Services without a written amendment to this Agreement.

Whenever in this Agreement the Auditor is required to obtain prior written approval, the effect of any approval which may be granted pursuant to the Auditor's request shall be prospective only from the later of the date approval was requested or the date on which the action for which the approval was sought is to begin. In no event may approval apply retroactively to a date before the approval was granted.

Section 9.04 Compliance with All Laws/Governmental Orders

A. The Auditor shall at all times observe and comply with all applicable laws, ordinances, rules, regulations and executive orders of the federal, state and local government, now existing or hereinafter in effect, which may in any manner affect the performance of this Agreement.

B. The Auditor shall take such actions as may be necessary to comply promptly with any and all governmental orders imposed by any duly constituted government authority whether imposed by Federal, state, county or municipal authority.

Section 9.05 Compliance with HUD Regulations

The Auditor shall comply with all the provisions of HUD Regulations, and all state and local laws, ordinances and executive orders including, but not limited to, the Uniform Administrative Requirements contained in 24 C.F.R. Section 85.1 et seq., (1993), as amended; Title VI of the Civil Rights Act of 1967 (42 U.S.C. 2000d et seq.); Fair Housing Act (42 U.S.C. 3601-20 et seq.); Executive Order 11063, as amended by Executive Order 12259; Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.); Rehabilitation Act of 1973 (29 U.S.C. 794); Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5); Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.); National Environmental Policy Act of 1969 (24 C.F.R. Part 58); Clean Air Act (42 U.S.C. § 7401/et seq.); Federal Water Pollution Control Act (33 U.S.C. §1251 et seq.), as amended; Executive Order 11246, as amended by Executive Orders 12086 and 11375; Executive Order 12372; Copeland "Anti-Kickback" Act (18 U.S.C. § 874 and 40 U.S.C. § 276); Byrd "Anti-Lobbying" Amendment (31 U.S.C. § 1352); and Debarment and Suspension (Executive Orders 12549 and 12689). The HUD Regulations implementing these laws re set forth in 24 C.F.R. Part 85 (1993), as amended. Additionally, the Auditor shall comply with the applicable provisions of OMB Circulars A-133, A-102, A-122, A-110 and A-87, as amended, succeeded or revised.

Section 9.06 Governing Law

This Agreement shall be governed as to performance and interpretation in accordance with the laws of the State of Illinois. The Auditor hereby irrevocably submits itself to the original jurisdiction of those courts located within the County of Cook, State of Illinois, with regard to any controversy arising out of, relating to, or in any way concerning the execution or performance of this Agreement. The Auditor agrees that service of process on the Auditor may be made, at the option of the Limited Partnership, either by registered or certified mail addressed to the applicable office as provided for in this Agreement and to the office actually maintained by the Auditor, or by personal delivery on any managing partner, partners and principals of the Auditor. If the Auditor brings any action against the Limited Partnership concerning this Agreement, the action shall only be brought in those courts located within the County of Cook, State of Illinois.

Section 9.07 Severability

If any provisions of this Agreement shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or in all cases because it conflicts with any other provision or provisions hereof or of any constitution, statute, ordinance, rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases,

sentences, clauses or sections contained in this Agreement shall not affect the remaining portions of this Agreement or any part thereof.

Section 9.08 Interpretation

Any headings of this Agreement are for convenience of reference only and do not define or limit the provisions thereof. Words of any gender shall be deemed and construed to include correlative words of the other genders. Words importing the singular number shall include the plural number and vice versa, unless the context shall otherwise indicate. All references to any exhibit or document shall be deemed to include all supplements and/or amendments to any such exhibits or documents entered into in accordance with the terms and conditions hereof and thereof. All references to any person or entity shall be deemed to include any person or entity succeeding to the rights, duties, and obligations of such persons or entities in accordance with the terms and conditions of this Agreement.

Section 9.09 Assigns

All of the terms and conditions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, transferees and assigns.

Section 9.10 Cooperation

The Auditor agrees at all times to reasonably cooperate with the Limited Partnership. If this Agreement is terminated for any reason, or if it is to expire on its own terms, the Auditor shall make reasonable efforts with respect to an orderly transition to another auditor, and shall otherwise comply at the cost and expense of Limited Partnership with the reasonable requests and requirements of the Limited Partnership in connection with the termination or expiration of this Agreement.

Section 9.11 Waiver

Whenever under this Agreement the Limited Partnership, by a proper authority, expressly waives the Auditor's performance in any respect or expressly waives a requirement or condition to either the Limited Partnership's or the Auditor's performance, the waiver so granted, shall only apply to the particular instance and shall not be deemed a waiver forever or for subsequent instances of the performance, requirement or condition. No such waiver shall be construed as a modification of the Agreement regardless of the number of times the Limited Partnership may have waived the performance, requirement or condition.

Section 9.12 Force Majeure

Notwithstanding any other provision in this Agreement, the Auditor shall not be liable or held responsible for any failure to perform or delays in performing its obligations under this Agreement including, but not limited to, the scope of Services set forth herein, which result from

circumstances or causes beyond the Auditor's reasonable control, including, without limitation, fire or casualty, acts of God, strike or labor dispute, war or other violence, or any law, order or requirement of any government agency or authority.

ARTICLE 10. COMMUNICATION AND NOTICES

Section 10.01 Communication Between the Parties

All verbal and written communication, including required reports and submissions between the Auditor and the Limited Partnership shall be through the Limited Partnership's Chief Executive Officer. No verbal communication between the parties shall change any of the terms and conditions of this Agreement. Nothing stated herein shall be construed as a waiver or modification of the requirements for notice or service of process of litigation, as set forth in the Illinois Code of Civil Procedure, the Federal Rules of Civil Procedure, the local rules of the Circuit Court of Cook County, and the local rules governing the U.S. District Court for the Northern District of Illinois.

Section 10.02 Notices

Any notices sent to the Auditor shall be mailed by certified mail return receipt requested, postage prepaid to:

FLS Group, LLC
4709 West Golf Road, Suite 200
Skokie, Illinois 60076
Attention: Bruce Schiff

Notices sent to the Limited Partnership shall be mailed by certified mail, postage prepaid to:

Chief Executive Officer
Chicago Housing Authority
60 East Van Buren St.
Chicago, IL 60605-1207

Copy to:

Chief Legal Officer
Chicago Housing Authority
60 E. Van Buren St., 12th Floor
Chicago, Illinois 60605-1207

ARTICLE 11. AUTHORITY

ARTICLE 11. AUTHORITY

Section 11.01 Limited Partnership's Authority

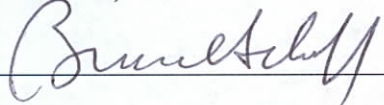
Execution of this Agreement by the Limited Partnership is pursuant to laws of the State of Illinois, and other applicable laws, regulations and ordinances.

Section 11.02 Auditor's Authority

The signature of the person signing on behalf of the Auditor has been made with complete and full authority to commit the Auditor to all terms and conditions of this Agreement, including each and every representation, certification and warranty contained herein, including without limitation such representations, certifications and warranties collectively attached hereto and incorporated by reference herein.

IN WITNESS WHEREOF, the Limited Partnership and the Auditor have executed this Agreement as of the date set forth above.

FLS GROUP, LLC

By: 

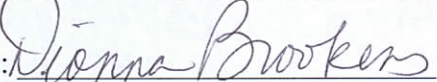
Name: Bruce C. Schiff

Title: Co-Managing Member

KENMORE SENIOR HOUSING LIMITED PARTNERSHIP

**By its General Partner,
KENMORE HOUSING DEVELOPMENT, LLC**

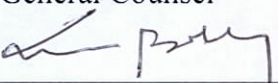
**By its Sole Member,
CHICAGO HOUSING AUTHORITY**

By: 

Name: Dionna Brookes

Title: Deputy Chief Procurement Officer

Chicago Housing Authority
Office of the General Counsel

By:  _____