



HEAD START

CORPORATE RESOLUTION

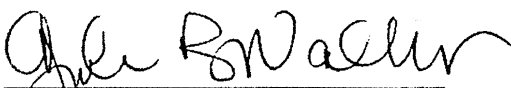
At the meeting of the Advisory Board of Children of the Rainbow Head Start, LLC on November 19, 2008, the following resolution was proposed and approved by the board: under and by virtue of the laws of the State of California; that I am the keeper of the corporate records of this LLC and that as such, I am authorized to execute this certification on behalf of this LLC; that the following is a true, in accordance with its charter and by-laws; that said resolution has not been in any way amended, annulled, modified, rescinded or revoked, but is in full force and effect.

Resolved, that the Children of the Rainbow Head Start, LLC adopt a resolution which affirms the following:

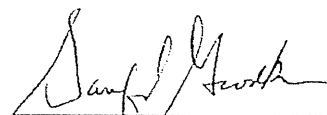
- Children of the Rainbow Head Start, LLC is the employer for all the employees at the designated Head Start Sites; San Martin De Porres, Logan, Sherman, Rolando, Darnall, Joan Kroc, Johnson, Urban Village I, Encanto, Inner City, House of David;
- Children of the Rainbow Head Start, LLC is responsible for all wages, payroll taxes and benefits for such employees;
- Children of the Rainbow Head Start, LLC is responsible for all employee claims, or actions filed by the California Department of Labor or any other California or Federal agency regulating employee wages and related labor law matters;
- Children of the Rainbow Head Start, LLC obligation to indemnify NHA continues to cover all employee claims, wages and other labor issues related to such Children of the Rainbow Head Start, LLC employees;
- Children of the Rainbow Head Start, LLC will fully reimburse NHA for all payroll taxes, wages and other benefits or compensation paid by NHA on behalf of Children of the Rainbow Head Start, LLC.

I further certify that the Advisory Board of this LLC have, and at the time of adoption of this resolution had, full power and lawful authority to adopt the foregoing resolution and to confer the powers granted to the persons named who have full power and lawful authority to exercise the same.

Attest:



Gale R. Walker, Member



Sanford Goodkin Board Chair

3078 L Street
San Diego, CA 92102

(619) 615-0652
(619) 615-0653 fax

www.childrenoftherainbow.com

Chairperson
Randy K. Jones, Esq.



President and CEO
Rudolph A. Johnson, III

LEGAL DEPARTMENT
MEMORANDUM

TO: Gale R. Walker, CEO - Children of the Rainbow Head Start LLC
FROM: Dwight Smith - VP & General Counsel
SUBJECT: Head Start Services Agreement –Payroll Services
DATE: November 18, 2008
CC: Rudolph A. Johnson, III - President and CEO
Michael Kemp, COO
Norma Johnson, VP, CYFS

BACKGROUND

NHA and Children of the Rainbow Head Start LLC (“COTR”) executed a Head Start Services Agreement effective September 1, 2008, which among other items provided that COTR will hire employees to operate the designated Head Start Sites (*§2.1 D. pg. 2*). Further, COTR agreed to comply with all Federal, State and local laws and regulations applicable to employment, wages, hours and conditions of employment (*§10.5 pg.12*).

To support COTR in meeting its obligations under the Agreement, NHA agreed to provide payroll services for COTR employees (*§3.23 pg. 6*). These payroll services have been performed by NHA since September 1, 2008. The parties agreed that NHA shall be entitled to an administrative fee for those services provided to COTR (*§3.3 pg. 5 and §4 pg. 6*).

COTR agreed that NHA is permitted to deduct from funds due to COTR, all costs related to payroll, health, and welfare benefits that NHA encumbers on behalf of COTR employees (*§2.4 N pg. 5*).

DISCUSSION

COTR has not yet obtained its Federal and California tax identification numbers and is not yet able to process its own payroll. As a result, NHA is using its own tax identification numbers to process COTR employee wages, payroll taxes, benefits and other for employment reporting purposes. COTR employees also received paychecks which bear the NHA logo.

As a result of the payroll services performed by NHA for COTR, NHA may have exposure for claims related to COTR employees. It is important to clarify for the parties and affected employees that COTR remains the employer for all personnel assigned to the designated Head Start Sites.

NHA00175

CONCLUSION

In order for NHA to continue performing these payroll services, NHA is requesting that COTR and its Members and/or Board of Board of Directors adopt a resolution which reaffirms the following:

- COTR is the employer for the employees at the designated Head Start Sites;
- COTR is responsible for all wages, payroll taxes and benefits for such employees;
- COTR is responsible for all employee claims, or actions filed by the California Department of Labor or any other California or Federal agency regulating employee wages and related labor law matters;
- COTR obligation to indemnify NHA (§6 pg. 8) continues to cover all employee claims, wages and other labor issues related to such COTR employees; and
- COTR will fully reimburse NHA for all payroll taxes, wages and other benefits or compensation paid by NHA on behalf of COTR.

Please advise if you have any questions or comments.