

Chairperson  
W Harold Tuck



President and CEO  
Rudolph A. Johnson, III

May 31, 2011

LEGAL DEPARTMENT  
Dwight Smith, EVP & General Counsel  
Direct Line: (858) 244-8170  
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E-mail: [dwrightsmith@neighborhoodhouse.org](mailto:dwrightsmith@neighborhoodhouse.org)

**VIA: OVERNIGHT MAIL**

C. Hartzog Clamon, Esq.  
Law Offices of Shapiro & Clamon  
110 West C. Street, Suite 2208  
San Diego, CA 92101-3908

Re: COTR Accrued Employee Vacation

Mr. Clamon:

This is in reply to your letter dated May 27, 2011. Enclosed is a check payable to Children of the Rainbow LLC ("COTR") in the amount of \$81,079.44 for vacation time which was accrued in a prior fiscal year. The amount is based on the employee itemization attached as Exhibit I.

Regarding your question concerning the check for \$37,331.06, this amount represents the outstanding portion of the \$600,000 advance (ck#111378) Neighborhood House Association ("NHA") made to COTR in the prior Program Year 44. Exhibit II contains the details that reflect this amount is outstanding from the prior year, so it is being offset against the current Program Year 45 funds available to COTR.

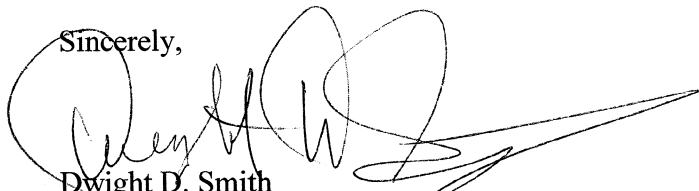
It is important to remind you that the Head Start Services contract #10-002553 is a **reimbursement agreement with a maximum payment not to exceed limit**. As such, any cost overruns or otherwise unallowable costs remain the responsibility of COTR. Please note that §5.5 Cost Report and Settlement of provides that no later than 30 thirty days following the termination of the Agreement, that COTR must submit to NHA a cost report showing the Reasonable and Allowable costs that have actually been incurred by COTR under the agreement. The check for payment of accrued vacation and the information provided in the exhibits is part of the contract close out process, however, NHA does not waive any of its rights under the agreement.

Hartzog Clamon  
May 31, 2011  
Page 2

In order to accomplish a smooth transition for continuation of services to the children and families, we need to work together with licensing and the landlords. Please, have COTR designate a contact person. Norma and Damon have made several attempts to contact Gale for this purpose, but she has not responded. We are willing to assist with close out expenses.

COTR currently owes NHA \$131,000 please advise when we should expect payment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dwight D. Smith', with a long horizontal flourish extending to the right.

Dwight D. Smith  
Executive Vice President and General Counsel  
The Neighborhood House Association

Enclosures

NEIGHBORHOOD HOUSE ASSOCIATION 5660 COPLEY DRIVE SAN DIEGO, CA 92111-7902

Payee Children of the Rainbow, LLC  
Vendor ID 504469

05/31/2011

122872  
122872

Invoice	Description	Discount	Amount
REQ460757	EMP ACCRUED LEAVE BAL.-COTR	\$0.00	\$81,079.44

Total : \$81,079.44



NEIGHBORHOOD HOUSE ASSOCIATION

5660 COPLEY DRIVE  
SAN DIEGO, CA 92111-7902  
(858) 715-2642

UNION BANK OF CALIFORNIA

16-49/1220

122872

122872

\*\*\*\*Eighty One Thousand Seventy Nine and 44/100 Dollars

DATE

AMOUNT

05/31/2011

\$81,079.44

PAY  
TO THE  
ORDER  
OF:

Children of the Rainbow, LLC  
3078 L Street  
San Diego, CA 92102

VOID SIX MONTHS AFTER DATE OF ISSUANCE

*W. Harold ...*  
Chairman

*Rudolph ...*  
AUTHORIZED SIGNATURE  
President & CEO