

STATEMENT REGARDING TIMELY CONTRIBUTIONS

To: Pacifica Foundation 403(b) Plan Participants

From: The Pacifica Foundation

The Pacifica Foundation has recently learned that during the past few years employee contributions to the Pacifica Foundation 403(b) Plan were not deposited into your accounts on a timely basis

Retirement plan rules require that your employee contributions must be deposited into your account on the earliest date on which such contributions can reasonably be segregated from the Foundation's general assets, but no later than the 15<sup>th</sup> business day of the month following the month in which such amounts would otherwise have been payable to you in cash (the payroll date).

The Foundation has always believed that the "15<sup>th</sup> business day" rule described above was a "safe harbor" time frame for making timely deposits and historically has made reasonable efforts to comply with this rule. However, the Foundation has recently learned that the 15<sup>th</sup> business day rule is not a safe harbor and that employee contributions simply must be made as soon as possible.

According to our retirement plan attorneys, this is a common misunderstanding by employers and there is a government approved correction method for making our plan participants "whole." Specifically, the Foundation will make a corrective contribution to your plan account equal to the "lost earnings" you would have received had your deposits been made timely. Earnings will be calculated on your contributions from the third business day following the applicable payroll through the date the contributions were actually deposited into your account. The earnings rate under this correction method is the interest rate the IRS applies to the underpayment of tax.

The Foundation and its lawyers are working hard to correct this issue going forward and to calculate your lost earnings. We expect to make the corrective contributions by the end of the year or shortly thereafter. Thank you for your patience.