

DRAFT (9/19/08)



September 16, 2008

Dear Employees:

As you may be aware, the IRS has revised regulations for 403(b) plans. The new regulations, which take effect on January 1, 2009, will impact our policies and procedures going forward. Consequently, we are reviewing our procedures and developing a plan of action to comply with the new regulations.

Because of the complex nature of the new regulations, we cannot presently predict when and how the new plan procedures will be implemented. It is our intent to make the transition to the new 403(b) policy and procedures as seamless as possible for our employees.

We are working with a third-party administrator to develop new plan documents and procedures. We have scheduled a workshop on opening days titled "403(b) Annuity and New Regulations" on September 18, 2008 from 2:15 to 3:30 p.m. at De Anza College in room L84. In addition, we plan to issue monthly communications via email as more information is developed. We expect to have a tentative "Approved Vendor List" by December 1, 2008.

For the time being, we will continue remitting 403(b) contributions based on the current 403(b) salary reduction agreements in place, through December 31, 2008.

If you have any questions, please contact Hong Nguyen at extension 6263, Rhoda Wang at extension 6262 or by email at nguyenhong@fhda.edu or wangrhoda@fhda.edu.

We appreciate your cooperation as we move through the process of maintaining IRS compliance for our plan.

Best Regards,
Hector Quinonez
Controller