

**** CONTINUATION COVERAGE RIGHTS UNDER COBRA****

Introduction

This notice contains important information about your right to temporarily continue medical coverage. Your right to this continuation coverage is mandated by a federal law known as "COBRA." **This notice generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it. If you have any questions about this notice or the Plan in general, you can contact:**

Human Resources
Davidson College
Box 7163
Davidson, NC 28035-7163
(704) 894-2444

Each plan is referred to in this notice as the "Plan," so you should read this notice as if it applied separately to each Plan. The word "participant" refers to any employee or former employee of the Company who is or was covered under health benefits provided by the Plan.

Important Information About This Notice

- This notice does not fully describe COBRA coverage or other rights under the Plan. For additional information about your rights and obligations under the Plan and under federal law, you should review the Plan's SPD or contact the Company at the address and telephone number provided on the first page of this notice.
 - COBRA coverage under the Plan can become available in some situations when health coverage under the Plan would otherwise be lost. **COBRA applies only to group health coverage under the Plan.** It does not apply to any life, disability, accident or other non-health benefits you may have in effect at any time.
 - Under the Plan, participants can elect coverage under the following health benefits:
 - Medical – CIGNA POS and CIGNA Choice Fund
 - Dental – Davidson College Direct Reimbursement Plan
 - Vision – Vision Serve Plan (VSP)
 - Medical Flexible Spending
 - Cancer – Allstate Cancer
- Receipt of this notice should not be taken as an indication that you are covered under any or all of these health benefit programs.
- The Plan includes a health flexible spending account (the "Health FSA"). COBRA rights under the Health FSA are more limited than COBRA rights under the other health benefits included in the Plan. These limitations are described later in this notice in the section entitled "COBRA Coverage Under the Health FSA."
 - The Plan provides no rights to continue coverage beyond what is required by applicable federal law. Nothing in this notice should be read as providing for any greater right to continue coverage under the Plan than that required by federal law. In some cases, an insurer providing health coverage under the Plan may be obligated to provide different or additional continuation coverage rights. In that case, the insurer is responsible for any

required notices regarding that continuation coverage.

- COBRA is complex, and this notice provides a lot of detailed information. For convenience, this notice includes many headings. The headings are for reference only and do not modify or limit the meaning of the text.

The right to COBRA continuation coverage was created by a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA continuation coverage can become available to you when you would otherwise lose your group health coverage. It can also become available to other members of your family who are covered under the Plan when they would otherwise lose their group health coverage.

What is COBRA Continuation Coverage?

COBRA continuation coverage is a continuation of group health plan coverage that may become available when coverage would otherwise end because of a life event known as a “qualifying event.” COBRA continuation coverage is not triggered whenever group health coverage is lost, but only upon occurrence of specific qualifying events that produce a loss of health coverage. Specific qualifying events are listed later in this notice in the section entitled “When Will COBRA Become Available?” (As described in greater detail later in this notice, the Plan is not required to offer COBRA following some qualifying events unless it receives proper notice of those qualifying events.)

Qualified Beneficiaries

A participant, the participant’s spouse (as defined in federal law), and the participant’s dependent children can be qualified beneficiaries who are entitled to elect COBRA coverage if they lose coverage under the Plan because of a qualifying event. After a qualifying event has occurred (and, if applicable, proper notice has been given to the Company of the qualifying event), COBRA coverage must be offered to each of these “qualified beneficiaries” that would lose Plan coverage as a result of that qualifying event. Certain children of a participant that are born, adopted or placed for adoption during a period of COBRA coverage may also be qualified beneficiaries, as explained later in this notice in the section entitled “COBRA Rights for New Dependent Children.”

Requirement to Pay for COBRA Coverage

Under the Plan, qualified beneficiaries who elect COBRA coverage must pay for that coverage. In most cases, the amount a qualified beneficiary may be required to pay may not exceed 102 percent of the cost to the group health plan (including both employer and employee contributions) for coverage of a similarly situated plan participant or beneficiary who is not receiving COBRA coverage. Payment requirements are discussed in more detail later in this notice in the section entitled “How Much Does COBRA Cost?”.

When Will COBRA Become Available?

In order for COBRA coverage to become available, a qualified beneficiary (as described above) must have a loss of coverage due to certain events (listed below). When one of

these events causes a qualified beneficiary to lose coverage under the Plan it is referred to as a “qualifying event.”

To a Participant

If you are a participant, you will be entitled to elect COBRA if you have a loss of coverage under the Plan because either one of the following events occurs:

- Your hours of employment with the Company are reduced.
- Your employment with the Company ends for any reason other than your gross misconduct.

To a Participant’s Spouse

If you are the spouse of a participant, you will be entitled to elect COBRA if you have a loss of coverage under the Plan because any of the following events occurs:

- Your spouse dies.
- Your spouse’s hours of employment with the Company are reduced.
- Your spouse’s employment with the Company ends for any reason other than his or her gross misconduct.
- Your spouse first becomes entitled to (covered under) Medicare benefits (under Part A, Part B, or both).
- You become divorced or legally separated from your spouse, but only if notice of the divorce or legal separation is given to the Company as specified later in this notice in the section entitled “In Some Cases Qualified Beneficiaries Are Required to Give Notice.”

To a Participant’s Dependent Child

If you are the dependent child of a participant, or are receiving coverage under the Plan through a validly issued qualified medical support order (or national medical support notice), you will be entitled to elect COBRA if you have a loss of coverage under the Plan because any of the following events occurs:

- The participant that is your parent dies.
- The participant that is your parent has a reduction in hours of employment with the Company.
- The participant that is your parent terminates employment with the Company for any reason other than his or her gross misconduct.
- The participant that is your parent first becomes entitled to (covered under) Medicare benefits (Part A, Part B, or both).
- The participant that is your parent becomes divorced or legally separated, but only if notice of the divorce or legal separation is given to the Company as specified later in this notice in the section entitled “In Some Cases Qualified Beneficiaries Are Required to Give Notice.”

- You stop being eligible for coverage under the Plan as a “dependent child” of the participant, but only if notice of the event making you ineligible is given to the Company as specified later in this notice in the section entitled “In Some Cases Qualified Beneficiaries Are Required to Give Notice.”

Requirement of Plan Coverage

Normally, there is no right to COBRA coverage for individuals who are not covered under the Plan on the day before a qualifying event occurs. There are some exceptions to this rule, however.

Special Rule If Coverage is Lost Before a Qualifying Event

If an individual's coverage under the Plan is eliminated or reduced before one of the qualifying events listed above occurs, and the elimination or reduction was made in anticipation of that event, the individual whose coverage was eliminated or reduced may still have COBRA coverage rights under the Plan due to the qualifying event. This may occur, for example, if a participant drops his or her spouse's coverage in anticipation of a divorce or legal separation. In that case, if the Plan is properly notified of the later divorce or legal separation, the spouse whose coverage was dropped may be entitled to obtain continuation coverage starting on the date of the divorce or legal separation.

Special Rule for Actions in Violation of Applicable Law

In addition, if one of the listed events occurs with respect to an individual who has no coverage under the Plan because coverage was terminated or withheld in violation of applicable law, that individual may still be entitled to elect COBRA coverage. The Plan makes every effort to comply with all applicable laws, and it is doubtful you would ever have any reason to believe that coverage had been terminated or withheld in violation of law. Nonetheless, if you believe that this rule might apply to you, it is important to alert the Company so that a determination can be made and continuation coverage offered if appropriate.

Are Qualified Beneficiaries Required to Give Notice of a Qualifying Event?

The type of qualifying event determines whether a qualified beneficiary is required to give notice of the qualifying event.

In Some Cases Qualified Beneficiaries Are Required to Give Notice

If a qualifying event is a participant's divorce or legal separation, or a dependent child's losing eligibility for coverage under the Plan, **COBRA will not be offered (or available) unless written notice of these events is provided** according to the procedures described near the end of this notice in the section entitled “Procedures for Giving Notice of Qualifying Events.”

The written notice must be given **within 60 days after the later of the event (the divorce or legal separation, or the event causing the dependent child's ineligibility) or the date the Plan says coverage will end because of the event.** If notice is not provided to

the Company within the 60-day period, and according to the procedures described later in this notice in the section entitled "Giving Notice of Qualifying Events," **COBRA coverage will not be available as a result of that event.** Also, any claims paid by the Plan after the date coverage should have ended must be refunded to the Plan.

Note that, under the Plan, the covered employee is responsible for ensuring that:

- His or her spouse is promptly removed from Plan coverage following a divorce or legal separation.
- His or her dependent children are promptly removed from Plan coverage when they become ineligible.

Although Plan coverage automatically terminates when an individual becomes ineligible, in some cases, the Plan may inadvertently continue to pay claims and/or confirm coverage for that individual. If it does so, the covered employee will be responsible to repay to the Plan any claims incurred after eligibility ended. (Details of the Plan's provisions on eligibility are set out in the SPD.) Any confirmation of coverage or payment of a claim after coverage terminates does not extend the time for providing notice to the Plan of a qualifying event.

In Other Cases, No Notice is Required

If a qualifying event consists of a participant's termination of employment, reduction in hours of employment, Medicare entitlement (actually having Medicare coverage) or death, you are *not* required to give notice of the event in order for COBRA coverage to be offered. COBRA coverage will automatically be offered to the qualified beneficiaries with respect to these events.

When Will COBRA Coverage Be Offered?

When the Company either (i) receives written notice of a divorce, legal separation, or loss of dependent status, or (ii) determines that a participant has terminated employment, had a reduction in hours, become entitled to (covered under) Medicare, or died, the Company will in turn determine whether one or more qualified beneficiaries has had a loss of coverage because of the event. If so, the Company will notify the qualified beneficiary(ies) having a loss of coverage due to the event of any COBRA election rights by sending an election notice to the address(es) the participant has provided to the Company for those qualified beneficiaries.

Single Notice for Multiple Qualified Beneficiaries

In most cases, the Company will send a single election notice to all qualified beneficiaries who reside together, according to the Plan's records.

Availability Under Health FSA

COBRA coverage under the Health FSA is offered only to certain qualified beneficiaries, and is available only for a limited period. The Company will note the availability of COBRA coverage under the Health FSA in the election notice, if it is available. See the paragraph below entitled “COBRA Coverage Under the Health FSA” for more information.

How Is COBRA Elected?

As noted above, when the Company determines that a qualified beneficiary should be offered COBRA, the offer is made by sending an election notice. As directed in the election notice, a qualified beneficiary obtains COBRA coverage by electing it in writing, on the proper form and as specified in the election notice. The election must be made before the end of the election period. The election period ends 60 days after the date of the election notice or, if later, the date the Plan terms call for the qualified beneficiary to lose coverage because of the qualifying event. The postmark date on the envelope in which the election of COBRA coverage is sent will be deemed the date the election was made.

If your COBRA coverage election is not made before the end of the election period as described above, you will lose the right to obtain COBRA coverage and your health coverage under the Plan will end as of the date determined by Plan terms (see your Summary Plan Description for details).

Independent Election Rights

Each qualified beneficiary losing coverage due to a qualifying event (and for whom any required notice has been provided) has an independent right to elect COBRA coverage. This means that each may elect COBRA coverage even if other family members do not.

In the remainder of this notice, the words "you" and "your" refer to an individual who has an independent right to elect COBRA coverage, as described above.

Effective Date of COBRA Coverage

Following a qualifying event, your coverage under the Plan will be terminated, subject to retroactive reinstatement following receipt of your timely election of COBRA coverage and timely initial payment for that coverage as described below. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated. If the required election and payment are made in the time periods allowed, COBRA coverage will be effective retroactive to the date coverage under the Plan ended. (In cases where no coverage is in effect on the day before the qualifying event (e.g., when a spouse's coverage is dropped in anticipation of divorce) as described above in the section entitled “Requirement of Plan Coverage,” COBRA coverage will be effective retroactive to the date of the qualifying event.)

Initial Payment for COBRA Coverage

If you elect COBRA, you are not required to send payment with your election of COBRA, but COBRA coverage under the Plan will not become effective until you have both properly elected coverage (within the election period) and paid your initial COBRA premium on time. Your initial COBRA premium is due no later than the 45th day after your election date.

In order for COBRA coverage to become effective, the initial payment must cover at least the period from the date on which coverage would have ended (if COBRA were not elected and paid for) through the end of the first full calendar month of COBRA coverage. (Any

payment will be applied to the period starting on the date on which Plan coverage would have ended.) You must bring your COBRA payments current by the 45th day after your election date. To do that, you must pay required premiums for the period of COBRA coverage from the date on which Plan coverage would have ended through the last day of the month that ends before the due date for the initial payment. (If no coverage is in effect on the day before the qualifying event (e.g., when a spouse's coverage is dropped in anticipation of divorce as described above in the section entitled "Requirement of Plan Coverage") the initial payment must cover the period from the date of the qualifying event through the last day of the month that ends before the 45th day after the election date.) The Plan will not send you a bill for this amount, so you will need to check with the contact named on the first page of this notice to obtain the specific required payment amount.

There is no grace period following the due date for the initial COBRA payment. If payments made within 45 days after the election date do not cover at least the period from the date coverage would have ended if COBRA had not been elected through the end of the first full calendar month of COBRA coverage, then COBRA coverage will not become effective and the qualified beneficiary will lose the right to obtain COBRA coverage. The postmark date on the envelope in which payment for your coverage is sent is deemed the date of your payment. If you pay for COBRA coverage at least through the end of the first full calendar month of COBRA coverage during the initial payment period, but payments for your COBRA coverage are not brought current by the end of this 45-day period, your group health coverage will end as of the last day of the last month for which full payment was made and you will have no further right to obtain COBRA coverage.

If the required payment is made during this 45-day period, COBRA coverage will be effective retroactive to the date coverage under the Plan would have ended if COBRA had not been elected. (If no coverage is in effect on the day before the qualifying event (e.g., when a spouse's coverage is dropped in anticipation of divorce as described above in the section entitled "Requirement of Plan Coverage"), COBRA coverage will be effective retroactive to the date of the qualifying event.) Thereafter, for COBRA coverage to continue, timely payments for that coverage must be made on a monthly basis, as described later in this notice.

Several Different People Can Make the Election

Participants or former participants may elect COBRA coverage on behalf of all the qualified beneficiaries losing coverage due to a qualifying event. Likewise, the spouse or former spouse of a participant or former participant may elect COBRA coverage on behalf of all qualified beneficiaries losing coverage due to a qualifying event if the spouse is also a qualified beneficiary. Parents may elect COBRA on behalf of their minor children.

Effect of Other Coverage or Medicare

Qualified beneficiaries who are entitled to elect COBRA may do so even if they already happen to be covered by another group health plan or Medicare prior to the election date. COBRA coverage will terminate automatically if, after electing COBRA, a qualified beneficiary first becomes entitled to (covered under) Medicare benefits or becomes covered under another group health plan (but only after the qualified beneficiary is no longer subject to any exclusion or limitation applicable under that coverage that applies to a preexisting condition of the qualified beneficiary).

What Coverage Can Be Elected?

If COBRA coverage is elected and paid for, it will be identical to the coverage provided under the Plan to similarly situated participants or dependents, as of the time coverage is being provided. This means that if the coverage for similarly situated participants or dependents is modified, your COBRA coverage will be modified in the same manner. In addition, qualified beneficiaries receiving COBRA coverage have the same choices with respect to the Plan during annual election periods as an active employee. (Note that the Health FSA is an exception to this rule. As explained later in this notice in the section entitled "COBRA Coverage Under the Health FSA," qualified beneficiaries will not be able to make any election with respect to the Health FSA at any election period.)

Election Options

The Plan includes medical, dental, vision, and Health FSA benefits and, depending on a participant's most recent benefits election under the Plan, the participant may be enrolled in (and may have coverage for his or her dependents under) any or all of these benefits at the time a qualifying event. A qualified beneficiary can only elect COBRA coverage under the benefit(s) providing coverage to the qualified beneficiary at the time of the qualifying event. For example, a qualified beneficiary that did not have coverage under the dental benefits on the day before the qualifying event would not be able to elect COBRA coverage under that benefit.

A qualified beneficiary who is enrolled in the Health FSA and any one or more the Plan's other health benefits on the day before the qualifying event may elect COBRA under the Health FSA separate from the other health benefits. For example, if a qualified beneficiary was covered under the Health

FSA and the medical and dental benefits on the day before a qualifying event, he or she may elect COBRA under the Health FSA and decline COBRA under the medical and dental benefits, may elect COBRA under both the Health FSA and the other health benefits, or may decline COBRA under the Health FSA while electing COBRA under the medical and dental benefits.

Except as described in the preceding paragraph with respect to the Health FSA, a qualified beneficiary who is enrolled in more than one of the Plan's health benefits on the day before the qualifying event may elect COBRA under all of those benefits, but cannot elect to drop any of those benefits at that time. For example, if a qualified beneficiary was covered under medical and dental benefits on the day before a qualifying event, he or she may elect COBRA under both the medical and dental benefits or under neither, but may not elect coverage under the dental benefits alone or the medical benefits alone.

Most Plan participants have at least two medical benefits options to choose from each year, and a qualified beneficiary who is covered under the Plan's medical benefits on the day before a qualifying event will be covered by one of those medical options. A qualified beneficiary can only elect to continue the option in effect at the time of the qualifying event. The qualified beneficiary cannot change options at the time of the qualifying event unless it coincides with the annual election period. Special rules may apply if you are relocating. For further information, please see section titled "Benefits Offered in Limited Service Areas." At any annual election period that occurs while the qualified beneficiary has

COBRA coverage in effect, the qualified beneficiary will be entitled to switch among the various medical options, however.

Limited Availability of Health FSA

COBRA coverage under the Health FSA is offered only to certain qualified beneficiaries and is available only for a limited period. See the paragraph below entitled “COBRA Coverage Under Health FSA” for more information.

Enrolling Dependents in COBRA Coverage

Once COBRA coverage becomes effective, qualified beneficiaries receiving COBRA have the same rights to enroll dependents and change elections with respect to the Plan as apply to similarly situated active employees. Except in the case of a participant's new child, as described below in the section entitled “COBRA Rights for New Dependent Children,” however, no dependent added to a qualified beneficiary's COBRA coverage will have any independent rights to COBRA coverage. The dependent's coverage will end at the same time as that of the individual who enrolled him or her, and the added dependent will not have any COBRA rights.

Benefits Offered in Limited Service Areas

If COBRA coverage under the Plan is associated with a service area (as with HMO coverage, for instance) and a qualified beneficiary moves out of the service area, that qualified beneficiary may have an opportunity to elect other coverage. If the qualified beneficiary notifies the Company of the change, he or she will have an opportunity to enroll in any other coverage option(s) that the Company makes available to its employees that can provide coverage in the new location.

Special Considerations in Deciding Whether to Elect COBRA

In considering whether to elect COBRA, you should take into account that a failure to elect COBRA may affect your future rights under federal law. First, you can lose the right to avoid having preexisting condition exclusions applied to you by other group health plans. Under applicable federal laws a plan may apply a preexisting condition exclusion to you if you experience a gap in health coverage of more than 63 days. An election of COBRA coverage may help you prevent such a gap. Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose such preexisting condition exclusions if you do not elect COBRA coverage and keep it in effect for the maximum time available to you.

Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days after your group health coverage under the Plan ends because of the qualifying event listed above. You will also have the same special enrollment right at the end of COBRA coverage if you keep COBRA coverage for the maximum time available to you.

How Long Can COBRA Coverage Be Available?

Limited Availability of Health FSA

As described later in this notice, some qualified beneficiaries will not be able to elect COBRA coverage under the Health FSA. For those that can, COBRA coverage under the Health FSA will last only until the end of the year in which the qualifying event occurred. This period of COBRA coverage cannot be extended under any circumstances.

Other Health Benefits

If the qualifying event was a participant's termination of employment or reduction in hours of employment, the maximum COBRA coverage period for health benefits other than the Health FSA generally is 18 months. This 18-month period starts on the date of the termination of employment or reduction in hours (the qualifying event).

In the case of other qualifying events, your maximum COBRA coverage period for health benefits other than the Health FSA generally will be 36 months. The 36-month period starts on the date of the event triggering the right to continuation coverage (the qualifying event). If a 36-month maximum COBRA coverage period applies, it cannot be extended under any circumstances.

Events Potentially Extending an 18-Month Maximum COBRA Coverage Period

The 18-month maximum COBRA coverage period that usually applies when a termination of employment or reduction in hours qualifying event occurs can be extended in three situations.

Medicare Entitlement Before Termination of Employment or Reduction in Hours

If a participant becomes entitled to (covered under) Medicare during the 18 months before a qualifying event consisting of the participant's terminating employment or reducing hours, an extended maximum COBRA coverage period can apply to that participant's spouse and dependent children who are qualified beneficiaries. In such a case, the participant's maximum COBRA coverage period will remain 18 months, but the other qualified beneficiaries will have a maximum continuation period that ends 36 months after the date of the participant's Medicare entitlement (actually having Medicare coverage).

If, for example, a participant became entitled to Medicare on July 1, 2006 and terminated employment on September 15, 2006:

- The participant's maximum COBRA coverage period would end on March 15, 2008 (18 months after the qualifying event).
- The participant's spouse and dependent children would have a maximum COBRA coverage period that ends on July 1, 2009 (36 months after the participant's date of Medicare entitlement).

Social Security Administration Determination of a Qualified Beneficiary's Disability

The 18-month maximum COBRA coverage period (or the period of coverage resulting from Medicare entitlement [actually having Medicare coverage] as described in the preceding paragraph) may be extended to a total of 29 months from the date of termination of employment or reduction in hours if a qualified beneficiary receives a Social Security Administration determination that the qualified beneficiary is disabled. This extension will apply only if the Social Security Administration determines that you (or another individual who is entitled to COBRA coverage because of the same qualifying event) were disabled at any time during the first 60 days of COBRA coverage, you notify the Company in a timely fashion, and you remain disabled throughout the extension period. **For this extension to be available, the Company must be notified in writing of the Social**

Security Administration determination according to the procedures described near the end of this notice in the section entitled “Procedures for Giving Notice of Disability.” In addition, this notice generally must be given within 60 days after the date of the Social Security Administration determination and within the first 18 months of COBRA coverage. If you were determined to be disabled before the participant’s termination of employment or reduction in hours, the Notice is required to be given according to the procedures described near the end of this notice in the section entitled “Procedures for Giving Notice of Disability” within the first 18 months of COBRA coverage and within 60 days after the later of:

- The date of the participant’s termination of employment or reduction of hours.
- The date on which you lose (or would lose) coverage under the terms of the Plan as a result of the covered employee’s termination or reduction of hours.

If notice is not provided to the Company within the applicable 60-day period, and according to the procedures described below in the section entitled “Procedures for Giving Notice of Disability,” **the extension of the maximum COBRA coverage period described in this paragraph will not be available.**

Second Qualifying Event

For a participant’s spouse and dependent children, the maximum COBRA coverage period may be extended to a total of 36 months from the date of the participant’s termination or reduction in hours if, during the first 18 months (or 29 months, if a disability extension applies) that COBRA coverage is in effect, a second qualifying event occurs.

- A second qualifying event for a participant’s spouse may consist of the participant’s death, Medicare entitlement (actually having Medicare coverage), legal separation or divorce, but only if the event would have caused the spouse to lose coverage under the Plan had the first qualifying event not occurred.
- A second qualifying event for a participant’s dependent child may consist of the participant’s death, Medicare entitlement (actually having Medicare coverage), legal separation or divorce, or the dependent child’s ceasing to meet the dependent eligibility requirements under the Plan, but only if the event would have caused the dependent child to lose coverage under the Plan had the first qualifying event not occurred.
- **For this extension to be available, written notice of the event must be properly given to the Plan according to the procedures described below in the section entitled “Procedures for Giving Notice of Second Qualifying Event.”** The notice must be given within 60 days after the date of the second qualifying event.

If notice is not provided to the Company within the 60-day period, and according to the procedures described below in the section entitled “Procedures for Giving Notice of Second Qualifying Event,” **the extension of the maximum COBRA coverage period described in this paragraph will not be available as a result of that event.**

Limits on Extensions of the Maximum COBRA Coverage Period

In no case will the total maximum COBRA coverage period for anyone be more than 36 months, and in no case will the total COBRA coverage period for a participant be more than 18 months (29 months in the case of disability, as provided above). For a

child born to, adopted by, or placed for adoption with, a participant during continuation coverage (see the paragraph later in this notice entitled “COBRA Rights for New Dependent Children”), these periods are measured from the date of the event that triggered the continuation coverage in effect at the time of birth, adoption, or placement. In no event is the coverage period for such a child based on the date of birth, adoption, or placement.

All of the COBRA coverage periods described above are maximums. COBRA coverage can terminate before the end of these maximum coverage periods for several reasons, which are described in the following section.

Are There Any Circumstances In Which Continuation Coverage May Be Cut Short?

Your COBRA coverage will end before the end of the maximum COBRA coverage period if *any* of several events occurs. The Plan will provide notice if termination occurs before the end of the maximum COBRA coverage period, but COBRA coverage will terminate on the date noted below regardless of when the notice is given. This means that you will not receive advance notice of termination of your COBRA coverage in most cases.

In some cases, the Plan may pay claims after the date of termination as described below. In that event, you will be required to pay the Plan back for any claims paid with respect to periods after your COBRA coverage ended.

Other Group Health Plan Coverage

Your COBRA coverage will terminate automatically if, after electing COBRA, you become covered under any other group health plan (as an employee or otherwise) that does not contain any exclusion or limitation for any pre-existing condition that applies to you (taking into account prior creditable coverage as required by federal law). You must notify the Company promptly after such coverage becomes effective. Regardless of whether the notice is provided, termination of COBRA coverage will be effective on the date that the other coverage becomes effective or the first date that the exclusion or limitation is no longer applicable.

Medicare Entitlement

Your COBRA coverage will terminate automatically if, after electing COBRA, you first become entitled to (covered under) any Medicare benefits (Part A, Part B or both). You must notify the Company promptly after Medicare becomes effective. Regardless of whether the notice is provided, termination of COBRA coverage will be effective on the date of Medicare entitlement.

Failure to Pay Required Premiums

Your COBRA coverage will terminate automatically if you fail to pay required premiums within the time allowed. Such payment failure occurs when the premium for your continuation coverage is not paid by the due date and any applicable grace period for paying the premium has expired without the past due premium being paid. Termination of COBRA coverage will be effective at the end of the last month for which the full premium was paid before expiration of the grace period for that payment.

Plan Termination

Your COBRA coverage will terminate automatically on the first date that neither the Company, nor any of its affiliates, provides any group health coverage to any employee.

Cessation of Disability

Your COBRA coverage will terminate automatically if, after becoming entitled to a 29-month maximum coverage period due to your own or another qualified beneficiary's disability, during the extension, there is a final Social Security Administration determination that the disabled individual ceased to be disabled. Within 30 days after receipt of the Social Security Administration determination, the Plan must be notified in writing of that determination according to the notice procedures described near the end of this notice in the section entitled "Procedures for Giving Notice of Disability Cessation." Termination of COBRA coverage will be effective on the first day of the first month that is more than 30 days after the date of the Social Security Administration determination, regardless of whether you give the required notice.

For Cause

COBRA coverage will end automatically upon any event that permits termination of coverage under the Plan for an individual covered other than pursuant to COBRA (submitting fraudulent claims or enrollment materials, or failing to provide proof of eligibility when requested, for example). If COBRA continuation coverage ends "for cause," termination of COBRA coverage will be effective on the date that best puts the Plan in the position it would have been in if the "for cause" event had not occurred. For example, if the Plan requests proof of the date a dependent child reached the limiting age, and the proof provided shows that the Plan was not notified within the applicable 60-day notice period following that event, the dependent's COBRA coverage will terminate retroactive to the date it began because the dependent was never entitled to COBRA coverage due to the late notice.

How Much Does COBRA Coverage Cost?

You must pay 102 percent of the cost to the Plan for providing Plan coverage to similarly situated non-COBRA individuals in order to obtain and continue COBRA coverage. If the maximum COBRA coverage period is extended to 29 months due to an individual's disability (see the section above entitled "Social Security Administration Determination of a Qualified Beneficiary's Disability"), the required payment during the extension period for the family coverage unit that includes the disabled individual is 150 percent of the cost to the Plan for providing Plan coverage to similarly situated non-COBRA individuals. Special rules apply in some situations so that the higher premium does not apply during the disability extension. Please contact the Company if you have questions concerning this premium, at the telephone number or address noted on the first page of this notice.

After the initial COBRA coverage payment (see the section above entitled "Initial Payment for COBRA Coverage"), payments for COBRA coverage are due on the 1st of each month for that month's COBRA coverage. There is, however, a grace period for late payment, which expires on the 30th day after the 1st of the month. **If premium payment is not made within the 30-day grace period, COBRA coverage will end effective as of the last day of the last month for which payment was made in full.** The grace period does not apply to the initial COBRA coverage payment. If that initial payment is not made by the 45th day after the election date, COBRA rights will be lost as described above in the section entitled "Initial Payment for COBRA Coverage."

If, for whatever reason, you receive any medical benefits under the Plan with respect to expenses incurred during a month for which the required COBRA payment was

not made before the end of the grace period, you will be required to reimburse the Plan for the benefits received.

If you pay a COBRA premium later than the first day of the month to which it applies, but before the end of the grace period for that month, your coverage under the Plan will be suspended as of the first day of the coverage period and then retroactively reinstated (going back to the first day of the month) when the payment is received. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated.

All payments must be made by check. If a check "bounces" (i.e., is not honored by your bank), the payment represented by the check is deemed not to have been made. In such cases, the Plan has no responsibility to give notice of the payment problem. COBRA coverage will not become effective, in the case of the initial payment, or will terminate, in the case of later payments, without further notice or opportunity for payment if, after a payment check bounces, the full required payment is not made within the time required. In other words, a bounced check does not extend the due date or grace period for any payment.

What Happens When COBRA Coverage Ends?

If you continue coverage for the full maximum COBRA coverage period, you must be given the option of enrollment under a conversion health plan otherwise generally available under the Plan. If applicable, you will receive notice of this option during the 180 days before the end of your maximum COBRA coverage period.

Special Rules on FMLA Leaves of Absence

The Company is subject to the Family and Medical Leave Act of 1993 (FMLA), and, when allowing leaves protected under the FMLA, the Company allows participants to continue group health plan coverage at regular contribution levels while on the leave. Beginning an FMLA leave is *not* an event which qualifies you for continuation coverage (beginning a non-FMLA leave may be a COBRA qualifying event, however). If one of the qualifying events listed earlier in this notice occurs during an FMLA leave, however, and, under the terms of the Plan, it normally would result in loss of coverage, then the normal rules described above concerning COBRA coverage would apply. In addition, if a participant who takes an FMLA leave does not return at the end of that leave, the last day of that leave may be treated as a reduction in hours for purposes of determining whether COBRA rights apply.

COBRA Coverage Under the Health FSA

COBRA coverage under the Health FSA will be offered only to qualified beneficiaries for whom the Health FSA account is considered "underspent" at the time of the qualifying event. A Health FSA account is underspent if the annual amount elected for the year by the participant, reduced by payments from the Health FSA up to the time of the qualifying event, is equal to or more than the amount the qualified beneficiary would be required to pay in premiums for COBRA under the Health FSA for the remainder of the year. COBRA coverage will consist of the Health FSA coverage in force at the time of the qualifying event (i.e., the elected annual limit reduced by expenses reimbursed for qualified beneficiary(ies) who elect COBRA coverage under the Health FSA up to the time of the qualifying event).

COBRA coverage under the Health FSA will terminate at the end of the plan year in progress at the time of the qualifying event. You will not be able to make an election for the next plan year. All of the usual rules for the Health FSA regarding submitting claims, forfeiting unused balances, etc. will apply during the COBRA period.

If a qualified beneficiary elects COBRA under the Health FSA, the COBRA coverage will apply to all of the qualified beneficiaries who lost Health FSA coverage due to the same qualifying event as the electing qualified beneficiary, unless the election form specifies otherwise. Each qualified beneficiary has separate election rights, and each could elect separate COBRA coverage under the Health FSA to cover that beneficiary only, with a separate Health FSA annual limit and a separate premium.

COBRA Rights for New Dependent Children

A child born to, adopted by, or placed for adoption with, a participant during a period of COBRA coverage is eligible for coverage as a qualified beneficiary to the same extent as the other qualified beneficiaries listed above, provided the child satisfies the otherwise applicable plan eligibility requirements. The Company must be notified within 30 days of a child's birth to, adoption by, or placement for adoption with, the participant during a period of COBRA coverage. Coverage for the new child may be elected (and the child's rights as a qualified beneficiary preserved) only if the Company is notified of the child's birth, adoption or placement within 30 days. From the time such a child is properly enrolled as described in this paragraph, the child will be treated as a qualified beneficiary for COBRA purposes.

If You Have Questions

Questions concerning your Plan or your COBRA continuation coverage rights should be addressed to the contact identified on the first page of this notice. For more information about your rights under ERISA, including COBRA, the Health Insurance Portability and Accountability Act (HIPAA), and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area, or visit the EBSA website at www.dol.gov/ebsa. (Addresses and phone numbers of Regional and District EBSA Offices are available through EBSA's website.)

Keep the Plan Informed of Address Changes

In order to protect your family's rights, you should keep the Company informed of any changes in the addresses of family members. You should also keep a copy, for your records, of any notices you send to the Plan or the Company.

Notice Procedures

The following notice procedures are part of the initial notice of COBRA rights.

Procedures for Giving Notice of Qualifying Events

The notice of a qualifying event that is required for a divorce, legal separation or dependent child's ineligibility must be **in writing, or by email** and must be **to the attention of the person at the address below**. Giving notice of a qualifying event by any other means will not protect COBRA rights, and **COBRA will not be offered to any qualified beneficiary whose notice is provided by any other means.**

	<ul style="list-style-type: none"> • Oral notice, including notice by telephone, is not acceptable.
<p><u>Timing</u></p>	<p>The notice of qualifying event must be provided within 60 days after the later of:</p> <ul style="list-style-type: none"> • The date of the qualifying event* (for example, the date of the divorce or the date of a dependent’s birthday when reaching the limiting age). • The date on which the qualified beneficiary loses (or would lose) coverage under the terms of the Plan as a result of the qualifying event. <p>This means that the notice of qualifying event must be <u>postmarked no later than the last day of the 60-day notice period</u> described above.</p> <p>* If providing notice of a divorce or legal separation that occurred after Plan coverage was reduced or eliminated in anticipation of the divorce or legal separation (as described above under the heading “Special Rule if Coverage is Lost Before a Qualifying Event”), the notice must be provided within 60 days of the divorce or legal separation, not at the time of the loss of coverage.</p>
<p><u>Form</u></p>	<p>Notice of a qualifying event must be in writing and must include all of the following information:</p> <ul style="list-style-type: none"> • The name of the Plan. • The name and address of the participant who is or was covered under the Plan. • The name(s) and address(es) of all qualified beneficiary(ies) who have a loss of coverage due to the qualifying event (divorce, legal separation, or child’s becoming ineligible). • The qualifying event (divorce, legal separation, or child’s ineligibility). • The date that the divorce or legal separation, or the event causing the child’s ineligibility occurred. • The name and contact information for the individual sending the notice.
<p><u>Documents</u></p>	<p>If notifying [Davidson College] (the “Company”) of a divorce or legal separation, a copy of the decree of divorce or legal separation must be included with the notice.*</p> <p>If notifying the Company of a child’s loss of dependent status, no documentation of the event causing the loss of dependent status is required with the notice. If the Company requests it, however, you must provide documentation of the date of the qualifying event that is satisfactory to the Company (for example, a birth certificate to establish the date that a child reached the limiting age, a marriage certificate to establish the date that a child married, or a transcript showing the last date of enrollment in an educational institution). Evidence of the qualifying event date will allow the Company to determine if notice of the qualifying event was timely so that the dependent who lost eligibility was entitled to elect COBRA or was untimely so that COBRA was not available for that dependent. If you do not provide satisfactory evidence within fifteen (15) business days after a written or oral request from the Company, the dependent’s COBRA coverage may be terminated (retroactively if necessary) as of the date that COBRA coverage would have started. The Company will require repayment to the Plan of all benefits paid after the termination date. Any COBRA coverage in effect for the individual who reported the qualifying event to the Plan also may be terminated.</p> <p>* If notifying the Company of a divorce or legal separation that occurred after Plan coverage was reduced or eliminated in anticipation of the divorce or legal separation (as described above under the heading “Special Rule if Coverage is Lost Before a Qualifying Event”), evidence satisfactory to the Company that coverage was reduced or eliminated in anticipation of the divorce or legal separation also must be included with the notice.</p>

<u>Address</u>	<p>Mail notice to:</p> <p>Pam Tesh Davidson College Box 7163 Davidson, NC 28035-7163 patesh@davidson.edu</p>
<u>Sender</u>	<p>The participant who is or was covered under the Plan, a qualified beneficiary, or a representative acting on behalf of either may provide the notice. A notice provided by any of these individuals will satisfy any responsibility to provide notice on behalf of all qualified beneficiaries who lost coverage due to the qualifying event described in the notice.</p>
<p><u>Incomplete Notice of Qualifying Event</u></p> <p>A written notice that is provided within the 60-day notice period described above will be rejected if it does not contain all of the information and documentation described above, unless all of the following conditions are met:</p> <ul style="list-style-type: none"> • From the written notice provided, the Company can both— <ul style="list-style-type: none"> ○ Determine that the notice concerns the Plan. ○ Identify the participant and qualified beneficiary(ies), the qualifying event (the divorce, legal separation, or child’s ineligibility) and the date of the qualifying event. • The notice is supplemented in writing with the additional information and documentation necessary to meet the Plan’s requirements (as described in these Procedures for Giving Notice of Qualifying Event) within fifteen (15) days after a written or oral request for more information (or, if later, by the end of the 60-day notice period described above). <p>Unless all of these conditions are met, the incomplete notice will be rejected and COBRA will not be offered. If all of these conditions are met, the Plan will treat the incomplete notice as if it had been provided within the 60-day notice period, but for all other purposes will treat the notice as having been provided on the date that the Plan has received all of the items requested to supplement the incomplete notice.</p>	

<p><u>Procedures for Giving Notice of Second Qualifying Events</u></p>	
<p>The notice of a second qualifying event that is required for a participant’s death, Medicare entitlement (actual receipt of Medicare benefits), divorce, legal separation or dependent child’s ineligibility must be in writing and must be mailed to the person at the address indicated below. Giving notice of a qualifying event by any other means will not protect COBRA rights, and extension of the maximum COBRA coverage period will not be available to any qualified beneficiary whose notice is provided by any other means.</p> <ul style="list-style-type: none"> • Oral notice, including notice by telephone, is not acceptable. • Electronic (including e-mailed or faxed) notice is not acceptable. • Hand-delivered notices are not acceptable. 	
<u>Timing</u>	<p>The notice of second qualifying event must be provided within 60 days after the date of the second qualifying event (for example, the date of the divorce or the date of a dependent’s birthday when reaching the limiting age).</p> <p>This means that the notice of qualifying event must be <u>postmarked no later than the last day of the 60-day notice period</u> described above.</p>
<u>Form</u>	<p>Notice of a second qualifying event must be in writing and must include all of the following information:</p> <ul style="list-style-type: none"> • The name of the Plan.

	<ul style="list-style-type: none"> • The name and address of the participant or former participant. • The date of the participant's or former participant's termination of employment or reduction in hours. • The name(s) and address(es) of all qualified beneficiary(ies) receiving COBRA coverage at the time of the notice who would have a loss of coverage due to the qualifying event (participant's death, Medicare entitlement (actual receipt of Medicare benefits), divorce, legal separation, or child's becoming ineligible) if it had occurred while still covered under the Plan due to the participant's employment with the Company. • The second qualifying event (the participant's death, Medicare entitlement (actual receipt of Medicare benefits), divorce, legal separation, or child's ineligibility). • The date that the qualifying event occurred. • The name and contact information for the individual sending the notice.
<u>Documents</u>	<p>If notifying [Davidson College] (the "Company") of a former participant's death, a copy of the death certificate or a published obituary showing the date of death must be included with the notice.</p> <p>If notifying the Company of a divorce or legal separation, a copy of the decree of divorce or legal separation must be included with the notice.</p> <p>If notifying the Company of a child's loss of dependent status, no documentation of the event causing the loss of dependent status is required with the notice. If the Company requests it, however, you must provide documentation of the date of the qualifying event that is satisfactory to the Company (for example, a birth certificate to establish the date that a child reached the limiting age, a marriage certificate to establish the date that a child married, or a transcript showing the last date of enrollment in an educational institution). Evidence of the qualifying event date will allow the Company to determine if notice of the qualifying event was timely so that the dependent who lost eligibility was entitled to elect COBRA or was untimely so that COBRA was not available for that dependent. If you do not provide satisfactory evidence within fifteen (15) business days after a written or oral request from the Company, the dependent's COBRA coverage may be terminated (retroactively if necessary) as of the date that COBRA coverage would have started. The Company will require repayment to the Plan of all benefits paid after the termination date. Any COBRA coverage in effect for the individual who reported the qualifying event to the Plan also may be terminated.</p>
<u>Address</u>	<p>Mail notice to:</p> <p style="text-align: center;"> Pam Tesh Davidson College Box 7163 Davidson, NC 28035-7163 </p>
<u>Sender</u>	<p>The participant who is or was covered under the Plan, a qualified beneficiary, or a representative acting on behalf of either may provide the notice. A notice provided by any of these individuals will satisfy any responsibility to provide notice on behalf of all qualified beneficiaries who would lose coverage due to the second qualifying event described in the notice if it had occurred while still covered under the Plan due to the participant's employment with the Company.</p>
<p><u>Incomplete Notice of Second Qualifying Event</u></p> <p>A written notice that is provided within the 60-day notice period described above will be rejected if it does not contain all of the information and documentation described above, unless all of</p>	

the following conditions are met:

- From the written notice provided, the Company can both—
 - Determine that the notice concerns the Plan.
 - Identify the participant and qualified beneficiary(ies), the first qualifying event (the covered employee’s termination of employment or reduction of hours), the date on which the first qualifying event occurred, the second qualifying event (the participant’s death, Medicare entitlement, (actual receipt of Medicare benefits) divorce, legal separation or child’s ineligibility), and the date of the second qualifying event.
- The notice is supplemented in writing with the additional information and documentation necessary to meet the Plan’s requirements (as described in these Procedures for Giving Notice of Second Qualifying Event) within fifteen (15) days after a written or oral request for more information (or, if later, by the end of the 60-day notice period described above).

Unless all of these conditions are met, the incomplete notice will be rejected and COBRA will not be offered. If all of these conditions are met, the Plan will treat the incomplete notice as if it had been provided within the 60-day notice period, but for all other purposes will treat the notice as having been provided on the date that the Plan has received all of the items requested to supplement the incomplete notice.

Procedures for Giving Notice of Disability

The notice of a disability that is required to obtain an extension of COBRA coverage due to disability must be **in writing** and must be **mailed to the person at the address below**. Giving notice of a disability by any other means will not protect COBRA rights, and **no extension of COBRA coverage due to disability will apply to any qualified beneficiary whose notice is provided by any other means.**

- Oral notice, including notice by telephone, is not acceptable.
- Electronic (including e-mailed or faxed) notice is not acceptable.
- Hand-delivered notices are not acceptable.

<u>Timing</u>	The notice of disability must be provided within 60 days after the date of the Social Security Administration’s determination of disability and within the first 18 months of COBRA coverage. If the disability determination occurs before the participant’s termination of employment or reduction in hours, this notice is required to be given within the first 18 months of COBRA coverage and within 60 days after the later of: <ul style="list-style-type: none">• The date of the participant’s termination of employment or reduction of hours.• The date on which you lose (or would lose) coverage under the terms of the Plan as a result of the covered employee’s termination or reduction of hours. This means that the notice of disability must be <u>postmarked</u> no later than the last day of the 60-day notice period described above.
<u>Form</u>	Notice of disability must be in writing and must include all of the following information: <ul style="list-style-type: none">• The name of the Plan.• The name and address of the participant or former participant who is or was covered under the Plan.• The qualifying event that started COBRA coverage (must be a participant’s termination of employment or reduction in hours).

	<ul style="list-style-type: none"> • The date that the participant’s termination of employment or reduction of hours happened. • The name(s) and address(es) of all qualified beneficiary(ies) who had a loss of coverage due to the participant’s termination of employment or reduction in hours, elected COBRA when it was offered, and have COBRA coverage in effect at the time of the notice. • The name of the disabled qualified beneficiary. • The date that the qualified beneficiary became disabled according to the Social Security Administration determination. • The date that the Social Security Administration made its determination of disability. • The name and contact information for the individual sending the notice.
<u>Documents</u>	A copy of the Social Security Administration’s determination of disability must be included with the notice of disability.
<u>Address</u>	Mail notice to: <p style="text-align: center;"> Pam Tesh Davidson College Box 7163 Davidson, NC 28036 </p>
<u>Sender</u>	The participant or former participant, a qualified beneficiary, or a representative acting on behalf of either may provide the notice. A notice provided by any of these individuals will satisfy any responsibility to provide notice on behalf of all qualified beneficiaries who lost coverage due to the participant’s termination of employment or reduction in hours.
<u>Incomplete Notice of Disability</u> A written notice that is provided within the 60-day notice period described above will be rejected if it does not contain all of the information and documentation described above, unless all of the following conditions are met: <ul style="list-style-type: none"> • From the written notice provided, Davidson College, (“the Company”) can both— <ul style="list-style-type: none"> ○ Determine that the notice concerns the Plan and a qualified beneficiary’s disability. ○ Identify the participant or former participant and qualified beneficiary(ies) and the date on which the participant or former participant terminated employment or reduced hours of employment. • The notice is supplemented in writing with the additional information and documentation necessary to meet the Plan’s requirements (as described in these Procedures for Giving Notice of Disability) within fifteen (15) days after a written or oral request for more information (or, if later, by the end of the 60-day notice period described above). Unless all of these conditions are met, the incomplete notice will be rejected and the extension of the maximum COBRA coverage period due to disability will not be available. <p>If all of these conditions are met, the Plan will treat the incomplete notice as if it had been provided within the 60-day notice period, but for all other purposes will treat the notice as having been provided on the date that the Plan has received all of the items requested to supplement the incomplete notice.</p>	

<u>Procedures for Giving Notice of Disability Ceasing</u> The notice of cessation of a disability is required when a disability that resulted in an extension of the maximum COBRA coverage period has ended. The notice must be in writing and must

<p>be mailed to the person at the address indicated below.</p> <ul style="list-style-type: none"> • Oral notice, including notice by telephone, is not acceptable. • Electronic (including e-mailed or faxed) notice is not acceptable. • Hand-delivered notices are not acceptable. 	
<u>Timing</u>	<p>The notice of disability must be provided within 30 days after the date of the Social Security Administration's determination that disability has ceased.</p> <p>This means that the notice of disability must be <u>postmarked</u> no later than the last day of the 30-day notice period described above.</p>
<u>Form</u>	<p>Notice of disability cessation must be in writing and must include all of the following information:</p> <ul style="list-style-type: none"> • The name of the Plan. • The name and address of the participant or former participant who is or was covered under the Plan. • The qualifying event that started COBRA coverage (must be a participant's termination of employment or reduction in hours). • The date that the participant's termination of employment or reduction of hours happened. • The name(s) and address(es) of all qualified beneficiary(ies) who had a loss of coverage due to the participant's termination of employment or reduction in hours, elected COBRA when it was offered, and have COBRA coverage in effect at the time of the notice. • The name of the previously disabled qualified beneficiary. • The date that the qualified beneficiary ceased to be disabled according to the Social Security Administration determination. • The date that the Social Security Administration made its determination that disability has ceased. • The name and contact information for the individual sending the notice.
<u>Documents</u>	<p>A copy of the Social Security Administration's determination of disability cessation must be included with the notice of disability ceasing.</p>
<u>Address</u>	<p>Mail notice to:</p> <p style="text-align: center;"> Pam Tesh Davidson College Box 7163 Davidson, NC 28035-7163 </p>
<u>Sender</u>	<p>The participant or former participant, a qualified beneficiary, or a representative acting on behalf of either may provide the notice. A notice provided by any of these individuals will satisfy any responsibility to provide notice on behalf of all qualified beneficiaries who lost coverage due to the participant's termination of employment or reduction in hours.</p>