

## General Notice of COBRA Continuation Coverage Rights

You are receiving this information as a participant in the group medical, dental and/or vision plans provided by Toys“R”Us, Inc. This notice contains important information about your right to continuation of health coverage, which is a temporary extension of coverage under the group medical, dental and/or vision options under the Program. 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 and to other members of your family who are covered under the Program when you would otherwise lose this health coverage. **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.** This notice gives only a summary of your COBRA continuation coverage rights. For more information about your rights and obligations under the Plans and under federal law, you should contact the COBRA Administrator:

Ceridian Corporation  
1-800-877-7994

The COBRA Administrator is responsible for administering COBRA continuation coverage.

### When Medical, Dental or Vision Coverage Ends

Unless the participant elects COBRA coverage, medical, dental and vision coverage ends as of the date on which:

- The Program is terminated
  - You no longer meet the eligibility requirements as an active team member of the Toys“R”Us, Inc. Benefit Program
  - You leave Toys“R”Us, Inc.
- or*
- You fail to pay any required contributions as described under this notice on continuation coverage (COBRA).

### COBRA Continuation Coverage

COBRA continuation coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a “qualifying event.” Specific qualifying events are listed later in this notice. COBRA continuation coverage must be offered to each person who is a “qualified beneficiary.” Only qualified beneficiaries may elect to continue their group health Plan coverage. A qualified beneficiary is someone who will lose coverage under the Program because of a qualifying event. Depending on the type of qualifying event, team members, spouses or domestic partners of team members, and their dependent children may be qualified beneficiaries. (Certain newborns, newly-adopted children and alternate recipients under Qualified Medical Child Support Orders (QMCSOs) may also be qualified beneficiaries. This is discussed in more detail in separate paragraphs below.) Under the Program, qualified beneficiaries who elect COBRA continuation coverage must pay for such coverage.

Continuation coverage is the same coverage that the Program gives to other participants or beneficiaries under the Program who are not receiving continuation coverage. Each qualified beneficiary who elects continuation coverage will have the same rights under the Plans as other participants or beneficiaries covered under the Program, including annual enrollment and special enrollment rights. Specific information describing the coverage to be continued under the Program is contained elsewhere in this notice. For more information about your rights and obligations under the Program, you can get a copy of additional information from the COBRA or Plan Administrator.

If you are a team member, you will become a qualified beneficiary if you will lose your coverage under the Program because one of the following qualifying events happens:

- Your hours of employment are reduced
- or*
- Your employment ends for any reason other than your gross misconduct.

If you are the spouse or qualified domestic partner of a team member, you will become a qualified beneficiary if you will lose your coverage under the Program because any of the following qualifying events happens:

- Your spouse/domestic partner dies
  - Your spouse's/domestic partner's hours of employment are reduced
  - Your spouse's/domestic partner's employment ends for any reason other than his or her gross misconduct
  - Your spouse/domestic partner becomes enrolled in Medicare (Part A, Part B, or both)
- or*
- You become divorced or legally separated from your spouse or your domestic partnership terminates. If a team member cancels coverage for his or her spouse in anticipation of a divorce or legal separation, and a divorce or legal separation later occurs, then the divorce or legal separation will be considered a qualifying event even though the ex-spouse lost coverage earlier. If the ex-spouse notifies the administrator within 60 days after the divorce or legal separation and can establish that the team member cancelled the coverage earlier in anticipation of the divorce or legal separation, then COBRA coverage may be available for the period after the divorce or legal separation.

Your dependent children and/or the qualified dependent children of your spouse or domestic partner will become qualified beneficiaries if they will lose coverage under the Program because any of the following qualifying events happens:

- The parent-team member dies
  - The parent-team member's hours of employment are reduced
  - The parent-team member's employment ends for any reason other than his or her gross misconduct;
  - The parent-team member becomes enrolled in Medicare (Part A, Part B, or both)
  - The parents become divorced or legally separated or their qualified domestic partnership terminates
- or*
- The child stops being eligible for coverage under the plans as a "dependent child."

## Notifying the COBRA Administrator of Qualifying Events

The Program will offer COBRA continuation coverage to qualified beneficiaries only after the COBRA Administrator has been timely notified that a qualifying event has occurred. When the qualifying event is the end of employment or reduction of hours of employment, death of the team member, or enrollment of the team member in Medicare (Part A, Part B, or both), the employer must notify the **“R” Benefits Center** of the qualifying event within 60 days following the date coverage ends.

**Important:** For the other qualifying events (divorce or legal separation of the team member, termination of the team member’s qualified domestic partnership or a dependent child losing eligibility for coverage), *you* must notify the **“R” Benefits Center**. The Program requires you to notify the **“R” Benefits Center** in writing within 60 days after the later of the qualifying event or the loss of coverage, using the procedures specified below. **If these procedures are not followed or if the notice is not provided in writing to the “R” Benefits Center during the 60-day notice period, any spouse, dependent child or qualified domestic partner who loses coverage will NOT BE OFFERED THE OPTION TO ELECT CONTINUATION COVERAGE. You must send this notice to the “R” Benefits Center in accordance with the description below of the required information and/or documentation.**

### Notice Procedures

#### First Notice:

Any notice that you provide must be in writing. Oral notice, including notice by telephone, is not acceptable. You must mail your notice to the **“R” Benefits Center** at this address:

“R” Benefits Center  
c/o Employease, Inc.  
3295 River Exchange Drive  
Norcross, GA 30092

Your notice must be postmarked no later than the last day of the required notice period. Any notice you provide must state the name of the medical, dental and/or vision options previously elected under the Program, the name and address of the team member covered under the Plans, and the name(s) and address(es) of the qualified beneficiary(ies). Your notice must also name the qualifying event and the date it happened.

The Program’s form of Notice of Qualifying Event should be used to notify the **“R” Benefits Center** of a qualifying event. (A copy of this form can be obtained from the **“R” Benefits Center**.) If the qualifying event is a divorce, your notice must include a copy of the divorce decree.

#### Subsequent Notice:

Your notice of a second qualifying event also must name the event and the date it happened. If the qualifying event is a divorce, your notice must include a copy of the divorce decree.

Your notice of disability must also include the name of the disabled qualified beneficiary, the date when the qualified beneficiary became disabled and the date the Social Security Administration made its determination. Your notice of disability must include a copy of the Social Security Administration’s determination.

The Program's form of Notice by Qualified Beneficiary should be used to provide notice of a second qualifying event, a disability determination or a determination that a qualified beneficiary is no longer disabled. (A copy of this form can be obtained from the **"R" Benefits Center**.) You must mail your notice to the COBRA Administrator, if the qualified beneficiary is currently receiving COBRA benefits; otherwise mail your notice to the **"R" Benefits Center**.

## Electing COBRA Continuation Coverage

Once the **"R" Benefits Center** receives timely notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. For each qualified beneficiary who timely elects COBRA continuation coverage, COBRA continuation coverage will begin on the date that Plan coverage would otherwise have been lost.

Each qualified beneficiary has an independent right to elect continuation coverage. For example, both the team member and the team member's spouse may elect continuation coverage, or only one of them. Parents may elect to continue coverage on behalf of their dependent children only. **A qualified beneficiary must elect coverage by returning the COBRA Election Form to the COBRA Administrator within 60 days of being provided a COBRA election notice, (or the date health care coverage stops, if later) and following the procedures specified on the Election Form.** (A copy of the Program's Election Form may be obtained from the COBRA Administrator.) Your written notice must be provided to the COBRA Administrator at the address provided on the Program's Election Form. If you mail your election, it must be postmarked no later than the last day of the 60-day election period. **If you or your spouse or dependent children do not elect continuation coverage within the 60-day election period, YOU WILL LOSE YOUR RIGHT TO ELECT CONTINUATION COVERAGE.** A qualified beneficiary may change a prior rejection of continuation coverage any time until the end of the 60-day election period, in writing, by using the Election Form and following the procedures specified on the Election Form.

In considering whether to elect continuation coverage, you should take into account that a failure to continue your health coverage will 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 if you have more than a 63-day gap in health coverage, and election of continuation coverage may help you not have 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 get continuation coverage 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 ends because of the qualifying event listed above. You will also have the same special enrollment right at the end of continuation coverage if you get continuation coverage for the maximum time available to you.

## Length of COBRA Continuation Coverage

COBRA continuation coverage is a temporary continuation of coverage. When the qualifying event is the death of the team member, enrollment of the team member in Medicare (Part A, Part B, or both), your divorce or legal separation, termination of your qualified domestic partnership, or a dependent child losing eligibility as a dependent child, COBRA continuation coverage lasts for up to 36 months.

When the qualifying event is the end of employment or reduction of the team member's hours of employment, COBRA continuation coverage lasts for up to 18 months. There are three ways in which this 18-month period of COBRA continuation coverage can be extended.

### ***Disability Extension of 18-month Period of Continuation Coverage***

An 11-month extension of coverage may be available if any of the qualified beneficiaries in your family is disabled. All of the qualified beneficiaries who have elected continuation coverage will be entitled to the 11-month disability extension, **for a total maximum of 29 months**, if one of them qualifies. The Social Security Administration (SSA) must determine that the qualified beneficiary was disabled at some time during the first 60 days of **continuation coverage**, and **you must notify the COBRA Administrator of that fact in writing, using the procedures specified above, in the section entitled [Notice Procedures](#), within 60 days of the SSA's determination AND before the end of the first 18 months of continuation coverage. If these procedures are not followed or if a written notice of a disability is not provided to the COBRA Administrator within the required period, THEN THERE WILL BE NO DISABILITY EXTENSION OF COBRA CONTINUATION COVERAGE.**

If the qualified beneficiary is determined by the SSA to no longer be disabled, you must notify the COBRA Administrator of that fact within 30 days of the SSA's determination, using the procedures specified above, in the section entitled [Notice Procedures](#). COBRA coverage for all qualified beneficiaries will terminate as of the first day of the month that is more than 30 days after the SSA's determination that the qualified beneficiary is no longer disabled. **The plans reserve the right to retroactively cancel COBRA coverage and will require reimbursement of all benefits paid after the first day of the month that is more than 30 days after the SSA's determination that the qualified beneficiary is no longer disabled.**

### ***Second Qualifying Event Extension of 18-month Period of Continuation Coverage***

An 18-month extension of coverage will be available to spouses/domestic partners and dependent children who elect continuation coverage if a second qualifying event occurs during the first 18 months of continuation coverage. The maximum amount of continuation coverage available when a second qualifying event occurs is **36 months**. Such second qualifying events include the death of a covered team member, divorce or separation from the covered team member, termination of the qualified domestic partnership of the covered team member, the covered team member's enrolling in Medicare, or a dependent child's ceasing to be eligible for coverage as a dependent under the Plan.

Upon the occurrence of a second qualifying event, **you must notify the COBRA Administrator in writing within 60 days after the second qualifying event occurs using the procedures specified above, in the section entitled [Notice Procedures](#). If these procedures are not followed or if a written notice of a second qualifying event is not provided to the COBRA Administrator within the required period, THEN THERE WILL BE NO EXTENSION OF COBRA CONTINUATION COVERAGE DUE TO A SECOND QUALIFYING EVENT.**

### ***Medicare Extension for Spouse/Domestic Partner and Dependent Children***

If a qualifying event that is a termination of employment or reduction of hours occurs within 18 months after the covered team member becomes entitled to Medicare, then the maximum coverage period for the spouse/domestic partner and dependent children will end three years from the date the team member became entitled to Medicare (but the covered team member's maximum coverage period will be 18 months).

### ***Shorter Maximum Coverage Period for Health FSAs***

The maximum COBRA coverage period for a health flexible spending arrangement (the Health Care Flexible Spending Account under the Program) maintained by Toys"R"Us ends on the last day of the Policy Year in which the qualifying event occurred. More details about the coverage and premiums for the employer's health FSA are in a separate paragraph below.

The monthly COBRA premium for coverage under a health FSA (such as the Health Care Flexible Spending Account) maintained by the employer is 102% of the monthly premium that the team member was paying via salary reductions before the date of the qualifying event. The health FSA COBRA premium must be paid by check with after-tax dollars. 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 up to the time of the qualifying event). The use-it-or-lose-it rule explained in the health FSA SPD will continue to apply, so any unused amounts will be forfeited at the end of the Policy Year, and COBRA coverage will terminate at the end of the Policy Year. Unless otherwise elected, the spouse and dependents of the person electing COBRA will be covered too. Each beneficiary has separate election rights and could alternatively elect separate COBRA coverage to cover that beneficiary only, with a separate health FSA annual limit and a separate premium. Contact the COBRA Administrator for more information.

### ***Termination of COBRA Continuation Coverage Before the End of the Maximum Coverage Period***

Continuation coverage will be terminated before the end of the maximum period if (1) any required premium is not paid on time; (2) after electing COBRA coverage, a qualified beneficiary becomes covered under another group health plan that does not impose any preexisting condition exclusion for a preexisting condition of the qualified beneficiary; (3) after electing COBRA coverage, a qualified beneficiary enrolls in Medicare; or (4) Toys“R”Us ceases to provide any group health plan for its team members. Continuation coverage may also be terminated for any reason the Plans would terminate coverage of a participant or beneficiary not receiving continuation coverage (such as fraud).

You must notify the COBRA Administrator in writing within 30 days if, after electing COBRA coverage, a qualified beneficiary becomes covered under another group health plan or enrolls in Medicare Part A or B. You must use the notice procedures specified above in the section entitled [Notice Procedures](#). The Program reserves the right to retroactively cancel COBRA coverage and in that case will require reimbursement of all benefits paid after the date of commencement of other group health plan coverage or Medicare entitlement.

### **Cost of Continuation Coverage**

Generally, each qualified beneficiary may be required to pay the entire cost of continuation coverage. The amount a qualified beneficiary may be required to pay may not exceed 102% of the cost to the group health plan (including both employer and team member contributions) for coverage of a similarly-situated plan participant or beneficiary who is not receiving continuation coverage (or, in the case of an extension of continuation coverage due to a disability, 150%).

The Trade Act of 2002 created a new tax credit for certain individuals who become eligible for trade adjustment assistance (eligible individuals). Under the new tax provisions, eligible individuals can either take a tax credit or get advance payment of 65% of premiums paid for qualified health insurance, including continuation coverage. If you have questions about these new tax provisions, you may call the Health Care Tax Credit Customer Contact Center toll-free at **1-866-628-4282** (TTD/TTY callers may call toll-free at **1-866-626-4282**). More information about the Trade Act is also available at [www.doleta.gov/tradeact/2002actindem.cfm](http://www.doleta.gov/tradeact/2002actindem.cfm).

## ***Payment for Continuation Coverage***

### **First Payment for Continuation Coverage**

If you elect continuation coverage, you do not have to send any payment for continuation coverage with the COBRA Election Form. However, you must make your first payment for continuation coverage within **45 days** after the date of your election. (This is the date the Election Notice is post-marked, if mailed.) **If you do not make your first payment for continuation coverage within those 45 days, you will lose all continuation coverage rights under the Plans.**

Your first payment must cover the cost of continuation coverage from the time your coverage under the Plans would have otherwise terminated up to **the end of the month in which you return your COBRA Election Form. Claims under COBRA coverage will not be processed for this initial period until the COBRA Administrator receives payment.** You are responsible for making sure that the amount of your first payment is enough to cover this entire period. You may contact the *COBRA Administrator* to confirm the correct amount of your first payment.

Your first payment for continuation coverage should be sent to the address indicated on the election notice provided at the time of your COBRA qualifying event.

### **Periodic Payments for Continuation Coverage**

After you make your first payment for continuation coverage, you will be required to pay for continuation coverage for each subsequent month of coverage. Under the Plans, these periodic payments for continuation coverage are due **each month on the first day of the month. Once the initial premium has been paid, you will receive instructions on how to make future payments.**

Periodic payments for continuation coverage should be sent to the address indicated on the election notice provided at the time of your COBRA qualifying event.

### **Grace Periods for Periodic Payments**

Although periodic payments are due on the dates described above, you will be given a grace period of 30 days to make each periodic payment. Your continuation coverage will be provided for each coverage period so long as payment for that coverage period is made before the end of the grace period for that payment. However, if you pay a periodic payment later than its due date but during its grace period, your coverage under the Plans will be suspended as of the due date and then retroactively reinstated (going back to the due date) when the periodic payment is made. This means that any claims under COBRA coverage will not be processed for any period until the COBRA Administrator receives full payment.

If you fail to make a periodic payment before the end of the grace period for that payment, you will lose all rights to continuation coverage under the Program and will not be reinstated in the Program.

## ***More Information About Individuals Who May Be Qualified Beneficiaries***

### ***Children Born to or Placed for Adoption with the Covered Team member During COBRA Period***

A child born to, adopted by or placed for adoption with a covered team member during a period of continuation coverage is considered to be a qualified beneficiary provided that, if the covered team member is a qualified beneficiary, the covered team member has elected continuation coverage for himself or herself. The child's COBRA coverage begins when the child is enrolled in the Plans, whether through special enrollment or annual enrollment, and it lasts for as long as COBRA coverage lasts for other dependents of the team member. To be enrolled in the Plans, the child must satisfy the otherwise applicable Plan eligibility requirements (for example, regarding dependency). The team member must notify the COBRA Administrator on the appropriate form and pay the additional contributions, if applicable.

### ***Alternate Recipients Under QMCSOs***

A child of the covered team member who is receiving benefits under the Plans pursuant to a Qualified Medical Child Support Order (QMCSO) received by the COBRA Administrator during the covered team member's period of employment with the employer is entitled to the same rights under COBRA as a dependent child of the covered team member, regardless of whether that child would otherwise be considered a dependent.

### **If You Have Questions**

If you have questions about your COBRA continuation coverage, you should contact the COBRA Administrator or you may contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration (EBSA). Addresses and phone numbers of Regional and District EBSA Offices are available through EBSA's website at [www.dol.gov/ebsa](http://www.dol.gov/ebsa).

### **Keep Your Program Informed of Address Changes**

In order to protect your family's rights, you must keep the COBRA Administrator informed, in writing, 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 COBRA Administrator.