

Domestic Partner Benefits Guide

Policy and Procedures

July 2009

Coldwater Creek

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This Enrollment Guide provides supplemental information on the benefit plans offered by Coldwater Creek Inc. (Company). This guide is intended to help with the process of enrolling your eligible domestic partner in certain Company employee benefit plans.

Every effort has been made to make the information in this guide as accurate as possible. In the case of any discrepancy between this guide and the Plan Documents, the official Plan Documents govern. The benefits described in this guide are effective only if you are eligible for coverage, become covered and remain covered in accordance with the provisions of the applicable benefit plan.

No person has the authority to make any verbal statements of any kind at any time that are legally binding for the Company or alter the official Plan Documents and contracts maintained in conjunction with the plans. The Company reserves the right to amend, modify, terminate or discontinue any or all of the plans described in this guide at any time at its sole discretion.

1 Introduction

Coldwater Creek Inc. (Company) offers benefits to the eligible domestic partners of employees. The provision of benefits to domestic partners reflects the Company's commitment to attract and retain a diverse workforce and current practices followed among employers in many of our key markets.

Eligibility for medical/prescription drug, dental, vision, employee assistance plan and life insurance benefits will be provided to domestic partners who meet the eligibility requirements described below in section 3.

This guide provides information about domestic partner benefits, and how to enroll a domestic partner in the Company's benefits program. You may enroll your domestic partner upon your initial eligibility for benefits or during the open enrollment period if your domestic partnership meets the eligibility requirements as listed in section 3. Thereafter, you will have the opportunity to change your benefit elections during the open enrollment period for the following plan year, or at other times during the year if you experience an eligible status event described in detail on page 7.

2 How to Enroll

If you choose to enroll your domestic partner for Company benefits, follow these steps:

Read all the information in this guide carefully to make sure your domestic partner is eligible for coverage. See section 3 for information on eligibility.

Complete the "Affidavit of Domestic Partnership".

Complete a Company benefits enrollment form adding your domestic partner to your coverage.

Return all forms to Human Resources before the expiration of the open enrollment period or within 31 days of an eligible status event.

Once you complete and return the required forms, your domestic partner's coverage will become effective on:

- The date you are initially eligible for benefits;
- July 1 if you are enrolling during open enrollment; or
- The first of the month following your enrollment if you experience an eligible status event.

3 Definition of Domestic Partner

Domestic partners of Company employees may be eligible for medical/prescription drug, dental, vision, employee assistance plan and life insurance benefits if the partnership meets the Company's definition of domestic partnership. The partners must sign and submit a Coldwater Creek Inc. Affidavit of Domestic Partnership to the Company.

Domestic partners are defined by the Company as persons who:

- are same or opposite gender;
- are in a committed, exclusive relationship of mutual caring and intend to remain in the relationship indefinitely;
- are at least 18 years old and mentally competent to enter into the partnership;
- share a common residence;
- are jointly responsible for each other's basic living expenses;
- are not married or a member of another domestic partnership;
- are not related by blood in a way that would prevent them from being married in the state they reside; and
- have met the above requirements for six (6) consecutive months or more.

Certification:

In order to establish that a domestic partnership exists for purposes of obtaining coverage under the Group, the domestic partners must:

1. complete a notarized Affidavit of Domestic Partnership;
2. provide proof of cohabitation; and
3. provide evidence that a financially interdependent relationship exists between the employee and the domestic partner dependent.

Financial interdependence may be proved by at least two of the following documents:

- Common ownership of real property or a common leasehold in real property
- Common ownership of a motor vehicle
- Joint bank account or joint credit account
- Designation as a beneficiary for life insurance or retirement benefits

If employees fraudulently enroll or continue coverage as domestic partners, they shall be held financially and legally responsible for any benefits provided by the Group on behalf of the domestic partner and may be subject to disciplinary action. Further, any such employee shall forfeit eligibility for future domestic partner coverage.

Children of domestic partners are eligible for coverage if the domestic partner is enrolled for coverage and they meet all of the following requirements:

- Unmarried natural child, stepchild, legally adopted child, child placed with the domestic partner for adoption or child for whom the domestic partner has court-appointed guardianship or custody; and
- Primarily dependent on the domestic partner or employee for financial support.

A domestic partner's child shall be eligible until the end of the month in which the child reaches age 23, until the child provides a majority of his or her financial support, or until the child marries, whichever occurs first.

4 Benefit Programs

Your domestic partner is eligible for coverage under the following benefit programs:

- Medical/Prescription Drug Plan
- Dental Plan
- Vision Plan
- Life Plan
- EAP

Cost of Domestic Partner Coverage

If you enroll your domestic partner, you will pay the same employee contribution amount for coverage as you would for a spouse. However, because of federal tax law, enrolling your domestic partner may have an impact on your income and payroll taxes.

- You must pay income and payroll taxes on the Company's contribution toward your domestic partner's coverage;
- You must make contributions for your domestic partner's coverage with after-tax dollars; and
- You cannot use your Health Care FSA to pay for your domestic partner's health expenses.

The Company's contribution toward your domestic partner's coverage is equal to the full cost of coverage, less any amount you contribute. This amount will be added to your other taxable income. You will be subject to taxation for adding your domestic partner and any of his or her dependents even if you are already paying the family rate for coverage. It will show up on your paycheck as additional income or "imputed income," even though you do not actually receive the additional cash. In effect, this amount will increase the amount the government uses to calculate how much you will pay in taxes.

With respect to state income taxes, certain states exclude the value of health benefits provided to same-sex domestic partners of employees whose partnerships meet that state's definition of domestic partner. Contact Human Resources for more information.

The applicable withholdings will be deducted from your paycheck each pay period. The taxable income will be reported on the W-2 issued to you for the years in which domestic partner coverage is provided.

Tax Consequences:

Example: Jean's annual salary is \$31,200, or \$1,200 on a bi-weekly basis. She has elected to cover her domestic partner under the Blue Sky HMO.

Below is a summary of the 2006 Blue Sky HMO rates and contributions:		
	2006 Blue Sky HMO	
	Premium Rate (per pay period)	Employee Contribution (per pay period)
Employee Only	\$124.91	\$0.00
Employee and Spouse	\$262.30	\$59.00
Employee and Child(ren)	\$374.72	\$93.00

The premium rate is the amount of money that is paid to Blue Sky for employees and their families to have health insurance. The portion Coldwater Creek pays is the premium rate less the employee contribution:

Premium Rate Spouse	Minus	Premium Rate Single	Equals	Total Premium Cost for Spouse
\$262.30	–	\$124.91	=	\$137.39

Jean's after-tax contribution is the difference between what she pays for her own coverage with pre-tax dollars and what she pays when she adds coverage for her domestic partner:

Employee + Spouse Contribution	Minus	What Jean Pays for Her Own Coverage (Pre-Tax)	Equals	Jean's After-tax Contribution
\$59.00	–	\$0	=	\$59.00

Imputed income will be added to Jean's taxable income, increasing her tax liability. The imputed income is the total premium cost for spousal coverage, less Jean's after-tax contribution:

Total Premium Cost for Spouse	Minus	Jean's After-tax Contribution	Equals	Imputed Income (Employer Portion of Spouse Cost)
\$137.39	–	\$59.00	=	\$78.39

Coldwater Creek's contribution toward her domestic partner's coverage will be taxable to Jean as imputed income. If Jean adds medical coverage for her domestic partner, here is how her pay would be affected each pay period:

Item	Category	Employee only	Employee and Domestic Partner
A	Bi-Weekly Salary	\$ 1,200.00	\$ 1,200.00
B	Pre-Tax Contribution for Employee Coverage	\$ 0.00	\$ 0.00
C	Total Cost of Domestic Partner Coverage	n/a	\$ 137.39
D	Imputed Income (C-G)	\$ 0.00	\$ 78.39
E	Taxable Pay (A-B+D)	\$ 1,200.00	\$ 1,278.39
F	Taxes (28% of E) ¹	\$ 336.00	\$ 357.95
G	Jean's After-Tax Contribution	\$ 0.00	\$ 59.00
H	Net Pay (A-B-F-G)	\$ 864.00	\$ 783.05
	Impact on Bi-Weekly Pay to Add Domestic Partner (\$864.00 – \$783.05)	n/a	\$ 80.95

If you would like to know the Company's contribution for your domestic partner's coverage in a particular plan, please contact Human Resources.

¹Assumes a 28% tax rate for federal, state, local and FICA taxes up to the 2006 wage base. The taxable amount is subject to withholding for federal income taxes, applicable state income taxes, and FICA (Social Security taxes).

Flexible Spending Accounts (FSAs)

Generally, you may not use your Flexible Spending Accounts to be reimbursed for health care or day care expenses for your domestic partner and his or her children.

Health Care Flexible Spending Accounts

Health Care Flexible Spending Accounts may not be used to reimburse an employee for domestic partner (or domestic partner child) expenses.

Dependent Care Flexible Spending Accounts

Dependent Care Flexible Spending Accounts can be used for reimbursement of eligible expenses for qualified dependents, as defined by the IRC. Eligible expenses are those expenses incurred by an employee to provide care for:

- A related child who the employee can claim as a dependent on their federal tax return, and
- who lives with them for more than half the year, and
- is under age 13;

or

- A domestic partner, if all the following apply:
 - he or she lives with the employee for the entire calendar year;
 - the employee provides more than half of his or her support; and
 - he or she is physically or mentally unable to care for himself or herself, regardless of age.

A domestic partner child's dependent care expenses generally do not qualify for reimbursement under current tax law.

Making Changes in Coverage

Enrollment

After initial enrollment, you may elect medical/prescription drug, dental, vision, employee assistance plan and life insurance coverage for a domestic partner and a domestic partner child only during open enrollment or within 31 days after one of the following status events:

- You and your domestic partner first become eligible (i.e., you first meet all the eligibility criteria); or
- Your domestic partner loses other group coverage due to a change in his or her employment or work site.

Dropping Coverage

You may drop medical/prescription drug, dental, vision, employee assistance plan and life insurance coverage for a domestic partner or domestic partner child only during open enrollment or within 31 days after one of the following events:

- Eligibility ends (i.e., your relationship ends); or
- Your domestic partner becomes eligible for other group coverage due to a change in his or her employment or work site; or
- Your domestic partner dies; or
- Your domestic partner's child ceases to meet the dependent eligibility requirements of the plan.

If your relationship ends or your domestic partner dies, you must notify the Company within 31 days. You will be asked to complete and submit all of the necessary forms related to your situation. Failure to do so may result in any or all of the following actions by the Company:

- A requirement that you reimburse the Company for all expenses paid while your domestic partner was ineligible for coverage;
- Disciplinary action; and
- Termination of your employment.

Tax Consequences of Making Mid-year Changes to Coverage

Generally, plan enrollment or coverage changes can only be made during the annual open enrollment period, to be effective the next plan year. However, you may be able to change your enrollment or coverage within 31 days if you experience an eligible status event.

For purposes of the status event rules, mid-year enrollment changes are permitted due to events involving domestic partners on the same basis that changes are allowed due to events involving spouses. For more information, refer to your benefit plan summaries. For example, if you decline health coverage when first eligible and you subsequently declare a valid domestic partnership, you may enroll yourself and your domestic partner and their eligible children for health coverage within 31 days of submission of an Affidavit of

Domestic Partnership. And, if you marry your domestic partner, you have 31 days to notify the Company that you wish to terminate the partnership that was registered with the Company and that you and your domestic partner are now legally married.

Due to IRS rules, mid-year election changes made due to an event involving your domestic partner will generally not be available on a tax-favorable basis. Thus, if you make a mid-year change due to an event involving your domestic partner, that change must generally be made on an “after-tax basis”.

5 COBRA Coverage Equivalent and FMLA Equivalent

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) provides for continuation of group health plan coverage for you and your eligible dependents in certain situations.

Although your domestic partner is not considered an eligible dependent under COBRA, the Company will offer your domestic partner the option to continue medical/prescription drug, dental, vision, and EAP coverage under certain circumstances, or “qualifying events.” This coverage continuation is called COBRA Coverage Equivalent. For purposes of this section, the term “domestic partner” includes your former domestic partner in the event that eligibility ends.

If your domestic partner or his/her dependent loses coverage under any of the circumstances summarized in the chart below, he or she may elect COBRA Coverage Equivalent.

Summary of Coverage Options under COBRA Coverage Equivalent

Qualifying Event	Maximum Continuation Period
You lose coverage because of reduced work hours or you take unpaid leave (other than under the Family Medical Leave Act)	18 months
You terminate employment for any reason (except gross misconduct)	18 months
You (or your domestic partner) are disabled — as defined by the Social Security Act — at the time of your qualifying event or at any time during the first 60 days of COBRA or COBRA Coverage Equivalent	29 months
You die	36 months
Your domestic partner's eligibility ends because the relationship ended	36 months
Your domestic partner's child ceases to meet the dependent eligibility requirements of the plan	36 months
Your domestic partner dies (domestic partner's child loses coverage)	36 months

How to Elect COBRA Coverage Equivalent

If your domestic partner loses coverage as a result of a qualifying event, you and/or your domestic partner will be notified of election options by mail. COBRA Coverage Equivalent must be elected within 60 days of the later of the following:

- The date of the qualifying event;
- The date you and/or your domestic partner is sent a notice of eligibility to continue coverage.

Paying for COBRA Coverage Equivalent

To continue coverage, your domestic partner must make the initial premium payment within 45 days of the date he or she elects to continue coverage. Subsequent payments are due on a monthly basis. In general, monthly premiums are based on the full group rate, plus 2% for administrative costs (102%).

When COBRA Coverage Equivalent Ends

COBRA Coverage Equivalent ends for your domestic partner before the end of the maximum continuation period if one of the following occurs:

- Your domestic partner, after electing COBRA Coverage Equivalent, becomes covered under another group health plan not offered by the Company, provided the plan does not subject him or her to a legally valid preexisting condition exclusion or limitation;
- Your domestic partner fails to make timely premium payments or contributions as required; or
- The Company no longer provides health care benefits to any of its employees.

When COBRA Coverage Equivalent Can Be Extended

If COBRA coverage is extended for you or your other dependents due to disability, COBRA Coverage Equivalent will be similarly extended for your domestic partner.

In general, the Plan Administrator shall adopt such rules for the administration of these COBRA Coverage Equivalent provisions as it deems necessary and appropriate from time to time. The Plan Administrator reserves the right to terminate continuation of coverage retroactively if your domestic partner is determined to be ineligible for continued coverage.

Family Medical Leave (FMLA) Equivalent

To be eligible for Family Medical Leave Equivalent, an employee must have worked for the Company at least a year and have worked 1,250 hours for the Company in the 12 months before the date the leave starts. However, this leave is not available to you if you work at a location where the Company employs fewer than 50 people within a 75-mile radius.

Permissible Uses of Family Medical Leave Equivalent

You may request a Family Medical Leave Equivalent for:

- The birth or adoption of a child by your domestic partner;
- The placement of a domestic partner's foster child in your home; or
- The serious health condition of your domestic partner or their child.

Length of Leave

Eligible employees may take a maximum of 12 weeks of Family Medical Leave Equivalent in a 12-month period. The 12-month period starts on the first day of the first leave. Parents who are both employed by the Company may take a maximum combined total of 12 weeks of Family Medical Leave Equivalent in a 12-month period for the birth, adoption or foster care of their child.

- Combinations or substitutions of disability leave, sick leave, or vacation time for Family Medical Leave Equivalent do not extend the total duration of the leave beyond 12 weeks in a 12-month period.
- For example, if you have accrued four weeks of unused vacation at the time you request the leave, that vacation will be substituted for the first four weeks of the leave, which will result in up to four weeks of paid leave and up to eight additional weeks of unpaid leave.
- If you take a leave for the birth, adoption or foster care placement of your domestic partner's child, you must end your leave within one year of the birth, adoption or placement. Also, you may not take your leave time intermittently or on a reduced schedule unless you have the Company's permission.
- Family Medical Leave Equivalent can be taken intermittently, or on a reduced schedule where it is medically necessary.
- If the leave is taken intermittently or on a reduced schedule, the Company retains the discretion to transfer you temporarily to an alternative position with equivalent pay and benefits that better accommodate your leave schedule.

Leave's Effect on Pay and Benefits

- You are required to first use your disability leave pay toward your Family Medical Leave Equivalent. After that, the leave time is unpaid; however, you may use any sick leave and/or accrued vacation time.
- The Company will continue to pay for your participation in the Company's group health plans as if you were still at work; however, you will be required to pay your portion of the premium.
- All 401(k) contributions will be suspended during the unpaid portion of your leave.
- Employees eligible for sick and vacation time will not accrue vacation time during the unpaid portion of the leave.

If you fail to return from the leave for a reason other than the recurrence or continuation of the health condition that brought about the leave or for other circumstances beyond your control, the Company can recover any health plan contributions it paid on your behalf during any unpaid periods of the leave.

Procedures and Requirements for Requesting Leave

- You must notify the Company of your request for Family Medical Leave Equivalent as soon as you are aware of the need for such leave. For foreseeable events, if possible, you must provide 30 calendar days advance written notice to the Company of the need for the leave.
- You may also be required to provide medical certification to prove that the leave is medically necessary.
- For events that are unforeseeable but are not emergencies, you must notify the Company, in writing, as soon as you learn of the need for the leave, ordinarily no later than two to three working days after you learn of the need for the leave.
- If you request the leave in connection with a planned, non-emergency medical treatment, the Company may ask you to reschedule the treatment so as to minimize the disruption of the Company's business.

- If you fail to provide the 30-day advance notice for foreseeable events and do not provide a reasonable excuse for the delay, the Company reserves the right to deny a leave until at least 30 days after the date you provide notice.

All requests for Family Medical Leave Equivalent should include the anticipated date(s) and duration of the leave. Any requests for extensions of a Family Medical Leave Equivalent must be received at least five working days prior to the date on which the employee was originally scheduled to return to work and must include the revised anticipated date(s) and duration of the leave.

Affidavit of Domestic Partnership

I, _____, submit this Declaration of Domestic Partnership to establish
(Name of Employee)

_____ as my domestic partner (as defined below) for the purpose of obtaining
(Name of Domestic Partner)

benefits that Coldwater Creek Inc. extends to employees' eligible domestic partners.

I declare that my partner is eligible for benefits because we meet the following definition of domestic partnership:

- We are in a committed, exclusive relationship of mutual caring and intend to remain in the relationship indefinitely;
- We are both at least 18 years old and mentally competent to enter into the partnership;
- We share a common residence;
- We are jointly responsible for each other's basic living expenses;
- We are not married or a member of another domestic partnership;
- We are not related by blood in a way that would prevent us from being married in the state we reside; and
- We have met the above requirements for six (6) consecutive months or more.

Termination of Domestic Partnership

A Termination of Domestic Partnership document shall be required should a domestic partner relationship cease. A six month waiting period shall be required from the date a covered domestic partner dependent is deemed no longer eligible, as evidenced by the filing date of the Termination of Domestic Partnership document, until a new domestic partner can be deemed eligible for coverage.

California Residents check below if applicable:

My partner and I have registered as domestic partners with the State of California or have a substantially equivalent relationship as defined under California law.

I agree to complete an Affidavit of Domestic Partnership within 31 days of any change in the circumstances attested to in this Declaration.

I understand I may be responsible for payment of income taxes as a result of the Coldwater Creek Inc. providing benefits to my domestic partner.

If requested, I will provide to the Coldwater Creek Inc. Plan Administrator or designated representative additional documents to verify my domestic partnership.

Release of Medical Information

Any authorization given for the release of medical information shall apply to the domestic partner listed above until a Termination of Domestic Partnership is filed with the Human Resources department.

Acknowledgments

We have provided the information in this Affidavit for use by the Human Resources department for the sole purpose of determining our eligibility for domestic partnership status under policies that provide coverage for domestic partners.

We declare, under penalty of perjury under the laws of the State of Idaho, that the foregoing Declaration is true and correct.

I understand that providing false or misleading information in this declaration may result in any or all of the following actions by the Coldwater Creek Inc.: a requirement that I reimburse the Coldwater Creek Inc. for all expenses, termination of my employment and other legal action against me.

I declare under penalty of perjury under the laws of the state in which I reside that the foregoing is true and correct.

Name of Employee

Signature of Employee

Date

Notary Public

Subscribed and Sworn to before me this ____ day of _____, 20____.

Notary Public

Declaration of Termination of Domestic Partnership

I, _____, submit this Declaration of Termination of Domestic Partnership
(Name of Employee)

to inform Coldwater Creek Inc. (Company) that my domestic partnership has been terminated because:

The relationship between _____ and me ended on _____.
(Name of Domestic Partner) (Date)

My domestic partner _____ died on _____.
(Name of Domestic Partner) (Date)

I understand that the effect of filing this Declaration of Termination of Domestic Partnership is that my domestic partner will no longer be covered under Coldwater Creek Inc. Benefits Program.

I understand that I must wait six (6) months before I am eligible to cover a domestic partner under the Company's Benefits Program unless the Company is otherwise required by law to provide such benefits.

In the event that termination of this relationship is not due to the death of my domestic partner, I will mail my former domestic partner a copy of this notice within 30 days to the following address:

(Address)

I declare under penalty of perjury under the laws of the state in which I reside that the foregoing is true and correct.

Name of Employee

Signature of Employee Date

Notary Public

Subscribed and Sworn to before me this ____ day of _____, 20____.

Notary Public

This document was developed by Mercer Health and Benefits (Mercer) for Coldwater Creek (Company), and contains Mercer's and Company's confidential and proprietary information. It is to be used only by employees of Mercer and Company and is to be used solely to assist Company's employees with respect to Company's offering and implementation of domestic partner benefits. It is to be used only for the express purpose for which it was developed. Any reproduction, disclosure, modification, sale, translation, dissemination or other use, in whole or in part, is not permitted without the express written permission of Mercer. Because Mercer is a consulting firm and does not practice law, we strongly recommend review of this document by legal counsel. The contents of this document have been prepared based upon sources, materials and information believed to be reliable and accurate. Mercer makes no representations or warranties as to the accuracy of the information set forth in this document and accepts no responsibility or liability for any error, omission or inaccuracy in such information. Mercer does not assume responsibility for any updates to this document that might become necessary as a result of subsequent plan or administrative changes or as a result of any relevant regulatory developments or changes in applicable law.

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