

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

	X	
	:	
In re:	:	Chapter 11
	:	
COLDWATER CREEK INC., <i>et al.</i>,¹	:	Case No. 14-10867 (BLS)
	:	
Debtors.	:	(Jointly Administered)
	:	

**FIRST AMENDED DISCLOSURE STATEMENT FOR THE FIRST AMENDED JOINT
PLAN OF LIQUIDATION OF COLDWATER CREEK INC. AND ITS DEBTOR
AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

¹ The Debtors in these proceedings (including the last four digits of their respective taxpayer identification numbers) are: Coldwater Creek Inc. (9266), Coldwater Creek U.S. Inc. (8831), Aspenwood Advertising, Inc. (7427), Coldwater Creek The Spa Inc. (7592), CWC Rewards Inc. (5382), Coldwater Creek Merchandising & Logistics Inc. (3904) and Coldwater Creek Sourcing Inc. (8530). Debtor CWC Sourcing LLC has the following Idaho organizational identification number: W38677. The Debtors' corporate headquarters is located at One Coldwater Creek Drive, Sandpoint, Idaho 83864.

Pauline K. Morgan (No. 3650)

Kenneth J. Enos (No. 4544)

YOUNG CONAWAY STARGATT & TAYLOR, LLP

Rodney Square

1000 North King Street

Wilmington, Delaware 19801

Telephone: (302) 571-6600

Facsimile: (302) 571-1253

- and -

Douglas P. Bartner

Jill Frizzley

Stacey Corr-Irvine

SHEARMAN & STERLING LLP

599 Lexington Avenue

New York, New York 10022

Telephone: (212) 848-4000

Facsimile: (646) 848-4000

*Co-Counsel to the Debtors and Debtors in
Possession*

TABLE OF CONTENTS

ARTICLE I. INTRODUCTION	1
ARTICLE II. OVERVIEW OF THE PLAN	1
ARTICLE III. IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT.....	5
A. Defined Terms	5
B. Details About this Disclosure Statement	6
ARTICLE IV. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT.....	8
A. What is chapter 11?.....	8
B. Why are the Debtors sending me this Disclosure Statement?	8
C. What is a Plan?.....	8
D. What is the effect of the Plan on the Debtors’ business postpetition?.....	8
E. Am I entitled to vote on the Plan? What will I receive from the Debtors if the Plan is consummated?.....	9
F. What is my expected recovery under the Plan?	9
G. What happens to my recovery if the Plan is not confirmed, or does not go effective?.....	9
H. What assets do the Debtors have?.....	9
I. Do the Debtors have any NOL’s?.....	10
J. What is the Liquidating Trust?	10
K. What is the role of the Liquidating Trustee?	10
L. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what do you mean when you refer to “Confirmation,” “Effective Date” and “Consummation?”	10
M. Is there potential litigation related to the Plan?	10
N. Is there any litigation pending against the Debtors?.....	11
O. How will executory contracts be treated under the Plan?.....	11
P. What is the deadline to vote on the Plan?	11
Q. How do I vote for or against the Plan?	11
R. Does Coldwater recommend voting in favor of the Plan?	11
S. Why is the Bankruptcy Court holding a Confirmation Hearing and what is it?....	12
T. When is the Confirmation Hearing set to occur?.....	12
U. How can I object to confirmation of the Plan?	12
ARTICLE V. THE DEBTORS’ CORPORATE HISTORY, STRUCTURE AND BUSINESS OVERVIEW	13
ARTICLE VI. EVENTS LEADING TO THE CHAPTER 11 FILINGS.....	13
ARTICLE VII. RELIEF GRANTED DURING THE CHAPTER 11 CASES	15

A.	Commencement of the Debtors’ Chapter 11 Cases and First Day Pleadings and Certain Related Relief	15
B.	Official Committee of Unsecured Creditors	16
C.	Sale Motions and Store Closing Sales	16
D.	Spa Sale.....	17
E.	Headquarters Assumption and Sale Motion	18
F.	Executory Contracts and Unexpired Leases	18
G.	Bar Dates and Claims Process	18
H.	Schedules and Statements of Financial Affairs	19
I.	Retention of Key Employees	19
ARTICLE VIII. RELEASES AND EXCULPATIONS		19
ARTICLE IX. RISK FACTORS		20
A.	General Considerations	20
B.	Risks Relating to Bankruptcy	21
C.	Risks Relating to the Debtors’ Business.....	23
ARTICLE X. SOLICITATION AND VOTING PROCEDURES		24
ARTICLE XI. CONFIRMATION OF THE PLAN		24
A.	Requirements for Confirmation of the Plan.....	24
B.	Best Interests of Creditors Test.....	24
C.	Plan Feasibility.....	25
D.	Section 1129(b): Unfair Discrimination and the “Fair and Equitable” Test.....	25
ARTICLE XII. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN		27
A.	Introduction.....	27
B.	Certain U.S. Federal Income Tax Consequences to the Debtors.....	28
C.	Certain U.S. Federal Income Tax Consequences to Certain Holders of Claims and Interests	28
ARTICLE XIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN		31
A.	Liquidation Under Chapter 7	31
B.	Alternative Plan of Liquidation	32
ARTICLE XIV. RECOMMENDATION		32

EXHIBITS

EXHIBIT A Plan of Liquidation

EXHIBIT B Recovery Analysis

ARTICLE I. INTRODUCTION

Coldwater Creek Inc., on behalf of itself and its affiliated debtors and debtors in possession in the above-captioned cases (collectively, the “*Debtors*”), submits this amended disclosure statement (including all exhibits hereto and as may be amended, supplemented or otherwise modified from time to time, this “*Disclosure Statement*”) pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against the Debtors in connection with the solicitation of acceptances with respect to the *Amended Joint Plan of Liquidation of Coldwater Creek Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* dated June 6, 2014.² A copy of the Plan is attached hereto as **Exhibit A** and is incorporated herein by reference.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THE DEBTORS TO ACCOMPLISH THE OBJECTIVES OF AN ORDERLY LIQUIDATION THAT MAXIMIZES CREDITOR RECOVERIES AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THE HOLDERS OF ALL CLAIMS. ACCORDINGLY, THE DEBTORS URGE HOLDERS OF CLAIMS TO VOTE TO ACCEPT THE PLAN.

ARTICLE II. OVERVIEW OF THE PLAN

The Plan provides for the orderly and efficient resolution of the Debtors’ assets through a chapter 11 liquidation. After months of declining sales and exploring numerous failed out-of-court strategic alternatives, including asset sales and refinancing efforts, the Debtors have concluded that they are unable to reorganize on a stand-alone basis and that the best way to maximize value for the benefit of all interested parties is a prompt and orderly wind-down of their business.

In order to liquidate their business as expeditiously as possible, upon the commencement of these Chapter 11 Cases, the Debtors sought authority to conduct “going out of business” sales to liquidate their inventory. Since that time, the Debtors have commenced GOB Sales, sold their intellectual property assets, and are in the process of closing sales transactions related to their spa business and a portion of their corporate headquarters campus. The Plan provides for the liquidation and conversion of all of the Debtors’ remaining assets to cash and the distribution of the net proceeds realized from the assets to creditors holding Allowed Claims in accordance with the relative priorities established in the Bankruptcy Code. After payment in full in cash of the Term Loan Claims, the Plan contemplates the formation of a Liquidating Trust and appointment of a Liquidating Trustee upon the Effective Date to, among other things, resolve Disputed Claims, make distributions to Holders of Allowed General Unsecured Claims and close the Chapter 11 Cases.

² Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meaning ascribed to such terms in the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern.**

The table below summarizes the classification and treatment of Claims and Interests against the Debtors. For a complete description of Claims and Interests, refer to the entire Plan.

Class	Claim/Interest	Treatment	Expected Recovery
1	Term Loan Claims	Except to the extent that a Holder of a Term Loan Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Term Loan Claim, each Holder of such Allowed Term Loan Claim will be paid in full in Cash on the Effective Date. For the avoidance of doubt, the Term Loan Claims shall be paid in full in Cash prior to funding the Liquidating Trust, the vesting of the Liquidating Trust Assets in the Liquidation Trust or making any distributions to the Holders of Allowed Claims entitled to receive distributions from the Liquidating Trust in accordance with Article III of the Plan.	100%
2	Priority Non-Tax Claims	Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Non-Tax Claim, each Holder of such Allowed Priority Non-Tax Claim will be paid in full in Cash on or as soon as practicable after the Effective Date. Allowed Priority Non-Tax Claims will be paid as soon as reasonably practicable after the reconciliation of all Disputed Priority Non-Tax Claims.	100%

Class	Claim/Interest	Treatment	Expected Recovery
3	Other Secured Claims	Except to the extent that a Holder of an Other Secured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Other Secured Claim, each Holder of such Allowed Other Secured Claim will receive one of the following treatments, as determined by the Debtors, with the consent of the Term Loan Lenders: (a) payment in full in Cash or as soon as practicable after the Effective Date, including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code; (b) delivery of the collateral securing any such Allowed secured Claim; or (c) other treatment such that the Allowed Other Secured Claim will be rendered Unimpaired.	100%
4	General Unsecured Claims	Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, each Holder of an Allowed General Unsecured Claim will receive its Pro Rata share (not to exceed the amount of the Allowed General Unsecured Claim) of the Liquidating Trust Interests on the First Distribution Date and each Subsequent Distribution Date, as applicable.	7-9%
5	Intercompany Claims	Holders of Class 5 Intercompany Claims will not receive any distribution on account of such Claims. On the Effective Date, Class 5 Intercompany Claims will be cancelled.	0%
6	Intercompany Interests	Holders of Class 6 Intercompany Interests will not receive any distribution on account of such Interests. On the Effective Date, Class 6 Intercompany Interests will be cancelled.	0%
7	Interests in Coldwater	Holders of Class 7 Interests in Coldwater will not receive any distribution on account of their Interests. On the Effective Date, Class 7 Interests will be cancelled on the Effective Dates.	0%

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims (including Fee Claims), DIP Facility Claims, ABL Claims and Priority Tax Claims have not been

classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan. The treatment of Administrative Claims (including Fee Claims), DIP Facility Claims, ABL Claims and Priority Tax Claims is set forth below.

A. Administrative Claims

Except with respect to Administrative Claims that are Fee Claims and except to the extent that a holder of an Allowed Administrative Claim and the Debtors agree to less favorable treatment with respect to such holder, each holder of an Allowed Administrative Claim will be paid in full in Cash on or as soon as reasonably practicable after the Effective Date. The Liquidating Trustee will pay Entities in the ordinary course of business for any work performed on and after the Effective Date in furtherance of the Plan or as authorized under the Plan.

B. Fee Claims

Professionals asserting a Fee Claim for services rendered before the Effective Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, the Interim Compensation Order or any other applicable order of the Bankruptcy Court, an application for final allowance of such Fee Claim no later than 30 days after the Effective Date; *provided, however*, that any Professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professional Order may continue to receive such compensation or reimbursement of expenses for services rendered before the Effective Date, without further Bankruptcy Court order, pursuant to the Ordinary Course Professional Order. Objections to any Fee Claim must be Filed and served on the Liquidating Trustee and the requesting party no later than 50 days after the Effective Date. For the avoidance of doubt, the fees and expenses incurred by the professionals and advisors to the DIP Agent, the ABL Agent, the Term Loan Agent, and the Term Loan Lenders shall be paid pursuant to the terms of the DIP Order and this Plan, and such parties shall not be required to file an application for allowance of such fees and expenses.

C. DIP Facility Claims and ABL Claims

In order to fund an orderly-wind down, the Debtors obtained senior secured superpriority financing pursuant to the DIP Facility Credit Agreement. As of the date hereof, all DIP Facility Claims have been satisfied. However, to the extent there are any claims or obligations arising under the DIP Facility Credit Agreement, on the Effective Date of the Plan, such claims will be Allowed in full and will (a) be paid indefeasibly in Cash in full or (b) receive such other treatment as agreed by the Debtors and the applicable Holder of a DIP Facility Claim. Additionally, to the extent not already satisfied, on the Effective Date, each Holder of an Allowed ABL Claim will (a) be paid indefeasibly in Cash in full or (b) receive such other treatment as agreed by the Debtors and the applicable Holder of an Allowed ABL Claim.

D. Priority Tax Claims

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in settlement and satisfaction of each Allowed Priority Tax Claim, each holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date will receive, on the Distribution Date, at the option of the Debtors, with the consent of the Term Loan

Lenders and the Committee, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code or (2) such other treatment as may be agreed upon by such holder and the Debtors, with the consent of the Term Loan Lenders and the Committee, or otherwise determined upon an order of the Bankruptcy Court.

ARTICLE III. IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

This Disclosure Statement provides information regarding the chapter 11 plan of liquidation that the Debtors are seeking to have confirmed by the Bankruptcy Court. **The Debtors believe that the Plan is in the best interests of all creditors and urge all Holders of Claims entitled to vote to vote in favor of the Plan.**

A. *Defined Terms*

1. “**A&M**” means Alvarez and Marsal North America, LLC, the Debtors’ financial advisors.
2. “**Agency Agreement**” means that certain Agency Agreement between the Debtors and the Stalking Horse dated as of April 11, 2014.
3. “**Bar Date Order**” means the *Order (I) Establishing Bar Dates for Filing Proofs of Prepetition Claims, Including Section 503(b)(9) Claims, and (II) Approving the Form and Manner of Notice Thereof* [Docket No. 349].
4. “**Bell Declaration**” means the *Declaration of James A. Bell in Support of Voluntary Petitions, First day Motions and Applications* [Docket No. 2], which was filed on the Petition Date.
5. “**Bidding Procedures Order**” means the *Order (I)(A) Authorizing Entry into Agency Agreement, (B) Authorizing Bidding Protections, (C) Authorizing Bidding Procedures and Auction and (D) Scheduling Sale Hearing and Approving Notice Thereof and (II) Granting Related Relief* [Docket No. 266].
6. “**COD Income**” means cancellation of debt income.
7. “**FF&E**” means furniture, fixtures and equipment.
8. “**GOB Sales**” means the going out of business sales to liquidate the Debtors’ inventory approved pursuant to the Store Closing Approval Order.
9. “**IRS**” means the United States Internal Revenue Service.
10. “**Plan**” and the “**Plan of Liquidation**” mean the *Amended Joint Plan of Liquidation of Coldwater Creek Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the*

Bankruptcy Code, including the Plan Supplement (as modified, amended or supplemented from time to time), which is incorporated herein by reference.

11. “**PWP**” mean Perella Weinberg Partners LP, the Debtors’ investment bankers.
12. “**Regulations**” means the United States Treasury Regulations promulgated under the Tax Code.
13. “**SEC**” means the United States Securities and Exchange Commission.
14. “**Stalking Horse**” means the joint venture of Hilco Merchant Resources, LLC and Gordon Brothers Retail Partners, LLC.
15. “**Tax Code**” means the Internal Revenue Code of 1986, as amended.
16. Unless the context requires otherwise, reference to “*we*,” “*our*” and “*us*” are to the Debtors.

B. Details About this Disclosure Statement

The confirmation and effectiveness of the Plan are subject to certain material conditions precedent described herein. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied will be satisfied (or waived).

You are encouraged to read this Disclosure Statement in its entirety, including the Plan and the section of this Disclosure Statement entitled “Risk Factors,” before submitting your ballot to vote on the Plan.

The Bankruptcy Court’s approval of this Disclosure Statement does not constitute a guarantee by the Bankruptcy Court of the accuracy or completeness of the information contained herein or an endorsement by the Bankruptcy Court of the merits of the Plan.

Summaries of the Plan and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan, this Disclosure Statement and any Plan Supplement document. Summaries of the financial information and the documents annexed to this Disclosure Statement or otherwise incorporated herein by reference, are also qualified in their entirety by reference to those documents. The statements and financial information contained in this Disclosure Statement are made only as of the date of this Disclosure Statement and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and confirmation of, the Plan and may not be relied on for any other

purpose. In the event of any inconsistency between the Disclosure Statement and the Plan, the relevant provision of the Plan shall govern.

This Disclosure Statement has not been approved or disapproved by the SEC or any similar federal, state, local or foreign regulatory agency, nor has the SEC or any other such agency passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement.

The Debtors have sought to ensure the accuracy of the financial information provided in this Disclosure Statement, but the financial information contained in, or incorporated by reference into, this Disclosure Statement has not been, and will not be, audited or reviewed by the Debtors' independent auditors unless explicitly provided otherwise.

This Disclosure Statement contains certain forward-looking statements prepared by the Debtors, all of which are based on various estimates and assumptions. Such forward-looking statements are subject to inherent uncertainties and to a wide variety of significant business, economic, and competitive risks, including, among others, those summarized herein. *See* Article VIII — “Risk Factors.” When used in this Disclosure Statement, the words “anticipate,” “believe,” “estimate,” “will,” “may,” “intend,” and “expect” and similar expressions generally identify forward-looking statements. Although the Debtors believe that the plans, intentions, and expectations reflected in the forward-looking statements are reasonable, they cannot be sure that they will be achieved. These statements are only predictions and are not guarantees of future performance or results. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by a forward-looking statement. All forward-looking statements attributable to the Debtors or persons acting on their behalf are expressly qualified in their entirety by the cautionary statements set forth in this Disclosure Statement. Forward-looking statements speak only as of the date on which they are made. Except as required by law, the Debtors expressly disclaim any obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

As to contested matters, adversary proceedings and other actions or threatened actions, this Disclosure Statement shall not constitute or be construed as an admission of any fact or liability, stipulation or waiver, but rather as a statement made in settlement negotiations pursuant to Rule 408 of the Federal Rules of Evidence and other applicable evidentiary rules. This Disclosure Statement shall not be admissible in any non-bankruptcy proceeding involving the Debtors or any other party, nor shall it be construed to be conclusive advice on the tax, securities or other legal effects of the Plan as to Holders of Claims against, or Interests in, Coldwater Creek Inc. or any of the other Debtors and debtors in possession in these Chapter 11 Cases.

To ensure compliance with Treasury Department Circular 230 each Holder is hereby notified that (a) any discussion of U.S. Federal Tax issues in this Disclosure Statement is not intended or written to be relied upon, and cannot be relied upon, by any Holder for the purpose of avoiding penalties that may be imposed on a Holder under the Tax Code, (b) such discussion is included hereby by the Debtors in connection with the promotion or marketing (within the meaning of Circular 230) by the Debtors of the transactions or matters addressed herein and (c) each Holder should seek advice based on its particular circumstances from an independent tax advisor.

ARTICLE IV.
QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT

A. What is chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. However, chapter 11 also allows a debtor to conduct an orderly liquidation while remaining in possession of its assets until they can be distributed to holders of claims. Chapter 11 promotes equality of treatment for creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a “debtor in possession” while they proceed to wind down the business.

Consummating a plan is the ultimate objective of a chapter 11 case. A bankruptcy court’s confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of a debtor’s liabilities in accordance with the terms of the confirmed plan.

B. Why are the Debtors sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding whether to vote to accept the Plan. This Disclosure Statement is being submitted in accordance with such requirements.

C. What is a Plan?

A chapter 11 plan is the roadmap that governs the final resolution of a chapter 11 case. The plan will provide for the distribution of assets to creditors in satisfaction of their claims and binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of a debtor and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code.

D. What is the effect of the Plan on the Debtors’ business postpetition?

The Debtors are liquidating pursuant to chapter 11. They have obtained approval to retain a liquidator to conduct liquidation sales at each of their stores and to dispose of their inventory and certain other assets. Cash proceeds from these and other asset sales will be distributed to Entities holding Allowed Claims against the Debtors in accordance with the Plan. Upon completion of the liquidation, the Debtors will cease operations.

E. Am I entitled to vote on the Plan? What will I receive from the Debtors if the Plan is consummated?

Your ability to vote on, and your distribution under, the Plan, if any, depend on what type of Claim you hold. A summary of the classes of Claims (each category of Holders of Claims or Interests, as set forth in Article II of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a “**Class**”) and their respective voting statuses is set forth below.

The following chart is a summary of the classification and treatment of Claims and Interests under the Plan. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain confirmation and meet the conditions to consummate the Plan.

Class	Claim/Interest	Status	Voting Rights
1	Term Loan Claims	Unimpaired	Deemed to Accept
2	Priority Non-Tax Claims	Unimpaired	Deemed to Accept
3	Other Secured Claims	Unimpaired	Deemed to Accept
4	General Unsecured Claims	Impaired	Entitled to Vote
5	Intercompany Claims	Impaired	Deemed to Reject
6	Intercompany Interests	Impaired	Deemed to Reject
7	Interests in Coldwater	Impaired	Deemed to Reject

F. What is my expected recovery under the Plan?

As of the date hereof, the Debtors expect that Holders of Claims in Classes 1, 2 and 3 will be fully satisfied pursuant to the Plan, while Holders of Claims and Interests in Classes 5, 6 and 7 will receive no recovery under the Plan. The Debtors currently estimate that Holders of General Unsecured Claims will receive recoveries between 7-9% of the amount of their Claims. However, as described in the Risk Factors below, the amount of creditor recoveries are not certain and may be materially higher or lower than described in this Disclosure Statement. A recovery analysis prepared by the Debtors’ financial advisors setting forth the assets available for distribution to each Class of creditors and the estimated Claims associated with each Class is attached hereto as Exhibit B.

G. What happens to my recovery if the Plan is not confirmed, or does not go effective?

In the event that the Plan is not confirmed, there is no assurance that the Debtors will be able to conduct the wind-down of their business in a prompt and orderly fashion. It is possible that any alternative may provide Holders of Claims with less than they would have received pursuant to the Plan.

H. What assets do the Debtors have?

As of the Petition Date, the Debtors’ principal assets were their retail inventory, FF&E, intellectual property assets, real estate, spa business, leasehold interests and cash in the amount of \$232,000. As of the date hereof, the Debtors have, or are in the process of, liquidating these

assets. After payment in full in cash of the Term Loan Claims on the Effective Date, all assets that remain unliquidated, including Causes of Action, will be transferred to the Liquidating Trust, reduced to cash and distributed to creditors in accordance with the terms of the Plan and Liquidating Trust Agreement.

I. Do the Debtors have any NOL's?

The Debtors have federal and state NOL's totaling approximately \$445 million.

J. What is the Liquidating Trust?

The Liquidating Trust is the trust established pursuant to the Plan, after payment in full in cash of the Term Loan Claims, to collect and hold the Debtors' assets, reduce them to Cash and distribute the proceeds to creditors. The Liquidating Trust will be the successor to the Debtors' estates from and after the Effective Date and, acting through the Liquidating Trustee, will (i) wind down the Debtors' affairs, (ii) investigate and, if appropriate, pursue Claims and Causes of Action not otherwise released under this Plan, (ii) administer and pursue the Liquidating Trust Assets, (iii) resolve all Disputed Claims, (iv) make all Distributions from the Liquidating Trust and (v) file appropriate tax returns, among other duties and responsibilities each as provided for in the Liquidating Trust Agreement.

K. What is the role of the Liquidating Trustee?

The Liquidating Trustee will be selected by Debtors, with the consent of the Committee, and identified in the Plan Supplement. The Liquidating Trustee shall administer the Plan and the Liquidating Trust and shall serve as a representative of the Debtors' estates after the Effective Date.

L. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what do you mean when you refer to "Confirmation," "Effective Date" and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can be consummated and go effective. Distributions will only be made on the Effective Date or as soon as practicable after that date. *See* Article IX "Conditions Precedent to Confirmation and Consummation of the Plan," for a discussion of the conditions to consummation of the Plan.

M. Is there potential litigation related to the Plan?

Yes. In the event it becomes necessary to confirm the Plan over the objection of certain Classes, the Debtors may seek confirmation of the Plan notwithstanding the dissent of such objecting Classes. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class if it determines that the Plan satisfies section 1129(b) of the

Bankruptcy Code. *See* “Risk Factors — The Debtors may not be able to obtain Confirmation of the Plan.”

N. Is there any litigation pending against the Debtors?

Prior to the Petition Date, in the ordinary course of its business, the Debtors were, from time to time, the subject of complaints or litigation from customers alleging product defects or injury from spa services and from suppliers alleging breach of contract. The Debtors may also be subject to employee claims based on, among other things, workplace and employment matters, discrimination, harassment or wrongful termination. The Debtors do not expect any of the Claims associated with the above-described litigation to significantly impact creditor recoveries.

O. How will executory contracts be treated under the Plan?

On the Effective Date, except as otherwise provided herein, or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired Lease: (i) was assumed, assumed and assigned or rejected previously by the Debtors; (ii) previously expired or terminated pursuant to its own terms; (iii) is the subject of a motion to assume or assume and assign Filed on or before the Effective Date; or (iv) is identified as an Executory Contract or Unexpired Lease on the Assumed Executory Contracts and Unexpired Lease List.

P. What is the deadline to vote on the Plan?

The deadline to vote on the Plan is **[July 31], 2014 at 4:00 p.m.** (prevailing Eastern Time).

Q. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained in the solicitation packets distributed to Holders of Claims that are entitled to vote on the Plan. You should have received this Disclosure Statement as part of a solicitation package. If you do not have your ballot, contact the Notice, Claims and Balloting Agent at Coldwater Creek Ballot Processing, c/o Prime Clerk LLC, 830 Third Avenue, 9th Floor, New York, New York 10022, Telephone: (855) 360-2999, Email: coldwaterballots@primeclerk.com.

R. Does Coldwater recommend voting in favor of the Plan?

Yes. The Debtors have concluded that they are unable to reorganize on a stand-alone basis and that the best way to maximize value for the benefit of all interested parties is a prompt and orderly wind down of their business pursuant to the Plan.

S. Why is the Bankruptcy Court holding a Confirmation Hearing and what is it?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan. The confirmation hearing is a time when parties-in-interest can be heard and the Bankruptcy Court can consider whether the Plan meets the requirements of section 1129 of the Bankruptcy Code and the approval of the plan is warranted. The Bankruptcy Court also will consider any objections to the Plan that may have been filed at the confirmation hearing. Any creditor may object to confirmation of the Plan.

T. When is the Confirmation Hearing set to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for [August 7], 2014 at **[10:00 a.m. (prevailing Eastern time)]**. The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to confirmation of the Plan must be filed and served on the Debtors and certain other parties, by no later than **[July 31], 2014 at 4:00 p.m.** (prevailing Eastern Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing, in the national edition of *USA Today* and the *Spokesman Review* to provide notification to those persons who may not receive notice by mail.

U. How can I object to confirmation of the Plan?

Any creditor may object to confirmation of the Plan. Objections to confirmation of the Plan must: (i) be in writing; (ii) state the name and address of the objecting party; (iii) state the amount and nature of the Claim or Interest of such party; (iv) state with particularity the basis and nature of any *objection* to the Plan and, if practicable, proposed modification to the Plan that would resolve such objection; and (v) be filed, together with proof of service, with the Bankruptcy Court and served on the following parties **no later than 4:00 p.m. (prevailing Eastern Time), on July [31], 2014**: (i) Coldwater Creek Inc., One Coldwater Creek Drive, Sandpoint, Idaho 83864, Attn: John E. Hayes III; (ii) counsel to the Debtors, Young Conaway Stargatt & Taylor, LLP, 1000 North King Street, Wilmington, Delaware 19801, Attn: Pauline K. Morgan and Kenneth J. Enos; and Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Attn: Douglas P. Bartner and Jill Frizzley; (iii) counsel to the Term Loan Lenders, Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022 and Klehr Harrison Harvey Branzburg LLP, 919 N. Market Street, Wilmington, Delaware 19801; (iv) counsel to the Committee, Lowenstein Sandler LLP, 1251 Avenue of the Americas, New York, New York 10020, Attn: Norman N. Kinel, S. Jason Teele; and (v) the Office of the United States Trustee, J. Caleb Boggs Federal Bldg., 844 North King Street, Room 2207, Lockbox 35, Wilmington, Delaware 19801, Attn: Benjamin Hackman. Objections to confirmation of the Plan not timely filed and served in the manner set forth above shall not be considered by this Court and shall be overruled.

**ARTICLE V.
THE DEBTORS' CORPORATE HISTORY, STRUCTURE AND BUSINESS
OVERVIEW**

The Debtors operated as a multi-channel retailer that offered merchandise through retail stores across the country, their catalog and e-commerce website, www.coldwatercreek.com. Originally founded in Sandpoint, Idaho in 1984 as a direct, catalog-based marketer, Coldwater evolved into a multi-channel specialty retailer operating 334 premium retail stores, 31 factory outlet stores and seven day spa locations throughout the United States. In their fiscal year 2013, the Debtors generated total revenues of approximately \$742 million. Further information regarding the Debtors' business, corporate history, organizational structure and prepetition capital structure may be found in the Bell Declaration [Docket No. 2] and in the Debtors' recent SEC filings, which can be found on the Investors Relations section of their website.

**ARTICLE VI.
EVENTS LEADING TO THE CHAPTER 11 FILINGS**

The Debtors reached a peak revenue of \$1.1 billion and operating margin of approximately 8% in 2006, with a successful period of store growth from 198 stores in 2005 to 336 stores in 2007. Beginning in 2007, the economic downturn adversely affected the entire retail industry, including the Debtors, and from 2007 to 2011, the Debtors experienced multiple management changes and strategic shifts that, when combined with the Debtors' unmet sales expectations, led to significant inventory buildup.

From 2011 through 2013, the Debtors attempted a targeted turnaround process, which focused on the following: (a) incorporating cross-channel discipline into product and creative functions; (b) establishing the foundation of product assortment architecture; (c) acquiring retail-centric talent; (d) developing and implementing a real estate optimization program; (e) positioning the brand strategy to ensure focus on the target customer; and (f) re-engineering and product development functions.

In the middle of 2013, the Debtors engaged PWP to launch a sale process for their entire business. PWP engaged with several potentially interested parties, but Coldwater Creek Inc.'s board of directors ultimately ended the sale process when interest did not surface from an appropriate potential buyer. Coincident with the conclusion of the sale process, the Debtors' business performance started to deteriorate further. Late in 2013, the Debtors became concerned that if they were unable to successfully mitigate significantly accelerating negative sales trends, they may not be able to continue to service their debts and operate their business without implementing a financial restructuring and gaining short-term liquidity. The Debtors' poor performance continued throughout the holiday season despite significant cost-cutting efforts.

At this juncture, the Debtors expanded PWP's mandate to conduct a broad review of strategic alternatives, including, among others, a potential sale of all or part of the Debtors' business, raising additional capital through an equity raise or a potential refinancing of the Debtors' existing capital structure to provide additional liquidity to fund the ongoing strategic turnaround. The outcome of this broad strategic review was that there were no interested buyers, but there were several refinancing options available to the Debtors. Ultimately, however, the

proceeds available under the proposals to refinance the Term Loan Credit Agreement were not sufficient to gain the Term Loan Agent's support and the Debtors' terminated the refinancing process.

Since the termination of the refinancing process, the Debtors, with the assistance of their advisors, developed and had begun executing a significantly refined business plan in an effort to return the business to profitability over time. However, despite their significant turnaround efforts, the Debtors have concluded that they are unable to reorganize on a stand-alone basis. After months of declining sales and failed out-of-court sales and refinancing processes, the Debtors have determined that the best way to maximize value for the benefit of all interested parties is a prompt and orderly wind down of their business. The conclusion to liquidate was reached following a lengthy process in which the Debtors considered and explored all reasonable strategic alternatives with their advisors.

Upon concluding that an orderly liquidation of the Debtors' assets was the only viable alternative, the Debtors engaged with their Term Loan Lenders and ABL Lender to negotiate the terms of the wind-down and a chapter 11 plan of liquidation. After extensive good faith negotiations, the Debtors reached agreement with the Term Loan Lenders and ABL Lender and, prior to the Petition Date, executed a Plan Support Agreement. The Plan Support Agreement provided that the Term Loan Lenders and ABL Lender would support the Debtors' chapter 11 plan in exchange for, among other things, the Debtors' seeking approval of the GOB Sales and adhering to certain milestones related to confirmation of the plan of liquidation filed on the Petition Date. At the time the Plan Support Agreement was entered into, the Debtors and the Term Loan Lenders believed that the Debtors had insufficient assets to satisfy the Term Loan Lenders' Claims. The Plan Support Agreement was an important component of the Debtors' planning for these Chapter 11 Cases because it indicated the Term Loan Lenders' willingness to fund the administrative costs of these Chapter 11 Cases out of the proceeds of their collateral.

In connection with planning the overall strategy and direction for these Chapter 11 Cases, prior to the Petition Date, the Debtors, in consultation with their Term Loan Lenders, sought proposals from nationally-recognized liquidators to conduct GOB Sales and liquidate the Debtors' inventory and certain other assets.³ The result of that process was the Debtors' selection of the joint venture comprising of Hilco Merchant Resources, LLC and Gordon Brothers Retail Partners, LLC's to act as a stalking horse for the Debtors' post-petition sale and auction process.

Prior to the Petition Date, the Debtors and the Stalking Horse entered in to the Agency Agreement, pursuant to which the Stalking Horse would serve as the Debtors' exclusive agent to sell the Debtors' retail inventory and dispose of any owned FF&E in the Debtors' retail locations, distribution center, call center and corporate offices. The Stalking Horse guaranteed

³ Additional details regarding the process of soliciting bids from and pursuing retention of a nationally-recognized liquidator are described in detail in the *Declaration of Scott Brubaker in Support of the Debtors' Motion for Orders (I)(A) Authorizing Entry into Agency Agreement, (B) Authorizing Bidding Protections, (C) Authorizing Bidding Procedures and Auction and (D) Scheduling Sale Hearing and Approving Notice Thereof, (II) Authorizing (A) Sale of Assets and (B) Store Closing Sales and (III) Granting Related Relief* [Docket 13].

the Debtors' receipt of 97% of the cost of the inventory, with any proceeds in excess of this guaranteed amount to be shared 50/50 between the Debtors and the Stalking Horse (after payment of the Stalking Horse's agency fee). The Agency Agreement was subject to higher and better offers resulting from an auction, which would take place after commencement of the Chapter 11 Cases. The Agency Agreement, therefore, also provided that the Debtors would pay the Stalking Horse a break-up fee and reimburse certain expenses if the Stalking Horse was not the successful bidder at the auction.

ARTICLE VII. RELIEF GRANTED DURING THE CHAPTER 11 CASES

A. Commencement of the Debtors' Chapter 11 Cases and First Day Pleadings and Certain Related Relief.

On the Petition Date, the Debtors filed a number of motions seeking administrative relief and authorization to pay various prepetition Claims, as set forth in the Bell Declaration. The Bankruptcy Court entered orders approving these motions, which eased the administrative burden of these cases and strain on the Debtors' relationships with employees and customers following the commencement of the Chapter 11 Cases. A list of the orders granting the first day relief is set forth below.

Administrative and Operational First Day Orders

- *Order Authorizing Joint Administration of Related Chapter 11 Cases* [Docket No. 73]
- *Order Authorizing the Payment of Prepetition Sales, Use and Other Taxes and Government Charges* [Docket No. 77]
- *Interim and Final Orders Authorizing the Debtors to Maintain Insurance Policies and Pay all Prepetition and Postpetition Obligations in Respect Thereof* [Docket Nos. 75 and 334]
- *Interim and Final Orders (I) Prohibiting Utility Companies from Discontinuing, Altering, or Refusing Service, (II) Deeming Utility Companies to Have Adequate Assurance of Payment, and (III) Establishing Procedures for Resolving Requests for Additional Assurance* [Docket Nos. 83 and 335]
- *Order Authorizing the Payment of Certain Prepetition Shipping Claims* [Docket No. 78]
- *Order Authorizing the Appointment of Prime Clerk LLC as Claims and Noticing Agent* [Docket No. 76]

Employee and Customer First Day Orders

- *Order (Bridge) Authorizing the Debtors to Honor Their Refund Programs on a Limited Basis, and Receive, Process and Honor Credit Card Transactions* [Docket No. 37]
- *Order Authorizing the Debtors to (I) Honor Certain Prepetition Obligations to Customers, (II) Continue Customer Programs in the Ordinary Course of Business and (III) Receive, Process and Honor Credit Card Transactions* [Docket No. 79]
- *Order Authorizing Debtors to: (I) Pay Prepetition Employee and Independent Contractor Wages, Salaries, and Other Compensation, (II) Reimburse Prepetition Employee Business Expenses, (III) Contribute to Prepetition on Employee Benefit Programs and Continue Such Programs in the Ordinary Course, (IV) Make Payments for which Prepetition on Payroll Deductions were made, (V) Pay Workers' Compensation Obligations and (VI) Pay all Costs and Expenses Incident to the Foregoing* [Docket No. 82]
- *Order Authorizing Debtors to Reimburse Prepetition Employee Business Expenses and Pay All Costs and Expenses Incident Thereto* [Docket No. 327]

Cash and Financing First Day Orders

- *Interim and Final Orders Authorizing the Debtors to (I) Maintain Existing Bank Accounts, (II) Continue Use of Existing Cash Management System, (III) Continue Use of Existing Business Forms and (IV) Continue Ordinary Course Intercompany Transactions* [Docket Nos. 80 and 336]
- *Interim Order (I) Authorizing the Debtors to Obtain Postpetition Financing and to Use Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Lenders, (III) Scheduling a Final Hearing, and (IV) Granting Related Relief* [Docket No. 74]

B. Official Committee of Unsecured Creditors

On April 23, 2014, the U.S. Trustee for the District of Delaware appointed the Committee, which is composed of the following parties: The Apparel Group Ltd, Charter Ventures Limited, Chinamine Trading LTD, GGP Limited Partnership, Orient Craft, Ltd., Quad/Graphics, Inc. and Simon Property Group.

C. Sale Motions and Store Closing Sales

As discussed above, the Debtors believe that the best way to maximize value for their estates is to liquidate in a considered and orderly manner as expeditiously as possible. To help

achieve this goal, on the Petition Date, the Debtors filed a motion seeking authority to, among other things, set a bidding process for soliciting bids in excess of the Stalking Horse bid and conducting an auction for the sale of the asset classes of inventory, FF&E and intellectual property.

On April 29, 2014, the Bankruptcy Court entered the Bidding Procedures Order approving bidding procedures and scheduling an auction for the Debtors' inventory, FF&E and other asset classes. Among other things, the bidding procedures included individualized initial and subsequent overbids applicable to different classes of the Debtors' assets to promote ease of bidding and allowing the Debtors to combine bids on the various classes of assets in an effort to maximize the total potential value of their assets.

The Debtors held an auction in accordance with the Bidding Procedures Order on May 1-2, 2014. The Stalking Horse, an additional bidder for the inventory and FF&E and five qualified bidders for the Debtors' intellectual property participated in the auction. After consultation with the Term Loan Lenders, the ABL Lender and the Committee, the Debtors determined that creditor recoveries would be maximized if the Debtors requested additional bids for combined asset classes. The Debtors conducted several rounds – and many hours – of spirited bidding at the auction and ultimately, the Stalking Horse prevailed as the winning bidder with a combined bid for inventory, FF&E and intellectual property assets.

On May 6, 2014, the Bankruptcy Court entered the Store Closing Approval Order authorizing, among other things, the Debtors' entry into that certain Amended and Restated Agency Agreement with the Agent pursuant to which the Agent will (i) conduct GOB Sales and (ii) purchase the combined asset classes and for an aggregate purchase price of \$161 million, inclusive of the intellectual property asset class for \$27 million. As of the date hereof, the GOB Sales are ongoing and are scheduled to conclude no later than August 31, 2014.

D. Spa Sale

The Bidding Procedures Order also authorized procedures for a sale and auction of the Debtors' spa business. After receiving three qualified bids, the Debtors conducted an auction for their spa assets in accordance with the Bidding Procedures Order on May 20, 2014. After several rounds of bidding, ASJ Consulting, LLC, in partnership with Me Bath, an established skincare and spa product provider that has been a vendor to the Debtors' spas for the past two years, was declared the successful bidder. The winning bid included a cash price of \$1,050,000 plus additional consideration for certain inventory at the spa locations.

On May 22, 2014, the Court entered the *Order (I) Authorizing Entry into Asset Purchase Agreement, (II) Authorizing Sale of Assets and (III) Granting Related Relief* [Docket No. 439] authorizing the Debtors to sell assets related to their spa business to ASJ Consulting, LLC pursuant to the Asset Purchase Agreement dated May 20, 2014 between Debtor Coldwater Creek The Spa Inc. and ASJ Consulting, LLC.

The spa sale is subject to, among other things, the successful assumption and assignment of the leases for the seven spa locations. Accordingly, on May 22, 2014, the Debtors filed the *Debtors' Motion for an Order (I) Authorizing the Debtors to Assume and Assign Certain*

Unexpired Leases of Nonresidential Real Property and Executory Contract, (II) Fixing Cure Amounts with Respect Thereto and (III) Granting Certain Related Relief [Docket No. 443]. This motion is scheduled to be heard by the Bankruptcy Court on June 12, 2014. It is expected that that sale of the spa assets will close approximately four weeks after entry of the order approving the motion to assume and assign the leases to ASJ Consulting LLC is entered.

E. Headquarters Assumption and Sale Motion

On May 19, 2014, the Bankruptcy Court entered an *Order to (I) Assume the Purchase and Sale Agreement with respect to Real Property Located in Kootenai, Idaho, (II) Perform Settlement Conditions Pursuant to the Purchase and Sale Agreement and (III) Sell Real Property Free and Clear of Liens, Claims and Encumbrances* [Docket No. 415] approving the sale of a portion of the Debtors' corporate headquarters to Kootenai Campus, LLC, a company managed by a number of the principals of Litehouse Foods, for \$2.6 million pursuant to that certain Purchase and Sale Agreement dated as of April 9, 2014. This transaction is conditioned upon obtaining local governmental approvals to subdivide property, which are still pending as of the date hereof. The Debtors expect to be able to close this transaction by July 2014.

F. Executory Contracts and Unexpired Leases

On May 6, 2014, the Bankruptcy Court entered an *Order Establishing Procedures for Rejection of Executory Contracts and Unexpired Leases of Nonresidential Real Property* [Docket No. 348] setting forth procedures for the Debtors to reject executory contracts and real property leases as the services and premises provided thereunder are no longer needed for the orderly wind-down of the Debtors' operations. The procedures set forth in this order allow the Debtors to efficiently reject contracts and leases on a rolling basis as the liquidation progresses.

On May 22, 2014, the Debtors filed the *Debtors' Motion for Entry of: (I) Order (A) Establishing Notice Procedures for the Assumption and Assignment of Nonresidential Real Property Leases; (B) Establishing Bidding Procedures, in Connection with an Auction of Nonresidential Real Property Leases; (C) Authorizing and Scheduling an Auction with Respect Thereto; (D) Approving Cure Procedures; and (E) Scheduling a Sale Hearing with Respect to the Outcome of the Auction; and (II) Order (A) Authorizing Sale of Leases Free and Clear of all Interests; (B) Approving Assumption and Assignment of Leases; and (C) Waiving Stay Provisions Pursuant to Bankruptcy Rules 6004(h) and 6006(d)* [Docket No. 444] seeking approval of procedures for the sale of leasehold interests and for procedures for the Debtors to assume and assign real property leases. This motion is scheduled to be heard on June 12, 2014.

G. Bar Dates and Claims Process

On May 6, 2014, the Bankruptcy Court entered the Bar Date Order establishing, among other deadlines, June 13, 2013 at 4:00 p.m. (prevailing Eastern time) as the general deadline for filing proofs of claim in these Chapter 11 Cases and October 8, 2014 at 4:00 p.m. (prevailing Eastern time) as the bar date for governmental units to file proofs of claim against the Debtors. With certain exceptions (as set forth in the Bar Date Order), creditors that fail to file proofs of claim by the applicable bar date will not receive a distribution from property of the Debtors'

estates. The Debtors reserve their right to object to any claim, whether scheduled or filed, on any grounds on or before the Claims Objection Deadline.

H. Schedules and Statements of Financial Affairs

On May 7, 2014, each of the Debtors filed with the Bankruptcy Court a statement of financial affairs and schedules of assets and liabilities [Docket Nos. 356, 357, 358, 359, 360, 361, 362 and 363]. Further information regarding the Debtors' assets and liabilities is set forth on the Recovery Analysis prepared by the Debtors' financial advisors, a copy of which is attached hereto as Exhibit B.

I. Retention of Key Employees

Retaining key employees is vital to implementing a successful and orderly wind down of the Debtors' operations. Accordingly, on May 12, 2014, the Debtors filed the *Motion to Approve Debtors' Key Employee Incentive Program and Key Employee Retention Program* [Docket No. 378] seeking to authorize retention bonuses for 28 non-insider employees and incentive bonuses for four executives. The U.S. Trustee and the Committee filed objections to the Debtors' motion, but after settlement negotiations and a hearing before the Bankruptcy Court on June 2, 2014, the bonuses were approved in a reduced amount. The bonuses for four top executives are capped at \$1.7 million in the aggregate and are based on the Debtors' achievement of net cash flow in excess of set target amounts while those paid to the non-insider employees total approximately \$800,000 and are based on salary and tenure of the individual.

ARTICLE VIII. RELEASES AND EXCULPATIONS

Under the Plan, the Debtors and, to the extent allowed under applicable law, Holders of Claims, provide releases to the Debtors, the ABL Lender, the ABL Agent, the Term Loan Lenders, the Term Loan Agent, the DIP Facility Lenders, the DIP Agent, Holders of Series A Preferred Stock, and CC Holdings Agency Corporation,⁴ CC Holdings of Delaware, LLC – Series A, and CC Holdings of Delaware, LLC – Series B, each in all respective capacities, and such entity's predecessors, successors and assigns, subsidiaries, affiliates, beneficial owners, managed accounts or funds, current and former officers, directors, principals, shareholders, direct and indirect equity holders, members, partners (general and limited), employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other Professionals. *See* Article VIII-B through VIII-D of the Plan.

⁴ CC Holdings Agency Corporation is a special purpose vehicle that was established for the purpose of acting as administrative agent and collateral agent pursuant to the Term Loan Agreement. Similarly, CC Holdings of Delaware, LLC – Series A and CC Holdings of Delaware, LLC – Series B are special purpose vehicles that were established for the purpose of making loans pursuant to the Term Loan Agreement and holding preferred securities pursuant to the Stock Purchase and Investor Rights Agreement and the Registration Rights Agreement. Investment funds managed by Golden Gate Private Equity, Inc., together with Angel Island Capital (a portfolio company of Golden Gate Capital) and a Golden Gate Capital operating executive, own in the aggregate 100% of the equity interests in each of CC Holdings Agency Corporation, CC Holdings of Delaware, LLC – Series A and CC Holdings of Delaware, LLC – Series B.

The Debtors believe that the release provisions set forth in the Plan are fair and reasonable under the circumstances, supported by consideration by each of the Released Parties, and essential to the Debtors' orderly liquidation and wind down. These provisions were the product of comprehensive and arms' length negotiations among the Debtors, the Term Loan Lenders and the ABL Lender and the release provisions were integral parts of the consideration for the Plan Support Agreement.

Additionally, the Debtors believe that the Debtor releases provided in the Plan are of little or no value to their estates. The scope of these provisions is targeted and has no effect on liability resulting from actual fraud, willful misconduct or gross negligence. The Debtors do not believe, at this time, that any valid Claims or Causes of Action exist against any of the Released Parties. The Debtors believe that each Released Party has provided sufficient consideration for its respective release. Specifically, the Prepetition Secured Lenders provided key contributions in the development, negotiation, and documentation of the terms of the Plan and Disclosure Statement, including entering into the Plan Support Agreement and, with respect to the Term Loan Lenders, agreeing to sponsor the Plan. Moreover, the Prepetition Secured Lenders provided the necessary financing and access to cash collateral to fund these Chapter 11 Cases. The Term Loan Lenders also created significant value by actively participating and negotiating with parties at the GOB Sales auction, which was overwhelmingly successful and allowed for a recovery for General Unsecured Claims. For these reasons, the Debtors believe the proposed releases are reasonable and appropriate under the circumstances, as they are supported by ample consideration. Thus, the Debtors believe that these provisions are consistent with applicable law and should be approved in connection with the Confirmation of the Plan.

The Committee and U.S. Trustee have raised formal and informal objections to the proposed releases and exculpations, including but not limited to, their scope and whether sufficient consideration has been provided therefor. The Debtors have revised the exculpation provisions in the Plan to resolve those objections and with respect to the release, the Debtors disagree with the Committee and the U.S. Trustee and will provide further support for the appropriateness of the release provisions set forth in the Plan through evidence at the Confirmation Hearing and in the Debtors' memorandum in support of confirmation of the Plan to be filed prior to the Confirmation Hearing.

ARTICLE IX. RISK FACTORS

Holders of Claims should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors, they should not be regarded as constituting the only risks present in connection with the Debtors' business or the Plan and its implementation.

A. General Considerations

The Plan sets forth the means for satisfying the Claims against and Interests in the Debtors. Certain Claims may not receive payment in full. Nevertheless, the liquidation of the

Debtors' business and operations under the proposed Plan avoids the potentially adverse impact of the likely increased delays and costs associated with a chapter 7 liquidation of the Debtors' business.

B. Risks Relating to Bankruptcy

1. The Debtors May Not Be Able to Obtain Confirmation of the Plan.

Even if the impaired voting class votes in favor of the Plan and, with respect to any impaired class deemed to have rejected the Plan, the requirements for "cramdown" are met, the Bankruptcy Court may not confirm the Plan if circumstances warrant. Section 1129 of the Bankruptcy Code requires, among other things, a showing that the value of distributions to dissenting Holders of Claims and interests may not be less than the value such Holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

Even if the requisite acceptances of a proposed plan are received, the Bankruptcy Court is not obligated to confirm the Plan as proposed.

2. The Conditions Precedent to the Effective Date of the Plan May Not Occur.

Article IX of the Plan sets forth certain conditions that must be fulfilled prior to the Effective Date of the Plan. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be met (or waived) or that the other conditions to consummation, if any, will be satisfied.

3. Delays of Confirmation or Effective Date.

Any delays of either confirmation or effectiveness of the Plan could result in, among other things, increased administrative costs, including Fee Claims. These negative effects of delays of either confirmation or effectiveness of the Plan could endanger the ultimate approval of the Plan by the Bankruptcy Court.

4. Substantive Consolidation May Not Be Approved

If the Debtors' Estates are substantively consolidated in accordance with the Plan, then, on and after the Effective Date, (a) all assets and liabilities of the substantively consolidated Debtors will be deemed to be merged solely for purposes of the Plan, Distributions to be made under the Plan, voting and Confirmation, (b) the obligations of each Debtor will be deemed to be the obligation of the substantively consolidated Debtors solely for purposes of the Plan, Distributions under the Plan, voting and Confirmation, (c) any Claims filed or to be filed in connection with any such obligations will be deemed Claims against the substantively consolidated Debtors, (d) each Claim filed in the Chapter 11 Case of any Debtor will be deemed filed against the Debtors in the consolidated Chapter 11 Cases in accordance with the substantive consolidation of the assets and liabilities of the Debtors, (e) all transfers, disbursements and distributions made by any Debtor under the Plan will be deemed to be made by the substantively consolidated Debtors, and (f) all guarantees of the Debtors of the obligations of any other

Debtors shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the substantively consolidated Debtors. Holders of Allowed Claims in each Class shall be entitled to their share of assets available for distribution to such Class without regard to which Debtor was originally liable for such Claim. The substantive consolidation effected pursuant to the Plan shall not affect, without limitation, (a) defenses to any Cause of Action or requirements for any third party to establish mutuality in order to assert a right to setoff, or (b) distributions out of any insurance policies or proceeds of such policies.

Unless the Bankruptcy Court has approved the substantive consolidation of the Estates by a prior order, the Plan shall serve as, and shall be deemed to be, a motion for entry of an order substantively consolidating the Estates as set forth in the Plan. If no objection to substantive consolidation under the Plan is timely filed and served, then the holders of Claims will be deemed to have consented to substantive consolidation for the purpose of the Plan only and the Bankruptcy Court may approve substantive consolidation of the Debtors' Estates in the Confirmation Order. If an objection to the substantive consolidation provided for in the Plan is timely filed and served, a hearing with respect to the substantive consolidation of the Estates and the objection(s) thereto shall be scheduled by the Bankruptcy Court, which hearing may coincide with the Confirmation Hearing.

Sections 105(a) and 1123(a)(5) of the Bankruptcy Code empower a bankruptcy court to authorize substantive consolidation pursuant to a chapter 11 plan over the objections of creditors. *In re Owens Corning*, 419 F.3d 195 (3d Cir. 2005) *amended by* 2005 U.S. App. Lexis 18043 (Aug. 23, 2005). In reversing the district court's consolidation of a parent company and a number of its subsidiary guarantors, the Third Circuit did not endorse any specific set of "factors" a court should consider in ordering consolidation. Instead, the Third Circuit Court of Appeals articulated a number of "principles" to guide the court in its analysis. *Owens Corning*, at 211. These principles include: (a) absent compelling circumstances courts must respect entity separateness; (b) recognition that substantive consolidation nearly always addresses harms caused by debtors disregarding separateness; (c) mere benefit of administration is "hardly a harm calling substantive consolidation into play"; (d) substantive consolidation should be used rarely and as a last resort after alternative remedies have been considered and rejected; and (e) substantive consolidation may not be used as a "sword." *Id.*

Using these principles, the Third Circuit Court of Appeals set forth the standard by which courts in this jurisdiction must weigh requests for substantive consolidation where creditor consent is lacking. Specifically, in ordering substantive consolidation (absent consent of the parties) courts must either find, with respect to the entities in question, that (a) prepetition, they disregarded their separateness "so significantly their creditors relied on the breakdown of entity borders and treated them as one legal entity," or (b) postpetition, "their assets and liabilities are so scrambled that separating them is prohibitive and hurts all creditors." *Id.*

The Debtors believe that substantive consolidation is warranted here because, among other reasons, the Debtors historically operated on a consolidated basis. All Debtors have essentially the same officers and directors and all accounts payable functions were performed via a highly integrated cash management system by the same administrative staff working on behalf

of all Debtors. Additionally, all of the Debtors' are party to and obligated under the Term Loan Credit Agreement, the ABL Credit Agreement and the DIP Facility Credit Agreement.

Given the integration of the Debtors' cash management and other systems and the expense of generating separate plans for each of the Debtors, the fact that the Secured Claims of the Term Loan Lenders, ABL Lender and DIP Facility Lenders are against all Debtors, the Debtors believe that the overall effect of substantive consolidation will be more beneficial than harmful to creditors and will allow for greater efficiencies and simplification in processing Claims and making Distributions to Holders of Allowed Claims. Accordingly, the Debtors believe that substantive consolidation of the Debtors' estates under the terms of the Plan will reduce administrative expenses by automatically eliminating duplicative claims asserted against more than one of the Debtors, decreasing the administrative difficulties and costs related to the administration of the Estates separately, as well as eliminating the need to determine professional fees on a case-by-case basis and streamlining the process of making Distributions.

The Debtors reserve the right to seek (subject to the consent of the Term Loan Lenders) confirmation of the Plan without implementing substantive consolidation (including, without limitation, in the event the Bankruptcy Court determines that substantive consolidation of the Debtors as provided for above is not appropriate), and to request that the Bankruptcy Court approve the treatment of and distribution to the different Classes under the Plan on a Debtor-by-Debtor basis. In the event the Debtors seek confirmation of the Plan without implementing substantive consolidation of the Debtors as provided for above, any vote in favor of the Plan on a substantively consolidated basis, shall be deemed a vote in favor of the Plan of each of the applicable Debtors on an individual Debtor basis. The Debtors reserve all rights with respect to the substantive consolidation proposed under the Plan and any arguments in support or in opposition thereof.

C. Risks Relating to the Debtors' Business

1. Claims Could Be More Than Anticipated, Assets Could Be Less Than Anticipated.

The Allowed amount of Claims in each Class could be greater than projected, which in turn, could cause the amount of distributions to creditors to be reduced substantially. Although the amount of cash to be paid by a liquidator of the business is known by the Debtors, the amount of cash realized for the liquidation of the Debtors' assets not being sold by the liquidator could be less than anticipated, which could cause the amount of distributions to creditors to be reduced substantially.

2. The Debtors May Lose Key Employees Postpetition.

As of the Petition Date, the Debtors domestically employed a total of approximately 5,910 employees, approximately 1,944 of which were employed by the Debtors on a full-time basis and approximately 3,966 of which were employed by the Debtors on a part-time or seasonal basis. Many of these employees have extensive knowledge of the Debtors' business and are necessary to conduct an orderly liquidation. Any adverse changes in employee programs could have a material adverse effect on the Debtors' ability to retain these employees postpetition which could impede an efficient wind down.

**ARTICLE X.
SOLICITATION AND VOTING PROCEDURES**

On the Petition Date, the Debtors filed the *Debtors' Motion For An Order (I) Approving Proposed Disclosure Statement, (II) Approving Key Dates And Deadlines Related To Ballot Solicitation And Tabulation Procedures, Forms Of Ballots And Manner Of Notice And (III) Fixing Date, Time And Place For Confirmation Hearing And Deadline For Filing Objections Thereto* [Docket No. 16].

Any forthcoming Disclosure Statement Order, will be accompanied by a Ballot or Ballots to be used for voting on the Plan, and will be distributed to the Holders of Claims in Class 4. The procedures and instructions for voting and related deadlines will be attached thereto.

**ARTICLE XI.
CONFIRMATION OF THE PLAN**

A. Requirements for Confirmation of the Plan

Section 1129 of the Bankruptcy Code sets the requirements a plan must meet in order to be confirmed. Among the requirements for Confirmation of the Plan are that the Plan (i) is accepted by all Impaired Classes of Claims, or if rejected by an Impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class; (ii) is feasible; and (iii) is in the “best interests” of creditors.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (i) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11 and (ii) the Debtors have complied or will have complied with all of the necessary requirements of chapter 11.

B. Best Interests of Creditors Test

Before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each Class, that each Holder of a Claim in such Class either (i) has accepted the Plan or (ii) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors liquidated under chapter 7 of the Bankruptcy Code.

The Debtors believe that the Plan satisfies the best interests test, because, among other things, the recoveries expected to be available to Holders of Allowed Claims under the Plan will be greater than the recoveries expected to be available in a chapter 7 liquidation.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor's assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of the properties securing their liens. If any assets are remaining in the bankruptcy estate after satisfaction of secured creditors' Claims from their collateral, administrative expenses are next to receive payment. Unsecured creditors are paid from any remaining sales proceeds, according to their respective

priorities. Unsecured creditors with the same priority share in proportion to the amount of their Allowed Claims in relationship to the total amount of Allowed Claims held by all unsecured creditors with the same priority. Finally, Holders of Interests receive the balance that remains, if any, after all creditors are paid.

Although the Plan effects a liquidation of the Debtors' assets and a chapter 7 liquidation would have the same goal, the Debtors believe that the Plan provides the best source of recovery to creditors. Liquidating pursuant to chapter 11 allows for a wind-down and liquidation of assets in a way that allows the Debtors to remain in possession of their assets, which will reduce costs and increase the likelihood that the Debtors will be able to retain key employees needed to maximize the value from the wind-down. Furthermore, liquidating pursuant to chapter 11 avoids additional fees that would be incurred during a chapter 7 case, including potential added time and expense incurred by a chapter 7 trustee and any retained professionals in familiarizing themselves with the Chapter 11 Cases. Accordingly, the Debtors believe that the Plan is in the best interests of creditors.

C. Plan Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successors to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. The Plan provides for a liquidation of the Debtors' remaining assets and a distribution of the Cash proceeds to creditors in accordance with the priority scheme of the Bankruptcy Code and the terms of the Plan. The ability to make distributions described in the Plan therefore does not depend on future earnings or operations of the Debtors, but only on the orderly liquidation of the Debtors' remaining assets. Accordingly, the Debtors believe that the Plan is feasible and meets the requirements of section 1129(a)(11) of the Bankruptcy Code.

D. Section 1129(b): Unfair Discrimination and the "Fair and Equitable" Test

The Debtors will request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code, and they have reserved the right to modify the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification. The Bankruptcy Court may confirm the Plan over the rejection or deemed rejection of the Plan by an Impaired Class of Claims or Interests if the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such Class.

1. No Unfair Discrimination

The "unfair discrimination" test applies to Impaired Classes of Claims or Interests that are of equal priority and are receiving disparate treatment under the Plan. The test does not require that the treatment of such Classes be the same or equivalent, but only that the treatment be "fair." A plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class receives more than it is entitled to for its

Claims or Interests. Holders of Claims with substantially similar legal rights do not receive disparate treatment under the Plan. Accordingly, there is no unfair discrimination.

2. Fair and Equitable Test: “Cramdown”

The Bankruptcy Code provides a non-exclusive definition of the phrase “fair and equitable.” The Bankruptcy Code establishes “cramdown” tests for dissenting classes of secured creditors, unsecured creditors and equity holders. As to each dissenting Class, the test prescribes different standards, depending on the type of Claims or Interests in such class:

Secured Creditors. With respect to each class of secured Claims that rejects the Plan, the Plan must provide (a)(i) that each Holder of a secured Claim in the rejecting class retain the liens securing those Claims, whether the property subject to those liens is retained by the Debtor or transferred to another entity, to the extent of the Allowed amount of such secured Claim and (ii) that the secured creditor receives on account of its secured Claim deferred Cash payments having a value, as of the Effective Date of the Plan, of at least the value of the Allowed amount of such secured Claim; (b) for the sale of any property that is subject to the liens securing the Claims included in the rejecting class, free and clear of such liens, with such liens to attach to the proceeds of the sale, and the treatment of such liens on proceeds under clause (a) or (c) of this subparagraph; or (c) for the realization by the secured creditor of the “indubitable equivalent” of its secured Claim.

Unsecured Creditors. With respect to each Impaired Class of unsecured Claims that rejects the Plan, the Plan must provide (a) that each Holder of a Claim in the rejecting class will receive or retain on account of that Claim property that has a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim; or (b) that no Holder of a Claim or Interest that is junior to the Claims of such rejecting Class will receive or retain under the Plan any property on account of such junior Claim or Interest.

Holders of Interests. With respect to each Impaired Class of Interests that rejects the Plan, the Plan must provide (a) that each Holder of an interest included in the rejecting Class receive or retain on account of that interest property that has a value, as of the Effective Date of the Plan, equal to the greatest of the Allowed amount of any fixed liquidation preference to which such Holder is entitled, any fixed redemption price to which such Holder is entitled, or the value of such Interest; or (b) that no Holder of an Equity Interest that is junior to the Equity Interests of such rejecting class will receive or retain under the Plan any property on account of such junior Interest.

The Debtors believe that the Plan may be confirmed pursuant to the above-described “cramdown” provisions, over the dissent of certain Classes of Claims and Interests, in view of the treatment proposed for such classes. The Debtors believe that the treatment under the Plan of the Holders of Claims in Classes 4, 5, 6 and 7 will satisfy the “fair and equitable” test. Additionally, as noted above, the Debtors do not believe that the Plan unfairly discriminates against any dissenting class because all dissenting classes of equal rank are treated equally under the Plan.

ARTICLE XII.
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction

The following discussion summarizes certain material U.S. federal income tax consequences of the implementation of the Plan to the Debtors and certain Holders of Claims and Interests. This summary is based on the Tax Code, the Regulations, judicial decisions and published administrative rules and pronouncements of the IRS, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, which could significantly affect the U.S. federal income tax consequences described below. The Debtors have not requested, and will not request, any ruling or determination from the IRS with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This summary does not apply to a Holder of a Claim or Interest that is not a “United States person” (as such phrase is defined in the Tax Code). This summary does not address non-U.S., state or local tax consequences of the Plan, and does not purport to address all aspects of U.S. federal income taxation that may be relevant to a Holder in light of its individual circumstances or to a Holder that may be subject to special tax rules (such as persons who are related to the Debtors within the meaning of the Tax Code, broker-dealers, banks, mutual funds, insurance companies, financial institutions, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, persons who hold Claims or Interests as part of a straddle, hedge, conversion transaction or other integrated investment, persons using a mark-to-market method of accounting and Holders of Claims or Interests who are themselves in bankruptcy). This summary also assumes that the various debt and other arrangements to which any of the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSEQUENCES OF THE PLAN.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230 EACH HOLDER IS HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE, (B) SUCH DISCUSSION IS INCLUDED HEREBY BY THE DEBTORS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY

THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

B. Certain U.S. Federal Income Tax Consequences to the Debtors

In general, absent an exception, a debtor will realize and recognize COD Income upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (i) the amount of cash paid and (ii) fair market value of any other new consideration given in satisfaction of such indebtedness at the time of the exchange.

Under Section 108 of the Tax Code, a debtor is not required to include COD Income in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income. Any excess COD Income over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact.

C. Certain U.S. Federal Income Tax Consequences to Certain Holders of Claims and Interests

1. Consequences to Holders of Claims and Interests.

A Holder of a Claim or Interest will generally recognize ordinary income to the extent that the amount of cash or property received (or to be received) under the Plan is attributable to Interest that accrued on a Claim but was not previously paid by the Debtors or included in income by the Holder of the Claim or Interest. To the extent that any Claim entitled to a distribution is comprised of indebtedness and accrued but unpaid Interest thereon, such distribution shall, for U.S. federal income tax purposes, be allocated to the accrued but unpaid Interest of the Claim first and then, to the extent the Distribution exceeds the accrued but unpaid Interest of the Claim, to the principal amount of the Claim. A Holder of a Claim or Interest will generally recognize gain or loss equal to the difference between the Holder's adjusted basis in its Claim and the amount realized by the Holder upon consummation of the Plan that is not attributable to accrued but unpaid Interest. The amount realized will equal the sum of the Cash and the fair market value of other consideration received (or to be received) including, as discussed below, any beneficial interests in the Liquidating Trust.

The character of any gain or loss that is recognized will depend upon a number of factors, including the status of the Holder, the nature of the Claim or Interest in its hands, whether the Claim was purchased at a discount, whether and to what extent the Holder has previously claimed a bad debt deduction with respect to the Claim, and the Holder's holding period of the Claim or Interest. If the Claim or Interest in the Holder's hands is a capital asset, the gain or loss realized will generally be characterized as a capital gain or loss. Such gain or loss will constitute long-term capital gain or loss if the Holder held such Claim or Interest for longer than one year

or short-term capital gain or loss if the Holder held such Claim or Interest for one year or less. If the Holder realizes a capital loss, the Holder's deduction of the loss may be subject to limitation.

A Holder of a Claim or Interest who receives, in respect of its Claim, an amount, including, as discussed below, any beneficial interests in the Liquidating Trust, that is less than its tax basis in such Claim or Interest may be entitled to a bad debt deduction under Section 166(a) of the Tax Code or a worthless securities deduction under Section 165(g) of the Tax Code. The rules governing the character, timing, and amount of these deductions depend upon the facts and circumstances of the Holder, the obligor, and the instrument with respect to which a deduction is claimed. Accordingly, Holders are urged to consult their tax advisors with respect to their ability to take such a deduction if either: (a) the Holder is a corporation or (b) the Claim or Interest constituted (i) a debt created or acquired (as the case may be) in connection with a trade or business of the Holder or (ii) a debt the loss from the worthlessness of which is incurred in the Holder's trade or business. A Holder that has previously recognized a loss or deduction in respect of its Claim or Interest may be required to include in its gross income (as ordinary income) any amounts received under the Plan to the extent such amounts exceed the Holder's adjusted basis in such Claim or Interest.

A Holder of a Claim constituting an installment obligation for tax purposes may be required to currently recognize any gain remaining with respect to such obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold or otherwise disposed of within the meaning of Section 453B of the Tax Code.

Whether the Holder of a Claim or Interest will recognize a loss, a deduction for worthless securities or any other tax treatment will depend upon facts and circumstances that are specific to the nature of the Holder and its Claim or Interests. Accordingly, Holders of Claims and Interests should consult their own tax advisors.

2. Information Reporting and Backup Withholding

Payments in respect of Claims under the Plan may be subject to applicable information reporting and backup withholding. Backup withholding of taxes will generally apply to Payments in respect of a Claim under the Plan if the Holder of such Claim fails to provide an accurate taxpayer identification number or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Holder's U.S. federal income tax liability, and a Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a federal income tax return).

D. Certain U.S. Federal Income Tax Consequences of the Liquidating Trust

The Liquidating Trust will be organized for the primary purpose of liquidating the assets transferred to it with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. Thus, the Liquidating Trust is intended to be classified for U.S. federal income tax purposes as a "grantor trust" within the meaning of Treasury Regulation Section

301.7701-4(d) and Revenue Procedure 94-45, 1994-2 C.B. 684. No request for a ruling from the IRS will be sought on the classification of the Liquidating Trust. Accordingly, there can be no assurance that the IRS would not take a contrary position to the classification of the Liquidating Trust. If the IRS were to challenge successfully the classification of the Liquidating Trust as a grantor trust, the U.S. federal income tax consequences to the Liquidating Trust and the Holders of Liquidating Trust Interests could vary from those discussed herein (including the potential for an entity-level tax)

For all U.S. federal income tax purposes, all parties with respect to the Liquidating Trust (including, without limitation, the Debtors, the Liquidating Trustee, and the Liquidating Trust Beneficiaries) must treat the transfer of Liquidating Trust Assets (other than those Liquidating Trust Assets placed in the Disputed Claims reserve) to the Liquidating Trust as (1) a transfer of such Liquidating Trust Assets by the Debtors to the Liquidating Trust Beneficiaries, followed by (2) a transfer of such Liquidating Trust Assets by such beneficiaries to the Liquidating Trust, with the beneficiaries being treated as the grantors and owners of the Liquidating Trust. All parties must also use consistent valuations of the transferred assets.

In general, a liquidating trust is not a separate taxable entity but rather is treated as a grantor trust, pursuant to IRC Sections 671 et. seq., owned by the persons who are treated as transferring assets to the trust. Each holder of a beneficial interest in the Liquidating Trust must report on its U.S. federal income tax return its allocable share of income, gain, loss, deduction and credit recognized or incurred by the Liquidating Trust. None of the Debtors' loss carryforwards will be available to reduce any income or gain of the Liquidating Trust. Moreover, upon the sale or other disposition (or deemed disposition) of any of the Liquidating Trust Assets not held in the Disputed Claims Reserve, each Liquidating Trust Beneficiary must report on its U.S. federal income tax return its share of any gain or loss measured by the difference between (1) its share of the amount of cash and/or the fair market value of any property received by the Liquidating Trust in exchange for the Liquidating Trust asset so sold or otherwise disposed of and (2) its adjusted tax basis in its share of the Liquidating Trust asset. The character of any such gain or loss to the holder will be determined as if such holder itself had directly sold or otherwise disposed of the Liquidating Trust asset. The character of items of income, gain, loss, deduction, and credit to any holder of a beneficial interest in the Liquidating Trust, and the ability of the holder to benefit from any deductions or losses, will depend on the particular circumstances or status of the holder.

Given the treatment of the Liquidating Trust as a grantor trust and subject to the discussion below regarding the Disputed Claims Reserve, each Liquidating Trust Beneficiary has an obligation to report its share of the Liquidating Trust's tax items (including gain on the sale or other disposition of a Liquidating Trust Asset), which obligation is not dependent on the distribution of any Cash or other Liquidating Trust Assets by the Liquidating Trust. Accordingly, a Liquidating Trust Beneficiary may incur a tax liability as a result of holding Liquidating Trust Interests, regardless of whether the Liquidating Trust distributes Cash or other assets. Due to the requirement that the Liquidating Trust maintain certain reserves, the Liquidating Trust's ability to make current Cash Distributions may be limited or precluded. In addition, due to possible differences in the timing of income on, and the receipt of cash from the Liquidating Trust Assets, a Liquidating Trust Beneficiary may be required to report and pay tax on a greater amount of income for a taxable year than the amount of cash received by the Holder during the year.

The Liquidating Trust will file annual information tax returns with the IRS as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a) that will include information concerning certain items relating to the holding or disposition (or deemed disposition) of the Liquidating Trust Assets (*e.g.*, income, gain, loss, deduction and credit). Each Liquidating Trust Beneficiary will receive a copy of the information returns and must report on its U.S. federal income tax return its share of all such items. The information provided by the Liquidating Trust will pertain to Liquidating Trust Beneficiaries who hold Liquidating Trust Interests in connection with the Plan.

E. Certain U.S. Federal Income Tax Consequences of the Disputed Claims Reserve

It is anticipated that the Liquidating Trustee will make an election under Treasury Regulation Section 1.468B-9(c)(2)(ii) to treat the Disputed Claims reserve as a “disputed ownership fund.” Accordingly, a Holder of a Disputed Claim, unlike the holder of an Allowed Claim, will not be treated as receiving any of the Liquidating Trust Assets on the Effective Date due to holding such Disputed Claim.

If and when a Disputed Claim becomes an Allowed Claim, the holder of the now Allowed Claim will become a Liquidating Trust Beneficiary and generally will recognize gain or loss in its taxable year that includes the date of the conversion of the Disputed Claim to an Allowed Claim in an amount equal to the difference between the amount realized in respect of its Allowed Claim and its adjusted tax basis in the Allowed Claim, as further described above under Consequences of the Liquidating Trust.

If a Disputed Claim is resolved for an amount less than the amount contributed to the Disputed Claims reserve with respect to such Disputed Claim, the difference will be released from the Disputed Claims reserve and distributed to the Liquidating Trust Beneficiaries in accordance with their respective Pro Rata shares. Any such amount received by a Liquidating Trust Beneficiary will constitute an additional amount realized by such Liquidating Trust Beneficiary and should be reported consistent with prior gain or loss, which has been factored into the Liquidating Trust Beneficiary’s basis in the Liquidating Trust Interests.

ARTICLE XIII.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Liquidation Under Chapter 7

If no chapter 11 plan can be confirmed, these Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in lower distributions being made to creditors than those provided for in the Plan because, among other reasons, (i) additional administrative expenses would be incurred in a chapter 7 liquidation, specifically those of a chapter 7 trustee charging statutory fees of up to 3% of disbursements and any costs of counsel to the chapter 7 trustee to become familiar with the facts and circumstances of these cases and (ii) the additional delay in distributions that would occur if the Chapter 11 Cases were converted to a case under chapter 7.

B. Alternative Plan of Liquidation

The Debtors, with the assistance of their professionals, have considered their options and have concluded that the Plan offers the best and highest recoveries for creditors. The Debtors have concluded that the Plan provides greater potential recoveries for creditors than any feasible alternative.

**ARTICLE XIV.
RECOMMENDATION**

In the opinion of the Debtors, the Plan is preferable to the alternatives described herein. It provides for larger distribution to the Holders than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to the Holders of Claims. Additionally, as evidenced by the Plan Support Agreement, the Plan is supported by the ABL Lender and the Term Loan Lenders, which together comprise all of the Debtors' Prepetition Secured Lenders. **Accordingly, the Debtors recommend that Holders of Claims entitled to vote to accept or reject the Plan support confirmation of the Plan by voting to accept the Plan.**

Dated: June 6, 2014
Wilmington, Delaware

COLDWATER CREEK INC., on behalf of itself and
each of the other Debtors

By: /s/ James A. Bell
Name: James A. Bell
Title: Executive Vice President,
Chief Operating Officer and
Chief Financial Officer

EXHIBIT A

Plan of Liquidation

EXHIBIT B

Recovery Analysis

Coldwater Creek Inc.

Waterfall Analysis

(In \$000s, unless otherwise stated)

Claim Estimates as of Assumed Emergence

THE INFORMATION INCLUDED HEREIN IS PRELIMINARY AND IS SUBJECT TO FURTHER REVIEW, UPDATING AND CHANGE, AS MAY BE APPLICABLE AND WHICH MAY BE MATERIAL, AND SHOULD NOT BE RELIED UPON AS DEFINITIVE OR FINAL

	Claim Estimate (\$)		Recovery Recovery (\$)			
	Low Estimate	High Estimate	Low Claim	Low %	High Claim	High %
I. Value Assumptions						
Store Liquidation Net Proceeds (Gross of Oper. Disb.)			\$217,231	100%	\$217,231	100%
Bank Cash (at Petition)			232	100%	232	100%
Fee Owned Real Estate			2,600	17%	5,000	32%
IP Sale			27,000	32%	27,000	32%
Spa			1,000	50%	1,000	50%
Lease Assignment			1,000	42%	2,000	83%
A/R			-	100%	-	100%
Total Recovery Value Available for Distribution			\$249,063		\$252,463	
II. DIP Recovery						
Total DIP Claims	\$36,610	\$36,610	\$36,610	100%	\$36,610	100%
III. Administrative Claims Recovery						
Assets Available for Administrative Claims			\$212,453		\$215,853	
Total Administrative Claims (Incl. Oper. Disb.)	\$102,913	\$103,032	\$102,913	100%	\$103,032	100%
IV. Priority Claims Recovery						
Assets Available for Priority Claims			\$109,540		\$112,821	
Total Priority Claims	\$500	\$500	\$500	100%	\$500	100%
IV. Other Secured Claims Recovery						
Assets Available for Other Secured Claims			\$109,040		\$112,321	
Total Secured Claims	\$95,505	\$95,505	\$95,505	100%	\$95,505	100%
IV. General Unsecured Claims and Other Non-Priority Recovery						
Assets Available for General Unsecured and Other Non-Priority Claims			\$13,534		\$16,815	
Total Unsecured Claims and Other Non-Priority Claims	187,835	187,835	13,534	7%	16,815	9%
Assets Available for Equity Holders			-		-	

Notes and Assumptions Underlying Recovery Analysis

Store Liquidation Net Proceeds

Store Liquidation Net Proceeds includes gross sales receipts for the period of April 11 through commencement of the GOB Sales and the partial payment the Debtors received from the Stalking Horse upon commencement of the GOB Sales. The Debtors expect to receive an additional payment from the Stalking Horse as a result of the GOB Sales in the week of June 18, 2014. Store Liquidation Net Proceeds also includes \$2 million for FF&E, \$2 million for an augment goods fee, and \$1.4 million for refurbished merchandise. Accounts Receivable were monetized by the debtor in the ordinary course and are also included in the Store Liquidation Net Proceeds.

Administrative Claims

The Debtors' estimate for administrative claims includes 503(b)(9) Claims,¹ cure amounts for Executory Contracts and Unexpired Leases,² ordinary wind-down expenses, interest payments to the DIP Facility Lenders and the Term Loan Lenders, Professional fees incurred during the Chapter 11 Cases and post-Effective Date, costs associated with the administration of the Chapter 11 Cases (*e.g.*, additional utility deposits, increased benefits coverage, director fees, corporate credit card payments, COBRA payments, and other miscellaneous expenses) and commissions associated with the sale of the Debtors' fee owned real estate and leaseholds.

Priority Claims

The Bankruptcy Code provides priority claim status for certain types of claims, including tax claims. The claim amount illustrated is the Debtors' best estimate of outstanding tax claims as of the date hereof and a placeholder until the claims reconciliation process is resolved.

Secured Claims

Secured Claims refers to the Term Loan Claims, less interest paid prior to the Petition Date and includes remaining interest not yet accrued through the term of the Term Loan Credit Agreement, even if paid off before maturity, in accordance with the terms of the Term Loan Credit Agreement.

¹ Section 503(b)(9) of the Bankruptcy Code states that "the value of any goods received by the debtor within 20 days before the date of commencement of a case under this title in which the goods have been sold to the debtor in the ordinary course of such debtor's business" shall be treated as an administrative claim. The Debtors estimate that 503(b)(9) claims totalling approximately \$1.8 million may be asserted against the Estates based on the timing of purchase orders and receipt of goods.

² Under section 365 of the Bankruptcy Code, prior to assuming an Executory Contract or Unexpired Lease, the Debtors must cure all defaults thereunder. The Debtors expected to assume only a limited number of contracts and the amount of the cure claims listed above is the Debtors' best estimate of cure costs and will be refined as the contract assumption and rejection process continues.

In consideration of its participation in the inventory auction, the Debtors, the Committee and the Term Loan Lenders agreed that the back-up bidder resulting from the auction of the Debtors' inventory and FF&E would be entitled to a topping fee equal to \$2.25 million. There is a dispute between the Committee and the Term Loan Lenders as to how the topping fee should be funded and, pursuant to paragraph 45 of the Store Closing Approval Order, it is yet to be determined whether the topping fee will be paid (i) from the Term Loan Lenders' recovery or (ii) as an Administrative Claim of the Estates.

General Unsecured Claims

General Unsecured Claims include, among other things, Claims of merchandise suppliers, service providers and other vendors, claims arising from the rejection of Executory Contracts and Unexpired Leases, customer liabilities and outstanding prepetition litigation Claims against the Debtors. The Claims Bar Date has not yet passed and the total Claims pool is not yet known. Accordingly, the Debtors' estimates for the total amount of outstanding General Unsecured Claims are not based on filed proofs of claim, but instead, on the Debtors' books and records. These estimates are subject to material change as claims are filed and reconciled.

The estimated recovery for Holders of General Unsecured Claims does not include proceeds from any potential avoidance actions.