

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

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In re: : **Chapter 11**
:
COLDWATER CREEK INC., et al.,¹ : **Case No. 14-10867 (____)**
:
Debtors. : **(Joint Administration Requested)**
:
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**DISCLOSURE STATEMENT FOR THE 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.

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**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 disclosure statement (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 *Joint Plan of Liquidation of Coldwater Creek Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* dated April 11, 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, the Debtors are seeking authority to conduct store closing sales and liquidate their inventory. 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. The Plan contemplates the appointment of a Plan Administrator upon the Effective Date to, among other things, resolve Disputed Claims, implement the terms of the Plan, make a final distribution and close the chapter 11 cases.

In order to fund an orderly-wind down, the Debtors have obtained senior secured superpriority financing pursuant to the DIP Facility Credit Agreement. As of the Effective Date of the Plan, claims arising under the DIP Facility Credit Agreement 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

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.**

already satisfied pursuant to the DIP Credit Agreement, on the Effective Date of the Plan 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 Facility Claim.

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

Class	Claim/Interest	Treatment
1	Term Loan Claims	In exchange for full and final satisfaction, settlement, release and discharge of the Term Loan Claim, the Holders of the Term Loan Claims will receive their Pro Rata share of the Available Cash from the Coldwater Segregated Fund on the First Distribution Date. If such Available Cash is insufficient to satisfy the Term Loan Claims in full, the Holders of the Term Loan Claims will receive their Pro Rata share of Available Cash distributed by the Plan Administrator upon each Subsequent Distribution Date and the Final Distribution Date until the Term Loan Claims are satisfied in full.
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 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.
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.
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 any Net Available Funds. If, as of the Final Distribution Date, there are no Net Available Funds to satisfy any Allowed General Unsecured Claims, Holders of General Unsecured Claims will not receive any distribution on account of such General Unsecured Claims.
5	Intercompany Claims	Holders of Class 5 Intercompany Claims shall not receive any distribution on account of such Claims. On the Effective Date, Class 5 Intercompany Claims shall be cancelled.
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.

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.
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**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 in favor of the Plan.

A. Defined Terms

1. ***“Bankruptcy Court”*** means the United States Bankruptcy Court for the District of Delaware having jurisdiction over the Chapter 11 Cases or any other court having jurisdiction over the Chapter 11 Cases, including, to the extent of the withdrawal of the reference under 28 U.S.C. § 157, the United States District Court for the District of Delaware.

2. ***“Bankruptcy Rules”*** means the Federal Rules of Bankruptcy Procedure promulgated under section 2075 of the Judicial Code and the general, local and chambers rules of the Bankruptcy Court.

3. ***“Bar Date”*** means the deadline for filing proofs of claim in the Chapter 11 Cases established by an order of the Bankruptcy Court.

4. ***“Chapter 11 Cases”*** means (a) when used with reference to a particular Debtor, the case pending for that Debtor under chapter 11 of the Bankruptcy Code and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court under case number 14-_____ ().

5. ***“Claim”*** means any claim, as such term is defined in section 101(5) of the Bankruptcy Code, against a Debtor.

6. ***“COD Income”*** means cancellation of debt income.

7. ***“Confirmation Date”*** means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

8. ***“Confirmation Hearing”*** means the confirmation hearing held by the Bankruptcy Court pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

9. ***“Effective Date”*** means the date selected by the Debtors, with the consent of the Term Loan Lenders, that is a Business Day after the Confirmation Date on which (a) the

conditions to the occurrence of the Effective Date have been met or waived pursuant to Article IX.B and Article IX.C and (b) no stay of the Confirmation Order is in effect.

10. “*Intercompany Interest*” means an Interest in a Debtor or non-Debtor Affiliate held by another Debtor or non-Debtor Affiliate.

11. “*Interests*” means any equity security in a Debtor as defined in section 101(16) of the Bankruptcy Code, including all issued, unissued, authorized or outstanding shares of capital stock of the Debtors together with any warrants, options or other rights to purchase or acquire such equity securities at any time and all rights arising with respect thereto.

12. “*IRS*” means the United States Internal Revenue Service.

13. “*Plan*” and the “*Plan of Liquidation*” mean the *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.

14. “*Plan Supplement*” means the compilation of documents and forms of documents, schedules and exhibits to the Plan to be Filed no later than seven days before the Confirmation Hearing, which documents shall be in form and substance acceptable to the Term Loan Lenders, on notice to parties in interest, and additional documents Filed before the Effective Date as supplements or amendments to the Plan Supplement (all in form and substance acceptable to the Term Loan Lenders). The Debtors shall have the right to amend the documents contained in, and exhibits to, the Plan Supplement through the Effective Date with the consent of the Term Loan Lenders.

15. “*PWP*” mean Perella Weinberg Partners LP, the Debtors’ investment bankers.

16. “*Regulations*” means the United States Treasury Regulations promulgated under the Tax Code.

17. “*SEC*” means the United States Securities and Exchange Commission.

18. “*Tax Code*” means the Internal Revenue Code of 1986, as amended.

19. Unless the context requires otherwise, reference to “*we*,” “*our*” and “*us*” are to the Debtors.

B. Details About this Disclosure Statement

The confirmation of the Plan 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

without limitation, the Plan and the section 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 qualified in their entirety by reference to those documents. The statements 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 the 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 the 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 sought approval to retain a liquidator to conduct liquidation sales at each of their stores and to dispose of their inventory and other assets. Cash proceeds from these 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	Impaired	Entitled to Vote
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?

The Debtors are not able to estimate expected recoveries for all classes of creditors at this time. The Debtors expect that Holders of Claims in Classes 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. For several reasons, including the fact that the Bar Date has not yet occurred, the outstanding Claims pool against the Debtors is currently unknown and the value that the Debtors will receive for the liquidation of their inventory is not yet certain, the Debtors are not able to estimate recoveries for Holders of General Unsecured Claims.

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 is the role of the Plan Administrator?

The Plan Administrator is the representative of the Debtors from and after the Effective Date of the Plan and has authority to act on behalf of the Debtors and to take all action to (a) wind down the Debtors' affairs, (b) liquidate any remaining assets of the Debtors' estates, (c) enforce and prosecute Claims, Causes of Action (including any Avoidance Actions), rights and privileges of the Debtors and their estates, (d) resolve Disputed Claims, (e) administer the Plan and (f) file appropriate tax returns, among other duties and responsibilities.

The Plan Administrator will be selected by Debtors, with the consent of the Term Loan Lenders, and identified in the Plan Supplement. The Term Loan Lenders may remove the Plan Administrator at any time before the payment in full in Cash of the Allowed Term Loan Claims, with or without cause, upon at least ten days' prior written notice to the U.S. Trustee and the Plan Administrator and may designate a new Plan Administrator. Upon the payment full in Cash of the Allowed Term Loan Claims, the Creditors' Committee will have the authority to remove the Plan Administrator and designate a replacement in the event of the resignation or removal, death or incapacity of the Plan Administrator.

I. 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 thereafter. See Article IX "Conditions Precedent to Confirmation and Consummation of the Plan," for a discussion of the conditions to consummation of the Plan.

J. 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.”

K. Will there be releases granted to parties in interest as part of the Plan?

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, 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, accounts, investment bankers, consultants, representatives, management companies, fund advisors and other Professionals. *See* Article VIII-B through VIII-D of the Plan.

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

The deadline to vote on the Plan is **[July 11], 2014 a 4:00 p.m.** (prevailing Eastern Time).

M. 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 <http://cases.primeclerk.com/coldwater> or email: coldwaterinfo@primeclerk.com.

N. *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 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.

O. *When is the Confirmation Hearing set to occur?*

The Bankruptcy Court has scheduled the Confirmation Hearing for [July 29], 2014 at [●]. 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 11], 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* or *The New York Times* and the *Spokesman Review* to provide notification to those persons who may not receive notice by mail.

P. *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.

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

The Debtors operated as a multi-channel retailer that offers 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 *Declaration of James A. Bell in Support of Voluntary Petitions, First day Motions and Applications* (the "**Bell Declaration**") filed contemporaneously with this Motion and attached hereto as Exhibit B, and in the Debtors' recent SEC filings, which can be found on the Interested Relations section of their website, www.coldwatercreek.com.

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.

Upon concluding that an orderly liquidation of the Debtors' assets was the only viable alternative, the Debtors engaged with their Prepetition Secured Lenders to negotiate the terms of the wind-down and Plan. After extensive good faith negotiations, the Debtors reached agreement with the Prepetition Secured Lenders and, prior to the Petition Date, executed a Plan Support Agreement.

**ARTICLE VII.
RELIEF GRANTED DURING THE CHAPTER 11 CASES**

Upon the commencement of the Chapter 11 Cases, the Debtors filed a number of motions seeking administrative relief and authorization to pay various prepetition Claims, as set forth in the Bell Declaration. A list of the motions the Debtors sought immediate approval of is set forth below.

Administrative and Operational First Day Motions

- *Debtors' Motion For An Order Authorizing Joint Administration of Related Chapter 11 Cases*
- *Debtors' Motion for an Order Authorizing the Payment of Prepetition Sales, Use and Other Taxes and Government Charges*
- *Debtors' Motion for Interim and Final Orders Authorizing the Debtors to Maintain Insurance Policies and Pay all Prepetition and Postpetition Obligations in Respect Thereof*
- *Debtors' Motion for 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*
- *Debtors' Motion for an Order Authorizing the Payment of Certain Prepetition Shipping Claims*
- *Debtors' Application for an Order Authorizing the Appointment of Prime Clerk LLC as Clams and Noticing Agent*

Employee and Customer First Day Motions

- *Debtors' Motion for an 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*
- *Debtors' Motion for an 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

Cash and Financing First Day Motions

- *Debtors' Motion for 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*
- *Debtors' Motion for Interim and Final Orders (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*

Entry of orders approving these motions will ease the administrative burden of these cases and strain on the Debtors' relationships with employees and customers following the commencement of the Chapter 11 Cases.

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 at the outside of the Chapter 11 Cases, the Debtors have filed 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* seeking authority to conduct an auction to retain a liquidator to conduct store closing sales and liquidate the Debtors' inventory.

Additionally, in an effort to minimize unnecessary overhead costs during the liquidation, the Debtors have filed *Debtors Motion for An Order Establishing Procedures for Rejection of Executory Contracts and Unexpired Leases of Nonresidential Real Property* 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 the Debtors' operations.

Finally, in an effort to determine the outstanding claims pool and minimize the length of the Chapter 11 Cases, shortly after the Petition Date, the Debtors filed a motion setting a Bar Date and seeking approval of the manner of notice thereof. The Debtors believe that setting the Bar Date at the outset of the Chapter 11 Cases will allow them to proceed to Confirmation of the Plan swiftly and conduct the Chapter 11 Cases in an expeditious and efficient manner.

**ARTICLE VIII.
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 all impaired voting classes vote 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. Bankruptcy Code section 1129 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 professional 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. Administrative, Priority Non-Tax and Other Secured Claims May Exceed the Maximum Amount Allowed Under the Plan.

A chapter 11 plan must provide for the payment of Administrative Claims in full. The Plan provides that the amount of (a) Allowed Administrative Claims, including Fee Claims, shall not exceed an aggregate of \$9 million, (b) Allowed Non-Tax Priority Claims shall not exceed an aggregate of \$200,000 and (c) Allowed Other Secured Claims shall not exceed an aggregate of \$200,000, unless otherwise agreed to by the Term Loan Lenders. If such Claims exceed these amounts and the Term Loan Lenders do not consent to an increase in the caps, the Plan may not be able to be confirmed.

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 – e.g. owned real estate – 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 employ a total of approximately 5,910 employees, approximately 1,944 of which are employed by the Debtors on a full-time basis and approximately 3,966 of which are employed by the Debtors on a part-time or seasonal basis. Many of the 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 IX.
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.*

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 Classes 1 and 4. The procedures and instructions for voting and related deadlines will be attached thereto.

**ARTICLE X.
CONFIRMATION OF THE PLAN**

A. Requirements for Confirmation of the Plan

Section 1129 of the Bankruptcy sets the requirements a plan must meet in order to be confirmed. Among the requirements for Confirmation of the Plan are that the Plan (a) 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; (b) is feasible; and (c) 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: (a) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11 and (b) 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 (a) has accepted the Plan or (b) 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 Interest 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 takes advantage of the Debtors’ historically busy summer season and 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 conduct the wind-down in a way that maximizes value. 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.

3. 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.

4. 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 equityholders. 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.

Holder 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 1, 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 XI. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction

The following discussion summarizes certain 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 “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).

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 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 any 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).

ARTICLE XII.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. *Liquidation Under Chapter 7*

If no chapter 11 plan can be confirmed, the 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, (a) 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 (b) 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 XIII.
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: April 11, 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

Declaration of James A. Bell in Support of Voluntary Petitions, First Day Motions and Applications