

Tiburon Research Group

Monthly Micro-Cap Focus: Coldwater Creek (CWTR - \$5.90)

May 31, 2010

Earnings Analytics: EPS Model Dynamics

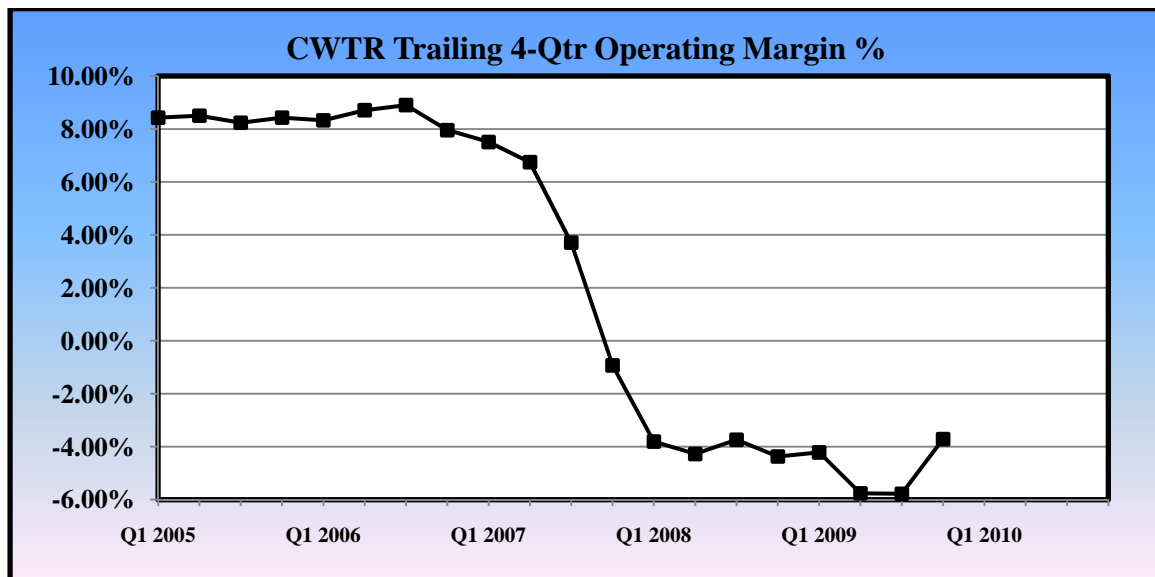
Big picture, the company is struggling with incremental novelty product and higher price points, two key strategic initiatives for this fiscal year. In addition, the company's retail locations lose money (after an allocation of an even modest amount of corporate overhead) and management's insistence on building +20 new stores in FY 2010 is ridiculous.

The chain continues to struggle to attract meaningful traffic outside of offering broad, deep discounts during high-volume selling periods.

We're forecasting a material haircut to the company's current annual EPS guidance range of \$0.08 to \$0.12. The question is whether the haircut comes this week or later in the year. In Q1 2010, we're forecasting EPS of (\$0.06). In FY 2010, we're forecasting EPS of (\$0.05).

- At -3.71% in FY 2009, CWTR sports one of the lowest EBIT margins in specialty retail. What's even more disconcerting is that the company has a much more profitable *Direct-to-Customer (DTC) Channel* that generates approximately 25% of the company's total revenue. If no DTC Channel, the company's EBIT margin would be much worse.

Clearly, the company choked on its rapid, ill-advised store growth in FY 2006 – FY 2008.



- CWTR may have been one of the few specialty apparel retailers to report greater percent inventory growth at the end of Q4 2009 versus percent sales growth. Yet, it's not a short-term phenomenon. CWTR has consistently reported greater percent inventory growth than percent sales growth since Q2 2006 (11 of 15 fiscal quarters).

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- CWTR faces materially tougher to anniversary 2-Year EBIT Margin run rates as the fiscal year progresses in FY 2010.

CWTR Quarterly EBIT Margin Run Rates

	<u>FY 2008</u>	<u>FY 2009</u>		<u>Combined 2-yr</u>		<u>FY 2010</u>		<u>Combined 3-yr</u>
Q1	Lower 1,186 Bps	Higher 46 Bps	+	Lower 1,140 Bps	+			=
Q2	Lower 177 Bps	Lower 610 Bps	+	Lower 787 Bps	+			=
Q3	Higher 245 Bps	Lower 74 Bps	+	Higher 171 Bps	+			=
Q4	Lower 341 Bps	Higher 744 Bps	+	Higher 403 Bps	+			=

- The company's high-water mark for profitability was FY 2005. *Unallocated & Other G&A* costs were approximately \$118 million in both FY 2008 & FY 2009.

Therefore, while the company's stores are slightly profitable on a 4-wall basis (see below), even a small allocation of *Unallocated & Other G&A* costs were make the store-base unprofitable.

CWTR Divisional Profitability

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
DTC Channel	20.29%	22.02%	25.25%	14.85%	15.43%	16.33%
Retail Channel	17.42%	18.21%	16.20%	9.88%	4.24%	4.87%
Total Company	8.09%	8.43%	7.96%	-0.93%	-4.37%	-3.71%
Corp & Other Costs	-10.75%	-11.37%	-11.59%	-12.43%	-11.59%	-11.41%

Note: The above excludes non-recurring items.

- The divisional merchandise margin in the *DTC Channel* has suffered the most as management has utilized this channel to offload its bloated levels of *Retail Channel* inventory.

CWTR Divisional Merchandise Margin

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
DTC Channel	Lower 360 Bps	Lower 200 Bps	Lower 530 Bps	Lower 1,090 Bps
Retail Channel	Lower 170 Bps	Lower 160 Bps	Lower 60 Bps	Lower 390 Bps

Source: Company 10-K filings.

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Coldwater Creek Shopping Notes

Despite offering significantly broader and deeper promotions throughout the quarter, we believe that sales decelerated in Q1 2010 sales versus Q4 2009 at *Coldwater Creek* stores. The chain continues to struggle to attract meaningful traffic outside of offering broad, deep discounts during high-volume selling periods.

Management discussed on the Q4 2009 conference call the intent to skew the merchandise “more novelty-driven (to be complete by September 2010).” While the assortments have already begun to include significantly more fashion and novelty, store associates today imply that the strategy is not working. According to store level commentary, there may be a new story on the Q1 2010 conference call. Sales associates suggest that the most recent strategy is to “narrow the assortment to appeal to the more conservative, older core customer.”

Unlike **Chico’s**, whose customer responds to trend-on fashion, CWTR was not able to capitalize on the season’s popular trends such as “bling” embellishment. Though much of the chain’s merchandise is more detailed than LY with light embroidery and prints, sales associates point to the most basic and versatile fashions (solid twill and denim jackets) as best sellers. Spring 2010 best sellers include basic stretch twill cropped pants, solid cardigan sweaters, short-sleeve no-iron shirts, and gingham crinkle shirts.

The chain largely missed the long-over-lean trend and most shirts and jackets are cropped (waist-length) at stores today. Key-item tunic length tops and jackets are lacking. Several Spring tunic length fashion shirts are experiencing strength, but most of the key-item longer shirts that the chain offers are underperforming because the gathered pin-tucks at the waist “add extra weight.”

We believe that the chain is also struggling with this year’s broader (and more modern) jewelry assortment. Trendier fashion jewelry with inlaid flowers or more geometric designs were discounted *50% off* during much of the month. More classic and artisan jewelry largely remained full-price during the month.

Inventory levels appear to be high today. Sales associates candidly discuss future plans by management to “lower inventory levels” during the next few quarters, largely by “offering less breadth of fashion.”



Basic no-iron shirts, gingham woven shirts, and lower-priced key-item jackets are driving CWTR sales

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Coldwater Creek Pricing & Promotions

CWTR management noted that it would be adjusting the value-price strategy in jackets, sweaters, and pants this year. The chain actually raised pricing on its most popular no-iron shirts and twill pants. Key-item jackets and novelty t-shirts are priced lower this year (see catalog highlights below for details).

Management alluded to the possibility of more in-season markdowns back on the Q3 2009 conference call. But we believe much of the promotional activity during Q1 2010 was un-planned. Bay Area store associates suggest that many of the promotions are “sprung” on them without definitive end-dates and blame the soft economy for the myriad of promotions throughout the quarter.

Though the *End of Season Clearance Sale* has been re-vamped this year (shorter 10-day duration versus an estimated 3 weeks last year) with sharper initial markdowns, we believe that overall discounting in Q1 2010 was broader and deeper than LY. Outside of the *End of Season Clearance* event, the chain offered several week-long 25% off, 40% off, and 50% off events during the quarter. In addition, the chain was most deeply discounted during highest-volume selling periods.

The website has also offered several incremental 40% off *Entire Purchase* promotions during May 2010 that were not offered LY.

Below is a chart that captures May 2010’s promotional activity at stores by week:

May week #1	<ul style="list-style-type: none">▪ <i>One Day 35% off Entire Purchase (Saturday 05.08.2010)</i>▪ <i>50% off Jewelry</i>▪ <i>Fleece sweatshirts and vests 35% - 50% off</i>▪ <i>Sunwashed Twill jackets \$29.95 versus \$49.95- \$59.95</i>
May week #2	<ul style="list-style-type: none">▪ <i>50% off Jewelry</i>▪ <i>\$30 off \$100 Purchase (through 05.26.2010) - signage in store</i>▪ <i>Buy 2, Get 1 Free Crop Pants</i>▪ <i>Open Cardigans \$39.95 vs \$44.95</i>▪ <i>Sunwashed Twill jackets \$29.95 versus \$49.95- \$59.95</i>▪ <i>30% off All Jackets (05.13.2010 – 05.21.2010)</i>
May week #3	<ul style="list-style-type: none">▪ <i>50% off Jewelry</i>▪ <i>\$30 off \$100 Purchase (through 05.26.2010) - signage in store</i>▪ <i>Buy 2, Get 1 Free Crop Pants</i>▪ <i>Open Cardigans \$39.95 vs \$44.95</i>▪ <i>Sunwashed Twill jackets \$29.95 versus \$49.95- \$59.95</i>▪ <i>30% off All Jackets (05.13.2010 – 05.21.2010)</i>
May week #4	<ul style="list-style-type: none">▪ <i>10-Day 50% off Entire Purchase (05.27.2010 – 06.05.2010) versus LY’s 10-Day 25% off Entire Purchase (05.23.2009 – 06.01.2009)</i>

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Coldwater Creek Catalog Analysis: May 2010 versus May 2009

We compared the May 2010 catalog (88-Pages) versus the May 2009 version (64-Pages):

- CWTR no longer includes coupons in its monthly catalog, and instead offers coupons and promotions solely via e-mail this year.
- The color palette of the May 2010 catalog was more muted than the bright, summery colors featured in the May 2009 catalog.
- The May 2010 catalog placed less emphasis on Mother's Day gifts, featuring a few fashion tops and accessories on one page towards the back of the catalog. The May 2009 catalog featured 10 gift ideas (apparel key-items and accessories) on the first two pages.
- The May 2010 catalog placed less emphasis on value whereas the May 2009 catalog literally calls out "value" with a symbol on select items. The May 2009 catalog also noted that the company "lowered prices on many items."
- The May 2010 catalog included an incremental 4 pages of *Up to 50% off Sunny Days* sale items.
- The May 2010 catalog had more emphasis on slightly more detailed and pricier \$79 - \$99 jackets. The May 2009 catalog emphasized less detailed \$39.50 jackets.
- The May 2010 catalog featured a broader assortment of novelty woven shirts versus LY.
- The May 2010 catalog featured more home accessories throughout the catalog versus LY. The home accessories in May 2010 were more broadly appealing than LY.
- The May 2010 catalog placed more emphasis on novelty floral tees versus an emphasis on basic tees LY.
- The May 2010 catalog emphasized more dresses than LY, featuring an estimated one dress per 2-page spread.
- The May 2010 catalog offered no travelers knits versus the 3-pages of traveler knits featured LY. The stores also feature fewer travel knits this year.
- Year-over-year comparison of key-item pricing is mixed:
 - The May 2010 catalog raised the price on the chain's most popular key-item no-iron short-sleeve shirts from \$49.50 LY to \$59.95 this year. Basic twill pants are also pricier at \$49.50 this year versus \$39.50 LY.
 - The May 2010 catalog lowered pricing on novelty tees to \$34.50 this year versus \$39.50 LY. Open weave wraps are also priced lower this year at \$24.95 versus \$39.50 LY.
 - The May 2010 catalog Summer key-item \$29.50 Sunwashed Twill Jacket was more detailed with pockets and pin-tucks than the pricier and more basic \$39.50 version LY. Interestingly, the same jacket is currently ticketed at \$49 in stores and promoted at \$29.50.

Coldwater Creek (CWTR) 3-Year Profitability Run Rates

	FY 2007 vs. LY	FY 2008 vs. LY	Combined 2-Year	FY 2009 vs. LY	Combined 3-Year
Gross Profit Margin %					
Q1	Lower 98 Bps	+ Lower 1,145 Bps	= Lower 1,243 Bps	+ Lower 312 Bps	= Lower 1,555 Bps
Q2	Lower 277 Bps	+ Lower 384 Bps	= Lower 661 Bps	+ Lower 599 Bps	= Lower 1,260 Bps
Q3	Lower 734 Bps	+ Lower 207 Bps	= Lower 941 Bps	+ Lower 127 Bps	= Lower 1,068 Bps
Q4	Lower 1,084 Bps	+ Lower 319 Bps	= Lower 1,403 Bps	+ Higher 154 Bps	= Lower 1,249 Bps
SG&A %					
Q1	Higher 84 Bps	+ Higher 41 Bps	= Higher 125 Bps	+ Lower 355 Bps	= Lower 230 Bps
Q2	Higher 83 Bps	+ Lower 207 Bps	= Lower 124 Bps	+ Higher 11 Bps	= Lower 113 Bps
Q3	Higher 575 Bps	+ Lower 452 Bps	= Higher 123 Bps	+ Lower 53 Bps	= Higher 70 Bps
Q4	Higher 442 Bps	+ Higher 22 Bps	= Higher 464 Bps	+ Lower 590 Bps	= Lower 126 Bps
Operating Margin % (ex-Items)					
Q1	Lower 182 Bps	+ Lower 1,186 Bps	= Lower 1,368 Bps	+ Higher 46 Bps	= Lower 1,322 Bps
Q2	Lower 360 Bps	+ Lower 177 Bps	= Lower 537 Bps	+ Lower 610 Bps	= Lower 1,147 Bps
Q3	Lower 1,310 Bps	+ Higher 245 Bps	= Lower 1,065 Bps	+ Lower 74 Bps	= Lower 1,139 Bps
Q4	Lower 1,526 Bps	+ Lower 341 Bps	= Lower 1,867 Bps	+ Higher 744 Bps	= Lower 1,123 Bps

*Gross Margin / SG&A Ratio / Operating Margin each are adjusted for non-recurring items.

Non-Recurring Items:

Q3 2007 Non-Recurring: \$0.554 million charge asset impairment (\$)
 Q4 2007 Non-Recurring: \$0.066 million charge asset impairment (\$)
 Q2 2008 Non-Recurring: \$1.452 million charge Spa division impairment (\$0.01)
 Q3 2009 SG&A: \$6.000 million charge CEO severance (\$0.04)
 Q3 2009 Tax: \$26.300 million charge valuation allowance against deferred tax asset (\$0.29)
 Q4 2009 Non-Recurring: \$0.607 million charge impairment premium store assets (\$0.01)

	FY 2008 vs. LY	FY 2009 vs. LY	Combined 2-Year	FY 2010 vs. LY	Combined 3-Year
Gross Profit Margin %					
Q1	Lower 1,145 Bps	+ Lower 312 Bps	= Lower 1,457 Bps	+ =	=
Q2	Lower 384 Bps	+ Lower 599 Bps	= Lower 983 Bps	+ =	=
Q3	Lower 207 Bps	+ Lower 127 Bps	= Lower 334 Bps	+ =	=
Q4	Lower 319 Bps	+ Higher 154 Bps	= Lower 165 Bps	+ =	=
SG&A %					
Q1	Higher 41 Bps	+ Lower 355 Bps	= Lower 314 Bps	+ =	=
Q2	Lower 207 Bps	+ Higher 11 Bps	= Lower 196 Bps	+ =	=
Q3	Lower 452 Bps	+ Lower 53 Bps	= Lower 505 Bps	+ =	=
Q4	Higher 22 Bps	+ Lower 590 Bps	= Lower 568 Bps	+ =	=
Operating Margin % (ex-Items)					
Q1	Lower 1,186 Bps	+ Higher 46 Bps	= Lower 1,140 Bps	+ =	=
Q2	Lower 177 Bps	+ Lower 610 Bps	= Lower 787 Bps	+ =	=
Q3	Higher 245 Bps	+ Lower 74 Bps	= Higher 171 Bps	+ =	=
Q4	Lower 341 Bps	+ Higher 744 Bps	= Higher 403 Bps	+ =	=

CWTR reclassified *Gift with Purchase* amounts from SG&A to CGS at end of FY 2006.
 CWTR reclassified *Pre-Opening Rent* from CGS to SG&A in FY 2006. Quarterly numbers in FY 2005 and FY 2006 restated. No impact to EBIT margin.

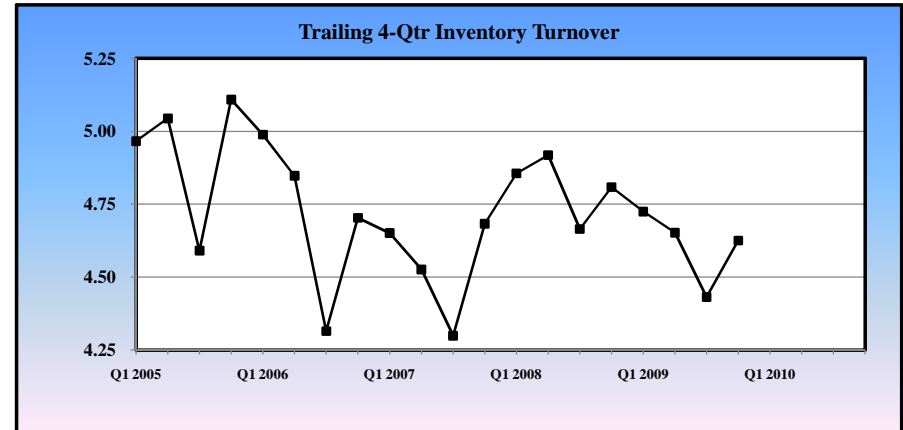
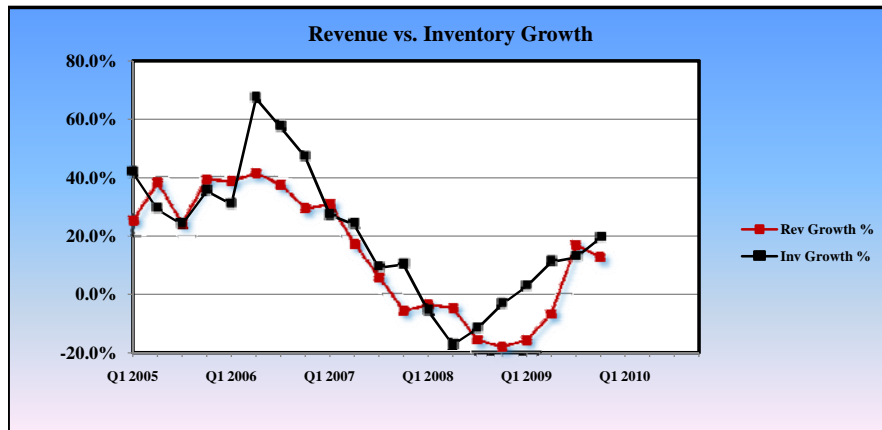
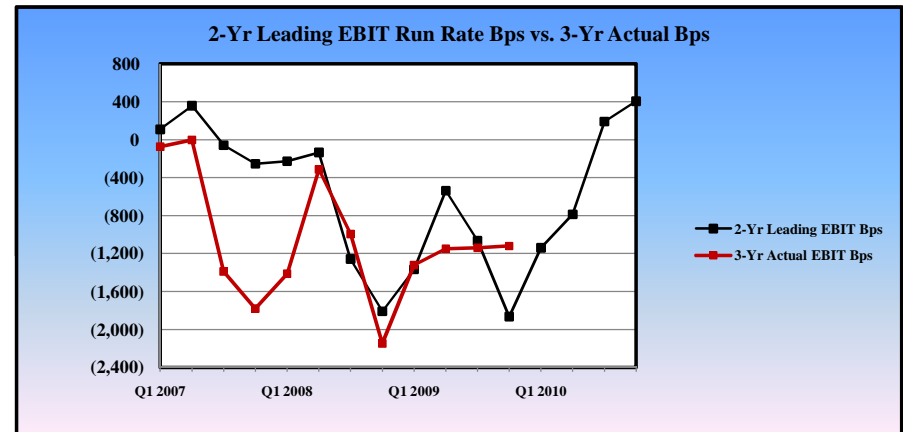
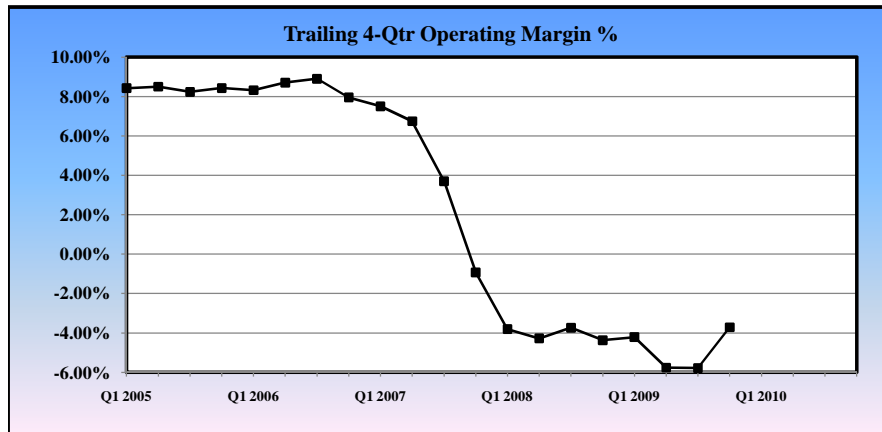
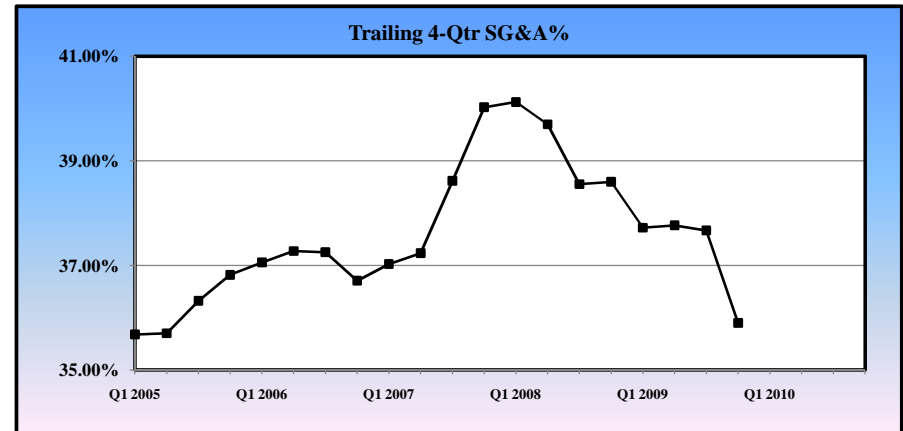
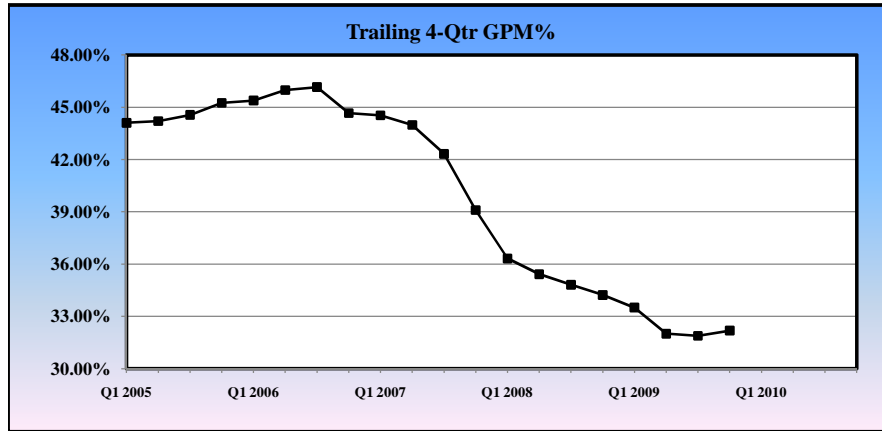
Coldwater Creek (CWTR) Diagnostics

14-May-10

	Q1 2007		Q2 2007		Q3 2007		Q4 2007		Q1 2008		Q2 2008		Q3 2008		Q4 2008		Q1 2009		Q2 2009		Q3 2009		Q4 2009		Q1 2010		Q2 2010		Q3 2010		Q4 2010	
	05-May-07	04-Aug-07	03-Nov-07	02-Feb-08	03-May-08	02-Aug-08	01-Nov-08	31-Jan-09	02-May-09	01-Aug-09	31-Oct-09	30-Jan-10	01-May-10																			
Net Revenue	\$281,292	\$253,476	\$271,161	\$345,543	\$271,105	\$241,434	\$228,453	\$283,229	\$228,367	\$225,192	\$266,658	\$318,364																				
Growth %	30.7%	17.1%	5.8%	-5.7%	-3.6%	-4.8%	-15.8%	-18.0%	-15.8%	-6.7%	16.7%	12.4%																				
Gross Profit \$	\$128,487	\$110,152	\$107,812	\$103,732	\$92,800	\$95,648	\$86,114	\$75,998	\$71,100	\$75,728	\$97,129	\$90,324																				
Gross Profit Margin	45.68%	43.46%	39.76%	30.02%	34.23%	39.62%	37.69%	26.83%	31.13%	33.63%	36.42%	28.37%																				
Bps Change	(98)	(278)	(734)	(1,084)	(1,145)	(384)	(206)	(319)	(310)	(599)	(127)	154																				
Trailing 4-Qtr	44.53%	43.98%	42.32%	39.10%	36.32%	35.42%	34.82%	34.23%	33.51%	32.01%	31.89%	32.19%																				
Bps Change	(13)	(55)	(166)	(323)	(278)	(90)	(60)	(59)	(72)	(150)	(12)	30																				
SG&A \$	(\$110,723)	(\$98,109)	(\$118,143)	(\$133,877)	(\$107,806)	(\$88,450)	(\$88,765)	(\$110,299)	(\$82,712)	(\$82,761)	(\$102,192)	(\$105,187)																				
SG&A Exp Ratio	-39.36%	-38.71%	-43.57%	-38.74%	-39.77%	-36.64%	-38.85%	-38.94%	-36.22%	-36.75%	-38.32%	-33.04%																				
Bps Change	(85)	(83)	(595)	(443)	(40)	207	471	(20)	355	(12)	53	590																				
Trailing 4-Qtr	-37.03%	-37.23%	-38.62%	-40.02%	-40.12%	-39.70%	-38.55%	-38.60%	-37.72%	-37.77%	-37.67%	-35.90%																				
Bps Change	(32)	(21)	(138)	(141)	(10)	43	114	(4)	88	(5)	10	177																				
Operating Margin \$	\$17,764	\$12,043	(\$10,331)	(\$30,145)	(\$15,006)	\$7,198	(\$2,651)	(\$34,301)	(\$11,612)	(\$7,033)	(\$5,063)	(\$14,863)																				
Operating Margin	6.32%	4.75%	-3.81%	-8.72%	-5.54%	2.98%	-1.16%	-12.11%	-5.08%	-3.12%	-1.90%	-4.67%																				
Bps Change	(183)	(360)	(1,330)	(1,526)	(1,185)	(177)	265	(339)	45	(610)	(74)	744																				
Bps Change - 2yr	(227)	(135)	(1,258)	(1,809)	(1,368)	(537)	(1,065)	(1,865)	(1,140)	(787)	191	406																				
Bps Change - 3yr	(74)	(3)	(1,388)	(1,780)	(1,412)	(312)	(993)	(2,148)	(1,323)	(1,148)	(1,138)	(1,121)																				
Trailing 4-Qtr	7.51%	6.75%	3.71%	-0.93%	-3.81%	-4.28%	-3.74%	-4.37%	-4.21%	-5.76%	-5.78%	-3.71%																				
Bps Change	(45)	(76)	(304)	(463)	(288)	(47)	54	(63)	16	(155)	(2)	207																				
Depr/Amort \$	(\$11,706)	(\$12,353)	(\$13,148)	(\$15,246)	(\$14,984)	(\$14,828)	(\$14,470)	(\$17,529)	(\$15,732)	(\$15,831)	(\$15,915)	(\$16,243)																				
Trailing 4-Qtr	(\$42,487)	(\$46,029)	(\$49,377)	(\$52,453)	(\$55,731)	(\$58,206)	(\$59,528)	(\$61,811)	(\$62,559)	(\$63,562)	(\$65,007)	(\$63,721)																				
EBITDA \$	\$29,470	\$24,396	\$2,817	(\$14,899)	(\$22)	\$22,026	\$11,819	(\$16,772)	\$4,120	\$8,798	\$10,852	\$1,380																				
Trailing 4-Qtr	\$126,623	\$124,126	\$92,824	\$41,784	\$12,292	\$9,922	\$18,924	\$17,051	\$21,193	\$7,965	\$6,998	\$25,150																				
CapEx \$	(\$26,906)	(\$30,613)	(\$33,562)	(\$30,182)	(\$26,275)	(\$18,527)	(\$23,160)	(\$13,253)	(\$7,735)	(\$5,571)	(\$5,205)	(\$3,170)																				
Trailing 4-Qtr	(\$115,532)	(\$120,674)	(\$119,180)	(\$121,263)	(\$120,632)	(\$108,546)	(\$98,144)	(\$81,215)	(\$62,675)	(\$49,719)	(\$31,764)	(\$21,681)																				
Dividends \$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0																				
Trailing 4-Qtr	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0																				
Share Repo \$	\$0	\$0	(\$7,818)	(\$17,228)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0																				
Trailing 4-Qtr	\$0	\$0	(\$7,818)	(\$25,046)	(\$25,046)	(\$25,046)	(\$17,228)	\$0	\$0	\$0	\$0	\$0																				
Inventory \$	\$134,108	\$153,647	\$194,025	\$139,993	\$126,604	\$127,119	\$171,368	\$135,376	\$130,141	\$141,317	\$192,995	\$161,546																				
Growth %	27.2%	24.0%	9.1%	10.3%	-5.6%	-17.3%	-11.7%	-3.3%	2.8%	11.2%	12.6%	19.3%																				
% Fwd Qtr CGS	93.6%	94.1%	80.2%	78.5%	86.8%	89.3%	82.7%	86.1%	87.1%	83.4%	84.6%																					
Inv Turn Trail 4-Qtr	4.7	4.5	4.3	4.7	4.9	4.9	4.7	4.8	4.7	4.7	4.4	4.6																				
GMROI % Trail 4-Qtr	373.4%	355.3%	315.5%	300.6%	276.9%	269.8%	249.2%	250.2%	238.1%	219.0%	207.4%	219.5%																				

Notes: Above metrics exclude non-recurring charges. See EPS model for a summary of what TRG considers non-recurring.

Coldwater Creek (CWTR) Chartology



Coldwater Creek (CWTR) Catalog, Marketing, Credit Scorecard

31-May-10

	FY 2004	FY 2005	FY 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	FY 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009
Catalog Circulation:																		
Total Catalog Circulation	107,627	113,013	118,690	33,842	18,620	30,983	45,106	128,551	29,472	12,251	17,143	27,083	85,949	18,885	11,903	26,588	33,989	91,365
Growth %	-8.6%	5.0%	5.0%	11.5%	14.4%	28.8%	-6.1%	8.3%	-12.9%	-34.2%	-44.7%	-40.0%	-33.1%	-35.9%	-2.8%	55.1%	25.5%	6.3%
Direct Sales \$ per Catalog	\$2.73	\$2.90	\$3.29	\$2.85	\$4.07	\$2.74	\$2.64	\$2.93	\$2.86	\$4.25	\$3.09	\$3.08	\$3.17	\$3.05	\$3.51	\$2.23	\$2.86	\$2.80
Growth %	-0.7%	6.2%	13.3%	-0.3%	-8.7%	-25.9%	-10.8%	-11.0%	0.3%	4.4%	13.0%	16.6%	8.4%	6.8%	-17.4%	-27.8%	-7.1%	-11.7%
Retail Channel Catalog Circ		11,900	20,500	8,700	4,400	2,500	14,500	30,100										
Growth %			72.3%	45.0%	120.0%	25.0%	38.1%	46.8%										
Marketing:																		
Direct Response Advertise \$	\$64,500	\$81,400	\$96,800	\$25,400	\$18,400	\$25,900	\$38,100	\$107,800	\$18,300	\$8,500	\$11,500	\$19,000	\$57,300	\$9,200	\$8,400	\$17,400	\$19,500	\$54,500
Growth %	-5.0%	26.2%	18.9%	10.4%	2.8%	15.1%	14.1%	11.4%	-28.0%	-53.8%	-55.6%	-50.1%	-46.8%	-49.7%	-1.2%	51.3%	2.6%	-4.9%
Natl Magazine Advert \$	\$3,200	\$13,600	\$24,200	\$12,200	???			\$22,800					\$4,500					
Growth %			77.9%	114.0%				-5.8%					-80.3%					
Non-Direct Advertising \$	\$5,300	\$10,500	\$16,700	\$10,500	\$4,700	\$6,900	\$4,200	\$26,300	\$6,100	\$3,600	\$6,000	\$7,200	\$22,900	\$5,500	\$3,100	\$6,200	\$7,500	\$22,300
Growth %		98.1%	59.0%	275.0%	88.0%	46.8%	-37.3%	57.5%	-41.9%	-23.4%	-13.0%	71.4%	-12.9%	-9.8%	-13.9%	3.3%	4.2%	-2.6%
Opt-In E-mail Addresses				3,200	3,300	3,400	3,700	3,700										
Credit Card Mkt Fee:																		
Credit Card New Activated Accts	0	153,300	177,000	32,100	26,900	26,000	19,000	104,000	14,600	10,700	9,600	11,100	46,000					
Credit Card Mktng Fee Gross \$	\$0	\$12,311	\$13,886	\$2,534	\$1,330	\$1,114	\$881	\$5,859	\$680	\$515	\$478	\$567	\$2,240	\$391	\$437	\$725	\$1,457	\$3,010
Credit Card Mkt Fee P&L \$	\$0	\$3,771	\$8,270	\$2,212	\$1,963	\$1,831	\$1,693	\$7,699	\$1,619	\$1,504	\$1,433	\$1,403	\$5,959	\$1,333	\$1,257	\$1,262	\$1,473	\$5,325
Credit Revenue Share Fee Gross \$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,946	\$0	\$0	\$2,946	\$0	\$6,549	\$0	\$0	\$6,549
Credit Revenue Share P&L \$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$561	\$121	\$120	\$802	\$120	\$1,611	\$440	\$440	\$2,611
Credit Royalty Fee P&L \$	\$0	\$0	\$2,900	\$800	\$500	\$200	\$1,300	\$2,800	\$1,100	\$1,300	\$1,500	\$1,200	\$5,100	\$1,500	\$800	\$2,100	\$2,200	\$6,600

*Note: Italics indicate TRG estimates. Amounts above per company reports. Amounts in thousands (100) except store count and SSF.

Non-Direct advertising includes web-based commission programs and in-store signage. Previously, Gift with Purchase programs were included in this number. But, CWTR shifted these costs to CGS in FY 2006 and quarterly numbers are no longer comparable.

Coldwater Creek (CWTR) Other Scorecard

31-May-10

	FY 2004	FY 2005	FY 2006	FY 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009
Revenue:														
Total Company	\$590,310	\$779,663	\$1,054,611	\$1,151,472	\$271,105	\$241,434	\$228,453	\$283,229	\$1,024,221	\$228,367	\$225,192	\$266,658	\$318,364	\$1,038,581
Growth %	13.8%	32.1%	35.3%	9.2%	-3.6%	-4.8%	-15.8%	-18.0%	-11.1%	-15.8%	-6.7%	16.7%	12.4%	1.4%
Direct Channel Sales Mix %	49.8%	41.6%	37.0%	32.7%	31.1%	21.6%	23.2%	29.5%	26.6%	25.2%	18.6%	22.3%	30.6%	24.7%
Retail Channel Sales Mix %	50.2%	58.4%	63.0%	67.3%	68.9%	78.4%	76.8%	70.5%	73.4%	74.8%	81.4%	77.7%	69.4%	75.3%
Inc Statement & Bal Sheet:														
Stock-Based Compensation		(\$337)	(\$3,753)	(\$5,241)	(\$1,203)	(\$1,081)	(\$1,299)	(\$1,196)	(\$4,779)	(\$1,380)	(\$1,472)	(\$3,056)	(\$810)	(\$6,718)
Growth %			1013.6%	39.6%	1.0%	-27.0%	-24.2%	39.9%	-8.8%	14.7%	36.2%	135.3%	-32.3%	40.6%
SERP Expense		(\$315)	(\$1,444)	(\$3,475)	(\$323)	(\$322)	(\$324)	(\$324)	(\$1,293)	(\$323)	(\$323)	(\$2,189)	(\$176)	(\$3,011)
Growth %			358.4%	140.7%	-8.8%	-65.3%	-82.8%	6.6%	-62.8%	0.0%	0.3%	575.6%	-45.7%	132.9%
Tax Rate %	-39.93%	-40.53%	-39.53%	-35.81%	-36.07%	-50.02%	-42.99%	-45.81%	-41.92%	-35.76%	-31.49%	200.33%	-38.39%	-22.09%
Total Co. Inventory	\$63,752	\$86,309	\$126,953	\$139,993	\$126,604	\$127,119	\$171,368	\$135,376	\$135,376	\$130,141	\$141,317	\$192,995	\$161,546	\$161,546
Growth %	21.0%	35.4%	47.1%	10.3%	-5.6%	-17.3%	-11.7%	-3.3%	-3.3%	2.8%	11.2%	12.6%	19.3%	19.3%
Accounts Payable	\$49,406	\$76,329	\$85,412	\$75,936	\$103,282	\$97,040	\$134,528	\$93,355	\$93,355	\$106,075	\$103,302	\$140,598	\$99,234	\$99,234
Accounts Payable % Inv	77.5%	88.4%	67.3%	54.2%	81.6%	76.3%	78.5%	69.0%	69.0%	81.5%	73.1%	72.9%	61.4%	61.4%
Gift Card & Reward Liab	\$9,329	\$14,126	\$21,739	\$34,004	\$29,229	\$28,083	\$26,250	\$32,491	\$32,491	\$27,788	\$27,246	\$25,360	\$33,014	\$33,014
Growth %		51.4%	53.9%	56.4%	58.3%	49.9%	27.4%	-4.4%	-4.4%	-4.9%	-3.0%	-3.4%	1.6%	1.6%
Outstanding Purch Orders	\$99,108	\$135,509	\$169,308	\$150,700	\$124,000	\$198,300	\$183,500	\$145,755	\$145,755	\$165,900	\$230,800	\$190,200	\$176,400	\$176,400
Growth %	34.6%	36.7%	24.9%	-11.0%	-35.3%	-7.2%	-9.8%	-3.3%	-3.3%	33.8%	16.4%	3.7%	21.0%	21.0%

*Note: Italics indicate TRG estimates. Amounts above per company reports. Amounts in thousands (000) except store count and SSF.

Coldwater Creek (CWTR) Divisional Operating Profitability

31-May-10

	2004	2005	2006	2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	2009
Direct Channel Sales	\$294,083	\$325,125	\$390,441	\$376,390	\$84,234	\$52,077	\$53,052	\$83,527	\$272,890	\$57,657	\$41,798	\$59,360	\$97,338	\$256,153
Contribution	\$59,655	\$71,600	\$98,595	\$55,878	\$16,486	\$10,669	\$8,468	\$6,485	\$42,108	\$10,112	\$8,495	\$13,411	\$9,819	\$41,837
Contribution Margin %	20.29%	22.02%	25.25%	14.85%	19.57%	20.49%	15.96%	7.76%	15.43%	17.54%	20.32%	22.59%	10.09%	16.33%
Bps Change	Higher 516 Bps	Higher 173 Bps	Higher 323 Bps	Lower 1,040 Bps	Lower 555 Bps	Lower 315 Bps	Higher 118 Bps	Higher 676 Bps	Higher 58 Bps	Lower 203 Bps	Lower 17 Bps	Higher 663 Bps	Higher 233 Bps	Higher 90 Bps
Sales Growth %	-9.3%	10.6%	20.1%	-3.6%	-12.6%	-31.3%	-37.5%	-30.0%	-27.5%	-31.6%	-19.7%	11.9%	16.5%	-6.1%
Retail Channel Sales	\$296,227	\$454,538	\$664,170	\$775,082	\$186,871	\$189,357	\$175,421	\$199,702	\$751,351	\$170,710	\$183,394	\$207,298	\$221,026	\$782,428
Contribution	\$51,604	\$82,783	\$107,566	\$76,585	\$2,605	\$25,793	\$15,835	(\$12,385)	\$31,848	\$3,356	\$12,844	\$16,252	\$5,634	\$38,086
Contribution Margin %	17.42%	18.21%	16.20%	9.88%	1.39%	13.62%	9.03%	-6.20%	4.24%	1.97%	7.00%	7.84%	2.55%	4.87%
Bps Change	Higher 589 Bps	Higher 79 Bps	Lower 201 Bps	Lower 632 Bps	Lower 1,649 Bps	Lower 212 Bps	Higher 94 Bps	Lower 702 Bps	Lower 583 Bps	Higher 58 Bps	Lower 662 Bps	Lower 119 Bps	Higher 875 Bps	Higher 63 Bps
Sales Growth %	52.2%	53.4%	46.1%	16.7%	1.1%	6.6%	-5.8%	-11.7%	-3.1%	-8.6%	-3.1%	18.2%	10.7%	4.1%
Direct & Retail Sales	\$590,310	\$779,663	\$1,054,611	\$1,151,472	\$271,105	\$241,434	\$228,473	\$283,229	\$1,024,241	\$228,367	\$225,192	\$266,658	\$318,364	\$1,038,581
Contribution	\$111,259	\$154,383	\$206,161	\$132,463	\$19,091	\$36,462	\$24,303	(\$5,900)	\$73,956	\$13,468	\$21,339	\$29,663	\$15,453	\$79,923
Contribution Margin %	18.85%	19.80%	19.55%	11.50%	7.04%	15.10%	10.64%	-2.08%	7.22%	5.90%	9.48%	11.12%	4.85%	7.70%
Bps Change	Higher 507 Bps	Higher 95 Bps	Lower 25 Bps	Lower 805 Bps	Lower 1,332 Bps	Lower 306 Bps	Higher 46 Bps	Lower 296 Bps	Lower 442 Bps	Lower 114 Bps	Lower 562 Bps	Higher 48 Bps	Higher 693 Bps	Higher 48 Bps
Sales Growth %	13.8%	32.1%	35.3%	9.2%	-3.6%	-4.8%	-15.7%	-18.0%	-11.0%	-15.8%	-6.7%	16.7%	12.4%	1.4%
Corporate & Other Costs	(\$63,475)	(\$88,663)	(\$122,266)	(\$143,132)	(\$34,097)	(\$29,264)	(\$26,954)	(\$28,401)	(\$118,716)	(\$25,080)	(\$28,372)	(\$34,726)	(\$30,316)	(\$118,494)
Contribution Margin %	-10.75%	-11.57%	-11.59%	-12.43%	-12.58%	-12.12%	-11.80%	-10.03%	-11.59%	-10.98%	-12.60%	-13.02%	-9.52%	-11.41%
Bps Change	Higher 88 Bps	Higher 62 Bps	Higher 22 Bps	Higher 84 Bps	Lower 147 Bps	Lower 69 Bps	Lower 219 Bps	Higher 42 Bps	Lower 84 Bps	Lower 160 Bps	Higher 38 Bps	Higher 122 Bps	Lower 51 Bps	Lower 18 Bps
Corp & Other Growth %		39.7%	37.9%	17.1%	-13.7%	-9.9%	-29.0%	-14.4%	-17.1%	-26.4%	-3.0%	28.8%	6.7%	-0.2%
Total Co. Oper Income	\$47,784	\$65,720	\$83,895	(\$10,669)	(\$15,006)	\$7,198	(\$2,651)	(\$34,301)	(\$44,760)	(\$11,612)	(\$7,033)	(\$5,063)	(\$14,863)	(\$38,571)
Operating Margin %	8.09%	8.43%	7.96%	-0.93%	-5.54%	2.98%	-1.16%	-12.11%	-4.37%	-5.08%	-3.12%	-1.90%	-4.67%	-3.71%

*Note: Italics indicate TRG estimates. Amounts above per company reports. Amounts in thousands (000) except store count and SSF.

CWTR includes national magazine advertising in the "Corporate & Other" division. Despite the large increase in national magazine advertising in FY 2006 (remember, included in Corporate & Other), the retail channel saw a severe decline in operating profitability.

Q2 2008 excludes a \$1.452 million charge in the Retail Channel for store impairment.
 Q3 2009 excludes a \$6.000 million charge for ex-CEO severance.
 Q4 2009 excludes a \$0.607 million charge in the Retail Channel for impairment of premium store assets.

Coldwater Creek (CWTR) Divisional Operating Profitability Detail

31-May-10

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Retail Channel:								
Oper Margin Bps Chng	Lower 1,649 Bps	Lower 212 Bps (ex-Items)	Higher 94 Bps	Lower 702 Bps (-583 Bps Yr)	Higher 58 Bps	Lower 662 Bps	Lower 119 Bps	Higher 875 Bps (+63 Bps Yr)
Comments:	-940 Bps merch margin -390 Bps occup de-leverage -260 Bps empl cost de-lev -50 Bps mkting de-lev -10 Bps store ops de-lev -70 Bps impact <i>Day Spa</i>	+30 Bps merch margin -430 Bps occup de-leverage (above -80 Bps <i>Day Spa</i> impair) -10 Bps empl cost de-lev +80 Bps mkting leverage +120 Bps overhead leverage -90 Bps impact <i>Day Spa</i>	+260 Bps merch margin -410 Bps occup de-leverage flat empl costs +50 Bps mkting leverage +190 Bps overhead leverage	-160 Bps merch margin (yr) -430 Bps store ops de-lev (yr) -60 Bps empl cost de-lev (yr) -20 Bps mkting de-lev (yr) -10 Bps impair costs (yr) +90 Bps overhead lev (yr)	+330 Bps merch margin -410 Bps occup de-leverage +130 Bps empl costs leverage -40 Bps mkting de-leverage +50 Bps overhead leverage	-560 Bps merch margin -150 Bps occup de-leverage above incl. \$1.5M charge LY +140 Bps empl costs leverage -40 Bps mkting de-leverage +20 Bps overhead leverage	-560 Bps merch margin +290 Bps empl costs leverage -120 Bps mkting de-leverage +270 Bps overhead leverage	-60 Bps merch margin (yr) +230 Bps empl cost de-lev (yr) +50 Bps overhead lev (yr) -120 Bps mkting de-lev (yr) -30 Bps store occup de-lev (yr)
Direct Channel:								
Oper Margin Bps Chng	Lower 555 Bps	Lower 315 Bps	Higher 118 Bps	Higher 676 Bps (+58 Bps Yr)	Lower 203 Bps	Lower 17 Bps	Higher 663 Bps	Higher 233 Bps (+90 Bps Yr)
Comments:	-460 Bps merch margin -110 Bps empl cost de-lev -160 Bps overhead de-lev +170 Bps mkting leverage	-410 Bps merch margin -250 Bps empl cost de-lev -130 Bps overhead de-lev +470 Bps mkting leverage	-400 Bps merch margin -160 Bps empl cost de-lev -70 Bps overhead de-lev +390 Bps mkting leverage	-200 Bps merch margin (yr) +410 Bps mkting lev (yr) -110 Bps empl costs de-lev (yr) -40 Bps overhead de-lev (yr)	-660 Bps merch margin -160 Bps empl cost de-lev +50 Bps overhead leverage +570 Bps mkting leverage	-10 Bps merch margin -50 Bps empl cost de-lev +80 Bps overhead leverage -40 Bps mkting de-leverage	+150 Bps merch margin +130 Bps empl costs leverage +90 Bps overhead leverage +290 Bps mkting leverage	-530 Bps merch margin (yr) +510 Bps mkting lev (yr) +70 Bps overhead lev (yr) +40 Bps empl costs lev (yr)
Corporate Overhead:								
Costs Bps Chng	Lower 147 Bps	Lower 69 Bps	Lower 219 Bps	Higher 42 Bps (-84 Bps yr)	Lower 160 Bps	Higher 38 Bps	Higher 122 Bps	Lower 51 Bps (-18 Bps yr)
Comments:	-\$9.0 million mkting costs +\$1.6 million corp support above depr/mgr meetings +\$2.0 million corp salaries	-\$3.8 million mkting costs -\$0.7 million empl expenses +\$0.7 million corp support +\$0.6 million occup exp	-\$5.8 million mkting costs -\$3.4 million empl expenses -\$1.8 million corp support	(-\$22.6 million mkting yr) (-\$1.2 million empl exp yr) (+\$0.8 million amort MIS yr) (-\$1.4 million corp suppt yr)	-\$2.0 million mkting costs -\$4.9 million empl expenses -\$1.3 million corp support -\$0.8 million occup exp	-\$0.2 million mkting costs -\$0.3 million empl expenses -\$0.2 million corp support -\$0.2 million occup exp	+\$3.5 million mkting costs +\$2.4 million empl expenses +\$2.0 million corp support -\$0.1 million occup exp empl exp above ex-charge	(+\$2.4 million mkting yr) (+\$1.5 million empl exp yr) above includes \$6.0M charge (+\$2.1 million corp suppt yr) (-\$0.2M occup exp yr)

*Source: SEC filings.

CWTR 10-Q describes the Retail Channel occupancy leverage as "premium store occupancy leverage."

Remember, national magazine advertising costs are not included in the Retail/Direct channels above. Instead, CWTR management includes these costs in Corporate Overhead.

Coldwater Creek (CWTR) Sales/Profitability Notes - FY 2008 & FY 2007

28-Feb-10

	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Revenue:	\$271,105 -3.6%	\$241,434 -4.8%	\$228,453 -15.8%	\$283,229 -18.0%
Notes:	<p>-19.0% comp store sales -9.4% traffic +150 Bps higher conversion lower AUR, lower Avg Dollar Sale above via clearance activity Q1 = -12% styles, colors 2H 2008 = -20% styles 20% transactions = discount vs. 48% LY to limit frequency, length promos -16% inventory sq ft end qtr Q1 = -13% catalog circ more cost effective catalog circ 93M catalog circ FY 2008 vs. 128M LY \$3M national advertise vs. \$12M LY +40 to +45 new stores FY 2008</p>	<p>-13.7% comp store sales -13.4% traffic +100 Bps higher conversion -4.3% Avg Dollar Sale 15% transactions = discount vs. 44% LY Q2 = -21% styles, colors Q3/Q4 = at least -20% style counts -24% inventory sq ft end qtr Q2 = -34% catalog circ Q3/Q4 catalog circ = -30% 93M catalog circ FY 2008 vs. 128M LY very please with new store layout +40 to +45 new stores FY 2008 +40 new stores FY 2009 August 15th first line new merch team no stores cash flow negative</p>	<p>-20.5% comp store sales -20.5% traffic -4.3% Avg Dollar Sale DTC segment lower than anticipate cust returns -19% inventory sq ft end qtr expect -10% inventory end of year +15 new stores FY 2009 \$35M CapEx FY 2009</p>	<p>-21.4% comp store sales -17.8% traffic -60 Bps conversion -11.6% inventory sq ft end qtr tops successful during Holiday season accessories performed well pants, jackets, outerwear disappoint more silhouettes by end Summer/Fall expect Spa cash flow positive FY 2009 expect Spa only (\$0.01) FY 2009 expect end FY 2009 \$100M cash</p>
GPM %:	34.23% Lower 1,145 Bps higher markdowns 800 Bps higher IMU de-leverage buy/distro costs 50 Bps de-leverage retail occupancy 300 Bps	39.62% Lower 384 Bps higher markdowns 70 Bps higher IMU de-leverage buy/distro costs 20 Bps de-leverage retail occupancy 400 Bps lower ship/handling 100 Bps	37.69% Lower 207 Bps higher merch margin 200 Bps de-leverage buy/distro costs 50 Bps de-leverage retail occupancy 490 Bps lower ship/handling 130 Bps	26.83% Lower 319 Bps flat merchandise margin de-leverage retail occupancy
SG&A %:	-39.77% Higher 41 Bps higher employee exp 310 Bps higher overhead costs 100 Bps lower marketing costs 380 Bps \$3M lower SG&A than LY FY 2008 = Flat SG&A \$ vs. LY	-36.64% Lower 207 Bps higher employee exp 170 Bps higher overhead costs 30 Bps lower marketing costs 410 Bps	-38.85% Lower 452 Bps higher employee exp 90 Bps lower overhead costs 90 Bps lower marketing costs 450 Bps Q4 -\$20M SG&A vs. LY	-38.94% Higher 22 Bps lower marketing lower employee costs FY 2009 -\$30M SG&A vs. LY

	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Revenue:	\$281,292 30.7%	\$253,476 17.1%	\$271,161 5.8%	\$345,543 -5.7%
Notes:	<p>+7.3% comp store sales neg MSD traffic (consistent since Nov) higher UPT, conversion rate March stronger than April sales floor changes to layout/signage <i>Spirit</i> test - 49 stores test TV in select markets (few million \$) <i>Spa</i> cost (\$0.01) vs. (\$0.01) plan updated web site launched Mem Day wknd mid-June CWTR catalog book changes expect total inventory +15% end Q2 \$35M brand mktg FY 2007 131M catalog circ (35M CWTR circ) NYC flagship 68th & 3rd in Fall 3 <i>Spa</i> side by sides in Fall annual EPS guidance = \$0.61 to \$0.67 no longer provide quarterly EPS guide</p>	<p>-6.0% comp store sales negative MSD traffic lower slightly avg tran size higher conversion +230 Bps new sales floor layout/signage new web site rolled-out May 2007 tested new CWTR catalog design roll-out new CWTR catalog in November launched proj replace core mdse system new mdse system SAP full <i>OneCreek</i> loyalty roll-out September 250K immediate <i>OneCreek</i> enrollment <i>Spirit</i> best = pants, jackets 65% at full price vs. 70% LY <i>Spa</i> cost (\$0.01) <i>Spa</i> cost (\$0.02) to (\$0.03) in 2H 2007 16M vs. 12M CWTR books in 2H 2007</p>	<p>-13.6% comp store sales negative HSD traffic higher conversion rely too heavily on what work in past jackets/sweaters not meet expectations warm weather some of blame -10% retail inventory per sq ft end qtr</p>	<p>-19.2% comp store sales negative MSD traffic higher conversion need more casual product lacked differentiation <i>Spirit</i> test discontinued let brand drive product go forward early-April show initial improvement Fall/Hol 2008 = complete brand vision -20% SKU count by Fall/Hol 2008 more depth key items go forward -9.3% retail inventory/ft -15% retail inventory/ft goal FY 2008 FY 2008 limit freq, length sale events eliminate 65 corp positions = \$6M save</p>
GPM %:	45.68% Lower 98 Bps lower merch margin 60 Bps leverage retail store occupancy de-leverage buying, distro, ship/handle <i>Spa</i> impact = (30 Bps)	43.46% Lower 277 Bps lower merch margin 180 Bps de-leverage retail store occupancy de-leverage buying, distro, ship/handle <i>Spa</i> impact = (60 Bps) higher IMU	39.76% Lower 734 Bps lower merch margin 380 Bps de-leverage buying/distro 30 Bps de-leverage ship/handle costs 70 Bps de-leverage retail occupancy 250 Bps higher IMU	30.02% Lower 1,084 Bps \$7.9M inventory write-off
SG&A %:	-39.36% Higher 84 Bps higher marketing/advertising 230 Bps higher personnel costs 30 Bps lower catalog expenses 140 Bps lower overhead costs 30 Bps	-38.71% Higher 83 Bps higher personnel costs 110 Bps lower marketing/advertising 30 Bps	-43.37% Higher 575 Bps higher personnel costs 320 Bps de-leverage overhead cost 100 Bps higher marketing costs 170 Bps	-38.74% Higher 442 Bps de-leverage

Coldwater Creek (CWTR) Sales/Profitability Notes - FY 2006 & FY 2005

28-Feb-10

	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Revenue:	\$215,261 38.3%	\$216,422 41.2%	\$256,371 37.2%	\$366,557 29.1%
Notes:	<p>increasing customer traffic +6% avg tran size credit card customers 30% direct source goal this year emphasis long skirts novelty jackets strong 2 mailings CWTR catalogs vs. 1 LY 112M vs 33M advert pages natl mags inventory more current than ever 1st Spa location open in Portland, OR</p>	<p>+13.3% comp store sales higher traffic, convert, avg order, UPT +324% higher national advertising circ 1 mailing CWTR catalogs vs. 0 LY opened next 5 Spa locations lightweight shirt jackets, novelty skirts pants, t-shirts, Summer dresses \$5.4M natl mag advert vs. \$1.2M LY inventory high = early Fall receipts in August, no heavy m/d yet</p>	<p>+9.9% comp store sales higher avg order, UPT, convert early-Nov highly promotional environment competitors broke price in Oct \$8.0M vs. \$3.1M national advertising \$5.7M vs. \$6.7M national advertising Q4 inventory high = mix shift, direct source Spa cost (\$0.02) vs. (\$0.01) plan</p>	<p>+2.3% comp store sales higher avg order, UPT, conversion comp store traffic nearly -7% Q4 2006 heavy clearance activity expansion WV DC complete small TV test in Q1 2007 Spirit test encouraging - 49 stores Spa cost (\$0.02) Q4 2006 Spa cost (\$0.07) FY 2006 Spa cost est (\$0.04) FY 2007</p>
GPM %:	46.66% Higher 18 Bps higher merch margin 40 Bps higher via marketing fee 50 Bps leverage retail store occupancy 70 Bps lower via c/c & natl mag discounts lower via 2 extra days sale event \$1.5 million vendor rebates	46.23% Higher 319 Bps higher merch margin 300 Bps higher IMU via direct source, volume higher full price vs. disposition sales lower via natl mag discounts leverage retail store occupancy 50 Bps Spa impact = (70 Bps) \$1.9 million vendor rebates	47.10% Higher 47 Bps higher merch margin 70 Bps higher IMU via direct source, volume higher promo activity last month of qtr leverage retail store occupancy Spa impact = (30 Bps)	40.86% Lower 400 Bps higher promo activity
SG&A %:	-38.52% Higher 63 Bps +120 Bps higher natl advertising -230 Bps lower catalog expenses +110 Bps higher personnel costs +40 Bps higher retail store advertising	-37.88% Higher 95 Bps +170 Bps higher natl advertising -140 Bps lower catalog expenses +60 Bps higher personnel costs higher depreciation, travel	-37.62% Higher 23 Bps +200 Bps higher natl advertising -290 Bps lower catalog expenses +40 Bps higher personnel costs +60 Bps higher overhead costs	-34.32% Lower 117 Bps -160 Bps lower catalog expenses +40 Bps higher personnel costs

	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Revenue:	\$155,636 25.0%	\$153,270 37.8%	\$186,835 24.1%	\$283,922 39.1%
Notes:	<p>not need trad Spring Internet promo less clearance activity Summer prod arrival mid-March strong nov jackets, bottoms, knit tops, tees new styles, silhouettes broader appeal national magazine ad campaign incr magazine ad from \$2.6M to \$9M retail channel catalogs 68 pages vs. 12 15% direct source goal this year meet/exceed 50-100 Bps m/m improve 1 Q3 mailer / 2 Q4 mailers planned Internet traffic = 8.3M visits (+45%) industry price break before Mem Day go on-sale mid-June as is every yr. inventory below plan - cleanest ever</p>	<p>+12.7% comp store sales cropped pants boosted pant category novelty jackets well over plan t-shirts, woven tops, nov tops above plan extra catalog in qtr to best customers Internet traffic = 8.4M visits (+46%) inventory below plan no need for air shipments to DC expand denim in Fall 4-page newspaper inserts in 28 mkts</p>	<p>+6.6% comp store sales momentum build last 4 weeks iconic nov jackets and tops assortment Internet traffic = 12.9M visits (+72%) inventory below plan - more current 8-page insert national magazines in Q4 30% direct source in FY 2006 longer term direct source = 70% goal open Hong Kong office Jan 2006 while early - positive response Holiday store traffic catalogs - 6 vs. 5 FY 2006 add 350K sq. ft to DC in 2H FY 2006 13-14 million mailers 2005 vs. 3 LY mag ad \$13.0M in FY 2005 vs. \$2.6M</p>	<p>catalog and national advert drove sales 8-page insert national magazines more focus on gift giving - GWP better novelty jackets, velvet flow early-Spring mid-Dec conversion rate +200 Bps people on ground in India/Guatemala inventory more current than in past 72K new credit - \$6.1M revenue - 3 cents broke ground new WV DC 743M mag pages to 1B in FY 2006 12M traffic drive catalogs in FY 2005 19M traffic drive catalogs in FY 2006 1st SPA location in Portland, OR mag ad \$22.0M in FY 2006 vs. \$14.0M</p>
GPM %:	46.48% Higher 296 Bps +370 Bps merch margin all channels Direct F/P higher +520 Bps Retail F/P higher +160 Bps Total Clearance higher +130 Bps retail channel occup leveraged +110 Bps \$1.3 million vendor rebates	43.04% Higher 98 Bps higher in all channels Direct F/P higher +130 Bps Retail F/P higher +230 Bps Total Clearance higher +80 Bps retail channel occup leveraged +100 Bps \$1.4 million vendor rebates	46.63% Higher 108 Bps +120 Bps merch margin all channels retail channel occup leveraged +100 Bps \$1.7 million vendor rebates	44.86% Higher 252 Bps +300 Bps merch margin all channels retail channel occup leveraged +70 Bps \$2.3 million vendor rebates
SG&A %:	-37.89% Higher 143 Bps \$2.5 million higher catalog circ costs \$5.9 million higher personnel costs \$1.3 million higher brand advertising \$0.1 million higher incentive comp	-36.93% Lower 35 Bps \$1.4 million higher catalog circ costs \$7.1 million higher personnel costs \$1.2 million higher brand advertising \$0.5 million higher incentive comp	-37.85% Higher 237 Bps \$3.6 million lower catalog circ costs \$8.8 million higher personnel costs \$3.6 million higher brand advertising \$1.5 million lower incentive comp	-35.49% Higher 222 Bps

Tiburon Research Group
Compology - Comp Store Sales Other Top-Line Metrics

6/1/2010

	Feb	Mar	Apr	Q1	May	Jun	Jul	Q2	Aug	Sep	Oct	Q3	Nov	Dec	Jan	Q4	Year
<u>Coldwater Creek (CWTR) FY 2010</u>																	
Total Company																	
Direct Channel Sales Growth %																	
Traffic (Premium Retail Channel)																	
Average Transaction Size (Retail Channel)																	
<u>Coldwater Creek (CWTR) FY 2009</u>																	
Total Company																	
Direct Channel Sales Growth %				-18.6%				-10.2%				14.4%				8.9%	-6.1%
Traffic (Premium Retail Channel)				-31.6%				-19.7%				11.9%				16.5%	
Average Transaction Size (Retail Channel)				-19.1%				-11.0%				5.6%					
<u>Coldwater Creek (CWTR) FY 2008</u>																	
Total Company																	
Direct Channel Sales Growth %				-19.0%				-13.7%				-20.5%				-21.4%	-27.5%
Traffic (Premium Retail Channel)				-12.6%				-31.3%				-37.5%				-30.0%	
Average Transaction Size (Retail Channel)				-9.4%				-13.4%				-20.5%				-17.8%	
<u>Coldwater Creek (CWTR) FY 2007</u>																	
Total Company																	
Direct Channel Sales Growth %				7.3%				-6.0%				-13.6%				-19.2%	-3.6%
Average Transaction Size				11.2%				4.5%				-4.5%				-16.2%	-6.1%
<u>Coldwater Creek (CWTR) FY 2006</u>																	
Total Company																	
Direct Channel Sales Growth %				9.6%				13.3%				9.9%				2.3%	20.1%
<u>Coldwater Creek (CWTR) FY 2005</u>																	
Total Company																	
Direct Channel Sales Growth %				5.7%				12.7%				6.6%				21.6%	10.6%
<u>Coldwater Creek (CWTR) FY 2004</u>																	
Total Company																	
Direct Channel Sales Growth %																	-9.3%
<u>Coldwater Creek (CWTR) FY 2003</u>																	
Total Company																	

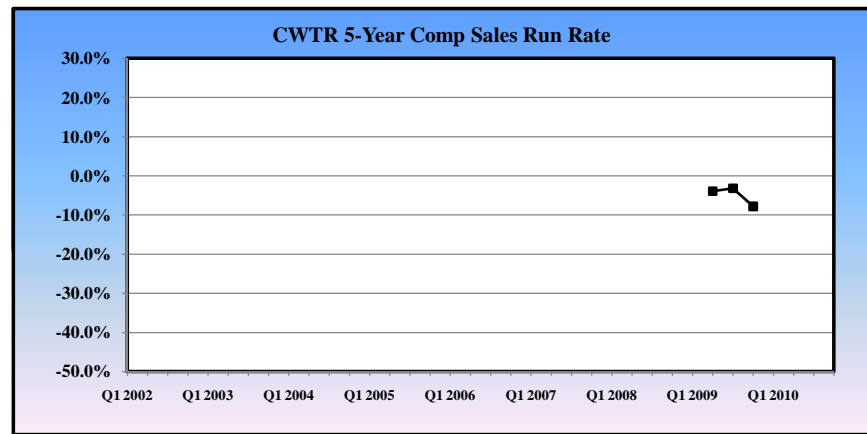
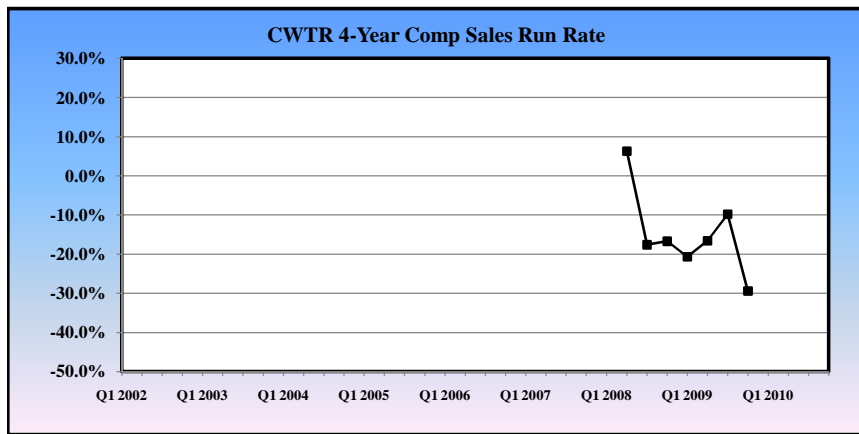
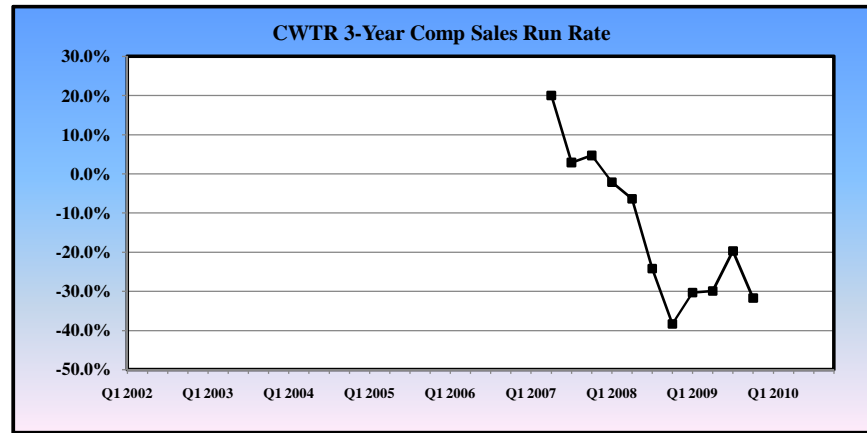
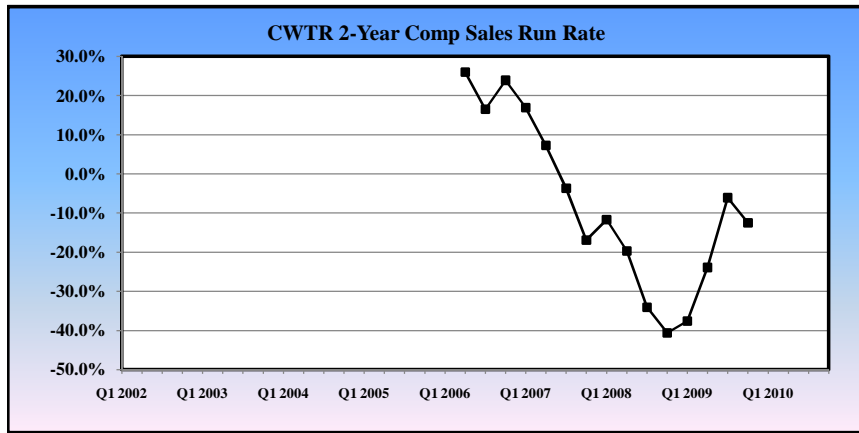
CWTR began reporting comp store sales in Q2 2005. The company does not provide an annual comp store sales metric.

Tiburon Research Group
Compology - Comp Store Sales 5-Year Run Rates

Coldwater Creek (CWTR)	Q1	Q2	Q3	Q4
5-Year Run Rate		-3.9%	-3.2%	-8.7%
FY 2009	-18.4%	-10.2%	14.4%	8.0%
4-Year Run Rate		6.3%	-17.6%	-16.7%
FY 2008	-19.0%	-13.7%	-20.5%	-21.4%
3-Year Run Rate		20.0%	2.9%	4.7%
FY 2007	7.3%	-6.0%	-13.6%	-19.2%
FY 2006	9.6%	13.3%	9.9%	2.3%
FY 2005		12.7%	6.6%	21.6%

Note: CWTR did not begin reporting comp sales until Q2 2006.

Coldwater Creek (CWTR) Comp Sales Run Rate Analysis



Coldwater Creek (CWTR)

01-Jun-10

	2005	53-weeks 2006	2007	Q1-2008	Q2-2008	Q3-2008	Q4-2008	2008	Q1-2009	Q2-2009	Q3-2009	Q4-2009	2009	Q1 2010E	Q2 2010E	Q3 2010E	Q4 2010E	2010E	2011E
Store Count:	28-Jan-06	03-Feb-07	02-Feb-08	03-May-08	02-Aug-08	01-Nov-08	31-Jan-09	2008	02-May-09	01-Aug-09	31-Oct-09	31-Jan-09	2009	Q1 2010E	Q2 2010E	Q3 2010E	Q4 2010E	2010E	2011E
Full Line	174	239	306	315	322	341	348	348	351	355	356	356	356	361	366	374	376	376	386
Resort Stores	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outlet Stores	22	25	30	32	33	35	35	35	37	36	35	36	36	35	35	35	35	35	35
Spa Locations	0	6	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
Total Stores	198	271	345	356	364	385	392	392	397	400	400	401	401	405	410	418	420	420	430
Gross Square Footage	1,127,000	1,548,000	2,030,000	2,100,400	2,156,700	2,300,375	2,346,000	2,346,000	2,378,030	2,400,000	2,400,000	2,406,000	2,406,000	2,430,000	2,460,000	2,508,000	2,520,000	2,520,000	2,580,000
Avg Gross Sq Footage per Unit	5,692	5,712	5,884	5,900	5,925	5,975	5,985	5,985	5,990	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Income Statement:																			
Catalog Revenue	126,860	126,785	105,349	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Internet Revenue	198,265	263,656	271,041	84,234	52,077	53,032	83,527	272,869	57,657	41,798	59,360	97,338	256,152	59,387	43,052	59,954	98,311	260,704	272,469
Retail/Spa Revenue	454,538	664,170	775,082	186,871	189,357	175,421	199,702	751,352	170,710	183,394	207,298	221,026	782,429	181,364	187,536	201,680	221,986	792,566	828,802
Total Revenue	779,663	1,054,611	1,151,472	271,105	241,434	228,453	283,229	1,024,221	228,367	225,192	266,658	318,364	1,038,581	240,750	230,588	261,634	320,298	1,053,270	1,101,270
Cost Goods Sold	(426,885)	(583,604)	(701,289)	(178,305)	(145,786)	(142,339)	(207,231)	(673,661)	(157,267)	(149,464)	(169,529)	(228,040)	(704,300)	(163,387)	(149,586)	(162,410)	(210,207)	(685,591)	(696,603)
Gross Profit	352,778	471,007	450,183	92,800	95,648	86,114	75,998	350,560	71,100	75,728	97,129	90,324	334,281	77,363	81,001	99,223	110,090	367,678	404,667
Selling, General & Admin Expense	(287,058)	(387,112)	(460,852)	(107,806)	(88,450)	(88,765)	(110,299)	(395,320)	(82,712)	(82,761)	(102,192)	(105,187)	(372,852)	(85,956)	(83,089)	(99,245)	(106,352)	(374,642)	(389,701)
Non-Recurring Items	0	0	0	0	(1,452)	0	0	(1,452)	0	0	(6,000)	(607)	(6,607)	0	0	0	0	0	0
Operating Income	65,720	83,895	(10,669)	(15,006)	5,746	(2,651)	(34,301)	(46,212)	(11,612)	(7,033)	(11,063)	(15,470)	(45,178)	(8,593)	(2,087)	(21)	3,739	(6,963)	14,966
Interest Income/(Expense)	4,186	7,672	6,793	553	537	353	65	1,508	(159)	(151)	(248)	(239)	(797)	(200)	(200)	(200)	(100)	(700)	(600)
Income Before Tax	69,906	91,567	(3,876)	(14,453)	6,283	(2,298)	(34,236)	(44,704)	(11,771)	(7,184)	(11,311)	(15,709)	(45,975)	(8,793)	(2,287)	(221)	3,639	(7,663)	14,366
Income Tax (Exp)/Benefit	(28,336)	(36,195)	1,388	5,213	(3,143)	988	15,683	18,741	4,209	2,262	(22,659)	6,031	(10,157)	3,078	801	77	(1,274)	2,682	(5,028)
Net Income	41,570	55,372	(2,488)	(9,240)	3,140	(1,310)	(18,553)	(25,963)	(7,562)	(4,922)	(33,970)	(9,678)	(56,132)	(5,716)	(1,487)	(144)	2,365	(4,981)	9,338
Net Income per share - Dil	0.44	0.59	(0.03)	(0.10)	0.03	(0.01)	(0.20)	(0.29)	(0.08)	(0.05)	(0.37)	(0.11)	(0.61)	(0.06)	(0.02)	(0.00)	0.03	(0.05)	0.70
Weighted shares - Basic	91,488	92,616	92,801	90,848	90,972	91,115	91,213	91,037	91,287	91,376	91,644	92,081	91,597	92,200	92,300	92,400	92,500	92,350	92,750
Weighted shares - Diluted	94,365	94,485	92,801	90,848	91,539	91,115	91,213	91,037	91,287	91,376	91,644	92,081	91,597	92,200	92,300	92,400	92,500	92,350	93,550
Profitability Metrics:																			
Gross Profit Margin	45.25%	44.66%	39.10%	34.23%	39.62%	37.69%	26.83%	34.23%	31.13%	33.63%	36.42%	28.37%	32.19%	32.13%	35.13%	37.92%	34.37%	34.91%	36.75%
SG&A Expense Ratio	-36.82%	-36.71%	-40.02%	-39.77%	-36.64%	-38.85%	-38.94%	-38.60%	-36.22%	-36.75%	-38.32%	-33.04%	-35.90%	-35.70%	-36.03%	-37.93%	-33.20%	-35.57%	-35.39%
Operating Margin (ex-Items)	8.43%	7.96%	-0.93%	-5.54%	2.98%	-1.16%	-12.11%	-4.37%	-5.08%	-3.12%	-1.90%	-4.67%	-3.71%	-3.57%	-0.91%	-0.01%	1.17%	-0.66%	1.36%
Depreciation Expense	26,733	38,860	52,453	14,984	14,828	14,470	17,529	61,811	15,732	15,831	16,243	63,721	16,500	16,500	16,700	17,000	67,700	67,700	70,300
EBITDA (ex-Items)	92,453	122,755	41,784	(22)	20,574	11,819	(16,772)	15,599	4,120	8,798	4,852	773	18,543	7,907	14,613	16,979	21,239	60,737	85,266
Sales Metrics:																			
Total Company Sales	32.1%	35.3%	9.2%	-3.6%	-4.8%	-15.8%	-18.0%	-11.1%	-15.8%	-6.7%	16.7%	12.4%	1.4%	5.4%	2.4%	-1.9%	0.6%	1.4%	4.6%
Same Store Sales	8.0%	-8.5%	-19.0%	-19.0%	-13.7%	-20.5%	-21.4%	-18.7%	-18.4%	-10.2%	14.4%	8.9%	-0.1%	5.0%	1.0%	-5.0%	-3.0%	-0.7%	2.2%
DTC Revenue Growth %	10.6%	20.1%	-3.6%	-12.6%	-31.3%	-37.5%	-30.0%	-27.5%	-31.6%	-19.7%	11.9%	16.5%	-6.1%	3.0%	3.0%	1.0%	1.0%	1.8%	4.5%
Retail Sales per Avg Gross Sq Ft	479	503	442	90	89	79	86	344	72	77	86	92	328	75	77	81	88	322	325
Catalogs Mailed	113,013	118,690	128,551	29,472	12,251	17,143	27,083	85,949	18,885	11,903	26,588	33,989	91,365	21,718	13,688	25,259	30,590	91,255	92,244
Revenue per Catalog Mailed	\$2.88	\$3.29	\$2.93	\$2.86	\$4.25	\$3.09	\$3.08	\$3.17	\$3.05	\$3.51	\$2.23	\$2.86	\$2.80	\$2.81	\$3.58	\$2.41	\$3.15	\$2.86	\$2.95
Balance Sheet Highlights:																			
Cash & Marketable Securities	131,856	148,680	65,143	77,169	91,903	72,350	81,230	81,230	76,650	87,190	71,416	84,650	84,650	145,877	142,152	169,008	154,450	154,450	156,852
Inventory	86,309	126,953	139,993	126,604	127,119	171,368	135,376	135,376	130,141	141,317	192,995	161,546	161,546	97.5%	87.5%	80.4%			
Inventory per Next Qtr CGS	75.2%	83.1%		86.8%	89.3%	82.7%	86.1%		87.1%	83.4%	84.6%	98.9%							
Inventory Turnover	5.1	4.7	4.7				4.8					4.6						4.4	4.4
Capital Expenditures	81,175	108,604	121,263	26,275	18,527	23,160	13,253	81,215	7,735	5,571	5,205	3,170	21,681	10,000	10,000	10,000	10,000	40,000	40,000
Total Debt	0	1,008	14,467	14,126	13,777	13,410	13,316	13,316	12,866	12,408	11,936	11,454	11,454	11,000	10,000	10,000	10,000	10,000	10,000
Total Debt % Total Inv Capital	0%	0%	5%	5%	4%	4%	5%	5%	4%	5%	5%	5%	5%	5%	4%	4%	4%	4%	4%
Total Shareholder's Equity	248,397	317,456	301,863	294,435	298,642	299,221	282,496	282,496	276,598	273,496	242,900	235,561	235,561	229,845	228,358	228,215	230,580	230,580	239,918
Valuation:																			
Market Price per Share	\$20.76	\$19.12	\$7.03	\$5.46	\$6.62	\$3.59	\$2.82	\$2.82	\$3.82	\$7.34	\$5.75	\$4.46	\$4.46	\$7.08	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
Market Cap - Avg Diluted	1,959,017	1,806,553	652,391	496,030	605,988	327,103	257,221	256,724	348,716	670,700	526,953	410,681	408,523	652,776	553,800	554,400	555,000	554,100	561,300
Book Value per Share	\$2.63	\$3.26	\$3.25	\$3.24	\$3.26	\$3.28	\$3.10	\$3.10	\$3.03	\$2.99	\$2.65	\$2.56	\$2.56	\$2.49	\$2.47	\$2.47	\$2.49	\$2.50	\$2.56
Ent Value per 4-Qtr EBITDA	21.2	14.7	16.0				17.3					22.6						9.3	6.7
P/E Ratio - 4 Qtr Trailing	47.1	32.6	(262.2)				(9.9)					(7.3)						(111.2)	60.1
Dividends	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield																			

Notes:

- (1) Source of Data: Company Reports and Tiburon Research Group estimates.
- (2) Enterprise Value = (Market Cap + Debt).
- (3) CWTR raised net proceeds of \$42.624 million in Q1 2004 via secondary offering.

FY 2002 was a 48-week fiscal year as CWTR changed its fiscal calendar.

CWTR reclassified Gift with Purchase amounts from SG&A to CGS at end of FY 2006. CWTR reclassified Pre-Opening Rent from CGS to SG&A in FY 2006. Quarterly numbers in FY 2005 and FY 2006 restated. No impact to EBIT margin.

3-for-2 stock splits on:
12.19.2002 / 08.04.2003
06.14.2004 /