

# **COLDWATER CREEK INC.**

**One Coldwater Creek Drive  
Sandpoint, Idaho 83864**

## **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held June 13, 2009**

To our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders (“Annual Meeting”) of COLDWATER CREEK INC. (“Coldwater Creek” or the “Company”), a Delaware corporation, which will be held at our corporate headquarters at One Coldwater Creek Drive, Sandpoint, Idaho 83864, at 9:30 a.m. Pacific Time on June 13, 2009 for the following purposes:

1. To elect the three Class III Directors who have been nominated to serve on our Board of Directors (the “Board”);
2. To consider and vote upon a proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 30, 2010; and
3. To act upon such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

These matters are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders.

The Board has fixed the close of business on April 17, 2009 as the record date for determining those stockholders who will be entitled to vote at the Annual Meeting. In accordance with the rules of the Securities and Exchange Commission, we have elected to make our proxy materials available over the Internet. On or prior to May 1, 2009, we will mail to each stockholder of record as of the record date a Notice of Internet Availability of Proxy Materials, which will include, among other things, important information about the annual meeting and instructions as to how to request a copy of the proxy materials over the Internet, by e-mail or by mail. On the date the Notice of Internet Availability of Proxy Materials is first mailed to stockholders of record as of the record date, these stockholders will have access, free of charge, to all proxy materials on a web site identified in the Notice of Internet Availability of Proxy Materials.

Representation of at least a majority of the shares of Coldwater Creek Common Stock entitled to vote, whether present in person or represented by proxy, is required to constitute a quorum. Accordingly, it is important that your shares be represented at the Annual Meeting. **WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE AUTHORIZE YOUR PROXY TO VOTE YOUR SHARES. YOU ARE ENCOURAGED TO VOTE OVER THE INTERNET, AS DESCRIBED IN THE IMPORTANT NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS.** Alternatively, you may vote (i) by requesting a paper copy of the Company’s Annual Report on Form 10-K, the Proxy Statement and proxy card by mail or electronic mail and marking, signing, dating and promptly returning the proxy card, (ii) by telephone, as described in the Notice of Internet Availability of Proxy Materials or your proxy card, or (iii) by attending the annual meeting and voting in person. Note that all votes cast by telephone or the Internet must be cast prior to 11:59 p.m., Eastern time, on June 12, 2009. You may revoke your proxy at any time prior to the time it is voted. You may also revoke your proxy by attending the Annual Meeting and voting in person.

Please read the proxy materials carefully. Your vote is important, and we appreciate your cooperation in considering and acting on the matters presented.

Very truly yours,

A handwritten signature in black ink, appearing to read "John E. Hayes III". The signature is stylized with large, sweeping loops and a prominent vertical stroke.

John E. Hayes III  
*Senior Vice President, General Counsel and  
Secretary*  
Sandpoint, Idaho  
May 1, 2009

**Stockholders Should Read the Entire Proxy Statement  
Carefully Prior to Returning the Proxy**

**PROXY STATEMENT  
FOR THE  
ANNUAL MEETING OF STOCKHOLDERS OF  
COLDWATER CREEK INC.**

**To Be Held June 13, 2009**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board") of COLDWATER CREEK INC. ("Coldwater Creek" or the "Company") of proxies to be voted at the 2009 Annual Meeting of Stockholders ("Annual Meeting"), which will be held at 9:30 a.m. Pacific Time on June 13, 2009 at the Company's corporate headquarters at One Coldwater Creek Drive, Sandpoint, Idaho 83864, or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Important Notice Regarding Availability of Proxy Materials was first mailed to stockholders on or about May 1, 2009.

**VOTING RIGHTS AND SOLICITATION**

The close of business on April 17, 2009 is the record date for stockholders entitled to notice of and to vote at the Annual Meeting. As of that date, 91,344,630 shares of our Common Stock, \$0.01 par value per share were issued and outstanding. All shares of Common Stock outstanding on the record date are entitled to vote at the Annual Meeting. Stockholders of record entitled to vote at the Annual Meeting will have one vote on the matters to be voted upon for each share of Common Stock so held.

In accordance with rules and regulations of the Securities and Exchange Commission, instead of mailing a printed copy of our proxy materials to each stockholder of record, we furnish proxy materials, which include our Proxy Statement, proxy card and Annual Report, to our stockholders over the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one or unless you have previously made a permanent election to receive these materials in hard copy. The Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review all of the important information contained in the proxy materials and how you may submit your proxy to vote your shares, including via the Internet. It is anticipated that the Notice of Internet Availability of Proxy Materials will be available to stockholders on or before May 1, 2009.

Common Stock voted by telephone or by Internet by 11:59 p.m. Eastern time on June 12, 2009, as instructed in the Notice of Internet Availability of Proxy Materials, or by proxies in the accompanying form which are properly executed and returned to us, will be voted at the Annual Meeting in accordance with the stockholder's instructions contained therein. In the absence of contrary instructions, Common Stock represented by such proxies will be voted:

1. FOR the election of the three Class III Directors who have been nominated to serve on our Board; and
2. FOR the ratification of the appointment of Deloitte & Touche LLP ("Deloitte") as our independent registered public accounting firm for the fiscal year ending January 30, 2010.

We are not aware of any matters to be presented at this Annual Meeting other than those set forth in this Proxy Statement and accompanying Notice of Annual Meeting of Stockholders. If any other matters should properly come before the Annual Meeting, the proxy holders will vote on such matters in accordance with their best judgment.

Any stockholder has the right to revoke his or her proxy at any time before it is voted by (i) delivering a written notice of revocation to us at our principal executive office at One Coldwater Creek Drive, Sandpoint, Idaho 83864, Attention: Corporate Secretary, (ii) delivering a duly executed

proxy bearing a later date (including via telephone or Internet vote) or (iii) attending the meeting and voting in person.

The election of the Class III Directors shall be determined by a plurality of the votes cast.

The approval of Proposal 2 shall be determined by the affirmative vote of a majority of the votes cast by the stockholders who are present in person or represented by proxy who are entitled to vote at the Annual Meeting.

Abstentions are treated as shares present and entitled to vote for quorum purposes. Because abstentions represent shares entitled to vote, the effect of an abstention will be the same as a vote against a proposal. However, abstentions will have no effect on the election of directors.

If you hold shares in “street name” through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to certain matters to be acted upon. Under the rules that govern brokers in such circumstances, brokers will have the discretion to vote such shares on routine matters, but not on non-routine matters. Broker non-votes are shares held by brokers or other nominees that do not have discretionary authority to vote on a matter and have not received specific voting instructions from their clients. Shares represented by broker non-votes are treated as shares present and entitled to vote for quorum purposes. Broker non-votes are not counted or deemed to be present or represented for the purpose of determining whether stockholders have approved a proposal. Thus, broker non-votes will not otherwise affect the outcome of a proposal, including the election of directors.

All votes will be tabulated by the appointed Inspector of Election. The Inspector of Election will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

We will bear the entire cost of proxy solicitation. Proxies will be solicited principally through the use of the mail, but, if deemed desirable, may be solicited personally or by telephone or special letter by our officers and other employees for no additional compensation. Arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy materials to the beneficial owners of the Common Stock. Such persons may be reimbursed for their expenses. We have engaged BNY Mellon Shareowner Services to assist in soliciting proxies, which it may solicit by telephone or in person. We anticipate paying BNY Mellon Shareowner Services a fee of \$5,500, plus expenses.

## PROPOSAL 1

### ELECTION OF DIRECTORS

Each member of the Board is assigned to one of three classes. One class is elected at each successive Annual Meeting to hold office for a three-year term and until successors of such class have been qualified and elected. Currently, the Board consists of ten directors, seven of whom are independent as defined by the rules of The Nasdaq Stock Market (“NASDAQ”). The term of the Class III directors will expire at this Annual Meeting. The current Class III nominees to the Board are set forth below. This is the first opportunity for the stockholders to elect Mr. Leshner. Mr. Leshner was recommended to the Nominating and Corporate Governance Committee by Mr. Pence, our Chairman of the Board of Directors. If elected, the Class III nominees’ terms will expire at the 2012 Annual Stockholders Meeting.

The proxy holders intend to vote all proxies received by them for the nominees for director listed below. Proxies may not be voted for a greater number of persons than the number of nominees named below. In the event that any other director is unable, or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them for the nominees listed below. As of the date of this Proxy Statement, the Board is not aware that any nominee is unable to serve or intends to decline to serve as a director.

**The Board recommends that stockholders vote FOR the nominees listed below:**

<u>Name</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Age</u>
Dennis C. Pence . . . . .	Chairman of the Board of Directors of Coldwater Creek	1988	59
Robert H. McCall . . . . .	Former President, McCall & Landwehr, P.A.	1994	63
Frank M. Leshner . . . . .	Former Executive Vice President, General Counsel & Secretary of the Board for Sony Electronic, Inc.	2007	60

*Dennis C. Pence* co-founded Coldwater Creek in 1984, and has served as a director since our incorporation in 1988, serving as the Board’s Chairman since July 1999 and as its Vice-Chairman prior to that. Since September 26, 2002, as well as from 1984 through December 2000, Mr. Pence has served as our Chief Executive Officer, retiring from that position on October 30, 2007. From June 4, 2002 to September 25, 2002, he provided us with his executive management services. From January 5, 2002 to June 3, 2002, Mr. Pence served as our Interim Chief Financial Officer and Treasurer. From January 1, 2001 to January 4, 2002, Mr. Pence was semi-retired. Mr. Pence has also served as Chairman of the Board’s Executive Committee since its formation in May 2000, a member of the Succession Planning and Management Development Committee since November 2007, and as Secretary from July 1998 to February 2009. From 1984 through 2000, Mr. Pence also served as our President. From April 1999 to December 2000, he was also the President of our Internet Commerce Division. Prior to co-founding Coldwater Creek, Mr. Pence was employed by Sony Corp. of America, a subsidiary of Sony Corporation, a publicly held manufacturer of audio, video, communication, and information technology products, from 1975 to 1983, where his final position was National Marketing Manager—Consumer Video Products.

*Robert H. McCall*, a Certified Public Accountant, has served as director since 1994, as Chairman of the Board’s Audit Committee since February 1995, as a member of the Board’s Nominating and Corporate Governance Committee since April 2004. Mr. McCall has also served as a member of the Board’s Executive Committee since its formation in May 2000. From 1981 until his retirement in November 2006, Mr. McCall was President of McCall & Landwehr, P.A., a certified public accounting firm.

*Frank M. Leshner* has served as a director since February 3, 2007 and currently serves on the Board's Succession Planning and Management Development Committee, as well as the Nominating and Corporate Governance Committee. In July 2004, Mr. Leshner retired from Sony Electronic, Inc., a subsidiary of Sony Corporation, a publicly held manufacturer of audio, video, communication, and information technology products, where he served as Executive Vice President, General Counsel & Secretary, as well as chairing the corporation's environmental action, ethics and information privacy committees. Mr. Leshner brings more than 30 years of executive experience in legal, government, trade affairs and corporate safety to the Board.

**Directors Not Standing for Election**

Directors who are not standing for election at this year's Annual Meeting are set forth below:

<u>Name</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Class and Year in Which Term Will Expire</u>	<u>Age</u>
James R. Alexander . . . . .	President of Alexander & Co., LLC	2000 Previously 1994-1998	Class II 2010	66
Jerry Gramaglia . . . . .	Former Partner for Arrowpath Venture Partners	2004	Class II 2010	53
Kay Isaacson-Leibowitz . . . . .	Former Executive Vice President of Victoria's Secret Beauty Niches	2005	Class II 2010	62
Daniel Griesemer . . . . .	President and Chief Executive Officer of Coldwater Creek	2007	Class II 2010	49
Curt Hecker . . . . .	President and Chief Executive Officer, Intermountain Community Bancorp	1995	Class I 2011	48
Georgia Shonk-Simmons . . . . .	President and Chief Merchandising Officer of Coldwater Creek	2001	Class I 2011	57
Michael J. Potter . . . . .	Former Chairman of the Board of Directors and Chief Executive Officer of Big Lots, Inc.	2007	Class I 2011	47

*James R. Alexander* has served as a director since March 2000, as well as a member of the Board's Audit Committee since July 2000, as a member of the Board's Compensation Committee since November 2002, and as the Board's Compensation Committee Chairman since June 2004. Mr. Alexander had previously served as a director, as well as Chairman of the Board's Compensation Committee, from 1994 to 1998, when he declined to stand for re-election due to other professional obligations. Mr. Alexander has been an independent catalog consultant for over 25 years, serving a variety of mail order retailers of apparel, gifts and home decor. Mr. Alexander is President of Alexander & Co., LLC, a direct marketing and retail consulting firm.

*Jerry Gramaglia* has served as a director since June 2004 and currently serves on the Board's Compensation Committee and the Succession Planning and Management Development Committee, as well as serving on the Nominating and Corporate Governance Committee from June 2004 to June 2007. From May 2002 to March 2008, Mr. Gramaglia served as Entrepreneur-in-Residence and then Partner for Arrowpath Venture Partners, a Silicon-Valley based venture capital firm. From June 1998 to May 2002, Mr. Gramaglia served as Chief Marketing Officer and then as President and Chief Operating Officer for E\*TRADE Group, Inc., a leading provider of electronic financial services. Mr. Gramaglia began his career at Procter & Gamble and later held marketing and general management positions for Nestle, PepsiCo, Imasco and Sprint.

*Kay Isaacson-Leibowitz* has served as a director since February 2005 and currently serves on the Board's Compensation Committee and as Chairman of the Succession Planning & Management Development Committee. Ms. Isaacson-Leibowitz served as Executive Vice President of Victoria's Secret Beauty Niches from July 2003 to February 2006. From 1995 to 2003, Ms. Isaacson-Leibowitz served as Executive Vice President of Merchandising for Victoria's Secret Stores. From 1994 to 1995, Ms. Isaacson-Leibowitz served as acting President and Senior Vice President of Merchandising for Banana Republic. Ms. Isaacson-Leibowitz has served as a board member of Guess?, Inc. since July of 2006. Ms. Isaacson-Leibowitz also served as Chairman of the Advisory Board for City University of New York Honors College and is a co-founder and board member for World of Children, serving as Chairman of its Nominating Committee.

*Daniel Griesemer* has served as a director, as well as our President and Chief Executive Officer, since October 30, 2007. From March to October 2007, Mr. Griesemer served as President and Chief Operating Officer. From January 2005 to March 2007, Mr. Griesemer served as Executive Vice President, Sales and Marketing. From April 2004 to January 2005, Mr. Griesemer served as Executive Vice President of Retail, having joined the company in October 2001 as Senior Vice President and General Manager of Retail. Prior to his service for Coldwater Creek, Mr. Griesemer held upper management and executive posts for firms such as Gap, Inc. and Macy's, Inc.

*Curt Hecker* has served as a director since August 1995, as well as a member of the Board's Audit Committee from August 1995 to September 2007, as a member of the Board's Executive Committee since July 2001, as Chairman of the Board's Nominating and Corporate Governance Committee since June 2004 and as a member of that Committee since April 2004. Since October 1997, Mr. Hecker has served as President, Chief Executive Officer and a board member of publicly held Intermountain Community Bancorp as well as Chief Executive Officer and a board member of Panhandle State Bank, Intermountain Community Bancorp's wholly-owned subsidiary. From August 1995 to October 2001, Mr. Hecker also served as President of Panhandle State Bank. Prior to joining Panhandle State Bank, Mr. Hecker held various management positions with West One Bank.

*Georgia Shonk-Simmons* has served as a director since January 2001. Since September 26, 2002, Ms. Shonk-Simmons has served as our President and Chief Merchandising Officer. From January 1, 2001 to September 25, 2002, Ms. Shonk-Simmons served as our President and Chief Executive Officer. From April 1999 to December 2000, Ms. Shonk-Simmons served as President of our Catalog & Retail Sales Division. Ms. Shonk-Simmons joined us as Chief Merchant and Vice President of Merchandising in June 1998. From 1994 to 1998, Ms. Shonk-Simmons was Executive Vice President of the Newport News Catalog Division of Spiegel, Inc., a publicly held, international retailer. Prior to that, from 1981 to 1994, Ms. Shonk-Simmons held a number of other positions of increasing responsibility with Spiegel, including Vice President of Merchandising for Spiegel Catalog beginning in 1991. Prior to joining Spiegel, Ms. Shonk-Simmons held various buyer positions with Lytton's, Carson Pirie Scott and Hahne's.

*Michael Potter* has served as a director since June 2007 and has served on the Audit Committee since September 2007. Mr. Potter served as the Chairman and Chief Executive Officer of Big Lots, Inc., a Fortune 500 retailer, from June 2000 to June 2005. Prior to serving as the Chief Executive Officer, Mr. Potter served in various capacities at Big Lots, including the role of Chief Financial Officer. Prior to Big Lots, Mr. Potter held various positions at The Limited, Inc., May Department Stores, and Meier & Frank, all retail companies. Mr. Potter also serves on the Board of Blue Nile, Inc., a leading online retailer of certified diamonds and jewelry.

## CORPORATE GOVERNANCE

The Board of Directors is our governing body. It is responsible for managing the affairs of the corporation. The Board's primary responsibilities, which it carries out directly and through committees of the Board, include: (a) selecting, evaluating and overseeing the performance of, and setting the compensation for, the Chief Executive Officer and our other senior executive officers, (b) planning for succession with respect to the position of Chief Executive Officer and monitoring our succession planning for other senior executive officers, (c) reviewing, and where appropriate, approving our strategic and operating plans, (d) overseeing the conduct of our business to evaluate whether the business is being managed and conducted in accordance with such plans, and (e) overseeing the process for maintaining the integrity of our financial statements and other public disclosures in accordance with applicable law and our codes of conduct. The Board has delegated the authority and responsibility of managing the day to day business to the executive officers. The Chief Executive Officer, working with the other executive officers, is responsible for managing the business in a manner consistent with any specific plans, instructions or directions of the Board, and for seeking the advice and approval of the Board or its various committees as appropriate.

### Committees

The Board has an Executive Committee, an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, and a Succession Planning and Management Development Committee. The authority and responsibilities delegated to these committees are discussed below. The members of the Board as of the date of this Proxy Statement, and the committees on which they currently serve, are set forth in the following table:

<u>Name</u>	<u>Executive Committee</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Nominating and Corporate Governance Committee</u>	<u>Succession Planning and Management Development Committee</u>
James R. Alexander . . . . .		*	**		
Jerry Gramaglia . . . . .			*		*
Daniel Griesemer . . . . .					
Curt Hecker . . . . .	*			**	
Kay Isaacson-Leibowitz . . . . .			*		**
Frank M. Leshner . . . . .				*	*
Robert H. McCall . . . . .	*	**		*	
Dennis C. Pence . . . . .	**				*
Michael J. Potter . . . . .		*			
Georgia Shonk-Simmons . . . . .					

\* Member

\*\* Chairperson

*Executive Committee.* The Executive Committee is empowered to act in general for the entire Board in intervals between meetings of the Board, with the exception of certain matters that by law may not be delegated. The Executive Committee meets as necessary and all actions by the Executive Committee are reported to the Board. The Executive Committee also administers our 2006 Employee Stock Purchase Plan. The actions taken by the Executive Committee are binding and do not require ratification by the Board to be legally effective. The Executive Committee currently consists of Mr. Hecker, Mr. McCall and Mr. Pence (Chairman).

*Audit Committee.* The Audit Committee's primary responsibilities include the evaluation, appointment and oversight of our independent registered public accounting firm, the approval of all

audit fees and all other compensation to be paid to the independent registered public accounting firm and of any non-audit services performed by our independent registered public accounting firm, the evaluation of the independence of our independent registered public accounting firm, the review and approval of the scope of audit activities performed by the independent registered public accounting firm, the review of accounting practices and internal controls and the review of audit results. The Audit Committee currently consists of Mr. Alexander, Mr. McCall (Chairman) and Mr. Potter. The Board has determined that all Audit Committee members meet the independence requirements of the Securities and Exchange Commission (“SEC”) and NASDAQ. The Board has also determined that Mr. McCall and Mr. Potter qualify as “audit committee financial experts” within the meaning of the applicable rules of the SEC.

*Compensation Committee.* The Compensation Committee is responsible for evaluating the performance of the Chief Executive Officer and reviewing and establishing the compensation structure for the executive officers, including salary rates, participation in incentive compensation and benefit plans and other forms of compensation, and administering our Amended and Restated Stock Option/ Stock Issuance Plan.

For all areas of executive compensation, including equity compensation awards for Named Executive Officers (NEOs), the Compensation Committee seeks the input of outside compensation consultants. In 2008, the Compensation Committee used the services of Towers Perrin as its compensation consultant, and Towers Perrin assisted the Compensation Committee with assessing overall compensation levels, peer group analysis and compensation program design. Management meets regularly with the Compensation Committee to assist the Compensation Committee in its analysis of executive compensation. The Compensation Committee approves the compensation of all executive officers, which in 2008 included our NEOs, our Senior Vice President—Administration and our former Senior Vice President—Human Resources. For executive officers other than himself, Mr. Griesemer participated in discussions regarding compensation levels and individual performance. The Compensation Committee also reviewed the performance and set the compensation for Mr. Griesemer. The Compensation Committee currently consists of Mr. Alexander (Chairman), Mr. Gramaglia and Ms. Isaacson-Leibowitz. The Board has determined that all of the Compensation Committee members meet the independence requirements of NASDAQ.

*Nominating and Corporate Governance Committee.* The principal functions of the Nominating and Corporate Governance Committee are to identify and evaluate individuals qualified to become Board members, recommend to the Board candidates for election or re-election to, or removal from, the Board, consider and make recommendations to the Board concerning the size and composition of the Board, consider from time to time the Board committee structure and makeup, and recommend to the Board retirement policies and procedures affecting Board members. The Nominating and Corporate Governance Committee makes recommendations to the full Board regarding compensation for non-employee directors, which compensation is approved by the full Board. Additionally, this committee assists the Board in its oversight responsibilities relating to corporate governance matters. The Nominating and Corporate Governance Committee currently consists of Mr. Hecker (Chairman), Mr. Leshner and Mr. McCall. The Board has determined that all of the Nominating and Corporate Governance Committee members meet the independence requirements of NASDAQ. The Nominating and Corporate Governance Committee considers Board candidates identified by its members, by other Board members or management, by stockholders and by other external sources, as described below in the section entitled “Stockholder Proposals for Next Year’s Annual Meeting.”

*Succession Planning and Management Development Committee.* The Succession Planning and Management Development Committee assists the Board in fulfilling its oversight responsibilities relating to the development and succession of our senior executives, including making recommendations to the Board about succession planning in the event of an emergency or the retirement of the Chief

Executive Officer (CEO), reviewing management's succession plan for our executive officers, other than the CEO, including management's assessment of internal candidates for eventual promotion to executive positions, and reviewing and making recommendations regarding management's plan for assessing and enhancing the competencies of the executive officers. The Succession Planning and Management Development Committee currently consists of Mr. Gramaglia, Ms. Isaacson-Leibowitz (Chair), Mr. Leshner, and Mr. Pence.

### **Board Committee Charters**

The Charters of the Audit Committee, the Executive Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Succession Planning and Management Development Committee are available on the Investor Relations portion of our website at <http://www.coldwatercreek.com>.

### **Director Independence**

The Board has determined that seven of the ten directors who currently serve on the Board, including two of the three directors standing for re-election, are "independent" within the meaning of NASDAQ rules. These directors are Mr. Alexander, Mr. Gramaglia, Mr. Hecker, Ms. Isaacson-Leibowitz, Mr. Leshner, Mr. McCall, and Mr. Potter. In addition, the Board has determined that each member of the Board's Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee is independent as required by the rules of the SEC and NASDAQ.

In connection with these independence determinations, the Board considered all of the relationships between each director and us, including those relationships not required to be disclosed by the rules of the SEC, including in particular the following relationships:

Mr. Leshner served as a trustee of the Aspenwood Supporting Foundation from December 1996 to January 2007. The Aspenwood Supporting Foundation is a charitable organization formed by our Chairman, Mr. Pence. Mr. Pence has served as a trustee of the Aspenwood Supporting Foundation since its inception and has made numerous gifts to the foundation. Mr. Leshner did not receive compensation for his service as a trustee of the foundation. The Board has determined that Mr. Leshner's former service as a trustee of the Aspenwood Supporting Foundation did not impair his independence.

Mr. McCall's daughter worked as a graphic designer for Coldwater Creek at our headquarters in Sandpoint, Idaho until September 2008. The Board considered her salary and position within the company and determined that her employment did not impair Mr. McCall's independence.

### **Board and Committee Meetings**

The Board held 11 meetings during fiscal 2008. Each incumbent director attended all of the Board meetings during fiscal 2008. In addition, executive sessions of the independent directors without management present were held regularly throughout fiscal 2008 to discuss relevant subjects.

It is our policy that all directors attend our Annual Meeting, except directors whose terms are expiring at that Annual Meeting and who are not standing for re-election. All continuing directors attended the 2008 Annual Meeting of Stockholders, and it is anticipated that all directors will attend the 2009 Annual Meeting.

The Executive Committee held three meetings during fiscal 2008 for which there was 100 percent attendance by its members. The Audit Committee held 11 meetings during fiscal 2008 and each member attended 100 percent of the meetings, with the exception of Mr. Alexander, who was absent from one meeting. The Compensation Committee held 13 meetings during fiscal 2008 and each member attended 100 percent of the meetings, with the exception of Ms. Isaacson-Leibowitz, who was absent from one meeting. The Nominating and Corporate Governance Committee held three meetings during fiscal 2008 for which there was 100 percent attendance by its members. The Succession Planning and Management Development Committee held four meetings during fiscal 2008 and each member attended 100 percent of the meetings.

### **Codes of Conduct**

We have adopted a Code of Business Conduct and Ethics for the members of our Board. A copy of this Code of Business Conduct and Ethics is available on the Investor Relations portion of our website at <http://www.coldwatercreek.com>. Any future amendments to or waivers of this Code of Business Conduct and Ethics will also be posted on <http://www.coldwatercreek.com>.

We have adopted a Code of Ethics for our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer. A copy of this Code of Ethics is available on the Investor Relations portion of our website at <http://www.coldwatercreek.com>. Any future amendments to and any waiver of this Code of Ethics that applies to our Principal Executive Officer, Principal Financial Officer or Principal Accounting Officer will also be posted on <http://www.coldwatercreek.com>.

Our Code of Business Conduct applicable to all of our employees is also available on the Investor Relations portion of our website at <http://www.coldwatercreek.com>. Any future amendments to this Code of Business Conduct will also be posted on <http://www.coldwatercreek.com>.

### **Corporate Governance Guidelines**

On the recommendation of the Nominating and Corporate Governance Committee, the Board adopted the Coldwater Creek Corporate Governance Guidelines to promote the effective functioning of the Board and its committees, to promote the interests of stockholders, and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. The Corporate Governance Guidelines establish corporate governance policies and principles with respect to the role of the Board, Board size, composition and independence, selection of new Board members and Board qualifications, director education and evaluation, Board tenure and limits on other Board memberships, access to senior management, the use of independent advisors, share ownership guidelines, the role of standing Board committees, Board and committee meetings, meeting attendance, schedules and agendas, meetings of independent directors, director compensation, Board leadership, succession planning, adherence to code of business conduct and ethics, communications with stockholders, and Board attendance at annual meetings of stockholders. The Corporate Governance Guidelines are available at the Investor Relations section of our website located at <http://www.coldwatercreek.com>.

### **Share Ownership Guidelines**

In December 2008, we adopted minimum stock ownership guidelines for our directors and executive officers to more closely link their interests with the interests of our stockholders and to encourage a long-term perspective in managing our business. Each non-management director should hold stock of the Company worth at least three times the annual base retainer in effect on the date the guidelines were adopted (or upon being appointed as a director, if later). Similarly, each executive officer is required to own stock of the Company having a value equal to a multiple of the executive's base salary on the date the guidelines were adopted (or upon being appointed as an executive officer, if

later). The salary multiple is 5.0 for Mr. Griesemer, 3.0 for Ms. Shonk-Simmons, and 2.0 for each Senior Vice President. Alternatively, the directors and executives may satisfy the stock ownership guidelines based on owning a minimum number of shares, thereby allowing for volatility in the stock price. These alternative stock ownership requirements are 15,000 shares for the directors, 365,000 shares for Mr. Griesemer, 180,000 shares for Ms. Shonk-Simmons and 70,000 shares for each Senior Vice President. Directors and executive officers have five years from the date the guidelines were adopted, or the date of appointment as a director or an executive officer, if later, to reach the share ownership levels.

#### **Stockholder Communications with the Board**

Stockholders and other interested parties may contact the Board, or any member of the Board, at the following address:

Coldwater Creek Board of Directors  
c/o Coldwater Creek Inc.  
One Coldwater Creek Drive  
Sandpoint, ID 83864

Or by e-mail at [ContactBoardofDirectors@thecreek.com](mailto:ContactBoardofDirectors@thecreek.com)

Information about the procedures for contacting the Board is available on the Investor Relations portion of our website at <http://www.coldwatercreek.com>.

Information on our website is not incorporated by reference into this Proxy Statement.

#### **STOCKHOLDER PROPOSALS FOR NEXT YEAR'S ANNUAL MEETING**

Stockholder proposals intended to be considered for inclusion in next year's Proxy Statement for the 2010 Annual Meeting of Stockholders must be received by us no later than January 1, 2010. Such proposals may be included in next year's Proxy Statement if they comply with certain rules and regulations promulgated by the SEC and the procedures set forth in our bylaws. For proposals not intended to be submitted for inclusion in next year's Proxy Statement, but sought to be presented at the next Annual Meeting, our bylaws provide that stockholder proposals, including director nominations, must be received by us no later than the close of the 60<sup>th</sup> day nor earlier than the close of the 90<sup>th</sup> day prior to the first anniversary of the prior year's Annual Meeting. We have additional requirements for stockholder nominations to the Board, as described below. In addition, proxies to be solicited by the Board for the 2010 Annual Meeting will confer discretionary authority to vote on any stockholder proposal presented at that meeting, unless we receive notice of such proposal no later than April 14, 2010. All stockholder proposals must be in writing and mailed to our principal executive offices at One Coldwater Creek Drive, Sandpoint, Idaho 83864, Attention: Corporate Secretary.

*Stockholder Nominations for Director:* Stockholders may recommend candidates for nomination to the Board for consideration by the Nominating and Corporate Governance Committee by submitting in writing the names and required supporting information described below to our principal executive offices at One Coldwater Creek Drive, Sandpoint, Idaho 83864, Attention: Corporate Secretary.

Such recommendation must include the following information:

- Information regarding the stockholder making the proposal, including name, address, and number of shares of Common Stock beneficially owned by such person;
- As more particularly set forth in our bylaws, the name, address, and number of shares of Common Stock beneficially owned by the stockholder and any beneficial owner on whose behalf a stockholder is acting, and a description of: (i) any agreements, arrangements or understandings between the stockholder, any such beneficial owner and their respective affiliates, and any other

stockholder known to be supporting the proposal; (ii) derivative securities of any kind, whether settled in cash or in stock, directly or indirectly owned by the proponent stockholder or beneficial owner; and (iii) any agreements, arrangements or understandings entered into or made by or on behalf of the proponent stockholder or beneficial owner, the effect or intent of which is to mitigate loss to or manage the risk of stock price changes for, or to increase the voting power of, the stockholder or beneficial owner;

- A representation that the stockholder will update the information in the preceding paragraph as of the record date promptly following the later of the record date or public announcement of the record date;
- A representation whether the stockholder or the beneficial owner, or the group of which it is a part, intends to deliver a proxy statement and/or form of proxy or otherwise to solicit proxies from stockholders in support of the proposal or nomination and that the stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting;
- A representation that the stockholder or the stockholder's nominee is entitled to vote at the meeting at which directors will be elected, and that the stockholder or the stockholder's designee intends to cast its vote for the election of the director, if nominated;
- Any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, by Regulation 14A under the 1934 Act; and
- The name, business address and residence of the person or persons being nominated and such other information regarding each nominated person that would be required in a proxy statement filed pursuant to the SEC's proxy rules, including, but not limited to:
  - A copy of the nominee's resume;
  - Biographical information for the last five years, including directorships and principal occupation or employment of such person;
  - Date of birth;
  - A list of references;
  - A description of any relationship, arrangement or understanding between the stockholder and the nominee and any other person (including names) pursuant to which the nomination is being made;
  - A description of any direct or indirect relationship, arrangement or understanding between the stockholder or the nominee and us; and
  - The consent of each such nominee to be named in the Proxy Statement and to serve as a director if elected.

If a stockholder does not update the required information as of the record date in accordance with the bylaws, or if the stockholder does not appear at the meeting to present the proposed business, the business will not be considered properly brought before the meeting and will not be transacted, even if proxies in respect of the business may have been received.

Following verification of information submitted in support of a nomination, the Nominating and Corporate Governance Committee will make an initial analysis of the qualifications of the candidate pursuant to the director qualification criteria for director nominations described below. The Nominating and Corporate Governance Committee screens and evaluates potential candidates in substantially the same manner regardless of the source of the recommendation.

*Qualification Criteria for Director Nominations.* The Nominating and Corporate Governance Committee identifies, evaluates and recommends prospective directors to the Board with the goal of creating a balance of knowledge, experience and diversity. Potential candidates will be identified from a number of sources, including current Board members, employees, stockholders, third-party search firms and other interested parties, as appropriate. The Nominating and Corporate Governance Committee is not required to nominate candidates who are recommended by stockholders, employees or other interested parties. Candidates nominated for election or re-election to the Board should possess the following qualifications:

- The highest professional and personal ethics and values, consistent with our image and reputation;
- High-level leadership experience in business and administrative functions with an ability to understand business problems and evaluate and formulate solutions;
- Industry-related and other special expertise and skills that are relevant to us and complementary to the background and experience of other Board members;
- Ability to devote the time necessary to carry out the duties and responsibilities of Board membership, taking into consideration the individual's occupation and other commitments, such as directorships on other boards;
- Willingness to be an active, objective and constructive participant at meetings of the Board and its committees;
- Commitment to serve on the Board over a period of several years to develop knowledge about our business;
- Commitment to enhancing stockholder value and representing the best interests of all stockholders and to objectively evaluate management performance; and
- The majority of directors on the Board should be "independent," not only as that term may be legally defined, but also without the appearance of any conflict in serving as a director. In addition, directors should be independent of any particular constituency and be able to represent all of our stockholders.

#### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During fiscal 2008, the Compensation Committee consisted of James R. Alexander (Chairman), Jerry Gramaglia and Kay Isaacson-Leibowitz. None of the individuals serving on the Compensation Committee during fiscal year 2008 was an officer or employee of Coldwater Creek during fiscal year 2008, was an officer of the company prior to fiscal 2008 or had any relationship required to be disclosed by the rules of the SEC.

## **AUDIT COMMITTEE REPORT ON THE FISCAL YEAR ENDED JANUARY 31, 2009**

*The information contained in this report shall not be deemed to be soliciting material or filed with the SEC, or subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act, and will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference.*

The Board's Audit Committee is comprised solely of independent directors, as defined by the rules of NASDAQ and the SEC. During fiscal 2008, the members of the committee included James R. Alexander, Robert H. McCall (Chairman) and Michael J. Potter. The Audit Committee met 11 times during the fiscal year ended January 31, 2009.

The Audit Committee is governed by a written charter adopted and approved by the Board. The Audit Committee reviews the charter and assesses its adequacy annually. The Audit Committee oversees the Company's financial reporting process on behalf of the Board. Management is responsible for the Company's internal controls and the financial reporting process. The Company's independent registered public accounting firm for the fiscal year ended January 31, 2009, Deloitte, was responsible for performing an independent audit of the Company's consolidated financial statements as of and for the fiscal year ended January 31, 2009 in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. Deloitte, as well as the Company's internal auditor, each has full access to the Committee and regularly meets with the Committee without management being present to discuss appropriate matters.

Based on the Audit Committee's review of the audited consolidated financial statements, its discussion with management regarding the audited consolidated financial statements, its receipt from Deloitte of written disclosures and the letter required by Independence Standards Board Standard No. 1, its discussions with Deloitte regarding its independence, the audited financial statements, the matters required to be discussed by the Statement on Auditing Standards 61, as amended, and other matters, the Audit Committee recommended to the Board that the audited consolidated financial statements as of and for the fiscal year ended January 31, 2009 be included in the Company's Annual Report on Form 10-K for such fiscal year for filing with the SEC.

### **FROM THE MEMBERS OF THE AUDIT COMMITTEE**

James R. Alexander  
Robert H. McCall (Chair)  
Michael J. Potter

## COMPENSATION DISCUSSION AND ANALYSIS

This section provides information regarding the compensation program in place for our principal executive officer, principal financial officer and the three most highly-compensated executive officers other than the principal executive officer and principal financial officer, who we refer to as our named executive officers, or NEOs, for fiscal 2008. Mr. Greisemer, Mr. Martin, Ms. Shonk-Simmons and Messrs. Moen, and El Chaar were our NEOs for fiscal 2008. It includes information regarding, among other things, the overall objectives of our compensation program and each element of compensation that we provide.

### Objectives of Our Compensation Program

The Board's Compensation Committee has responsibility for reviewing and approving compensation for our NEOs. The Compensation Committee acts pursuant to a charter that has been approved by our Board and is available on the Investor Relations portion of our website at <http://www.coldwatercreek.com>.

The compensation program for our NEOs is designed to attract, retain, motivate and reward talented executives who can contribute to our long-term success and thereby build value for our stockholders. During the past few years our business has changed significantly and we have made substantial changes in executive compensation in an attempt to respond to those changes. In considering executive compensation, like most companies, we consider such factors as competition for executive talent, our desire to link pay with performance, the use of equity to align NEO interests with those of our stockholders, and fairness, both internally and externally. There are other factors specific to us that weigh heavily into our NEO compensation decisions, such as the following:

*Current economic environment.* During 2008 we continued to operate in challenging macroeconomic conditions, which are evidenced in our business by a highly competitive retail selling environment, low retail store traffic levels and a shift in customer purchasing toward more value priced merchandise. These conditions, which have continued into the first quarter of fiscal 2009, had a negative impact on our revenues, gross margins, operating cash flows and earnings in fiscal years 2008 and 2007. We believe these conditions will continue throughout fiscal 2009 and for the foreseeable future. As in 2007, our 2008 compensation decisions were heavily influenced by macroeconomic conditions, as well as the Company's own performance and outlook, and were made with an eye toward balancing fiscal conservatism with concerns of employee morale and retention.

*Intense competition for management talent within the retail industry.* Like any company, we strive to recruit top talent at all levels of our organization. Certain areas of our retail business, however, are especially prone to intense competition, most notably merchandising and retail operations. Within these areas we have seen extensive movement of management-level personnel between our competitors, and we believe competitors and recruiters regularly contact our own executives regarding other opportunities. As a relatively new participant in the retail market, we may on occasion find it necessary to exceed the total compensation offered by more established retail competitors.

*Peer group data.* To ensure our compensation is competitive, we rely on analyses of peer data, and we generally strive to achieve total compensation for our NEOs between the 50th and 75th percentile of our peer group. In doing so, we target base salary at the 50th percentile, subject to increase based on individual performance and other factors, while providing our executives substantial opportunity to exceed the 75th percentile in total compensation based on performance through our annual incentive program and equity award grants. In setting 2008 NEO compensation, we considered data collected by compensation consultants regarding our peer companies. These companies included American Eagle Outfitters, Ann Taylor, bebe stores, Chico's, Christopher & Banks, Coach, Dress Barn, Guess?, Gymboree, J. Crew, Jos. A. Bank, Talbots and Urban Outfitters. In selecting this peer group, we

focused primarily on clothing retailers with revenues and market capitalization similar to our own. This peer group included some of our direct competitors in the women's apparel retail business, as well as specialty apparel retailers that do not cater to our target customer. We included these specialty apparel companies based primarily on their store base and similar growth strategies, as we believe our competition for top talent extends beyond our direct competitors.

*Small executive team and substantial growth in operations.* Our NEOs are executing our growth strategy and we believe their compensation should be commensurate with a growth-oriented business. Almost every aspect of our business has grown substantially over the past five years, and our senior team, which has not increased significantly in size during that period, is managing a changing and increasingly complex business. We believe the demands on executives, and the risks associated with a growth-oriented business like ours, are greater than these individuals would encounter in a mature business. We strive to recognize these demands by compensating NEOs for the increased demands and risks, such as through annual awards of stock options.

*Our headquarters location.* All of our NEOs are based in Sandpoint, Idaho, with the exception of Mr. El Chaar who is located in Parkersburg, West Virginia. We believe Sandpoint provides an attractive community for headquarters employees to work and live, with its abundant outdoor activities and natural setting. Nevertheless, Sandpoint is also a small, rural community and represents a major relocation for substantially all of our key hires, the majority of whom must be recruited from major metropolitan areas. Moreover, Sandpoint has become a popular vacation home and retirement destination over the past few years, and real estate prices in the Sandpoint area continue to approach or even exceed those in many major suburban areas. To attract and retain the talent we need, we therefore endeavor to compensate our executives above peer averages, with a level of assured cash compensation that will allow them to maintain an attractive lifestyle in Sandpoint.

For all areas of executive compensation, including equity compensation awards for NEOs, the Compensation Committee seeks the input of outside compensation consultants. In 2008, the Compensation Committee used the services of Towers Perrin as its compensation consultant, and Towers Perrin assisted the Compensation Committee with assessing overall compensation levels, peer group analysis and compensation program design for 2008. Towers Perrin provides services only as directed by the Compensation Committee and has no other relationship with the Company. Management meets regularly with the Compensation Committee to assist the Compensation Committee in its analysis of executive compensation. The Compensation Committee approves the compensation of all executive officers, which in 2008 included our NEOs, our Senior Vice President—Administration and our former Senior Vice President—Human Resources. For executive officers other than himself, Mr. Griesemer participated in discussions regarding compensation levels and individual performance. The Compensation Committee also reviewed the performance and set the compensation for Mr. Griesemer.

### **Elements of Our Compensation Program**

*Salary.* We believe base salary is the key compensation-related reference point for individuals considering an employment change and that we must offer base salaries competitive with those of our peer companies in larger markets. Our peer group analysis therefore serves as a starting point in setting salaries for our NEOs, and in all cases we initially target a base salary for NEOs at the 50<sup>th</sup> percentile of our peer group, recognizing that titles and levels of responsibility vary greatly from company to company. Beyond peer data, in setting salaries we also consider factors, such as:

- Macroeconomic conditions and the Company's projected performance;
- Historical, long-term individual performance;
- Tenure with the Company;

- Tenure in current role;
- Retention concerns;
- Contribution to Company growth; and
- Industry experience

An overriding concern for 2008, was the overall retail environment and outlook. For this reason, we did not award salary increases to our NEOs during 2008. In light of continued challenging economic conditions and as part of company-wide expense reduction initiatives, for fiscal 2009 the Compensation Committee approved reductions in the base salaries of the Company's executive officers, as well as of other members of senior management. Effective February 1, 2009, the base salaries of Mr. Griesemer, Ms. Shonk-Simmons, Mr. Moen, Mr. El Chaar, and Mr. Martin were reduced by 15% for the remainder of fiscal 2009.

*2008 Incentive Award Program.* In 2008, all of our NEOs participated in our 2008 Incentive Award Program, a cash-based, pay-for-performance incentive plan. Awards under the 2008 Incentive Award Program were based on the Company's operating results before interest and taxes (EBIT) for the first and second halves of fiscal 2008. The 2008 Incentive Award Program for our NEOs was identical to the incentive program in which substantially all other salaried employees participated. Under our incentive award program, if EBIT does not exceed pre-established minimum levels, no bonus is awarded. Target individual awards for our NEOs under the program, expressed as a percentage of their base salary, are normally 40% for Mr. Martin, 50% for Mr. El Chaar, 50% for Mr. Moen, 75% for Ms. Shonk-Simmons and 85% for Mr. Griesemer. In light of economic conditions, the Compensation Committee reduced each individual's target percentage for 2008 by 25% such that the revised target percentages range from 30% to 63.75%. The executives' actual bonus award could range from 0 to 200% of the revised target, based on the Company's EBIT performance. Additionally, an executive's bonus payment was subject to being reduced by up to 25% based on individual performance.

Our 2008 Incentive Award Program was designed to qualify as "performance-based compensation," deductible for federal income tax purposes under IRS Code §162(m). Several important determinations by the Compensation Committee are inherent in the awards made under this program:

- *Individual Bonus Targets.* Individual bonus targets which are expressed as a percentage of each NEO's salary, are approved by the Compensation Committee. Individual bonus targets are highest for our most senior executives, as we believe these individuals have the greatest ability to impact our performance and therefore should have a higher portion of their total compensation "at risk". We believe our 2008 target levels are competitive and sufficient to incent our NEOs, particularly if Company-wide performance goals are exceeded.
- *Performance Metrics.* Before 2007, we used both revenue growth and EBIT as performance measures under the program. Beginning in 2007, we designed the program such that Company performance is measured solely in terms of EBIT. The Compensation Committee's decision to focus solely on EBIT performance goals was primarily in the interest of simplifying the program. Moreover, the Compensation Committee believes that, given the significant increase in sales the Company has achieved in recent years, the program should place greater emphasis on operating performance rather than growth, a change in emphasis that we believe is consistent with the manner in which analysts and investors measure the success of our business. As in prior years, identical performance goals form the basis for the bonus structure for all of our salaried employees, as we believe there is an intangible benefit to focusing all personnel levels on consistent goals.

- *Performance Goals.* The Compensation Committee establishes performance goals at the outset of the fiscal year based on our internal budgeting, through an iterative process with management. The Compensation Committee strives to set the minimum performance goals at ambitious levels to provide a meaningful incentive. If the minimum goal is not reached, no bonus is awarded under the program. At the same time, we believe it is important to reward extraordinary performance, and if the target levels are exceeded by a meaningful amount, our NEOs and employees may earn up to 200% of their target bonus amounts. In a departure from prior years' programs, the 2008 Incentive Award Program included performance levels sufficiently low to allow payouts to be made at negative levels of EBIT during the first half of fiscal 2008. In setting performance levels, the Compensation Committee took into account the extraordinarily difficult business environment and set performance levels designed to reward members of management for performing well against realistic, but difficult, targets in light of economic conditions. The Compensation Committee determined that the performance goals for the first half of fiscal 2008 were achieved at the target level and were not achieved for the second half of fiscal 2008. Accordingly, our executives earned bonuses for achieving these target levels during the first half of 2008. However, no bonuses were earned under the program based on the Company's performance in the second half of 2008.
- *Return of Incentive Compensation.* We do not have a policy regarding return of incentive compensation in the event financial results are restated. Our policy is to address this situation on a case-by-case basis, considering issues such as the magnitude of the restatement and the materiality of the overpayment from the standpoint of both the Company and the individual, as well as other facts and circumstances surrounding the restatement, including motivational concerns and issues of fairness to our employees.

For more information about the 2008 Incentive Award Program, including the target EBIT amounts for fiscal 2008, please see the section below entitled "Incentive Award Program" and the information reported in the Summary Compensation Table and the Grants of Plan Based Awards table below.

*Retention Bonus Program.* Historically, as a means of promoting long-term retention we used cash bonus retention agreements, pursuant to which the NEO would receive an agreed-upon lump sum payment of cash upon the completion of three years of service from the grant date, subject to individual and Company performance conditions, as described below under "Retention Bonus Program." We no longer issue these cash-based awards to our NEOs as we believe restricted stock units, or RSUs, are better aligned with our goal of rewarding performance by allowing the NEO to receive the benefit of increases in our share value over the vesting term.

*Equity Compensation.* Our equity compensation strategy seeks to allow our NEOs to participate in the Company's long-term success and encourage retention, while being mindful of the dilutive impact of equity compensation on our other stockholders. We have an annual equity grant program of awarding to our senior executives both RSUs and stock options. The RSU grants vest after three years. Historically, our executive option grants have vested annually over a three-year period. In 2008, we determined to use four-year vesting for our executive grants, in order to be consistent with the vesting the Company now uses for non-executive option grants. Our practice is to determine the dollar amount of equity compensation that we want to provide based on a total compensation analysis, considering the mix of current and long-term cash and equity compensation, and to grant a combination of RSUs and stock options with an aggregate value on the date of grant equal to that amount. For RSUs, we determine the number of shares to be awarded based upon the closing price of our stock on the grant date. We employed the Black-Scholes model to determine the value of the option grants, using the same assumptions we use for financial accounting purposes. Historically, the Compensation Committee weighted these annual incentive awards nearly equally between options and RSUs. Since 2007, the Compensation Committee has awarded approximately 60% of each NEO's annual award in the form of

stock options, based on the value of the awards. While the Compensation Committee continues to believe that both stock options and RSUs play an important role in encouraging retention and long term performance, the Committee believes that stock options more closely align management interests with the creation of stockholder value.

In establishing award levels for NEOs, we do not consider the equity ownership levels of the recipients, prior awards that are fully vested or amounts realized by the NEOs for previous awards. It is our belief that competitors who might try to recruit and hire our employees would offer new equity awards to our employees without regard to the value of any prior awards made by us. This concern is even greater given current macroeconomic conditions and the significant decrease in the market prices of most peer company stocks, which would allow them to offer equity awards with substantial upside potential. Accordingly, to remain competitive we do not reduce current award levels for amounts already realized or realizable by our NEOs.

- *Restricted Stock Unit Awards.* The RSUs vest in full three years after grant date, subject only to the NEO's achievement of individual performance ratings at the level of "meets expectations" throughout the vesting period. The "meets expectations" level is regarded as a minimal requirement and, as such, we view these awards as essentially time-vested. We believe time vesting is appropriate for these awards as they are our primary long-term retention device for senior executives.
- *Stock Option Grants.* Our implementation in fiscal 2006 of Statement of Financial Accounting Standards No. 123(R) (SFAS 123R) makes granting stock options somewhat less attractive by requiring that we expense the fair value of the grant for financial accounting purposes. Although this accounting treatment is one of the factors we must consider in awarding options, it has not had a significant impact on our granting practices, since we believe stock options remain a highly valued component of the overall compensation package for management of a growth company such as ours and are the primary means by which our NEOs share in the Company's growth. We believe the value of our option awards in recent years has been a major compensation-related factor in our ability to attract top talent. The Compensation Committee believes annual awards to our NEOs encourage retention, because the recipient must remain employed with the Company to receive the award. The Compensation Committee also believes stock options align the interests of management and our stockholders, since they are of no value to the NEO if our stock's value does not increase. For these reasons, the Compensation Committee considers stock options to be an important part of total compensation for our NEOs.
- *Option and RSU Grant Practices for NEOs.* Historically, the timing of our grants of stock options and RSUs has been based on internal, operational factors. We have not had a practice of "timing" our grant awards to give effect to the pending public release of material information, and any grants we may have made to NEOs in proximity to a release of earnings or other material information is coincidental. Nevertheless, in light of the media attention surrounding option grant practices, our Compensation Committee adopted a policy beginning in 2007 that annual long-term incentive awards will be made as of our annual meeting date, which occurs in mid-June. This policy does not apply to new hires and promotions of NEOs, for which we will endeavor to approve any new awards as soon as possible after the date of hire or promotion. We believe this policy allows us to consider prior year performance as well as recent peer group data in making annual awards.
- *Option and RSU Grant Practice for Non-Executives.* Mr. Griesemer, who serves as the sole member of a Secondary Committee, has authority to approve option grants and RSUs for non-executives, subject to guidelines established by the Board. These guidelines specify the manner and time at which pricing will be determined. Awards approved by the Secondary Committee may be awards for new hires and promotions, or discretionary awards, and are

reported periodically to the Compensation Committee. The exercise price of all options granted to our employees is equal to the fair market value of our Common Stock on the date of grant, measured as the closing price of our Common Stock on the grant date as reported by NASDAQ.

*Share Ownership Guidelines.* In December 2008, we adopted share ownership guidelines that require our NEOs and other executive officers to maintain certain ownership levels of our common stock. A description of these guidelines is provided above under “Corporate Governance—Share Ownership Guidelines.”

*Supplemental Executive Retirement Plan.* Our SERP provides monthly benefits upon retirement, death or disability and is designed to encourage retention for our most senior executives by providing for increased retirement benefits for each additional year of employment, subject to vesting conditions. We instituted this plan in 2005 after discussions with our senior team led us to conclude that it would be positively perceived as a long-term retention incentive. The only NEOs currently accruing benefits under the SERP are Ms. Shonk-Simmons and Mr. Griesemer.

*Perquisites.* Most of the benefits we provide to our NEOs are made available to all of our other salaried employees on a non-discriminatory basis, and for this reason are not considered “perquisites.” Benefits we provide on a non-discriminatory basis include our medical and dental insurance, life insurance, 401(k) plan, employee stock purchase plan and discounts on our products. Relocation benefits are also reimbursed but are individually negotiated when they occur. Members of senior management, including our NEOs, and their immediate family members are provided personal use of the Company’s airport shuttle service at no cost to the executive. We also provide a gross up for the tax incurred by the executives for this service, which is considered a perquisite. On occasion we may permit family members of our NEOs to accompany them on business trips under our business jet fractional share program, subject to compliance with applicable tax regulations. However, we incur no incremental cost in this situation. The aggregate incremental cost to us for all the perquisites we provided to any NEO in 2008 was *de minimus*.

## **Change in Control and other Termination Events**

### *Severance*

Historically, the Company did not have employment or severance agreements with its NEOs or employees. During 2006, however, the Company entered into an employment agreement with Ms. Shonk-Simmons. We entered into similar agreements with Messrs. Griesemer, Moen and El Chaar during fiscal 2007, and with Mr. Martin in fiscal 2008. Descriptions of these employment agreements are provided in the section below entitled “Payments and Entitlements upon Change in Control or other Termination Events” of this Proxy Statement. In December 2008, the employment agreements of Ms. Shonk-Simmons and Messrs. El Chaar, Griesemer and Moen were amended to ensure that the agreements comply with the requirements of Section 409A of the Internal Revenue Code, and to make certain other technical changes.

Our primary consideration in entering into our executive employment agreements was to encourage long-term retention by providing a guaranteed level of financial protection upon loss of employment. We also considered the highly competitive market for executive level talent and the widespread use of employment agreements in our industry. We further believe that change in control severance provisions of the type incorporated in these agreements align executive and stockholder interests by enabling the executive to consider corporate transactions that are in the best interests of the stockholders and other constituents of the Company without undue concern over whether the transactions may jeopardize the executive’s own employment.

Under each executive’s arrangement, he or she is entitled to receive severance for various termination events, including departure for Good Reason or dismissal without Cause, regardless of the

occurrence of a Change in Control (as those terms are defined under the agreements). With respect to severance upon a Change in Control, each executive's agreement requires a "double trigger"—a change in control followed by an involuntary loss of employment within one year thereafter. Additionally, under Ms. Shonk-Simmons' agreement, for a period of 30 days commencing one year after a Change in Control, and without the occurrence of an additional event, Ms. Shonk-Simmons has the right to terminate her employment (with or without any reason) and receive severance. We believe that the provision permitting Ms. Shonk-Simmons to receive severance benefits upon her voluntary resignation following a Change in Control is important to ensure that she has a strong incentive not to voluntarily resign during the one-year period after a Change in Control.

In general, the severance payment for Ms. Shonk-Simmons and Mr. Griesemer is equal to two and one-half times annual salary as of the date of termination and is equal to two and one-half times the sum of the annual salary and the annual bonus amount at target level if the termination is within twelve months of a Change in Control, provided that, if the termination is not in connection with a Change in Control and is effective prior to May 29, 2010 in the case of Mr. Griesemer and prior to December 20, 2009 in the case of Ms. Shonk-Simmons, the severance payment would be equal to one and one-half times the sum of annual salary and the annual bonus at target level. Ms. Shonk-Simmons and Mr. Griesemer would also be entitled to health benefits for eighteen months, to accelerated vesting of all outstanding equity awards and to accelerated vesting of the payments he or she is eligible to receive under the SERP. The vesting of equity awards upon a termination other than within twelve months of a Change in Control that are subject to performance vesting requirements will only occur, however, to the extent the performance goals for any pending bonus period are subsequently determined to have been achieved. In addition, if Ms. Shonk-Simmons' or Mr. Griesemer's employment is terminated as a result of permanent disability, she or he is entitled to receive then current monthly base salary for eighteen months following termination.

The severance payment for Messrs. Martin, Moen and El Chaar is equal to one and one-half times annual salary as of the date of termination and is equal to one and one-half times the sum of the annual salary and the annual bonus amount at target level if the termination is within twelve months of a Change in Control. Messrs. Martin, Moen and El Chaar would also be entitled to health benefits for twelve months and to accelerated vesting of all outstanding equity awards. The vesting of equity awards upon a termination other than within twelve months of a Change in Control that are subject to performance vesting requirements will only occur, however, to the extent the performance goals for any pending bonus period are subsequently determined to have been achieved. In addition, if Mr. Martin's, Mr. Moen's or Mr. El Chaar's employment is terminated as a result of permanent disability, each is entitled to receive his then current monthly base salary for twelve months following termination.

### *Equity*

In general, upon a corporate transaction that involves the sale of all or substantially all of our assets or the transfer (including by merger or consolidation) of 50 percent or more of the voting power of our outstanding securities, all outstanding stock options and RSUs held by our employees, including our NEOs, will vest in full unless as part of the corporate transaction (a) the options are assumed by the acquiring entity or replaced with a comparable option for shares of stock of the acquiring entity, or (b) are replaced with a cash payout that preserves the spread existing on the unvested option at the time of the transaction and provides for the subsequent payout under the same vesting schedule. RSUs granted to our NEOs and other employees similarly vest in full upon a corporate transaction unless they are assumed by the acquiring entity. Each of the employment agreements provides for accelerated vesting of all outstanding equity awards in connection with certain terminations of employment, as described above.

*SERP*

The vesting of accrued benefits under our SERP may be accelerated by the Board at its discretion in connection with a change in control, in which case all accrued benefits would accelerate and be payable in a lump sum equal to the actuarial equivalent value of the benefit (less any payments that had already been paid to the participant). In connection with certain terminations of employment, as described above, Ms. Shonk-Simmons' and Mr. Griesemer's employment agreement provides for accelerated vesting of future payments he or she is eligible to receive under the SERP.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Board of Directors of Coldwater Creek Inc. oversees the Company's compensation program on behalf of the Board. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth in this Proxy Statement.

Based on the review and discussion referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be incorporated into the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 and included in the Company's Proxy Statement in connection with the Company's 2009 Annual Meeting of Stockholders, both of which will be filed with the SEC.

**COMPENSATION COMMITTEE**

James R. Alexander (Chair)

Jerry Gramaglia

Kay Isaacson-Leibowitz

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth certain information concerning compensation earned by our NEOs for fiscal years 2008, 2007 and 2006.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(3)	Option Awards (\$)(4)	Non-Equity Incentive Plan Compensation (\$)(5)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(6)	All Other Compensation (\$)(7)	Total (\$)
Daniel Griesemer . . . . .	2008	\$725,000	—	\$401,194	\$596,125	\$154,063	\$109,243	\$13,273(8)	\$1,998,898
President and Chief Executive Officer	2007	\$553,077	—	\$308,434	\$463,958	—	\$ 84,627	\$12,260	\$1,422,356
	2006	\$450,000	—	\$169,450	\$319,594	\$108,933	\$ 70,586	\$ 8,605	\$1,127,168
Timothy Martin . . . . .	2008	\$325,000	—	\$ 60,480	\$144,613	\$ 30,875	—	\$12,753(9)	\$ 573,721
Senior Vice President and Chief Financial Officer	2007	\$301,923	—	\$ 18,522	\$ 81,916	—	—	\$ 4,587	\$ 406,948
Georgia Shonk-Simmons . . . . .	2008	\$600,000	—	\$359,592	\$444,321	\$118,125	\$120,691	\$12,909(10)	\$1,655,638
President and Chief Merchandising Officer	2007	\$600,000	—	\$313,865	\$359,399	—	\$160,436	\$11,827	\$1,445,527
	2006	\$600,000	\$150,000(1)	\$160,539	\$153,985	\$152,648	\$203,989	\$ 9,159	\$1,430,320
Dan Moen . . . . .	2008	\$350,000	—	\$145,803	\$195,948	\$ 41,563	—	\$12,966(11)	\$ 746,280
Senior Vice President and Chief Information Officer	2007	\$350,000	\$225,000(2)	\$142,804	\$188,499	—	—	\$11,586	\$ 917,889
	2006	\$311,058	—	\$ 79,877	\$120,323	\$ 69,449	—	\$11,962	\$ 592,669
Gerard El Chaar . . . . .	2008	\$350,000	—	\$116,771	\$146,954	\$ 39,375	—	\$12,706	\$ 665,806
Senior Vice President of Operations	2007	\$350,000	—	\$101,667	\$128,367	—	—	\$11,827	\$ 591,861

- (1) Represents a discretionary bonus paid to Ms. Shonk-Simmons based on her performance during the first quarter of fiscal 2006.
- (2) Represents a retention bonus paid as described below under “Retention Bonus Program”.
- (3) Amounts in this column reflect the expense recognized by us for accounting purposes calculated in accordance with SFAS 123R (without regard to forfeitures related to service-based vesting conditions) for RSUs granted in fiscal 2008 and prior years under our Amended and Restated Stock Option/Stock Issuance Plan. The assumptions made in the valuation of these awards are set forth in Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 31, 2009. For further information on these awards, see the Grants of Plan-Based Awards table.
- (4) Amounts in this column reflect the expense recognized by us for accounting purposes calculated in accordance with SFAS 123R (without regard to forfeitures related to service-based vesting conditions) for stock options granted in fiscal 2008 and prior years under our Amended and Restated Stock Option/Stock Issuance Plan. The assumptions made in the valuation of these awards are set forth in Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 31, 2009. For further information on these awards, see the Grants of Plan-Based Awards table.
- (5) The amounts shown in this column consist of payments made under our Incentive Award Program, which is described below under the heading “Incentive Award Program.”
- (6) The amounts shown in this column represent the aggregate increase in actuarial value of each of the NEO’s benefits under our SERP, which is described below under the heading “Supplemental Executive Retirement Plan.”
- (7) Amounts shown in this column represent matching contributions we made to NEO’s accounts under our 401(k) Plan, reimbursement of payment for taxes and for life insurance premiums paid on behalf of our NEO’s. Perquisites are not included in this table as the aggregate incremental cost to us of all perquisites we provided to any NEO in fiscal 2008 was less than \$10,000.
- (8) Includes \$567 for reimbursement of taxes.
- (9) Includes \$47 for reimbursement of taxes.
- (10) Includes \$202 for reimbursement of taxes.
- (11) Includes \$260 for reimbursement of taxes.

## 2008 Grants of Plan-Based Awards

The following table shows certain information about incentive plan awards and other equity awards granted to NEOs during fiscal 2008.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock or Option Awards Granted in Fiscal 2008 \$(4)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Daniel Griesemer . . . . .	18-Mar-08	\$ 0	\$462,188	\$924,375	—	—	—	—
	13-Jun-08	—	—	—	95,000	—	—	\$576,650
	13-Jun-08	—	—	—	—	220,000	\$6.07	\$831,600
Timothy Martin . . . . .	18-Mar-08	\$ 0	\$ 97,500	\$195,000	—	—	—	—
	13-Jun-08	—	—	—	25,000	—	—	\$151,750
	13-Jun-08	—	—	—	—	55,000	\$6.07	\$207,900
Georgia Shonk-Simmons . . . . .	18-Mar-08	\$ 0	\$337,500	\$675,000	—	—	—	—
	13-Jun-08	—	—	—	60,000	—	—	\$364,200
	13-Jun-08	—	—	—	—	140,000	\$6.07	\$529,200
Dan Moen . . . . .	18-Mar-08	\$ 0	\$131,250	\$262,500	—	—	—	—
	13-Jun-08	—	—	—	20,000	—	—	\$121,400
	13-Jun-08	—	—	—	—	45,000	\$6.07	\$170,100
Gerard El Char . . . . .	18-Mar-18	\$ 0	\$131,250	\$262,500	—	—	—	—
	13-Jun-08	—	—	—	20,000	—	—	\$121,400
	13-Jun-08	—	—	—	—	45,000	\$6.07	\$170,100

- (1) Amounts shown relate to our 2008 Incentive Award Program. The “Threshold” level amounts reported above assume that we do not achieve the minimum EBIT goals. The “Target” level amounts reported above assume that we achieve the targeted EBIT goal and the executive’s award is not reduced based on individual performance. The “Maximum” level amounts reported above assume that we achieve the maximum EBIT goal and that the executive’s award is not reduced based on individual performance. Actual Incentive Award Program bonuses paid during fiscal 2008 are set forth above in the Summary Compensation Table. For a full description of the 2008 Incentive Award Program, see “Incentive Award Program” below.
- (2) Consists of shares of Common Stock underlying RSUs granted under our Amended and Restated Stock Option/Stock Issuance Plan. All of these RSUs vest on the third anniversary of the grant date, subject to the executive obtaining performance reviews within the range of “meets expectations” throughout the vesting period. The holder of an RSU award receives shares of our Common Stock upon vesting and does not have any rights associated with the shares prior to their delivery in accordance with the award agreement.
- (3) Consists of options to purchase our Common Stock granted under our Amended and Restated Stock Option/Stock Issuance Plan. The exercise price is equal to the closing price of our Common Stock on the grant date, and the options vest in four equal installments on each of the first, second, third and fourth anniversaries of the grant date and expire on the seventh anniversary of the grant date.

- (4) Amounts in this column reflect the grant date fair value of options or RSUs granted during fiscal 2008 calculated in accordance with SFAS 123R. The assumptions made in the valuation of these awards are set forth in Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 31, 2009.

***Incentive Award Program.*** All of our NEOs participated in our 2008 Incentive Award Program, which was a cash-based, pay-for-performance semi-annual incentive plan. This plan was identical to the incentive program in which substantially all other salaried employees participated. Awards under the 2008 Incentive Award Program were based on the Company's EBIT for the first and second halves of fiscal 2008. Target individual awards for our NEOs under the program, expressed as a percentage of salary, normally ranges from 40% for Mr. Martin to 85% for Mr. Griesemer. In light of economic conditions, the Compensation Committee reduced each individual's target percentage for 2008 by 25% such that the revised target percentages range from 30% to 63.75%. The individual target amount could be reduced by up to 50% of the revised target if a minimum EBIT target was reached and could be increased to 200% of the revised target if the maximum EBIT level was met. If performance fell below the minimum EBIT target, no bonus would be awarded. Additionally, an executive's bonus payment was subject to being reduced by up to 25%, based on individual performance. Target individual awards under the 2008 Incentive Award Program were based on the Company achieving EBIT of no lower than (\$27.2 million) during the first half of fiscal 2008 and \$25.5 million during the second half of fiscal 2008 (without giving effect to the bonus). No bonus would be awarded if the Company's EBIT was lower than (\$32.6 million) during the first half of fiscal 2008 and at least \$20.4 million for the second half of fiscal 2008. Maximum bonuses would be payable if the Company achieved EBIT greater than (\$21.8 million) and \$30.6 million for those periods, respectively. Based on the Company's actual performance during the first half of 2008, bonuses were paid under the 2008 Incentive Award Program, as disclosed in the "Summary Compensation Table" above. Based on the Company's actual performance during the second half of 2008, no bonuses were paid for that period.

***Retention Bonus Program.*** As a means of promoting long-term retention, we previously entered into cash bonus retention agreements with our NEOs, pursuant to which the executive would receive an agreed-upon lump sum payment of cash upon the completion of three years of continuous service from the grant date. These payments were also contingent upon achievement of earnings equal to at least two-thirds of our plan for the prior three fiscal years and satisfactory performance evaluations for the executive. We entered into a retention bonus agreement with Mr. El Chaar in 2003 that was paid in fiscal 2006. We entered into a retention bonus agreement with Mr. Moen in 2004 that was paid in fiscal 2007. There are currently no other retention bonus agreements outstanding for our NEOs.

### Outstanding Equity Awards at Fiscal Year-End

The following table shows certain information about equity awards held by our NEOs that were outstanding at the end of fiscal 2008, all of which were granted under our Amended and Restated Stock Option/Stock Issuance Plan.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(25)
Daniel Griesemer . . . . .	100,453		\$ 1.93	4/30/2013		
	50,625		\$ 2.88	9/30/2013		
	55,650		\$11.38	5/8/2012		
	67,500	16,875(1)	\$ 6.32	3/31/2014		
	18,667	9,333(2)	\$27.04	8/28/2013		
	13,000	26,000(3)	\$24.37	6/9/2014		
	13,334	26,666(4)	\$ 7.95	11/2/2014		
		220,000(5)	\$ 6.07	6/13/2015		
					131,000(20)	\$369,420
Timothy Martin . . . . .	6,000	9,000(6)	\$27.43	8/31/2016		
	3,500	7,000(7)	\$24.37	6/9/2014		
	3,334	6,666(8)	\$12.44	8/31/2014		
		55,000(9)	\$ 6.07	6/13/2015		
					28,500(21)	\$ 80,370
Georgia Shonk-Simmons .	337,779		\$ 2.27	1/31/2010		
	47,700		\$11.38	5/8/2012		
	21,334	10,666(10)	\$27.04	8/28/2013		
	15,000	30,000(11)	\$24.37	6/9/2014		
		140,000(12)	\$ 6.07	6/13/2015		
					90,000(22)	\$253,800
Dan Moen . . . . .	23,850		\$11.38	5/8/2012		
	20,251	5,062(13)	\$ 6.32	3/31/2014		
	10,667	5,333(14)	\$27.04	8/28/2013		
	5,000	10,000(15)	\$24.37	6/9/2014		
		45,000(16)	\$ 6.07	6/13/2015		
					32,400(23)	\$ 91,368
Gerard El Chaar . . . . .	188		\$ 3.91	10/31/2010		
	26,438		\$ 2.43	2/28/2011		
	8,188		\$ 4.09	12/29/2010		
	40,500		\$ 1.93	4/30/2013		
	15,900		\$11.38	5/8/2012		
	6,667	3,333(17)	\$27.04	8/28/2013		
	5,000	10,000(18)	\$24.37	6/9/2014		
		45,000(19)	\$ 6.07	6/13/2015		
					29,650(24)	\$ 83,613

- (1) Consists of 16,875 options that vest on March 1, 2009.  
(2) Consists of 9,333 options that vest on August 28, 2009.

- (3) Consists of 13,000 options that vest on June 9, 2009 and 13,000 options that vest on June 9, 2010.
- (4) Consists of 13,333 options that vest on November 2, 2009 and 13,333 options that vest on November 2, 2010.
- (5) Consists of 55,000 options that vest on June 13, 2009, 55,000 options that vest on June 13, 2010, 55,000 options that vest on June 13, 2011 and 55,000 options that vest on June 13, 2012.
- (6) Consists of 3,000 options that vest on August 31, 2009, 3,000 options that vest on August 31, 2010 and 3,000 options that vest on August 31, 2011.
- (7) Consists of 3,500 options that vest on June 9, 2009 and 3,500 options that vest on June 9, 2010.
- (8) Consists of 3,333 options that vest on August 31, 2009 and 3,333 options that vest on August 31, 2010.
- (9) Consists of 13,750 options that vest on June 13, 2009, 13,750 options that vest on June 13, 2010, 13,750 options that vest on June 13, 2011 and 13,750 options that vest on June 13, 2012.
- (10) Consists of 10,666 options that vest on August 28, 2009.
- (11) Consists of 15,000 options that vest on June 9, 2009 and 15,000 options that vest on June 9, 2010.
- (12) Consists of 35,000 options that vest on June 13, 2009, 35,000 options that vest on June 13, 2010, 35,000 options that vest on June 13, 2011 and 35,000 options that vest on June 13, 2012.
- (13) Consists of 5,062 options that vest on March 1, 2009.
- (14) Consists of 5,333 options that vest on August 28, 2009.
- (15) Consists of 5,000 options that vest on June 9, 2009 and 5,000 options that vest on June 9, 2010.
- (16) Consists of 11,250 options that vest on June 13, 2009, 11,250 options that vest on June 13, 2010, 11,250 options that vest on June 13, 2011 and 11,250 options that vest on June 13, 2012.
- (17) Consists of 3,333 options that vest on August 28, 2009.
- (18) Consists of 5,000 options that vest on June 9, 2009 and 5,000 options that vest on June 9, 2010.
- (19) Consists of 11,250 options that vest on June 13, 2009, 11,250 options that vest on June 13, 2010, 11,250 options that vest on June 13, 2011 and 11,250 options that vest on June 13, 2012.
- (20) Represents shares of Common Stock underlying RSUs granted under our Amended and Restated Stock Option/Stock Issuance Plan, 13,000 shares of which vest and are deliverable on August 28, 2009, 13,000 shares of which vest and are deliverable on June 9, 2010, 10,000 shares of which vest and are deliverable on November 2, 2010 and 95,000 shares of which vest and are deliverable on June 13, 2011, subject to the executive obtaining performance reviews within the range of “meets expectations” throughout the vesting period.
- (21) Represents shares of Common Stock underlying RSUs granted under our Amended and Restated Stock Option/Stock Issuance Plan, 3,500 shares of which vest and are deliverable on June 9, 2010 and 25,000 shares of which vest and are deliverable on June 13, 2011, subject to the executive obtaining performance reviews within the range of “meets expectations” throughout the vesting period.
- (22) Represents shares of Common Stock underlying RSUs granted under our Amended and Restated Stock Option/Stock Issuance Plan, 15,000 shares of which vest and are deliverable on August 28, 2009, 15,000 shares of which vest and are deliverable on June 9, 2010 and 60,000 shares of which vest and are deliverable on June 13, 2011, subject to the executive obtaining performance reviews within the range of “meets expectations” throughout the vesting period.

- (23) Represents shares of Common Stock underlying RSUs granted under our Amended and Restated Stock Option/Stock Issuance Plan, 7,400 shares of which vest and are deliverable on August 28, 2009, 5,000 shares of which vest and are deliverable on June 9, 2010 and 20,000 shares of which vest and are deliverable on June 13, 2011, subject to the executive obtaining performance reviews within the range of “meets expectations” throughout the vesting period.
- (24) Represents shares of Common Stock underlying RSUs granted under our Amended and Restated Stock Option/Stock Issuance Plan, 4,650 shares of which vest and are deliverable on August 28, 2009, 5,000 shares of which vest and are deliverable on June 9, 2010 and 20,000 shares of which vest and are deliverable on June 13, 2011, subject to the executive obtaining performance reviews within the range of “meets expectations” throughout the vesting period.
- (25) Determined by multiplying \$2.82, the closing price of our Common Stock on January 30, 2009, by the number of shares underlying each RSU award.

### Option Exercises and Stock Vested

The following table shows information about stock options exercised by our NEOs and stock awards held by our NEOs that vested during fiscal year 2008.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting (\$)(3)
Daniel Griesemer . . . . .	—	—	30,750	\$183,578
Georgia Shonk-Simmons . . . . .	—	—	26,400	\$157,608
Dan Moen . . . . .	20,250	\$59,333	13,200	\$ 78,804
Gerard El Chaar . . . . .	—	—	8,850	\$ 52,835
Timothy Martin . . . . .	—	—	—	—

- (1) Amounts shown in this column were determined based on the difference between the closing market price of the underlying common stock as reported by NASDAQ on the exercise date and the exercise price of the option.
- (2) Amounts include shares withheld for income tax payments.
- (3) Amounts shown in this column were calculated by multiplying the closing market price of the common stock as reported by NASDAQ on the vesting date by the number of shares vested.

### Pension Benefits

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefits(1)	Payments During Last Fiscal Year
Georgia Shonk-Simmons . . .	Supplemental Executive Retirement Plan	10.6	\$1,357,069	—
Daniel Griesemer . . . . .	Supplemental Executive Retirement Plan	7.3	\$ 493,734	—

- (1) Amounts shown in this column represent the actuarial present value of the NEO’s accumulated benefit under the SERP computed using the same assumptions used for financial reporting purposes except that the SERP’s normal retirement age of 62 was used as the retirement age assumption. See Note 13 to our consolidated financial statements included in our Annual Report

on Form 10-K for the year ended January 31, 2009 for a discussion of the methodology and assumptions used in calculating these amounts.

**Supplemental Executive Retirement Plan.** On October 1, 2005, the Board approved a Supplemental Executive Retirement Plan, or SERP, for certain executive officers and key employees effective as of October 30, 2005. The SERP is an unfunded, non-qualified benefit plan that provides eligible participants with monthly benefits upon retirement, termination of employment, death or disability, subject to certain conditions. The participants in the SERP include Ms. Shonk-Simmons and Mr. Griesemer.

The following table sets forth the aggregate estimated annual retirement benefits as of January 31, 2009 for the SERP participants:

<u>Name</u>	<u>Annual Retirement Benefit(1)</u>
Georgia Shonk-Simmons . . . . .	\$157,122
Daniel Griesemer . . . . .	\$100,910

(1) On normal retirement at age 62.

Normal SERP retirement benefits are determined by multiplying a percentage equal to 2.5 percent of each eligible executive’s average monthly earnings by the number of years of his or her service with the Company, up to a maximum of twenty years. “Average monthly earnings” means the highest average of the participant’s monthly base salary during any consecutive 60-month period after October 30, 2005 in which the participant is an employee in the 120 months preceding his or her employment termination. For purposes of this calculation in applicable circumstances the 60- and 120-month periods refer to such fewer number of months as measured from October 30, 2005 to a participant’s employment termination date.

No benefits are payable under the SERP upon retirement unless a participant has become fully vested. SERP benefits vest as to each participant after he or she (a) provides continuous service to the Company for at least (i) five years after adoption of the SERP or (ii) a total of fifteen years, and (b) reaches the age of 55. If a participant engages in certain competitive activities or in fraudulent or dishonest conduct or otherwise fails to comply with our professional or ethical standards, all SERP benefits of such participant will immediately cease and be forfeited.

In the event of a change in control of our Company, the Board has the discretion to accelerate the vesting of all accrued benefits under the SERP and provide for a lump-sum payment to each participant equal to the actuarial equivalent of each participant’s accrued benefits. Pursuant to the terms of the employment agreements with Mr. Griesemer and Ms. Shonk-Simmons, if employment is terminated without “Cause” or he/she terminates his/her employment for “Good Reason” following a “Change in Control” (as such terms are described below under “Payments and Entitlements Upon Change in Control and Other Termination Events”), he/she will receive accelerated vesting of his/her annual benefit under the SERP and payment in accordance with its terms. Assuming the occurrence of a change in control and termination on January 31, 2009, the annual benefit to Mr. Griesemer and Ms. Shonk-Simmons would be approximately \$101,000 and \$157,000, respectively.

Benefits are generally payable to vested participants over their lifetime after separation from service on or after age 62, subject to the advance election by a participant for his or her spouse to receive a survivor annuity equal to 50 percent or 100 percent of the participant’s benefit. If a participant continues providing services after age 62, the benefit will continue to accrue (subject to the twenty-year maximum) and vested benefits will be payable upon retirement. If a vested participant retires before reaching the age of 62, his or her SERP benefit will stop accruing and the amount of the SERP benefit will be reduced by multiplying his or her normal retirement benefit by four percent for each year that his or her age is under 62 as of the date of retirement.

Upon termination due to a participant's disability, if the participant is not vested, the participant will continue to accrue years of benefit service and years of vested service during the period of disability until he or she is fully vested, and benefit payments would commence at the participant's earliest retirement age (age 55) or when vested. Benefits payable upon disability are offset by amounts received under our long term disability plan, but are not offset by social security or other offset amounts. Assuming the occurrence of their termination as a result of disability on January 31, 2009, Ms. Shonk-Simmons and Mr. Griesemer would be entitled to receive continued vesting in the following annual benefits, commencing at the age set forth below:

<u>Name</u>	<u>Annual Retirement Benefit</u>	<u>Payment Commencement Age</u>
Georgia Shonk-Simmons . . . . .	\$140,886	59
Daniel Griesemer . . . . .	\$ 72,655	55

If a participant dies before becoming vested in the SERP or dies without a surviving spouse, no benefits are payable. If a vested participant dies prior to retirement and has a surviving spouse, the spouse will receive during his or her lifetime monthly payments in the amount that would have been payable if the participant had survived and had elected the 50 percent joint and survivor annuity. If a participant dies after retirement, survivor benefits are payable only if the participant had elected payment of a joint and survivor annuity.

**PAYMENTS AND ENTITLEMENTS UPON CHANGE IN CONTROL AND OTHER TERMINATION EVENTS**

The following is a description of the specific circumstances relating to termination of employment and change in control of the Company that will trigger payments to our NEOs and a calculation of the estimated payment as a result of the occurrence of such events had they occurred on January 31, 2009, the end of our fiscal year.

**Executive Employment Agreements**

We have a three-year employment agreement with Ms. Shonk-Simmons, which was entered into in December 2006, as amended on December 23, 2008. In May 2007 we entered into three-year employment agreements, as amended on December 23, 2008, with Messrs. Griesemer, Moen and El Chaar. In December 2008, we entered into a three-year employment agreement with Mr. Martin.

Each of these agreements provides for payments to be made to an executive upon certain termination events, including a "Change in Control" of the Company (generally defined as (i) the acquisition of securities possessing more than 50 percent of the total combined voting power of our outstanding securities; (ii) a change in the majority of the Board by reason of one or more contested elections; or (iii) a sale of all or substantially all of the assets of the Company).

Under the employment agreements, if any of the following termination events occurs:

- The executive's employment is terminated by the Company without "Cause" (generally defined as conviction for the commission of a felony; dishonesty; continuing failure to perform duties; material violation of Company policy; or material violation of the terms of the employment agreement, including its non-competition provision);
- The executive terminates employment for Good Reason (as defined below);

The executive is entitled to receive:

- Lump sum cash severance payment. For Mr. Griesemer and Ms. Shonk-Simmons, this payment is equal to one and one-half times the sum of annual salary plus annual bonus at target level in effect on the day of termination, provided that, if the effective date of termination is after

May 29, 2010 in the case of Mr. Griesemer and after December 20, 2009 in the case of Ms. Shonk-Simmons, the payment will be equal to two and one-half times the annual salary. For Messrs. Martin, Moen and El Chaar, this payment is equal to one and one-half times the annual salary in effect on the day of termination;

- Full vesting of all unvested equity awards held by the executive other than any awards subject to performance-based vesting requirements, in which case vesting will be accelerated only to the extent the performance goals for any pending bonus period are subsequently determined to have been achieved;
- For Mr. Griesemer and Ms. Shonk-Simmons, accelerated full vesting under the SERP and payment in accordance with its terms (see the section above entitled “Pension Benefits”); and
- Continuation of health benefits for eighteen months in the case of Ms. Shonk-Simmons and Mr. Griesemer and twelve months in the case of Messrs. Martin, Moen and El Chaar;

except that if within one year following a Change in Control the executive’s employment is terminated without Cause or the executive terminates employment for Good Reason, then the executive will receive an increased lump-sum cash severance payment. For Ms. Shonk-Simmons and Mr. Griesemer, this payment will be equal to two and one-half times the sum of annual salary and the annual bonus at target level in effect on the day of termination. For Messrs. Martin, Moen and El Chaar, this payment is equal to one and one-half times the sum of annual salary plus the annual bonus at target level in effect on the day of termination. In addition, any unvested equity awards subject to performance-based vesting requirements would vest in full.

Ms. Shonk-Simmons will also be entitled to a gross-up to compensate for “golden parachute” excise taxes. If Mr. Griesemer becomes entitled to any payments in connection with a change in control and his receipt of these payments would cause him to become subject to “golden parachute” excise taxes, the Company will reduce his payments to the extent necessary to avoid the application of the excise taxes, provided that doing so would result in a greater net after-tax payment to Mr. Griesemer.

The executive has “Good Reason” to terminate employment with the Company:

- Upon the material reduction of authority, duties and responsibilities;
- Upon a reduction in annual salary, except in connection with a reduction in compensation generally applicable to senior management employees of the Company;
- Upon the Company’s relocation of the executive’s principal place of employment more than 50 miles from the Company’s principal place of business in Sandpoint, Idaho, or in the case of Mr. El Chaar, from the Company’s place of business in either Sandpoint, Idaho, Coeur d’Alene, Idaho or Parkersburg, West Virginia;
- Upon the Company’s material and willful breach of the agreement; or
- In the case of Ms. Shonk-Simmons, for a period of 30 days, commencing one year after a Change in Control. In the event Ms. Shonk-Simmons voluntarily terminates her employment during this 30-day period, it will be deemed to have occurred within twelve months of the Change in Control for purposes of calculating her lump sum cash severance.

Under the employment agreements, the Company has the right, to the extent permitted by law, to terminate an executive’s employment if he or she becomes eligible for disability benefits under the Company’s long-term disability plans, unless, in the case of Mr. Griesemer and Ms. Shonk-Simmons, in the opinion of a qualified physician it is reasonably certain that the executive will be able to resume his or her duties on a regular full-time basis within 90 days. In the case of a termination due to disability, Ms. Shonk-Simmons and Mr. Griesemer will be entitled to continuation of annual salary in effect on the day of termination for a period of eighteen months, whereas Messrs. Moen, Martin and El Chaar

will be entitled to continuation of annual salary in effect on the day of termination for a period of twelve months.

Mr. Griesemer and Ms. Shonk-Simmons are subject to non-competition covenants during employment and for eighteen months thereafter. Messrs. Moen and El Chaar are subject to non-competition covenants during employment and for twelve months thereafter.

Assuming the occurrence of the following termination events and/or change in control on January 31, 2009, Messrs. Griesemer, Martin, Moen and El Chaar and Ms. Shonk-Simmons would be entitled to receive the additional payments set out in the table below:

**Potential Payments to Daniel Griesemer upon the Occurrence of Certain Events**

<u>Component of Compensation</u>	<u>Termination by the Executive For Good Reason</u>	<u>Termination by the Company Without Cause</u>	<u>Termination due to the Executive's Disability</u>	<u>Change in Control of Company with the Executive's Termination</u>
Cash Severance . . . . .	\$2,011,875	\$2,011,875	\$60,417(2)	\$3,353,125
Restricted Stock Units(1)—Accelerated . . . . .	\$ 369,420	\$ 369,420	—	\$ 369,420
Stock Options(1)—Accelerated . . . . .	—	—	—	—
Health & Welfare . . . . .	\$ 11,999	\$ 11,999	—	\$ 11,999
Total . . . . .	<u>\$2,393,294</u>	<u>\$2,393,294</u>	<u>\$60,417</u>	<u>\$3,734,544</u>

- (1) For purposes of the table above, the value of the RSUs represents the number of shares under the award multiplied by the Company's 2008 fiscal year end closing stock price of \$2.82. For stock options, the value represents the number of option shares outstanding for the executive multiplied by the difference between the Company's 2008 fiscal year-end closing stock price and the option's exercise price.
- (2) Upon permanent disability, Mr. Griesemer is entitled to his current monthly salary (which as of January 31, 2009 is \$60,417) for a period of eighteen months.

**Potential Payments to Timothy Martin upon the Occurrence of Certain Events**

<u>Component of Compensation</u>	<u>Termination by the Executive For Good Reason</u>	<u>Termination by the Company Without Cause</u>	<u>Termination due to the Executive's Disability</u>	<u>Change in Control of Company with the Executive's Termination</u>
Cash Severance . . . . .	\$487,500	\$487,500	\$27,083(2)	\$682,500
Restricted Stock Units(1)—Accelerated . . . . .	\$ 80,370	\$ 80,370	—	\$ 80,370
Stock Options(1)—Accelerated . . . . .	—	—	—	—
Health & Welfare . . . . .	\$ 7,999	\$ 7,999	—	\$ 7,999
Total . . . . .	<u>\$575,869</u>	<u>\$575,869</u>	<u>\$27,083</u>	<u>\$770,869</u>

- (1) For purposes of the table above, the value of RSUs represents the number of shares under the award multiplied by the Company's 2008 fiscal year-end closing stock price of \$2.82. For stock options, the value represents the number of option shares outstanding for the executive multiplied by the difference between the Company's 2008 fiscal year-end closing stock price and the option's exercise price.

- (2) Upon permanent disability, Mr. Martin is entitled to his current monthly salary (which as of January 31, 2009 is \$27,083) for a period of twelve months.

**Potential Payments to Georgia Shonk-Simmons upon the Occurrence of Certain Events**

<u>Component of Compensation</u>	<u>Termination by the Executive For Good Reason</u>	<u>Termination by the Company Without Cause</u>	<u>Termination due to the Executive's Disability</u>	<u>Change in Control of Company with the Executive's Termination</u>
Cash Severance . . . . .	\$1,575,000	\$1,575,000	\$50,000(2)	\$2,625,000
Restricted Stock Units(1)—Accelerated . . . . .	\$ 253,800	\$ 253,800	—	\$ 253,800
Stock Options(1)—Accelerated . . . . .	—	—	—	—
Health & Welfare . . . . .	\$ 10,997	\$ 10,997	—	\$ 10,997
Excise Tax Gross-Up . . . . .	—	—	—	—
<b>Total . . . . .</b>	<b>\$1,839,797</b>	<b>\$1,839,797</b>	<b>\$50,000</b>	<b>\$2,889,797</b>

- (1) For purposes of the table above, the value of RSUs represents the number of shares under the award multiplied by the Company's 2008 fiscal year-end closing stock price of \$2.82. For stock options, the value represents the number of option shares outstanding for the executive multiplied by the difference between the Company's 2008 fiscal year-end closing stock price and the option's exercise price.
- (2) Upon permanent disability, Ms. Shonk-Simmons is entitled to her current monthly salary (which as of January 31, 2009 is \$50,000) for a period of eighteen months.

**Potential Payments to Dan Moen upon the Occurrence of Certain Events**

<u>Component of Compensation</u>	<u>Termination by the Executive For Good Reason</u>	<u>Termination by the Company Without Cause</u>	<u>Termination due to the Executive's Disability</u>	<u>Change in Control of Company with the Executive's Termination</u>
Cash Severance . . . . .	\$525,000	\$525,000	\$29,167(2)	\$787,500
Restricted Stock Units(1)—Accelerated . . . . .	\$ 91,368	\$ 91,368	—	\$ 91,368
Stock Options(1)—Accelerated . . . . .	—	—	—	—
Health & Welfare . . . . .	\$ 7,999	\$ 7,999	—	\$ 7,999
<b>Total . . . . .</b>	<b>\$624,367</b>	<b>\$624,367</b>	<b>\$29,167</b>	<b>\$886,867</b>

- (1) For purposes of the table above, the value of RSUs represents the number of shares under the award multiplied by the Company's 2008 fiscal year-end closing stock price of \$2.82. For stock options, the value represents the number of option shares outstanding for the executive multiplied by the difference between the Company's 2008 fiscal year-end closing stock price and the option's exercise price.
- (2) Upon permanent disability, Mr. Moen is entitled to his current monthly salary (which as of January 31, 2009 is \$29,167) for a period of twelve months.

## Potential Payments to Gerard El Chaar upon the Occurrence of Certain Events

Component of Compensation	Termination by the Executive For Good Reason	Termination by the Company Without Cause	Termination due to the Executive's Disability	Change in Control of Company with the Executive's Termination
Cash Severance . . . . .	\$525,000	\$525,000	\$29,167(2)	\$787,500
Restricted Stock Units(1)—Accelerated . . . . .	\$ 83,613	\$ 83,613	—	\$ 83,613
Stock Options(1)—Accelerated . . . . .	—	—	—	—
Health & Welfare . . . . .	\$ 7,999	\$ 7,999	—	\$ 7,999
Total . . . . .	\$616,612	\$616,612	\$29,167	\$879,112

- (1) For purposes of the table above, the value of RSUs represents the number of shares under the award multiplied by the Company's 2008 fiscal year-end closing stock price of \$2.82. For stock options, the value represents the number of option shares outstanding for the executive multiplied by the difference between the Company's 2008 fiscal year-end closing stock price and the option's exercise price.
- (2) Upon permanent disability, Mr. El Chaar is entitled to his current monthly salary (which as of January 31, 2009 is \$29,167) for a period of twelve months.

### Termination Benefits Under SERP

Please refer to the discussion under the "Pension Benefits" section of this Proxy Statement for SERP benefits payable to the participating NEOs upon termination.

### Overview of Non-Employee Director Compensation

We provide a combination of cash and equity compensation to our non-employee directors for their service on the Board. Our employee directors do not receive compensation for serving on the Board. Their compensation is reported above under "Executive Compensation". The following tables and narrative discussion describe each element of director compensation for fiscal 2008 in greater detail.

#### Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(8)	Option Awards \$(9)	All Other Compensation (\$)	Total (\$)
Dennis C. Pence . . . . .	\$284,274	—	—	\$57(10)	\$284,331
James R. Alexander(1) . . . . .	\$147,500	\$24,556	—	\$57(10)	\$172,113
Jerry Gramaglia(2) . . . . .	\$117,500	\$24,556	—	\$57(10)	\$143,113
Curt Hecker(3) . . . . .	\$109,000	\$24,556	—	\$57(10)	\$133,613
Kay Isaacson-Leibowitz(4) . . . . .	\$132,000	\$24,556	\$ 1,995	\$57(10)	\$158,608
Frank M. Leshner(5) . . . . .	\$ 97,500	\$24,556	\$110,994	\$57(10)	\$233,107
Robert H. McCall(6) . . . . .	\$149,500	\$24,556	—	\$57(10)	\$174,113
Michael J. Potter(7) . . . . .	\$106,500	\$15,820	\$145,567	\$57(10)	\$267,944

- (1) Mr. Alexander was granted 4,118 RSUs in fiscal 2008 with an aggregate grant date fair value of \$25,000. He held 4,118 RSUs and 31,313 stock options that remained outstanding as of January 31, 2009.

- (2) Mr. Gramaglia was granted 4,118 RSUs in fiscal 2008 with an aggregate grant date fair value of \$25,000. He held 4,118 RSUs and 62,716 stock options that remained outstanding as of January 31, 2009.
- (3) Mr. Hecker was granted 4,118 RSUs in fiscal 2008 with an aggregate grant date fair value of \$25,000. He held 4,118 RSUs and 140,533 stock options that remained outstanding as of January 31, 2009.
- (4) Ms. Isaacson-Leibowitz was granted 4,118 RSUs in fiscal 2008 with an aggregate grant date fair value of \$25,000. She held 4,118 RSUs and 45,144 stock options that remained outstanding as of January 31, 2009.
- (5) Mr. Leshner was granted 4,118 RSUs in fiscal 2008 with an aggregate grant date fair value of \$25,000. He held 4,118 RSUs and 30,000 stock options that remained outstanding as of January 31, 2009.
- (6) Mr. McCall was granted 4,118 RSUs in fiscal 2008 with an aggregate grant date fair value of \$25,000. He held 4,118 RSUs and 84,375 stock options that remained outstanding as of January 31, 2009.
- (7) Mr. Potter was granted 4,118 RSUs in fiscal 2008 with an aggregate grant date fair value of \$25,000. He held 4,118 RSUs and 30,000 stock options that remained outstanding as of January 31, 2009.
- (8) Amounts in this column reflect the expense recognized by us in fiscal 2008 for accounting purposes calculated in accordance with SFAS 123R for RSUs granted in fiscal 2008 and prior years under our Amended and Restated Stock Option/Stock Issuance Plan. The assumptions made in the valuation of these awards are set forth in Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 31, 2009.
- (9) Amounts in this column reflect the expense recognized by us in fiscal 2008 for accounting purposes calculated in accordance with SFAS 123R for stock options granted in fiscal 2008 and prior years under our Amended and Restated Stock Option/Stock Issuance Plan. The assumptions made in the valuation of these awards are set forth in Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 31, 2009.
- (10) Consists of \$57 paid by the Company with respect to life insurance premiums.

Cash compensation paid to our independent directors consists of an annual retainer and meeting fees. The following table sets forth retainer and meeting fees for fiscal 2008.

	<u>Annual Retainer</u>	<u>Meeting Fees</u>
<b>Board of Directors</b> .....	\$50,000	One hour or more: \$3,000 Under one hour: \$1,000
<b>Committees of the Board of Directors</b> .....	\$ 5,000	One hour or more: \$2,000 Under one hour: \$500
Audit Committee Chair .....	\$30,000	
Compensation Committee Chair .....	\$15,000	
Nominating and Corporate Governance Committee Chair .....	\$15,000	
Succession Planning and Management Development Committee Chair .....	\$15,000	

On October 30, 2007, Mr. Pence, Chairman of the Board, retired as CEO, becoming a non-employee director. As a non-employee director, Mr. Pence's compensation consisted of an annual

retainer of \$500,000 as well as standard health benefits under the Company's health benefit plans. Effective March 21, 2008 the annual cash retainer of Mr. Pence was reduced from \$500,000 to \$250,000 for the remainder of fiscal 2008.

At the request of Mr. Pence, his compensation has been further reduced to \$212,500 for fiscal 2009. Additionally, the Company's independent directors agreed to a 15% reduction in their cash compensation, consisting of the annual Board retainer, the annual retainer for each committee member and committee chair, and meeting fees. These reductions, which will apply for fiscal 2009, were made at the request of the independent directors.

RSUs having a value of \$25,000 are automatically granted to each individual who continues to serve as a non-employee director on the date of our Annual Meeting, provided such individual has served as a non-employee director for at least 90 days. This automatic RSU grant is based on the fair market value of the Common Stock on the date of grant. The RSUs vest upon completion of one year of Board service measured from the grant date. These RSUs are granted under our Amended and Restated Stock Option/Stock Issuance Plan. Each RSU immediately vests in full upon certain corporate transactions or a change in control of the Company.

Additionally, new non-employee directors who join the Board receive stock options to purchase 30,000 shares of Common Stock (the "New Director Options"). The New Director Options have an exercise price equal to the fair market value of the Common Stock on the date of grant. These options vest in one installment after the completion of three years of continuous Board service, as measured from the grant date. The New Director Options are issued under our Amended and Restated Stock Option/Stock Issuance Plan. Each New Director Option immediately vests in full upon certain corporate transactions or a change in control of the Company.

In December 2008, we adopted share ownership guidelines that require non-management Directors to maintain certain ownership levels of our common stock. A description of these guidelines is provided above under "Corporate Governance—Share Ownership Guidelines."

In addition, we pay for the life insurance policies for our independent directors. We also provide our independent directors with health insurance under our standard health insurance policy generally available to our employees. We reimburse our non-employee directors for expenses they incur in connection with service on the Board, including travel related expenses associated with attending Board meetings.

Our directors also receive product samples and gift cards from time to time of less than \$100 in value, and are afforded our standard employee discount for any goods or services they purchase from us. Additionally, spouses of our directors may accompany them to our annual corporate retreat and Board meeting at our expense, which may include commercial air travel or travel under our business jet fractional share program, as well as incremental expenses for food and other activities while attending the retreat. The aggregate incremental cost to us of all the perquisites we provided to any director in 2008 was less than \$10,000.

## EQUITY COMPENSATION PLAN INFORMATION

<u>Plan Category</u>	<u>Number of Securities to Be Issued on Exercise of Outstanding Options, Warrants, and Rights (a)</u>	<u>Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights (b)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</u>
Equity compensation plans approved by security holders . . . . .	3,859,109(1)	\$8.96(2)	3,683,248(3)
Equity compensation plans not approved by security holders . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
Total . . . . .	<u>3,859,109</u>	<u>\$8.96</u>	<u>3,683,248</u>

- 
- (1) Consists of options and 498,376 unvested RSUs awarded under the Amended and Restated Stock Option/Stock Issuance Plan.
  - (2) Does not include the 498,376 unvested RSUs, as such awards do not have an exercise price.
  - (3) Includes 2,220,674 shares of Common Stock that remain available for future grants under the Amended and Restated Stock Option/Stock Issuance Plan and 1,462,574 shares of Common Stock available for purchase under our 2006 Employee Stock Purchase Plan.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of Common Stock as of March 31, 2009, by:

- Each person, or group of affiliated persons, known by us to beneficially own more than five percent of the outstanding shares of Common Stock;
- Each director and nominee for director;
- Our NEOs; and
- All of our current directors and executive officers as a group.

All shares are subject to the named person's sole voting and investment power except where otherwise indicated.

<u>Name and Address of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	<u>Percentage of Shares Beneficially Owned(1)</u>
E. Ann Pence(2) . . . . .	18,133,671	19.9%
Dennis C. Pence(3) . . . . .	15,608,307	17.1%
Kornitzer Capital Management, Inc.(4) . . . . .	9,566,775	10.5%
James R. Alexander(5) . . . . .	68,000	*
Jerry Gramaglia(6) . . . . .	78,717	*
Curt Hecker(7) . . . . .	178,399	*
Kay Isaacson-Leibowitz(8) . . . . .	53,645	*
Frank M. Leshner . . . . .	12,268	*
Robert H. McCall(9) . . . . .	106,862	*
Michael J. Potter . . . . .	26,279	*
Georgia Shonk-Simmons(10) . . . . .	453,973	*
Daniel Griesemer(11) . . . . .	486,322	*
Dan Moen(12) . . . . .	128,184	*
Timothy Martin(13) . . . . .	24,095	*
Gerard ElChaar(14) . . . . .	126,955	*
All directors and executive officers as a group (15 persons)(15) . . . . .	17,450,531	18.8%

\* Less than one percent. The Address for officers, directors and Ann Pence is c/o Coldwater Creek Inc., One Coldwater Drive, Sandpoint, Idaho 83864

(1) The information in this table is based upon information furnished by each director, executive officer and principal stockholder or contained in filings made by these persons with the SEC. The calculation of the percentage of shares beneficially owned is based on 91,339,329 shares of Common Stock outstanding as of March 31, 2009. Shares of Common Stock subject to stock options and RSU's which are currently exercisable or will become exercisable within 60 days after March 31, 2009, are deemed outstanding for computing the percentage of the person or group holding such options, but are not deemed outstanding for computing the percentage of any other person or group.

(2) Includes (a) 17,998,671 shares owned of record by E. Ann Pence and (b) 135,000 shares owned of record by the Dancing River Foundation. Ms. Pence disclaims beneficial ownership over the shares owned of record by the Dancing River Foundation.

- (3) Includes 15,058,307 shares owned of record by Dennis C. Pence and (b) 550,000 shares owned of record by the Wild Rose Foundation. Mr. Pence disclaims beneficial ownership over the shares owned of record by the Wild Rose Foundation.
- (4) Consists of 9,566,775 shares beneficially owned by Kornitzer Capital Management, Inc. as reported on Schedule 13G as of December 31, 2008. Address: 5420 West 61st Place, Shawnee Mission, KS 66205.
- (5) Includes 31,313 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (6) Includes 62,716 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (7) Includes 140,533 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (8) Includes 45,144 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (9) Includes 84,375 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (10) Includes 421,813 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (11) Includes 336,104 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (12) Includes 64,830 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (13) Includes 12,834 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (14) Includes 102,881 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.
- (15) Includes 1,387,536 shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after March 31, 2009.

#### **Policies and Procedures with Respect to Related Person Transactions**

Our Audit Committee charter requires that the Audit Committee approve all transactions requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934. During 2007, the Audit Committee adopted a written policy governing its review of transactions with related persons. Pursuant to this policy, identified transactions with related persons, other than certain transactions that would not require disclosure pursuant to Item 404 of Regulation S-K, are subject to approval or ratification by the Audit Committee. Our policy also requires this approval or ratification for any material amendments to ongoing related person transactions. In determining whether to approve a related person transaction, the Audit Committee will consider all relevant facts and circumstances available to it, which may include the benefits of the transaction to the Company, the impact of the transaction on a director's independence, the availability of other sources for comparable products or services, and the terms of the transaction as compared with those available to or from unrelated third parties or employees generally. No director will participate in the discussion of any related person transaction in which such director has a direct or indirect interest, other than to provide

material information about the transaction to the Audit Committee. For purposes of this policy, the term “related person” has the meaning contained in Item 404 of Regulation S-K.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file.

Based solely upon review of the copies of such reports furnished to us and written representations that no other reports were required, we believe that there was compliance for fiscal year 2008 with all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners.

#### **ANNUAL REPORT**

The Annual Report of the Company for the fiscal year ended January 31, 2009 has been made available concurrently with the important Notice of Internet Availability of Proxy Materials (“Notice”) free of charge to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy soliciting material. Paper or e-mail copies of the Annual Report are available upon request as instructed in the Notice. Copies of our various SEC reports, including the Annual Report on Form 10-K, are available for immediate retrieval from the SEC’s web site (<http://www.sec.gov>) and are available on the Investor Relations portion of our web site at <http://www.coldwatercreek.com>.

#### **PROPOSAL 2**

##### **RATIFICATION OF SELECTION OF THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

On April 19, 2006, we selected Deloitte to serve as our independent registered public accountants. The decision was made and approved by the Audit Committee of the Board of Directors of the Company. Deloitte has conducted the audits of our consolidated financial statements since fiscal 2006 as ratified by our stockholders. The Audit Committee, in its capacity as a Committee of the Board, has selected Deloitte to serve as our independent registered public accountants for the fiscal year ending January 30, 2010. The affirmative vote of a majority of the shares present in person or by proxy and entitled to vote at the meeting is required to ratify the selection of Deloitte. If the stockholders fail to ratify the selection of Deloitte, the Audit Committee would reconsider such selection.

Representatives of Deloitte are expected to attend the Annual Meeting. The representatives will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions of the stockholders.

**Our Board recommends that stockholders vote FOR the ratification of the selection of Deloitte as our independent registered public accounting firm for the fiscal year ending January 30, 2010.**

## AUDITOR FEES

We paid the following fees to Deloitte for fiscal 2008 and fiscal 2007:

	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>
Audit Fees . . . . .	\$1,241,401	\$1,329,990
Audit Related Fees(1) . . . . .	20,000	21,000
Tax Fees . . . . .	—	—
All Other Fees(2) . . . . .	5,400	6,000
Total Fees . . . . .	<b>\$1,266,801</b>	<b>\$1,356,990</b>

(1) Audit related fees represent fees billed for audits and other services related to our 401(k) plan.

(2) All other fees represent fees for accounting research software.

The Audit Committee has considered whether the performance of the above noted services is compatible with maintaining the auditor’s independence and has determined that the performance of such services has not adversely affected the auditor’s independence.

The Audit Committee shall approve in advance all audit, review or attest engagements and any non-audit services (to the extent permitted under applicable law) and the audit fees and all other compensation to be paid to our independent registered public accounting firm.

The Chairman of the Audit Committee has been authorized to pre-approve non-audit related services performed by our independent registered public accounting firm provided that the Chairman notifies the Audit Committee of any non-audit related services approved under this authority at its next meeting. The Audit Committee may also adopt pre-approval policies and procedures that are detailed as to the particular service. The Audit Committee shall be promptly informed of all services approved pursuant to any pre-approval policies and procedures.

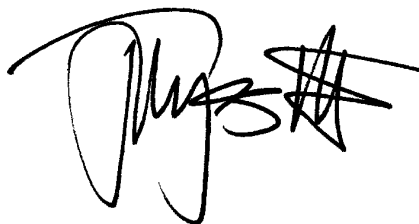
All services performed by our independent registered public accounting firm in fiscal year 2008 were pre-approved by the Audit Committee.

## OTHER MATTERS

We know of no other matters that will be presented for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed form of Proxy to vote the shares they represent as the Board may recommend. Discretionary authority with respect to such other matters is granted by the execution of the proxy that is enclosed, or that may be given by phone or over the Internet.

It is important that your shares be represented at the meeting, regardless of the number of shares which you hold. **YOU ARE, THEREFORE, URGED TO AUTHORIZE YOUR PROXY TO VOTE YOUR SHARES. WE ENCOURAGE YOU TO VOTE YOUR SHARES OVER THE INTERNET, AS DESCRIBED IN THE IMPORTANT NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS SENT TO STOCKHOLDERS OF RECORD ON MAY 1, 2009 AND THE ENCLOSED PROXY CARD.** Alternatively, you may vote (i) by requesting a paper copy of the Company's Annual Report on Form 10-K, the 2008 Proxy Statement and proxy card by mail or electronic mail and marking, signing, dating and promptly returning the proxy card, (ii) by telephone, as described in the Notice of Internet Availability of Proxy Materials or your proxy card, or (iii) by attending the annual meeting and voting in person. Note that all votes cast by telephone or the Internet must be cast prior to 11:59 p.m., Eastern time, on June 12, 2009. Stockholders who are present at the meeting may revoke their proxies and vote in person or, if they prefer, may abstain from voting in person and allow their proxies to be voted.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read 'John E. Hayes III', with a stylized flourish at the end.

John E. Hayes III  
*Senior Vice President, General Counsel and  
Secretary*  
Sandpoint, Idaho  
May 1, 2009