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

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re THE WET SEAL, INC., a Delaware corporation, *et al.*,[1] Debtors.	Chapter 11 Case No.: 15-10081 (CSS) (Jointly Administered)

DISCLOSURE STATEMENT FOR THE JOINT PLAN OF REORGANIZATION OF THE WET SEAL, INC. AND SUBSIDIARY DEBTORS

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[1] The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: The Wet Seal, Inc. (5940); The Wet Seal Retail, Inc. (6265), Wet Seal Catalog, Inc. (7604), and Wet Seal GC, LLC (2855-VA). The Debtors' address is 26972 Burbank, Foothill Ranch, CA 92610.

DISCLAIMER

THIS DISCLOSURE STATEMENT PROVIDES INFORMATION REGARDING THE JOINT PLAN OF REORGANIZATION OF THE WET SEAL, INC. AND SUBSIDIARY DEBTORS THAT THE DEBTORS ARE SEEKING TO HAVE CONFIRMED BY THE BANKRUPTCY COURT. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES TO, AND CONFIRMATION OF, THE PLAN AND MAY NOT BE RELIED ON FOR ANY OTHER PURPOSE. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION OR RECOMMENDATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATING TO THE PLAN, AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF, OR ARE INCONSISTENT WITH, SUCH DOCUMENTS.

ALTHOUGH THE DEBTORS HAVE MADE EVERY EFFORT TO BE ACCURATE, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN THE SUBJECT OF AN AUDIT OR OTHER REVIEW BY AN ACCOUNTING FIRM. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY, OR DISCREPANCY BETWEEN THE TERMS AND PROVISIONS IN THE PLAN, THIS DISCLOSURE STATEMENT, THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT, OR THE FINANCIAL INFORMATION INCORPORATED HEREIN OR THEREIN BY REFERENCE, THE PLAN SHALL GOVERN FOR ALL PURPOSES. ALL HOLDERS OF CLAIMS SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN. ALTHOUGH THE DEBTORS HAVE MADE AN EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES COULD REASONABLY BE EXPECTED TO AFFECT MATERIALLY THE RECOVERY UNDER THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT CERTAIN EVENTS DO OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY FEDERAL, STATE, LOCAL OR FOREIGN REGULATORY AGENCY, NOR HAS THE SEC OR ANY OTHER SUCH AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT. PERSONS OR ENTITIES HOLDING OR TRADING IN, OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING, SECURITIES OR CLAIMS OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THE DEBTORS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT ARE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER THE FEDERAL SECURITIES LAWS. STATEMENTS CONCERNING THESE AND OTHER MATTERS ARE NOT GUARANTEES OF THE DEBTORS' FUTURE PERFORMANCE. SUCH FORWARD-LOOKING STATEMENTS REPRESENT THE DEBTORS' ESTIMATES AND ASSUMPTIONS ONLY AS OF THE DATE SUCH STATEMENTS WERE MADE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER UNKNOWN FACTORS THAT COULD IMPACT THE DEBTORS' RESTRUCTURING PLANS OR CAUSE THE ACTUAL RESULTS OF THE DEBTORS TO BE MATERIALLY DIFFERENT FROM THE HISTORICAL RESULTS OR FROM ANY FUTURE RESULTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. IN ADDITION TO STATEMENTS THAT EXPLICITLY DESCRIBE SUCH RISKS AND UNCERTAINTIES, READERS ARE URGED TO CONSIDER STATEMENTS LABELED WITH THE TERMS "BELIEVES," "BELIEF," "EXPECTS," "INTENDS," "ANTICIPATES," "PLANS," OR SIMILAR TERMS TO BE UNCERTAIN AND FORWARD-LOOKING. THERE CAN BE NO ASSURANCE THAT THE RESTRUCTURING TRANSACTION DESCRIBED HEREIN WILL BE CONSUMMATED. CREDITORS AND OTHER INTERESTED PARTIES SHOULD SEE THE SECTION OF THIS DISCLOSURE STATEMENT ENTITLED "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS THAT MAY AFFECT THE FUTURE FINANCIAL PERFORMANCE OF THE REORGANIZED DEBTORS.

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THE DEBTORS HEREBY ADOPT AND INCORPORATE EACH EXHIBIT ATTACHED TO THIS DISCLOSURE STATEMENT BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN

I. INTRODUCTION

The Wet Seal, Inc. ("WSI"), together with its debtor affiliates (collectively, the "Debtors") hereby submit this disclosure statement (the "Disclosure Statement") pursuant to sections 1125 and 1126(b) of title 11 of the United States Code (the "Bankruptcy Code"), in connection with the solicitation of votes on the *Joint Plan of Reorganization of The Wet Seal, Inc. and Subsidiary Debtors*, dated February 11, 2015 (as amended, supplemented and modified from time to time pursuant to its terms, the "Plan"). A copy of the Plan is attached hereto as **Exhibit A**.[2] The Plan constitutes a separate chapter 11 plan for each of the Debtors.

The purpose of this Disclosure Statement is to enable Creditors whose Claims are Impaired under the Plan and who are entitled to vote to make an informed decision in exercising their right to accept or reject the Plan. This Disclosure Statement sets forth certain information regarding the Debtors' prepetition operating and financial history, their reasons for seeking protection and reorganization under chapter 11 of the Bankruptcy Code and the anticipated organization, operations, and financing of the Debtors upon their successful emergence from bankruptcy protection. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of Confirmation of the Plan, certain risk factors associated with the Plan, the business of the Debtors or Reorganized Debtors and the securities that may be issued under the Plan, and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the Confirmation process and the voting procedures that Holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

A. Overview of the Plan

1. General Structure of the Plan

The Plan provides for the payment in full of all Administrative Claims, the satisfaction of all Allowed Secured Claims, and the payment in full of all Allowed Priority Tax Claims and Non-Tax Priority Claims, consistent with section 1129 of the Bankruptcy Code. The Plan also provides for the cancellation of all of the Debtors' existing equity interests and the issuance of new common stock in Reorganized WSI (the "New Equity"), (i) 80% of which New Equity will be purchased by B. Riley Financial, Inc., as Plan Sponsor and DIP Lender, in exchange for an aggregate amount of $25 million in the form of (x) conversion of the principal amount under the DIP Facility into equity and (y) cash; and (ii) the remaining portion of which New Equity will be issued to Holders of Allowed General Unsecured Claims whose Claims are not otherwise cashed out, settled or resolved under the terms of the Plan. The Plan further provides for Cash payment to Holders of Allowed Convenience Claims (Unsecured Claims which are less or equal to $30,000 in the aggregate) and Holders of Allowed General Unsecured Claims that make the Cash Payment Election. Such Holders will receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Claims, a Cash payment equal to [5]% of such Allowed Claims unless the Holder of such Allowed General Unsecured Claim agrees in writing with the Debtor or the Reorganized Debtor, and with the Plan Sponsor, to accept some less favorable treatment of its Allowed General Unsecured

[2] All capitalized terms used but not defined herein shall have the meanings provided to them in the Plan. The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between the summary herein and the Plan, the Plan shall govern.

Claim. The New Equity that would have been issued to a Holder of an Allowed General Unsecured Claim that makes the Cash Payment Election shall instead remain unissued.

THE DEBTORS BELIEVE THAT THE PLAN IS FAIR AND EQUITABLE, WILL MAXIMIZE THE VALUE TO THESE ESTATES, IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CONSTITUENTS, AND WILL ENABLE THE DEBTORS TO SUCCESSFULLY REORGANIZE AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11.

FOR THESE REASONS, THE DEBTORS URGE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE TO TIMELY RETURN THEIR BALLOTS AND TO VOTE TO ACCEPT THE PLAN.

2. Material Terms of the Plan

The following is an overview of certain material terms of the Plan:

- The Debtors will be reorganized pursuant to the Plan and continue in operation following the Effective Date.

- All DIP Facility Principal Claims shall be Allowed and, on the Effective Date, shall be converted, and by such conversion satisfied in full, into the Plan Sponsor New Equity (*i.e.*, 80% of the New Equity issued by Reorganized WSI, subject to dilution by the New Management Incentive Plan New Equity).

- All Allowed DIP Facility Non-Principal Claims, L/C Facility Claims, Prepetition Credit Agreement Claims, Secured Tax Claims, Other Secured Claims, Administrative Claims, Priority Tax Claims and Non-Tax Priority Claims will be paid or otherwise satisfied in full as required by the Bankruptcy Code, unless otherwise agreed to by the Debtors and the Holders of such Claims.

- Holders of Allowed General Unsecured Claims shall receive their Pro Rata share of the Non-Plan Sponsor New Equity (*i.e.*, the balance of the New Equity issued by Reorganized WSI, after giving effect to the Plan Sponsor New Equity and subject to dilution by the New Management Incentive Plan New Equity) based on (with respect to the issuances of Non-Plan Sponsor New Equity on the Initial Distribution Date) the unpaid portion of the Face Amount of such Allowed General Unsecured Claim as a percentage of the Debtors' estimate of the aggregate of the Face Amounts of all Allowed General Unsecured Claims (with any future issuances of Non-Plan Sponsor New Equity to be made consistent with the actual aggregate of the Face Amounts of all Allowed General Unsecured Claims when such aggregate amount is determined), unless the Holder of such Allowed General Unsecured Claim (i) makes the Cash Payment Election or (ii) agrees in writing with the Debtor or the Reorganized Debtor, and with the Plan Sponsor, to accept some less favorable treatment of its Allowed General Unsecured Claim.

- Holders of Allowed Convenience Claims and Holders of Allowed General Unsecured Claims that make the Cash Payment Election will receive a Cash payment

equal to [5]% of such Allowed Convenience Claims or Allowed General Unsecured Claims, as applicable.

- As of the Effective Date, all Old Equity Interests of any kind shall be deemed void, cancelled, and of no further force and effect and the Holders thereof shall not receive or retain any property or interest in property under the Plan on account of such Interests. For the avoidance of doubt, the Interests in each of the Subsidiary Debtors shall be Reinstated and shall continue to be held by Reorganized WSI following the Effective Date.

3. Summary of Treatment of Claims and Interests Under the Plan

The table below summarizes the classification and treatment of the Claims and Interests under the Plan. The Plan does not substantively consolidate the Debtors. Rather, the classification scheme set forth herein and in the Plan constitutes a separate Class for each Debtor individually, unless otherwise noted.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.

Class	Claim or Interest	Summary of Treatment	Projected Recovery Under Plan
1	Prepetition Credit Agreement Claims	Unimpaired; Deemed to Accept Plan	100%
2	Secured Tax Claims	Unimpaired; Deemed to Accept Plan	100%
3	Other Secured Claims	Unimpaired; Deemed to Accept Plan	100%
4	Non-Tax Priority Claims	Unimpaired; Deemed to Accept Plan	100%
5	General Unsecured Claims	Impaired; Entitled to Vote on Plan	[5%]
6	Convenience Claims	Impaired; Entitled to Vote on Plan	[5%]
7	Subordinated 510(c) Claims	Impaired; Deemed to Reject Plan	0%

8	Subordinated 510(b) Claims	Impaired; Deemed to Reject Plan	0%
9	Old Equity Interests	Impaired; Deemed to Reject Plan	0%

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS IN THE DEBTORS AND THUS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

B. Plan Voting Instructions and Procedures

1. Voting Rights

Under the Bankruptcy Code, acceptance of a plan of reorganization by a Class of Claims is determined by calculating the number and the amount of Claims voting to accept, based on the actual total Allowed Claims voting on the Plan. Acceptance by a Class of Claims requires more than one-half of the number of total Allowed Claims in the Class to vote in favor of the Plan and at least two-thirds in dollar amount of the total Allowed Claims in the Class to vote in favor of the Plan.

Under the Bankruptcy Code, only Classes of Claims or Interests that are "Impaired" and that are not deemed as a matter of law to have rejected a plan of reorganization under Section 1126 of the Bankruptcy Code are entitled to vote to accept or reject the Plan. Any Class that is "Unimpaired" is not entitled to vote to accept or reject a plan of reorganization and is conclusively presumed to have accepted the Plan. As set forth in Section 1124 of the Bankruptcy Code, a Class is "Impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that Class are modified or altered.

Pursuant to the Plan, Claims in Classes 5 and 6 are Impaired by, and entitled to receive a Distribution under, the Plan, and only the Holders of Claims in those Classes are entitled to vote to accept or reject the Plan. Whether a Holder of a Claim in Classes 5 and 6 may vote to accept or reject the Plan will also depend on whether the Holder held such Claim as of [DATE], 2015 (the "Voting Record Date").

Pursuant to the Plan, Claims in Classes 1, 2, 3, and 4 are Unimpaired by the Plan, and such Holders are deemed to have accepted the Plan and are therefore not entitled to vote on the Plan.

Pursuant to the Plan, Claims and Interests in Classes 7, 8, and 9 will not receive or retain any property under the Plan on account of such Claims or Interests, as applicable, and are, therefore, deemed to reject the Plan and are not entitled to vote on the Plan.

2. Solicitation Materials

The Debtors, with the approval of the Bankruptcy Court, have engaged Donlin, Recano & Company, Inc. (the "Voting Agent") to serve as the voting agent to process and tabulate Ballots for each Class entitled to vote on the Plan and to generally oversee the voting process. The following materials shall constitute the solicitation package (the "Solicitation Package"):

- This Disclosure Statement, including the Plan and all other Exhibits annexed thereto;
- The Bankruptcy Court order approving this Disclosure Statement (the "Disclosure Statement Order");
- The notice of, among other things, (i) the date, time, and place of the hearing to consider Confirmation of the Plan and related matters and (ii) the deadline for filing objections to Confirmation of the Plan (the "Confirmation Hearing Notice");
- One or more Ballots, as applicable, to be used in voting to accept or to reject the Plan, and applicable voting instructions (the "Voting Instructions");
- A pre-addressed, postage pre-paid return envelope; and
- Such other materials as the Bankruptcy Court may direct or approve.

The Debtors, through the Voting Agent, will distribute the Solicitation Package in accordance with the Disclosure Statement Order. The Solicitation Package is also available at the Debtors' restructuring website at www.donlinrecano.com/wetseal.

Prior to the Confirmation Hearing, the Debtors intend to file a Plan Supplement that includes, among other things, (a) the Designated Contracts as well as the estimated Cure for each such Designated Contract, (b) the forms of the New Corporate Governance Documents, (c) the stockholders agreement of the Reorganized Debtors, (d) the identities of the members of the New Boards accompanied by any disclosures required by section 1129(a)(5) of the Bankruptcy Code in connection therewith, and (e) the commitment letter or term sheet for the Exit Facility. As the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available on the Debtors' restructuring website at www.donlinrecano.com/wetseal.

If you are the Holder of a Claim and believe that you are entitled to vote on the Plan, but you did not receive a Ballot or your Ballot is damaged or illegible, or if you have any questions concerning voting procedures, you should contact the Voting Agent by writing to Donlin, Recano & Company, Inc., Re: The Wet Seal, Inc., *et al*., 6201 15th Avenue, Brooklyn, NY 11219. If the reason that you did not receive a Ballot is because your Claim is subject to a pending claim objection and you wish to vote on the Plan, you must file a motion pursuant to Bankruptcy Rule 3018 with the Bankruptcy Court for the temporary allowance of your Claim for voting purposes by [DATE], 2015, or you will not be entitled to vote to accept or reject the Plan.

THE DEBTORS AND THE REORGANIZED DEBTORS, AS APPLICABLE, RESERVE THE RIGHT THROUGH THE CLAIM OBJECTION PROCESS TO OBJECT TO OR SEEK TO DISALLOW ANY CLAIM FOR DISTRIBUTION PURPOSES.

3. Voting Instructions and Procedures

All votes to accept or reject the Plan must be cast by using the Ballots enclosed with the Solicitation Packages. No votes other than ones using such Ballots will be counted, except to the extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has fixed [DATE], 2015 as the Voting Record Date for the determination of the Holders of Claims who are entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote to accept or reject the Plan. The Voting Record Date and all of the Debtors' solicitation and voting procedures shall apply to all of the Debtors' Creditors and other parties in interest.

After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying Ballot.

The deadline to vote on the Plan is [DATE], 2015 at 5:00 p.m. (prevailing Eastern Time) (the "Voting Deadline"). In order for your vote to be counted, your Ballot must be properly completed in accordance with the Voting Instructions on the Ballot, and received no later than the Voting Deadline at the following address, as applicable:

If by Regular Mail, to:

Donlin, Recano & Company, Inc.
Re: The Wet Seal, Inc., *et al.*
Attn: The Wet Seal, Inc. Ballot Processing
P.O. Box 2034, Murray Hill Station
New York, NY 10156-0701

If by Overnight Courier or Hand Delivery, to:

Donlin, Recano & Company, Inc.
Re: The Wet Seal, Inc., *et al.*
Attn: The Wet Seal, Inc. Ballot Processing
6201 15th Avenue
Brooklyn, NY 11219

Only the Holders of Claims in Classes 5 and 6 as of the Voting Record Date are entitled to vote to accept or reject the Plan, and they may do so by completing the appropriate Ballots and returning them in the envelope provided to the Voting Agent so as to be actually received by the Voting Agent by the Voting Deadline. Each Holder of a Claim must vote its entire Claim within a particular Class either to accept or reject the Plan and may not split such votes. If multiple Ballots are received from the same Holder with respect to the same Claim prior to the Voting Deadline, the last timely received, properly executed Ballot will be deemed to reflect that voter's intent and will supersede and revoke any prior Ballot. The Ballots will clearly indicate the appropriate return address. It is important to follow the specific instructions provided on each Ballot.

Unless otherwise provided in the Voting Instructions accompanying the Ballots, the following Ballots will not be counted in determining whether the Plan has been accepted or rejected:

- Any Ballot that fails to clearly indicate an acceptance or rejection, or that indicates both an acceptance and a rejection, of the Plan;
- Any Ballot received after the Voting Deadline, except if the Debtors have granted an extension of the Voting Deadline with respect to such Ballot, or by order of the Bankruptcy Court;
- Any Ballot containing a vote that the Bankruptcy Court determines was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code;
- Any Ballot that is illegible or contains insufficient information to permit the identification of the Claim Holder;
- Any Ballot cast by a Person or Entity that does not hold a Claim in a voting Class; and
- Any unsigned Ballot or Ballot without an original signature.

Any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed Ballot may revoke such Ballot and change its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed Ballot is received, only the Ballot that bears the latest date will be counted for purposes of determining whether the requisite acceptances have been received. Any party who has delivered a properly completed Ballot for the acceptance or rejection of the Plan that wishes to withdraw such acceptance or rejection rather than changing its vote may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. To be valid, a notice of withdrawal must (i) contain the description of the Claims to which it relates and the aggregate principal amount represented by such Claims, (ii) be signed by the withdrawing party in the same manner as the Ballot being withdrawn, (iii) contain a certification that the withdrawing party owns the Claims and possesses the right to withdraw the vote sought to be withdrawn, and (iv) be actually received by the Voting Agent prior to the Voting Deadline.

ALL BALLOTS ARE ACCOMPANIED BY VOTING INSTRUCTIONS. IT IS IMPORTANT THAT THE HOLDER OF A CLAIM IN THE CLASSES ENTITLED TO VOTE FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED WITH EACH BALLOT.

If you have any questions about (a) the procedure for voting your Claim, (b) the Solicitation Package that you have received, or (c) the amount of your Claim, or if you wish to obtain, at your own expense (unless otherwise specifically required by Bankruptcy Rule 3017(d)), an additional copy of the Plan, this Disclosure Statement, or any appendices or Exhibits to such documents, please contact the Voting Agent at the address specified above. Copies of the Plan, Disclosure Statement and other documents filed in these Chapter 11 Cases may be obtained free of charge on the Voting Agent's website at www.donlinrecano.com/wetseal. Documents filed in this case may also be examined between the hours of 8:00 a.m. and 4:00 p.m., prevailing Eastern Time, Monday through Friday, at the Office of the Clerk of the Bankruptcy Court, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801.

The Voting Agent will process and tabulate Ballots for the Classes entitled to vote to accept or reject the Plan and will file a voting report (the "Voting Report") as soon as reasonably practicable after the Voting Deadline. The Voting Report will, among other things, describe every Ballot that does not conform to the Voting Instructions or that contains any form of irregularity, including, but not limited to, those Ballots that are late, illegible (in whole or in material part), unidentifiable, lacking signatures, lacking necessary information, or damaged.

THE DEBTORS URGE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE TO TIMELY RETURN THEIR BALLOTS AND TO VOTE TO ACCEPT THE PLAN BY THE VOTING DEADLINE.

4. Confirmation Hearing and Deadline for Objections to Confirmation

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.

The Bankruptcy Court has scheduled the Confirmation Hearing to commence on [DATE], 2015 at [TIME] (prevailing Eastern Time), before the Honorable Christopher S. Sontchi, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 5th Floor, Wilmington, Delaware 19801. The Confirmation Hearing Notice, which sets forth the time and date of the Confirmation Hearing has been included along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

Objections to Confirmation of the Plan must be filed and served on the Debtors and certain other entities, all in accordance with the Confirmation Hearing Notice, so that they are actually received by no later than [DATE], 2015 at [TIME] (prevailing Eastern Time). Unless objections to Confirmation of the Plan are timely served and filed in compliance with the Disclosure Statement Order, which is attached to this Disclosure Statement, they may not be considered by the Bankruptcy Court.

II. GENERAL INFORMATION ABOUT THE DEBTORS

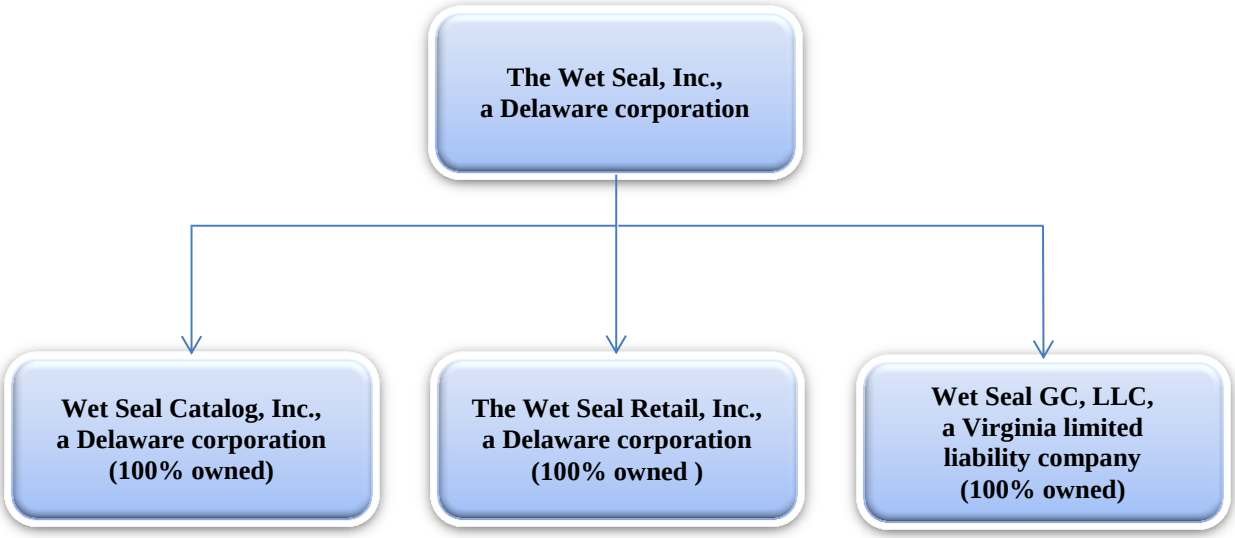
A. Background

The Debtors are a national multi-channel specialty retailer selling fashion apparel and accessory items designed for female customers aged 13 to 24 years old. The Debtors' predecessor was founded in 1962 by Lorne Huycke in Newport Beach, California. Following a series of transactions and ownership changes, the Debtors completed an initial public offering in July 1990 to raise capital to fund future growth. In 1995, the Debtors acquired 233 new stores with the purchase of the Contempo Casuals clothing store chain from the Neiman Marcus Group.

B. Corporate Structure

WSI, one of the Debtors, is a Delaware corporation. Each of the other Debtors is a wholly-owned subsidiary of WSI: (a) The Wet Seal Retail, Inc., a Delaware corporation, (b) Wet Seal

Catalog, Inc., a Delaware corporation, and (c) Wet Seal GC, LLC, a Virginia limited liability company. The following chart illustrates the current corporate structure of the Debtors:



The Debtors are governed by a seven-member Board of Directors. The current members of the Board of Directors are Nancy Lublin, John S. Mills, Kenneth M. Reiss, Adam Lance Rothstein, Gregory P. Taxin, Deena Varshavskaya, and Edmond S. Thomas. Other than Mr. Thomas, all of the members of the Board of Directors are independent directors. The Debtors' management team includes Mr. Thomas as Chief Executive Officer, Thomas Hillebrandt as Interim Chief Financial Officer, Christine Lee as Chief Merchandising Officer, and Jon Kubo as Chief Digital Officer.

C. Business Overview

The Debtors are currently comprised of two primary units: (a) the retail store business, which is primarily operated by The Wet Seal Retail, Inc.; and (b) the e-commerce business, which is primarily operated by Wet Seal Catalog, Inc. The Debtors also sell gift cards, which business is primarily operated through Wet Seal GC, LLC. As noted, WSI is the parent holding company.

The Debtors operate in the fast fashion section of the women's clothing industry. Fast fashion clothing collections are based on the most recent trends and are designed and manufactured quickly and cost-effectively to allow the mainstream consumer to take advantage of current clothing styles at a lower price. To be generally considered fast fashion, a company must (i) sell fashionable clothes primarily intended for consumers under 40 years of age, (ii) offer affordable prices in the mid-to-low range, (iii) have a quick response from a sourcing, operations and supply chain perspective, and (iv) have frequent inventory assortment changes.

The Debtors currently compete with specialty apparel retailers, department stores, and other apparel retailers in the women's clothing store industry, including Abercrombie & Fitch, Aeropostale, American Eagle, Anthropologie, Banana Republic, BCBG, bebe, Body Central, Charlotte Russe, Express, Forever 21, Gap, Guess?, H&M, Nordstrom, Old Navy, Pacific Sunwear, rue21, Target, Urban Outfitters, Zara, and other regional retailers. At present, the teen retail sector in which the Debtors operate is in distress. Shortly prior to the Petition Date, Deb Stores, dELiA*s, Inc., and Body Central Corp., all competitors of the Debtors in the teen retail sector, were

liquidating, and less than a month after the Petition Date, Caché Inc., another competitor of the Debtors, filed for bankruptcy protection with plans to liquidate.

On or about January 7, 2015, 338 of the Debtors' retail stores were closed and employees employed at those stores were laid off. The Debtors currently operate (i) 173 retail stores, located in 42 states and Puerto Rico, principally in mall locations, and (ii) executive offices and a distribution center, located in Foothill Ranch, California. The Debtors currently employ approximately 665 individuals on a full time basis and 1,689 individuals on a part time basis.

Through their e-commerce business, the Debtors operate an e-commerce site at www.wetseal.com and have nearly 2.5 million followers on their Facebook page. In the first eleven months of 2014, the Debtors generated 6.5% of total sales, or $26.5 million, through e-commerce. The Debtors operate an in-house e-commerce sales fulfillment center within their Foothill Ranch, California distribution center. In 2014, the e-commerce business generated operating margins that were higher than those generated from the retail stores. In order to protect the integrity of their e-commerce site and brand image, the Debtors own 32 domain names in addition to the Wet Seal trademark, which is registered in the United States Patent and Trademark Office. The Debtors maintain a customer database with over 15.5 million unique entries. Of those entries, the Debtors have an engaged email address database of 2.6 million customers with 1.4 million active subscribers. In addition, the Debtors have over 540,000 active mobile text users.

D. Revenues

The Debtors derive revenues primarily from their retail store business and their e-commerce business. In the 39 weeks ending November 1, 2014 (prior to the closure of 338 of the Debtors' retail stores), the Debtors' total sales were approximately $316.3 million. The Debtors' remaining 173 retail stores together with the Debtors' e-commerce business accounted for more than half of the Debtors' net sales for the nine months ending on November 1, 2014. The Debtors' business is seasonal in nature, with the Christmas season, beginning the week of Thanksgiving and ending the first Saturday after Christmas, and the back-to-school season, beginning the last week of July and ending during September, historically accounting for a large percentage of its annual sales volume. For the past three fiscal years, the Christmas and back-to-school seasons together accounted for an average of slightly less than 30% of the Debtors' annual net sales.

E. Prepetition Capital Structure

1. Secured Debt

As of the Petition Date, the Debtors were indebted to Bank of America, N.A. (the "Prepetition Lender") under the Amended and Restated Credit Agreement dated as of February 3, 2011 (as amended, the "Prepetition Credit Agreement"), by and among the Debtors, Bank of America, N.A., as the administrative agent, collateral agent, L/C issuer and swing line lender, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole bookrunner, and the other lenders party thereto. As of the Petition Date, there were no outstanding borrowings under the Prepetition Credit Agreement, and all letters of credit issued by the Prepetition Lender (approximating $10.8 million) were fully cash collateralized by the Debtors. The Prepetition Lender asserts contingent and unliquidated indemnification claims against the Debtors and that such claims are secured by its lien. As of the Petition Date, the Prepetition Lender held a first priority lien against the Debtors' cash, cash equivalents, investments, receivables and inventory, but not their intellectual property. As discussed in more detail below, the approximately $10.8 million of letters of credit outstanding under the Prepetition Credit Agreement as of the Petition Date have been rolled up into the L/C Facility pursuant to the terms of the L/C Credit Agreement (both as defined below) and as approved by the Bankruptcy Court. The amounts of letters of credit outstanding as of the Petition Date have been further reduced after the Petition Date as a result of draws by certain of the Debtors' factors.

Other than the claims of the Prepetition Lender, the Debtors do not have any material secured debt. The Debtors estimate that other secured claims do not exceed $100,000 in the aggregate.

2. Unsecured Debt

The Debtors believe that unsecured claims against the Debtors should not exceed $130 million assuming no additional store closures or reductions in force. Unsecured claims against the Debtors include: (i) the senior convertible notes in the principal amount as of the Petition Date of $24.9 million issued to Hudson Bay Master Fund Ltd. ("Hudson Bay"), (ii) accrued and unpaid trade and other unsecured debt incurred in the ordinary course of the Debtors' businesses, (iii) unpaid amounts owed to the Debtors' vendors and to factors under related factoring agreements, (iv) claims by landlords for unpaid rent and other breaches of the Debtors' leases, and (v) claims arising from the closure of 338 of the Debtors' retail stores, including both claims asserted by the Debtors' landlords under the Debtors' leases as well as claims asserted by employees that were laid off.

3. Interests

WSI is publicly-owned and has two classes of common stock. The number of shares outstanding of Class A common stock, par value $0.10 per share, as of December 5, 2014, was 84,358,776. Hudson Bay holds warrants to purchase up to 8,804,348 shares of the Class A common stock for an exercise price of $1.76 per share, subject to potential future adjustments. The senior convertible notes in the principal amount as of the Petition Date of $24.9 million issued to Hudson Bay are also convertible into Class A common stock at a price of $1.84 per share, subject to customary adjustments. As of the Petition Date, there were no shares outstanding of Class B common stock, par value $0.10 per share, or any preferred stock in WSI. WSI is the parent company

of the remaining Debtors, who are its wholly-owned subsidiaries. On January 27, 2015, WSI was de-listed from NASDAQ. WSI's Class A common stock is currently traded on the "pink sheets."

F. SEC Filings

As a public company, WSI has been required to file appropriate reports with the SEC, including quarterly statements of its operational and financial status and reports of significant events. All of WSI's public securities filings are available at www.sec.gov/edgar.shtml.

G. Prepetition Litigation

As of the Petition Date, the Debtors were party to litigation pending in non-bankruptcy forums in the ordinary course of their businesses. Shortly before the Petition Date, a putative class action complaint was filed (but not served on the Debtors) in the United States District Court for the Central District of California on behalf of employees of the Debtors who were laid off shortly before the Petition Date alleging violations of, and asserting over $5 million in claims under, the federal Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101, *et seq*. (the "WARN Act"). *See Pruitt, et al. v. The Wet Seal Inc*., Case No. 2:15-cv-00312-DSF-E (C.D. Cal.) (the "WARN Act Action"). The Debtors dispute that they have any liability under the WARN Act generally or, specifically, in connection with any of the claims asserted in the WARN Act Action. The litigation in which the Debtors are defendants, including the WARN Act Action that has not been served on the Debtors, has been stayed by Bankruptcy Code section 362(a). If the Plan is confirmed by the Bankruptcy Court, then pursuant to, and in furtherance of, the discharge provisions of section 1141(d) of the Bankruptcy Code and the Plan, the commencement or continuation of litigation against the Debtors based on a Claim against a Debtor, a Debtor's estate or the property of a Debtor that arose prior to the Confirmation Date will be enjoined from proceeding except in conformity with the discharge provision of section 1141(d) of the Bankruptcy Code and the Plan. As for pending litigation in which one or more of the Debtors is a plaintiff, the Debtors are evaluating these actions and determining whether the continued pursuit of any of these actions is in the best interests of the Debtors' estates. The Reorganized Debtors reserve their rights to continue to prosecute any and all of these actions to the extent set forth in the Plan.

H. Events Leading to the Filing of the Chapter 11 Cases

1. Eroding Financial Performance Due to Industry-Wide Factors and a Shift in the Debtors' Operating Strategies

In the third quarter of fiscal year 2011, the Debtors began to experience material erosion in their financial performance, driven by industry-wide factors and a shift in operating strategies. The Debtors' EBITDA declined an estimated $82 million between fiscal year 2011 and fiscal year 2014, from positive $49 million in fiscal year 2011 to an estimated negative $33 million for fiscal year 2014. In addition, since 2011, merchandise margins and sales productivity both declined significantly, and sales per square foot in stores declined from $271 to less than $190.

There were several industry-wide factors that created a more competitive and challenging environment for fast fashion retailers. First, many large retailers such as Wal-Mart and Target began carrying fast fashion apparel; consumers shopping for fast fashion apparel could therefore do so at general retail stores and had no need to shop at a specialty store such as Wet Seal. Second, there has

been a fundamental shift for many consumers away from traditional mall shopping toward online-only stores, which further negatively impacted sales in the Debtors' retail stores. Third, the Debtors' core customer base—13-to-24 year old females—has shifted a larger portion of its discretionary spending to technology, such as mobile phones and other products, and away from fast fashion apparel. Fourth, competition in the fast fashion industry is largely based, among other factors, on price, and there is an intense promotional environment that leads consumers to expect consistently low prices. This limits the merchandise margins available to retailers.

In addition to this industry-wide weakness, the Debtors' financial performance from 2011 through mid-2014 was further adversely impacted by, among other things, (i) significant management turnover, (ii) ventures by the Debtors into business extensions that were ultimately not profitable, including an expansion into the plus-size market and to a large number of outlet malls, and (iii) shifts by the Debtors away from the "fast fashion" segment. In particular, the Debtors revised the Debtors' operating strategies in their core business. Instead of targeting young adult females and maintaining an inventory mix of 70% fashion apparel and 30% basic apparel, the Debtors tried to target a younger customer base and revised their inventory strategy, increasingly stocking their stores with basic apparel and less with fashion apparel. Exacerbating matters, the Debtors also revised their strategy with respect to the amount of merchandise ordered. Because of frequent changes in styles and trends, fast fashion retailers, especially those focused on young women, tend to typically order small amounts of inventory at more frequent intervals in order to maintain the latest trends and avoid excess outdated inventory. Beginning in 2011, the Debtors began buying inventory with up to 12-month lead times, resulting in stores stocking merchandise that had been ordered several months earlier. Moreover, beginning in 2011, certain systems that the Debtors had previously used to ensure that merchandise was appropriately allocated to stores with the appropriate mix of sizes were no longer maintained. In particular, the Debtors (i) stopped using their size optimization system, (ii) stopped using their Oracle markdown optimization system, (iii) changed pricing strategy, moving from selective promotions to high initial retail prices with corresponding higher markdown rates, and (iv) stopped using store profiles, which had been developed and modified over many years.

2. Turnaround Strategy

In the third quarter of 2014, the Debtors hired a new management team, including (i) as Chief Executive Officer, Edmond S. Thomas, who had served as CEO for the Debtors during their profitable years between 2007 and 2010, (ii) as Chief Digital Officer, Jon Kubo, who had also been with the Debtors during Mr. Thomas's earlier tenure, and (iii) as Chief Merchandising Officer, Christine Lee, an experienced merchant who shares Mr. Thomas's strategic vision.

The Debtors' new management team closed all of the Debtors' "Wet Seal Plus" stores and almost all of the Debtors' outlet stores as part of the closure of 338 stores on or about January 7, 2015. The Debtors expect their financial performance to improve without these stores. In October 2014, the Debtors' new management team also executed a cost savings plan which eliminated 66 corporate positions and 12 field management positions, representing annualized savings of approximately $5.7 million. Additional future savings of $1.3 million are expected from implementing operating efficiencies across the organization, primarily focused on the Debtors' distribution center. In February 2015, the Debtors further reduced their corporate headcount by eliminating 39 full-time positions, representing annualized savings of approximately $3.6 million.

With respect to merchandising, the Debtors, led by new Chief Merchandising Officer Christine Lee, began to move back to an inventory mix comprised primarily of fashion and to re-focus on the young adult customer. The Debtors expect that returning to these successful inventory strategies will allow the Debtors to gain new customers and regain old ones. In addition, the Debtors began broadening their assortment of styles and conducting more frequent inventory purchases of less inventory per style in order to maintain constant newness, avoid excess outdated inventory, raise merchandise margins, and be equipped to quickly react to rapidly-changing teenage and young adult fashions. The Debtors also added new brands to their merchandise mix and expanded underdeveloped areas in order to differentiate the Debtors from their competitors.

With respect to planning and allocation, the Debtors began to refresh and restore their size optimization system, which the Debtors expect will support ordering proper size arrays and reducing the need for markdowns. Relatedly, the Debtors are restoring the Oracle markdown optimization system, which, in conjunction with more "normal" pricing with only select promotions (rather than the prior high pricing structure with constant markdowns), is designed to allow the Debtors to maintain a disciplined approach to merchandise markdowns. Finally, the Debtors are updating their store profiles, which should permit the Debtors to more quickly incorporate seasonal, climatic, and regional differences into their inventory purchases and allocation.

With respect to the e-commerce business, the Debtors, led by new Chief Digital Officer Jon Kubo, have begun revamping the e-commerce platform to create an online community where customers can shop, get fashion tips and insights, and interact with the brand and other community members. To achieve that goal, the Debtors are focusing on several key areas. First and foremost, the Debtors are expanding the breadth and depth of their online merchandise offering, and are beginning to offer additional core styles and a broader array of fast-changing fashions. The Debtors are also creating a "mobile first" e-commerce strategy, as many customers' online interactions with the Debtors stem from mobile devices. This includes an enhanced user experience via a mobile-optimized website, a more integrated digital merchandising process, and better visual content. The Debtors are also working to enhance brand loyalty through improvements to their loyalty program.

3. Liquidity Shortfall and Decision to File Chapter 11 Cases

Notwithstanding the Debtors' turnaround strategy, there was, unfortunately, insufficient time to fully implement the new management team's strategic vision and cost savings before the Debtors faced a liquidity crisis. Among other things, in late 2014, the Debtors' vendors and factors that the Debtors' vendors use for receivable financing began to reduce their credit limits, requiring that the Debtors post standby letters of credit, pay on cash on delivery terms, or, in some instances, pay on cash before delivery terms. At the same time, the Debtors were required to cash collateralize all of the approximately $10.8 million in letters of credit issued by the Prepetition Lender.

Recognizing that they were facing a liquidity crisis, the Debtors retained FTI Consulting ("FTI") in October 2014 to serve as the Debtors' financial advisors. The Debtors and FTI engaged in negotiations with the Debtors' major landlords regarding lease concessions. The Debtors were not, however, able to reach an agreement with landlords on sufficient lease concessions.

The Debtors retained Houlihan Lokey ("Houlihan") in November 2014 to serve as the Debtors' investment banker to explore strategic alternatives. Houlihan engaged in discussions with

potential lenders and potential investors regarding out-of-court and in-court alternatives. The Debtors and Houlihan determined that it would not be possible to restructure out of court without significant lease concessions. As it became apparent that sufficient lease concessions would not be forthcoming in time, the Debtors and Houlihan focused on obtaining debtor-in-possession financing and a viable exit strategy to enable the Debtors to survive as a going concern.

The Debtors, however, had a limited window of time to obtain debtor-in-possession financing and a viable exit strategy. Among other things, on December 26, 2014, the Debtors failed to make a monthly payment to Hudson Bay under its senior convertible notes. Hudson Bay declared an immediate event of default and demanded immediate payment of the event of default redemption price, equal to $28,778,175, plus costs of collection, including attorneys' fees and disbursements. Hudson Bay agreed to forbear from the exercise of remedies for only a limited period of time.

Ultimately, shortly prior to the Petition Date, B. Riley Financial, Inc., in its capacities as both the DIP Lender and the Plan Sponsor, agreed to provide up to $20 million in debtor-in-possession financing to the Debtors (subject to availability blocks and limitations) and to sponsor the Plan, under which it would purchase 80% of the newly issued New Equity of Reorganized WSI in exchange for an aggregate amount of $20 million, consisting of the conversion of the outstanding principal amount under the DIP Facility and the remainder in cash. The remaining portion of the New Equity in Reorganized WSI would be issued to Holders of Allowed General Unsecured Claims, other than those Claims satisfied by the payment of cash. As discussed below, after the Petition Date, the terms of the Debtors' agreement with B. Riley changed in various respects, including an increase in the aggregate amount to be provided by B. Riley for the New Equity of Reorganized WSI from $20 million to $25 million.

III. THE CHAPTER 11 CASES

On January 15, 2015, each of the Debtors commenced a voluntary case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Chapter 11 Cases are being jointly administered under the caption *In re The Wet Seal, Inc., et al.*, Case No. 15-10081 (CSS). The Debtors continue to operate their businesses and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

An immediate effect of commencement of the Chapter 11 Cases was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by Creditors, the enforcement of liens against property of the Debtors, and the continuation of litigation against the Debtors during the pendency of the Chapter 11 Cases. The automatic stay will remain in effect, unless modified by the Bankruptcy Court, until the Effective Date.

A. First Day Orders

On or about the Petition Date, the Debtors filed certain "first day" motions and applications with the Bankruptcy Court seeking certain immediate relief to aid in the efficient administration of these Chapter 11 Cases and to facilitate the Debtors' transition to debtor-in-possession status.

The Bankruptcy Court held a hearing on these first-day motions on January 20, 2015 at 2:00 p.m. Following the first day hearing, the Bankruptcy Court entered the following orders:

- Order Directing Joint Administration of Related Chapter 11 Cases for Procedural Purposes Only [D.I. 91];
- Order Authorizing Retention and Appointment of Donlin, Recano & Company, Inc. as Claims and Noticing Agent for the Debtors Pursuant to 28 U.S.C. § 156(c) *Nunc Pro Tunc* to the Petition Date [D.I. 93];
- Interim Order, Pursuant to Bankruptcy Code Sections 105(a), 362, and 541 Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Equity Interests in and Claims Against the Debtors *Nunc Pro Tunc* to the Petition Date [D.I. 94];
- Order Authorizing Maintenance, Administration, and Continuation of Certain Customer Programs [D.I. 95];
- Order (I) Authorizing Payment of Certain Prepetition Employee Claims, Including Wages, Salaries and Bonuses, (II) Authorizing Payment of Certain Employee Benefits and Confirming Right to Continue Employee Benefits on Postpetition Basis, (III) Authorizing Payment of Reimbursement to Employees for Prepetition Expenses, (IV) Authorizing Payment of Withholding and Payroll-Related Taxes, (V) Authorizing Payment of Prepetition Claims Owing to Administrators and Third Party Providers, and (VI) Directing Banks to Honor Prepetition Checks and Fund Transfers for Authorized Payments [D.I. 96];
- Order (I) Authorizing the Payment of Prepetition Sales, Use and Franchise Taxes and Similar Taxes and Fees and (II) Authorizing Banks and Other Financial Institutions to Receive, Process, Honor, and Pay Checks Issued and Electronic Payment Requests Made Relating to the Foregoing [D.I. 98];
- Interim Order (I) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Services, (III) Approving the Debtors' Proposed Procedures for Resolving Adequate Assurance Requests, and (IV) Granting Related Relief [D.I. 99];
- Order Confirming Administrative Expense Priority Status of Debtors' Undisputed Obligations for Postpetition Delivery of Goods Ordered Prepetition [D.I. 100];
- Order (I) Authorizing Continuation of, and Payment of Prepetition Obligations Incurred in the Ordinary Course of Business in Connection with, Various Insurance Policies; and (II) Authorizing Banks to Honor and Process Checks and Electronic Transfer Requests Related Thereto [D.I. 101];
- Order Authorizing Payment of Certain Prepetition Shipping, Delivery and Customs Charges [D.I. 102]; and

- Interim Order (I) Authorizing Continued Use of Cash Management System, (II) Authorizing the Continuation of Intercompany Transactions, (III) Granting Administrative Priority Status to Postpetition Intercompany Transactions, (IV) Authorizing Use of Prepetition Bank Accounts, Account Control Agreements, and Certain Payment Methods, and (V) Waiving the Requirements of 11 U.S.C. § 345(b) on an Interim Basis [D.I. 103].

The Bankruptcy Court subsequently entered the following orders on a final basis:

- Final Order (I) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Services, (III) Approving the Debtors' Proposed Procedures for Resolving Adequate Assurance Requests, and (IV) Granting Related Relief [D.I. 235];

- Final Order (I) Authorizing Continued Use of Cash Management System, (II) Authorizing the Continuation of Intercompany Transactions, (III) Granting Administrative Priority Status to Postpetition Intercompany Transactions, (IV) Authorizing Use of Prepetition Bank Accounts, Account Control Agreements, and Certain Payment Methods, and (V) Waiving the Requirements of 11 U.S.C. § 345(b) on a Final Basis [D.I. 247]; and

- Final Order, Pursuant to Bankruptcy Code Sections 105(a), 362, and 541 Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Equity Interests in and Claims Against the Debtors *Nunc Pro Tunc* to the Petition Date [D.I. 236].

B. Debtor-in-Possession Financing

1. DIP Facility

On or about the Petition Date, the Debtors filed a motion seeking Bankruptcy Court approval of debtor-in-possession financing on the terms set forth in that certain Senior Secured, Super-Priority Debtor-in-Possession Credit Agreement, dated as of January 15, 2015 (the "DIP Credit Agreement"), by and among the Debtors and B. Riley Financial, Inc., as DIP Lender. The DIP Credit Agreement provides for a senior secured, super-priority credit facility (the "DIP Facility") of up to $20.0 million on the closing date of the DIP Facility, and the availability of which is reduced by a $5.0 million availability block (the "Availability Block"), which Availability Block is subject to reduction at the sole discretion of the DIP Lender. Loans under the DIP Facility will be capped at the lesser of this commitment and a borrowing base (which is subject to reserves). The Debtors may use the proceeds of the DIP Facility for (i) purposes permitted by orders of the Bankruptcy Court, including ongoing debtor-in-possession working capital purposes, (ii) the payment of fees, costs and expenses, and (iii) other general corporate purposes, in each case, only to the extent permitted under applicable law, the DIP Credit Agreement, the orders of the Bankruptcy Court, and in accordance with the approved budget, and further subject to certain exceptions as set forth in the DIP Credit Agreement.

Following the first day hearing, the Bankruptcy Court entered the *Interim Order Pursuant to Sections 105, 361, 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001 and*

9014: (1) Authorizing Post-Petition Financing, (2) Granting Liens and Providing Superpriority Administrative Expense Priority, (3) Authorizing Use of Cash Collateral, (4) Modifying the Automatic Stay, and (5) Scheduling a Final Hearing [D.I. 104] (the "Interim DIP Facility Order"). Pursuant to the Interim DIP Facility Order, the Debtors were authorized to enter into and draw upon the DIP Facility on an interim basis, with a $1,000,000 interim borrowing limit.

On February 5, 2015, following a hearing, the Bankruptcy Court entered the *Final Order Pursuant to Sections 105, 361, 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001 and 9014: (1) Authorizing Post-Petition Financing, (2) Granting Liens and Providing Superpriority Administrative Expense Priority, (3) Authorizing Use of Cash Collateral, and (4) Modifying the Automatic Stay* [D.I. 251] (the "Final DIP Facility Order"). Pursuant to the Final DIP Facility Order, the Debtors were authorized to enter into and draw upon the DIP Facility on a final basis, without any interim borrowing limit established by the Bankruptcy Court. In addition, the Final DIP Facility Order made certain modifications to the terms and provisions of the DIP Facility, including (i) modifying the maturity date of the DIP Facility to be the earlier of (a) May 15, 2015 unless otherwise extended by the DIP Lender in its discretion, and (b) five (5) business days after the termination of the Plan Sponsorship Agreement and (ii) changing the non-default interest rate under the DIP Facility to 8.25% per annum and the default interest rate under the DIP Facility to 10.25% per annum (*i.e.*, in each case 2% lower than originally provided).

2. L/C Facility

On or about the Petition Date, the Debtors also filed a motion seeking Bankruptcy Court approval of debtor-in-possession financing on the terms set forth in that certain Senior Secured, Super-Priority Debtor-in-Possession Letter of Credit Agreement, dated as of January 15, 2015 (the "L/C Credit Agreement"), by and among the Debtors and Bank of America, N.A., as L/C Issuer. The L/C Credit Agreement provides for a senior secured, super-priority debtor-in-possession letter of credit facility (the "L/C Facility") of up to approximately $18.3 million on the closing date of the L/C Facility (inclusive of the "roll up" of approximately $10.8 million in pre-petition letters of credit which have been rolled up into the L/C Facility pursuant to the terms of the L/C Credit Agreement). Additional letters of credit will be available to the Debtors under the L/C Credit Agreement until the earliest of (i) April 30, 2015, (ii) the date on which the maturity of the obligations under the L/C Credit Agreement are accelerated and the commitment and the L/C Issuer's obligation to issue letters of credit thereunder is terminated, (iii) the date on which a sale of substantially all of the assets or equity of the Debtors is consummated, or (iv) the effective date of a plan of reorganization of the Debtors.

Following the first day hearing, the Bankruptcy Court entered the *Interim Order Pursuant to Sections 105, 361, 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001 and 9014: (1) Authorizing Post-Petition L/C Financing Facility, (2) Granting Liens and Providing Superpriority Administrative Expense Priority, (3) Authorizing Use of Cash Collateral and Providing for Adequate Protection, (4) Modifying the Automatic Stay, and (5) Scheduling a Final Hearing* [D.I. 105] (the "Interim L/C Facility Order"). Pursuant to the Interim L/C Facility Order, the Debtors were authorized to enter into and draw upon the L/C Facility on an interim basis.

On February 5, 2015, following a hearing, the Bankruptcy Court entered the *Final Order Pursuant to Sections 105, 361, 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules*

2002, 4001 and 9014: (1) Authorizing Post-Petition L/C Financing Facility, (2) Granting Liens and Providing Superpriority Administrative Expense Priority, (3) Authorizing Use of Cash Collateral and Providing for Adequate Protection, and (4) Modifying the Automatic Stay [D.I. 249] (the "Final L/C Facility Order"). Pursuant to the Final L/C Facility Order, the Debtors were authorized to enter into and draw upon the L/C Facility on a final basis.

C. Rejection of Executory Contracts and Unexpired Leases

On or about the Petition Date, the Debtors filed five omnibus motions to reject certain executory contracts and unexpired leases, including contracts and leases relating to the Debtors' 338 retail stores that were closed shortly prior to the Petition Date, and a motion to establish procedures for the rejection of executory contracts and unexpired leases of non-residential real property in these Chapter 11 Cases. Following the Petition Date, the Debtors also entered into four stipulations with certain landlords for the rejection of certain leases of closed retail stores.

On February 4 and February 5, 2015, the Bankruptcy Court entered the following orders granting the foregoing motions and stipulations:

- Order Approving Stipulation Concerning Rejection of Certain Unexpired Leases of Nonresidential Real Property [D.I. 210];
- Order Approving Stipulation Concerning Rejection of Certain Unexpired Lease of Nonresidential Real Property [D.I. 211];
- Order Approving Stipulation Concerning Rejection of Certain Unexpired Leases of Nonresidential Real Property [D.I. 212];
- Order Approving Stipulation Concerning Rejection of Certain Unexpired Leases of Nonresidential Real Property [D.I. 213];
- Order Establishing Procedures for the Rejection of Executory Contracts and Unexpired Leases of Nonresidential Real Property [D.I. 238];
- Order Granting Debtors' First Omnibus Motion Authorizing the Debtors to (I) Reject Certain Unexpired Non-Residential Real Property Leases Pursuant to 11 U.S.C. § 365, and (II) Abandon Any Remaining Property Located at the Leased Premises *Nunc Pro Tunc* to the Petition Date [D.I. 239];
- Order Granting Debtors' Second Omnibus Motion Authorizing the Debtors to (I) Reject Certain Unexpired Non-Residential Real Property Leases Pursuant to 11 U.S.C. § 365, and (II) Abandon Any Remaining Property Located at the Leased Premises *Nunc Pro Tunc* to the Petition Date [D.I. 241];
- Order Granting Debtors' Third Omnibus Motion Authorizing the Debtors to (I) Reject Certain Unexpired Non-Residential Real Property Leases Pursuant to 11 U.S.C. § 365, and (II) Abandon Any Remaining Property Located at the Leased Premises *Nunc Pro Tunc* to the Petition Date [D.I. 242];

- Order Granting Debtors' Fourth Omnibus Motion Authorizing the Debtors to (I) Reject Certain Unexpired Non-Residential Real Property Leases Pursuant to 11 U.S.C. § 365, and (II) Abandon Any Remaining Property Located at the Leased Premises *Nunc Pro Tunc* to the Petition Date [D.I. 243]; and

- Order Authorizing the Debtors to Reject Certain Executory Contracts Effective as of the Date Hereof [D.I. 244].

D. Additional Orders

On and after the Petition Date, the Debtors filed a number of motions and applications to retain professionals and to streamline the administration of the Chapter 11 Cases. The Bankruptcy Court entered the following orders granting the foregoing motions and applications:

- Order Authorizing Employment and Retention of Klee, Tuchin, Bogdanoff & Stern LLP as Counsel for the Debtors and Debtors in Possession *Nunc Pro Tunc* to the Petition Date [D.I. 278];

- Order Authorizing the Employment and Retention of Donlin, Recano & Company, Inc., as Administrative Agent for the Debtors, *Nunc Pro Tunc* to the Petition Date [D.I. 291];

- Order Authorizing the Debtors to Retain, Employ, and Compensate Certain Professionals Utilized by the Debtors in the Ordinary Course of Business [D.I. __];

- Order Providing that Creditors' Committees Are Not Authorized or Required to Provide Access to Confidential Information to Creditors [D.I. 277];

- Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [D.I. 279];

- Order Extending the Debtors' Deadline to File Schedules of Assets and Liabilities and Statements of Financial Affairs [D.I. 276];

- Order (1) Authorizing Employment and Retention of Houlihan Lokey Capital, Inc. as Financial Advisor and Investment Banker for the Debtors *Nunc Pro Tunc* to the Petition Date and (II) Modifying Certain Information Requirements of Del. Bankr. L.R. 2016-2 [D.I. __];

- Order Authorizing Debtors to Retain and Employ Paul Hastings LLP as Special Counsel, *Nunc Pro Tunc* to the Petition Date [D.I. 282];

- Order Authorizing the Debtors to Retain and Employ Young Conaway Stargatt & Taylor, LLP as Co-Counsel to the Debtors, Effective as of the Petition Date [D.I. 281];

- Order Establishing Deadlines for Filing Proofs of Claim and Approving Form and Manner of Notice Thereof [D.I. 280]; and

- Order Pursuant to Fed. R. Bankr. P. 2014(a) and Section 327(a) of the Bankruptcy Code Authorizing the Employment and Retention of FTI Consulting, Inc. as Financial Advisors to the Debtors and Debtors in Possession *Nunc Pro Tunc* to the Petition Date [D.I. __].

E. Plan Sponsorship Agreement, Bid Procedures, and Auction Process

On January 15, 2015 the Debtors entered into the Plan Sponsorship Agreement with B. Riley Financial, Inc. as Plan Sponsor. Pursuant to the Plan Sponsorship Agreement, the Plan Sponsor agreed to sponsor the Plan. Subject to the original terms and conditions of the Plan Sponsorship Agreement, the Plan Sponsor originally agreed to purchase 80% of the New Equity of Reorganized WSI on the Effective Date of the Plan in exchange for an aggregate amount of $20 million, consisting of the conversion of the outstanding principal amount under the DIP Facility and the remainder in cash. The remaining portion of the New Equity in Reorganized WSI would be issued to Holders of Allowed General Unsecured Claims, other than those Claims satisfied by the payment of cash or other mutually agreed, less favorable treatment. The Plan Sponsorship Agreement sets forth certain milestones in the Chapter 11 Cases relating to Confirmation of the Plan, including (i) the entry by April 30, 2015 of the Confirmation Order and an order authorizing and approving the assumption of executory contracts and unexpired leases and fixing the cure costs for the assumed contracts and leases and (ii) the occurrence by May 15, 2015 of the Effective Date of the Plan. Finally, the Plan Sponsorship Agreement originally provided that the Debtors would not solicit inquiries or proposals or engage in negotiations or have discussions regarding an alternative transaction, except as expressly permitted in the Plan Sponsorship Agreement.

Following the Petition Date, the Plan Sponsor agreed to four significant modifications to the Plan Sponsorship Agreement. First, the Plan Sponsor agreed that, subject to the terms and conditions of the Plan Sponsorship Agreement, as modified, the Plan Sponsor would purchase 80% of the New Equity of Reorganized WSI on the Effective Date of the Plan for an aggregate amount of $25 million (*i.e.*, $5 million more), consisting of the conversion of the outstanding principal amount under the DIP Facility and the remainder in cash. Second, the Plan Sponsor agreed that the Debtors may openly solicit inquiries and proposals and engage in negotiations and have discussions regarding an alternative transaction pursuant to bid procedures agreed upon by the Debtors, the Plan Sponsor and the Creditors Committee. If under those bid procedures a party other than the Plan Sponsor proposes a superior alternative transaction and the Debtors elect to proceed with that alternative transaction, then the Plan Sponsorship Agreement will automatically terminate and the Debtors may proceed with the alternative transaction, and will have five business days in which to obtain replacement debtor-in-possession financing to refinance the DIP Facility. If the Debtors pursue an alternative transaction, they will be liable to the Plan Sponsor for a break-up fee and expense reimbursement. Third, the Plan Sponsor agreed to reduce its $1 million break-up fee under the original Plan Sponsorship Agreement to $625,000 after the Debtors pay $375,000 in commitment fees to the DIP Lender under the DIP Facility and to limitations on the amount of its expense reimbursement. Fourth, the Plan Sponsor extended the deadline to file the Plan and Disclosure Statement to February 13, 2015.

The Plan Sponsor has the right to terminate the Plan Sponsorship Agreement following the occurrence of certain termination events set forth in the Plan Sponsorship Agreement, including (i) the Debtors fail to perform their obligations under the Plan Sponsorship Agreement or an event or

occurrence required by the Plan Sponsorship Agreement does not occur, in each case by the applicable deadlines in the Plan Sponsorship Agreement, (ii) the Reorganized Debtors fail to obtain a revolving credit facility to fund their operations on and after the Effective Date, (iii) material modifications are made to the Plan that are inconsistent with the Plan Sponsorship Agreement, (iv) the occurrence of an event of default under the DIP Facility that remains uncured, (v) the filing of a motion by the Debtors or the entry of an order by the Bankruptcy Court to appoint a trustee, receiver or examiner for the Debtors or to convert any Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code, (vi) a material breach of the Plan Sponsorship Agreement by the Debtors which is not cured within 10 business days following receipt of notice from the Plan Sponsor, (vii) the occurrence of an event or condition that results or would be reasonably expected to result, individually or in the aggregate, in a material adverse effect on the business, financial condition or results of operation of the Debtors or on the ability of the Debtors to consummate the transactions contemplated by the Plan Sponsorship Agreement and the Plan, subject to certain exceptions, (viii) a court or regulatory authority having jurisdiction over the Debtors issues an order that restricts, prevents or prohibits the Plan in a manner that cannot reasonably be remedied or enters a final, non-appealable judgment or order declaring any material provision of the Plan Sponsorship Agreement to be illegal, invalid or unenforceable, and (ix) Edmond S. Thomas or a replacement acceptable to the Plan Sponsor ceases to be the chief executive officer of the Debtors. If the Plan Sponsor elects to terminate the Plan Sponsorship Agreement following a termination event, after the passage of five business days an event of default will occur under the DIP Facility, and the DIP Lender may then proceed to exercise remedies against the Debtors and their assets. The Debtors will have that five business day period to obtain replacement debtor-in-possession financing.

On February 5, 2015, the Bankruptcy Court entered its *Order Pursuant to 11 U.S.C. §§ 105(a), 365(a) and 503(b) (I) Approving and Authorizing the Assumption of the Plan Sponsorship Agreement as Modified, and (II) Approving and Authorizing the Payment of Break-Up Fee and Expense Reimbursement* [D.I. 252] (the "PSA Assumption Order"), pursuant to which the Bankruptcy Court authorized the Debtors to assume the Plan Sponsorship Agreement, as modified, and to perform all of their contractual obligations thereunder.

Pursuant to the PSA Assumption Order and the Plan Support Agreement as modified, the Debtors filed a motion to approve certain bid procedures governing the submission of competing proposals to (i)(a) sponsor a plan of reorganization for the Debtors or (b) acquire all or substantially all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code and (ii) provide replacement debtor-in-possession financing. On February [__], 2015, the Bankruptcy Court entered its *Order Approving Certain Bid Procedures Governing the Submission of Competing Proposals to (I)(A) Sponsor a Plan of Reorganization for the Debtors or (B) Acquire All or Substantially All of the Debtors' Assets Pursuant to Section 363 of the Bankruptcy Code and (II) Provide Debtor-in-Possession Financing* [D.I. __], pursuant to which the Bankruptcy Court approved bid procedures and established a March 5, 2015 bid deadline to propose a superior alternative transaction to the Debtors. If the Debtors were presented with superior alternative transaction by the bid deadline, then an auction would be held on March 10, 2015. If the Debtors were not presented with a superior alternative transaction by the bid deadline, then no auction would be held and the Debtors would then proceed with the transaction set forth in the Plan Sponsorship Agreement as modified and in the Plan.

[*To Be Updated re Results of Marketing Process and Auction*]

F. United States Trustee

The U.S. Trustee has appointed Benjamin A. Hackman, Esq. as the attorney for the U.S. Trustee in connection with these Chapter 11 Cases. The Debtors have worked cooperatively to address concerns and comments from the U.S. Trustee's office during these Chapter 11 Cases.

G. Appointment of Committee

On January 30, 2015, the U.S. Trustee appointed an official committee of unsecured creditors (the "Creditors Committee") in these Chapter 11 Cases. The co-chairs of the Creditors Committee are Hudson Bay and Simon Property Group, Inc. ("Simon"), and the other members of the Creditors Committee are GGP Limited Partnership ("GGP"), Hansae Co. Ltd. ("Hansae"), and Heart and Hips. Simon and GGP are landlords under multiple of the Debtors' leases and Hansae and Heart and Hips are vendors to the Debtors. The proposed counsel to the Creditors Committee is Pachulski Stang Ziehl & Jones LLP and the proposed financial advisor to the Creditors Committee is Province, Inc.

H. Meeting of Creditors

The meeting of creditors under section 341(a) of the Bankruptcy Code was held on February 23, 2015 at 10:00 a.m. at the J. Caleb Boggs Federal Building, 844 King St., Room 5209, Wilmington, Delaware 19801[, and was continued to [DATE]]. At the meeting of creditors, the U.S. Trustee and creditors asked questions of a representative of the Debtors.

I. Schedules, Statements of Financial Affairs and Claims Bar Date

The Debtors filed their Schedules of Assets and Liabilities and Statements of Financial Affairs on [DATE] [D.I. __]. A creditor whose Claim is set forth in the Schedules of Assets and Liabilities of a Debtor and not identified as contingent, unliquidated or disputed may, but need not, file a proof of claim against that Debtor to be entitled to participate in the Chapter 11 Cases or to receive a distribution under the Plan. The deadline established by the Bankruptcy Court for Creditors to file proofs of claim against the Debtors is [DATE].

IV. SUMMARY OF THE JOINT CHAPTER 11 PLAN

This section provides a summary of the structure and means for implementation of the Plan and the classification and treatment of Claims and Interests under the Plan and is qualified in its entirety by reference to the Plan (as well as the Exhibits thereto and definitions therein).

The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statement of such terms and provisions.

The Plan itself and the documents referred to therein control the actual treatment of Claims against and Interests in the Debtors under the Plan and will, upon the occurrence of the Effective Date, be binding upon all Holders of Claims against and Interests in the Debtors, the Debtors' Estates, the Reorganized Debtors, all parties receiving property under the Plan, and other parties in interest. In the event of any conflict, inconsistency, or discrepancy between this Disclosure

Statement and the Plan, the Plan Supplement, or any other operative document, the terms of the Plan, Plan Supplement, and/or such other operative document, as applicable, shall govern and control; provided that, in any event, the terms of the Plan shall govern and control over all other related documents.

The Plan constitutes a separate chapter 11 plan for each of the Debtors. Except for unclassified Claims, all Claims against a Debtor are placed in separate Class for that Debtor.

A. Treatment of Unclassified Claims

In accordance with section 1123(a)(1) of the Bankruptcy Code, DIP Facility Claims, L/C Facility Claims, Administrative Claims and Priority Tax Claims have not been classified and the respective treatment of such unclassified Claims is set forth in Article 3.1 of the Plan.

1. DIP Facility Claims

All DIP Facility Principal Claims shall be Allowed and, on the Effective Date, shall be converted, and by such conversion satisfied in full, into the Plan Sponsor New Equity.

All DIP Facility Non-Principal Claims shall be Allowed and, on or before the Effective Date, each Holder of an Allowed DIP Facility Non-Principal Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for such Allowed DIP Facility Non-Principal Claim, (i) Cash equal to the unpaid portion of such Allowed DIP Facility Non-Principal Claim or (ii) such other less favorable treatment as to which the Holder of an Allowed DIP Facility Non-Principal Claim, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing.

2. L/C Facility Claims

All L/C Facility Claims shall be Allowed and, on or before the Effective Date, each Holder of an Allowed L/C Facility Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for such Allowed L/C Facility Claim, (i) Cash equal to the unpaid portion of such Allowed L/C Facility Claim in the amount required under the L/C Credit Agreement or (ii) such other less favorable treatment as to which the Holder of an Allowed L/C Facility Claim, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing.

3. Administrative Claims

Except as otherwise provided for in the Plan, and subject to the requirements of the Plan, on, or as soon as reasonably practicable after the later of (i) the Initial Distribution Date or (ii) thirty (30) days following the date on which an Administrative Claim becomes an Allowed Administrative Claim, the Holder of such Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Administrative Claim, (a) Cash equal to the unpaid portion of the Face Amount of such Allowed Administrative Claim or (b) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing; provided, however, that Allowed Administrative Claims with respect to liabilities incurred by a Debtor in the ordinary course of business during the Chapter 11 Cases (including, without limitation, the Plan Sponsor's reasonable

fees and expenses and DIP Facility Non-Principal Claims) shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto; provided further, however, that, in no event shall a postpetition obligation that is contingent or disputed and subject to liquidation through pending or prospective litigation, including, but not limited to, alleged obligations arising from personal injury, property damage, products liability, consumer complaints, employment law (excluding claims arising under workers' compensation law), secondary payor liability, or any other disputed legal or equitable claim based on tort, statute, contract, equity, or common law, be considered to be an obligation that is payable in the ordinary course of business.

4. Priority Tax Claims

Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Initial Distribution Date, each Holder of an Allowed Priority Tax Claim shall be entitled to receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, as shall have been determined by the Debtors in their sole discretion, (i) on the Initial Distribution Date, Cash equal to the unpaid portion of such Allowed Priority Tax Claim, (ii) deferred Cash payments over a period not exceeding five (5) years after the Petition Date in an aggregate principal amount equal to the Face Amount of such Allowed Priority Tax Claim, plus interest on the unpaid portion thereof at the rate of interest determined under applicable nonbankruptcy law as of the calendar month in which the plan is confirmed, or (iii) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing. If and to the extent the aggregate amount of Allowed Priority Tax Claims exceeds amounts initially deposited in an applicable reserve for the payment of such Claims, Allowed Priority Tax Claims will be paid from the assets of the applicable Reorganized Debtor.

B. Classification and Treatment of Claims and Interests

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes or Claims and Interests. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving Distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date.

1. Class 1: Prepetition Credit Agreement Claims

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) the Distribution Date immediately following the date on which a Prepetition Credit Agreement Claim becomes an Allowed Prepetition Credit Agreement Claim, the Holder of such Allowed Prepetition Credit Agreement Claim shall receive at the election of the Reorganized Debtors, in full satisfaction, settlement, release and discharge of and in exchange for, such Allowed Prepetition Credit Agreement Claim, (i) Cash equal to the value of its Allowed Prepetition Credit Agreement Claim, (ii) the return of the Holder's Collateral securing the Prepetition Credit Agreement Claim, (iii) its Prepetition Credit Agreement Claim Reinstated pursuant to sections 1124(1) or 1124(2) of the Bankruptcy Code, or (iv) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing. Subject to

the L/C Facility Orders and the DIP Facility Orders, including the provisions of each relating to the subordination and release, and priorities, of Liens, any Holder of a Prepetition Credit Agreement Claim shall retain its Lien in the Collateral or the proceeds of the Collateral (to the extent that such Collateral is sold by the Debtors free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Petition Date until such time as (A) the Holder of such Prepetition Credit Agreement Claim (i) has been paid Cash equal to the value of its Allowed Prepetition Credit Agreement Claim, (ii) has received a return of the Collateral securing the Prepetition Credit Agreement Claim, (iii) has its Prepetition Credit Agreement Claim Reinstated pursuant to sections 1124(1) or 1124(2) of the Bankruptcy Code, or (iv) has been afforded such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing; or (B) such purported Lien has been determined by an order of the Bankruptcy Court to be invalid or otherwise avoidable.

Class 1 is Unimpaired and therefore Holders of Prepetition Credit Agreement Claims are conclusively presumed to have accepted the Plan.

2. Class 2: Secured Tax Claims

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) the Distribution Date immediately following the date on which a Secured Tax Claim becomes an Allowed Secured Tax Claim, the Holder of such Allowed Secured Tax Claim shall receive at the election of the Reorganized Debtors, in full satisfaction, settlement, release and discharge of and in exchange for, such Allowed Secured Tax Claim, (i) Cash equal to the value of its Allowed Secured Tax Claim, (ii) the return of the Holder's Collateral securing the Secured Tax Claim or (iii) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing. Any Holder of a Secured Tax Claim shall retain its Lien in the Collateral or the proceeds of the Collateral (to the extent that such Collateral is sold by the Debtors free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Petition Date until such time as (A) the Holder of such Secured Tax Claim (i) has been paid Cash equal to the value of its Allowed Secured Tax Claim, (ii) has received a return of the Collateral securing the Secured Tax Claim or (iii) has been afforded such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing; or (B) such purported Lien has been determined by an order of the Bankruptcy Court to be invalid or otherwise avoidable. To the extent that a Secured Tax Claim exceeds the value of the interest of the Estate in the property that secures the Claim, such Claim shall be deemed Disallowed pursuant to section 502(b)(3) of the Bankruptcy Code.

Class 2 is Unimpaired and therefore Holders of Secured Tax Claims are conclusively presumed to have accepted the Plan.

3. Class 3: Other Secured Claims

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) the Distribution Date immediately following the date on which an Other Secured Claim becomes an Allowed Other Secured Claim, the Holder of such Allowed Other Secured Claim shall receive at the election of the Reorganized Debtors, in full satisfaction, settlement, release and discharge of and in exchange for, such Allowed Other Secured Claim, (i) Cash equal to the value of its Allowed Other

Secured Claim, (ii) the return of the Holder's Collateral securing the Other Secured Claim, (iii) its Other Secured Claim Reinstated pursuant to sections 1124(1) or 1124(2) of the Bankruptcy Code, or (iv) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing. Any Holder of an Other Secured Claim shall retain its Lien in the Collateral or the proceeds of the Collateral (to the extent that such Collateral is sold by the Debtors free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Petition Date until such time as (A) the Holder of such Other Secured Claim (i) has been paid Cash equal to the value of its Allowed Other Secured Claim, (ii) has received a return of the Collateral securing the Other Secured Claim, (iii) has its Other Secured Claim Reinstated pursuant to sections 1124(1) or 1124(2) of the Bankruptcy Code, or (iv) has been afforded such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing; or (B) such purported Lien has been determined by an order of the Bankruptcy Court to be invalid or otherwise avoidable.

Class 3 is Unimpaired and therefore Holders of Other Secured Claims are conclusively presumed to have accepted the Plan.

4. Class 4: Non-Tax Priority Claims

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date, (b) the Distribution Date immediately following the date on which an Allowed Non-Tax Priority Claim becomes payable pursuant to any agreement between the Reorganized Debtors and the Holder of such Non-Tax Priority Claim or (c) the date on which an Allowed Non-Tax Priority Claim becomes payable pursuant to and as specified by a court order, the Holder of such Allowed Non-Tax Priority Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Non-Tax Priority Claim, either (i) Cash equal to the unpaid portion of the Face Amount of such Allowed Non-Tax Priority Claim or (ii) such other less favorable treatment as to which such Holder, the Debtor or Reorganized Debtor, and the Plan Sponsor shall have agreed upon in writing.

Class 4 is Unimpaired and therefore Holders of Non-Tax Priority Claims are conclusively presumed to have accepted the Plan.

5. Class 5: General Unsecured Claims[3]

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date, (b) the Distribution Date immediately following the date on which an Allowed General Unsecured Claim becomes payable pursuant to any agreement between the Reorganized Debtors and the Holder of such General Unsecured Claim, or (c) the date on which an Allowed General Unsecured Claim becomes payable pursuant to and as specified by a court order, the Holder of such Allowed General Unsecured Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed General Unsecured Claim, its Pro Rata share of the Non-Plan Sponsor New Equity based on the unpaid portion of the Face Amount of such Allowed General Unsecured Claim as a percentage of the Debtors' estimate of the aggregate of the Face Amounts of all Allowed

[3] The treatment of Class 5 remains under negotiation with the Creditors Committee and the Plan Sponsor.

General Unsecured Claims (with any future issuances of Non-Plan Sponsor New Equity to be made consistent with the actual aggregate of the Face Amounts of all Allowed General Unsecured Claims when such aggregate amount is determined), unless the Holder of such Allowed General Unsecured Claim (i) makes the Cash Payment Election or (ii) agrees in writing with the Debtor or the Reorganized Debtor, and with the Plan Sponsor, to accept some less favorable treatment of its Allowed General Unsecured Claim.

If the Holder of an Allowed General Unsecured Claim makes the Cash Payment Election, such Holder shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed General Unsecured Claim, a Cash payment equal to [5]% of such Allowed General Unsecured Claim. Such Cash payments shall be funded by Cash on hand, and, to the extent necessary, borrowing under the Exit Facility, as more fully described in Article 5.4 of the Plan.

If the Holder of an Allowed General Unsecured Claim agrees in writing with the Debtor or the Reorganized Debtor, and with the Plan Sponsor, to accept some less favorable treatment of its Allowed General Unsecured Claim, such Holder's Allowed General Unsecured Claim shall be satisfied, settled, released, and discharged in accordance with the terms of such writing.

Class 5 is Impaired and therefore Holders of General Unsecured Claims are entitled to vote on the Plan.

6. Class 6: Convenience Claims[4]

On the Effective Date (or as soon thereafter as is practicable), each Holder of an Allowed Convenience Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Convenience Claim, cash equal to [5]% of the allowed amount of such Convenience Claim.

Class 6 is Impaired and therefore Holders of Convenience Claims are entitled to vote on the Plan.

7. Class 7: Subordinated 510(c) Claims

On the Effective Date, Holders of Subordinated 510(c) Claims shall not be entitled to, and shall not receive or retain any property or interest in property under the Plan on account of such Subordinated 510(c) Claims.

Class 7 is deemed to have rejected the Plan and therefore Holders of Subordinated 510(c) Claims are not entitled to vote on the Plan.

8. Class 8: Subordinated 510(b) Claims

On the Effective Date, Holders of Subordinated 510(b) Claims shall not be entitled to, and shall not receive or retain any property or interest in property under the Plan on account of such Subordinated 510(b) Claims.

[4] The treatment of Class 6 remains under negotiation with the Creditors Committee and the Plan Sponsor.

Class 8 is deemed to have rejected the Plan and therefore Holders of Subordinated 510(b) Claims are not entitled to vote on the Plan.

9. Class 9: Old Equity Interests

As of the Effective Date, all Old Equity Interests of any kind shall be deemed void, cancelled, and of no further force and effect and the Holders thereof shall not receive or retain any property or interest in property under the Plan on account of such Interests.

Class 9 is deemed to have rejected the Plan and therefore Holders of Old Equity Interests are not entitled to vote on the Plan. For the avoidance of doubt, the Interests in each of the Subsidiary Debtors shall be Reinstated and shall continue to be held by Reorganized WSI following the Effective Date.

10. Special Provisions Regarding Insured Claims

Distributions under the Plan to each holder of an Insured Claim shall be in accordance with the treatment provided under the Plan for General Unsecured Claims or, Convenience Claims, as applicable. Any Allowed General Unsecured Claim with respect to an Insured Claim shall be limited to the amount by which the Allowed Insured Claim exceeds the total coverage available under the Debtors' applicable insurance policies.

If there is insurance, any party with rights against or under the applicable insurance policy, including, without limitation, the Reorganized Debtors and Holders of Insured Claims, may pursue such rights.

Nothing in this section of the Plan shall constitute a waiver of any Litigation Rights the Debtors may hold against any Entity, including the Debtors' insurance carriers; and nothing in this section is intended to, shall, or shall be deemed to preclude any Holder of an Allowed Insured Claim from seeking and/or obtaining a distribution or other recovery from any insurer of the Debtors in addition to (but not in duplication of) any Distribution such Holder may receive under the Plan; provided, however, that the Debtors do not waive, and expressly reserve their rights to assert that any insurance coverage is property of the Estates to which they are entitled.

The Plan shall not expand the scope of, or alter in any other way, the rights and obligations of the Debtors' insurers under their policies, and the Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtors, the existence, primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall not operate as a waiver of any other Claims the Debtors' insurers have asserted or may assert in any Proof of Claim or the Debtors' rights and defenses to such Proofs of Claim.

11. Reclamation Claims

To the extent that Reclamation Claimants seek to assert that their Reclamation Claims are Secured Claims under the Bankruptcy Code, the Debtors assert that the Reclamation Claims are not entitled to such treatment because (i) the Reclamation Claimants' reclamation rights did not satisfy section 546(c) of the Bankruptcy Code and other applicable nonbankruptcy law, and (ii) as a result

of the amendments to the Bankruptcy Code in 2005, section 546(c) of the Bankruptcy Code no longer provides that a reclamation claim is entitled to administrative expense priority under section 503(b) of the Bankruptcy Code. Accordingly, each Reclamation Claimant shall be considered to be a Holder of an Unsecured Claim with respect to the value of the goods sold and delivered to the Debtors by such Reclamation Claimant.

12. Reservation of Rights Regarding Claims

Except as otherwise explicitly provided in the Plan, nothing shall affect the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Claims, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment.

C. Acceptance or Rejection of the Plan

1. Impaired Classes of Claims Entitled to Vote

Holders of Claims in each Impaired Class of Claims are entitled to vote as a Class to accept or reject the Plan, other than Classes that are deemed to reject the Plan as provided in Article 4.4 of the Plan. Accordingly, only the votes of Holders of Claims in Class 5 and Class 6 shall be solicited with respect to the Plan.

2. Acceptance by an Impaired Class

In accordance with section 1126(c) of the Bankruptcy Code, and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if the Plan is accepted by the Holders of at least two-thirds (⅔) in dollar amount and more than one-half (½) in number of the Allowed Claims in such Class that have timely and properly voted to accept or reject the Plan.

3. Presumed Acceptances by Unimpaired Classes

Class 1, Class 2, Class 3, and Class 4 are Unimpaired under the Plan. Under section 1126(f) of the Bankruptcy Code, Holders of such Unimpaired Claims are conclusively presumed to have accepted the Plan, and the votes of such Unimpaired Claim Holders shall not be solicited.

4. Impaired Classes Deemed to Reject Plan

Holders of Claims and Interests in Class 7, Class 8, and Class 9 are not entitled to receive or retain any property or interests in property under the Plan. Under section 1126(g) of the Bankruptcy Code, such Holders are deemed to have rejected the Plan, and the votes of such Holders shall not be solicited.

5. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code

To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors shall request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify,

revoke, or withdraw the Plan, the Plan Supplement, or any schedule or exhibit, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary, subject to the written approval of the Plan Sponsor.

6. Elimination of Vacant Classes

Any Class of Claims or Interests that does not contain, as of the date of the commencement of the Confirmation Hearing, a Holder of an Allowed Claim or Interest, or a Holder of a Claim temporarily allowed under Bankruptcy Rule 3018, shall be deemed deleted from the Plan for purposes of determining acceptance of the Plan by such Class under section 1129(a)(8) of the Bankruptcy Code.

D. Means for Implementation of the Plan

1. Plan Funding

Cash payments under the Plan shall be funded by Cash on hand, and, to the extent necessary, borrowing under the Exit Facility, as more fully described in Article 5.4 of the Plan.

2. Continued Corporate Existence

Subject to the provisions of Article 5.13 of the Plan, the Debtors shall continue to exist as the Reorganized Debtors after the Effective Date as separate legal entities, in accordance with the applicable laws in the respective jurisdictions in which they are incorporated or otherwise organized, and pursuant to the New Corporate Governance Documents of the Reorganized Debtors.

3. Corporate Governance Documents

The New Corporate Governance Documents shall be substantially in the forms of such documents included in the Plan Supplement and otherwise in form and substance acceptable to the Plan Sponsor in its reasonable discretion. The corporate governance documents of each Reorganized Debtor shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code and shall include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of the Bankruptcy Code.

4. New Financing

On the Effective Date, the Exit Facility, together with any new promissory notes and guarantees evidencing the obligations of the Reorganized Debtors thereunder, and all other documents, instruments, mortgages, and agreements to be entered into, delivered, or confirmed thereunder on the Effective Date, shall become effective. The Exit Facility shall be in an amount and on terms and conditions reasonably acceptable to the Plan Sponsor, which terms and conditions shall be consistent with the commitment letter or term sheet included in the Plan Supplement, and may include revolving credit, term credit, and/or letters of credit. The Exit Facility shall be used by the Reorganized Debtors to support payments required to be made under the Plan, pay transaction costs, and fund working capital and general corporate purposes of the Reorganized Debtors on and after the Effective Date, in each case only to the extent necessary. The obligations incurred by the

Reorganized Debtors pursuant to the Exit Facility and related documents shall be paid as set forth in the Exit Facility and related documents. To the extent that any commitment fee accrues under the Exit Facility, it shall be paid by the Reorganized Debtors (or reimbursed by the Reorganized Debtors to the extent previously paid by the Plan Sponsor in the event that the Plan Sponsor decides in its sole and absolute discretion to advance all or any portion of such commitment fee).

5. Cancellation of Old Equity Interests and Agreements

Except as otherwise provided for in the Plan, or in any contract, instrument or other agreement or document created, executed, or contemplated in connection with the Plan, on the Effective Date and concurrently with the applicable Distributions made pursuant to ARTICLE III of the Plan, the Old Equity Interests and any other promissory notes, share certificates, whether for preferred or common stock (including treasury stock), other instruments evidencing any Claims or Interests, other than a Claim that is being Reinstated and rendered unimpaired, and all options, warrants, calls, rights, puts, awards, commitments or any other agreements of any character to acquire such Interests shall be deemed canceled and of no further force and effect, without any further act or action under any applicable agreement, law, regulation, order or rule, and the obligations of the Debtors under the notes, share certificates and other agreements and instruments governing such Claims and Interests shall be discharged. The holders of or parties to such canceled notes, share certificates, and other agreements and instruments shall have no rights arising from or relating to such notes, share certificates and other agreements and instruments or the cancellation thereof, except the rights provided pursuant to the Plan. As indicated above, the Old Subsidiary Equity Interests in each of the Subsidiary Debtors shall be Reinstated and shall continue to be held by Reorganized WSI following the Effective Date.

6. Authorization and Issuance of New Equity

On the Effective Date or such later date as is provided in the Plan, equity in the Reorganized WSI will be distributed as follows, subject to dilution by the New Management Incentive Plan New Equity:

(a) the Plan Sponsor will purchase and receive the Plan Sponsor New Equity in consideration for $25,000,000 of value in the form of (A) conversion of the DIP Facility Principal Claims and (B) cash; and

(b) in full satisfaction of Allowed General Unsecured Claims, the Non-Plan Sponsor New Equity will be issued to Holders of Allowed General Unsecured Claims that (A) have not made the Cash Payment Election and (B) have not agreed in writing with the Debtor or the Reorganized Debtor and with the Plan Sponsor to accept some less favorable treatment of their respective Allowed General Unsecured Claims than receipt of their respective Pro Rata shares of Non-Plan Sponsor New Equity; provided, however, that with respect to a Disputed Claim, any Non-Plan Sponsor New Equity that may be issued in the future if such Disputed Claim becomes Allowed shall not be issued unless and until such Disputed Claim becomes Allowed.

The New Equity that would have been issued to a Holder of an Allowed General Unsecured Claim that makes the Cash Payment Election shall instead remain unissued.

Reorganized WSI shall issue and deliver the Plan Sponsor New Equity to the Plan Sponsor or the Plan Sponsor's designee or in the manner as the Plan Sponsor may otherwise instruct.

On or after the Effective Date, Reorganized WSI and the Plan Sponsor shall execute and deliver the Stockholders Agreement.

As of the Effective Date, the issuance of the New Equity pursuant to distributions under the Plan shall be authorized without registration under the United States Securities Act of 1933, as amended, or any similar federal, state, or local law in reliance upon the exemptions set forth in section 1145 of the Bankruptcy Code and/or other applicable exemptions, without further act or action by any Entity, except as may be required by the New Corporate Governance Documents, or by applicable law, regulation, order, or rule; all documents evidencing same shall be executed and delivered as provided for in the Plan or the Plan Supplement.

The New Equity will be freely tradable, subject to any applicable restrictions of the federal and state securities laws and subject to the Stockholders Agreement. All of the New Equity issued pursuant to the Plan shall be duly authorized, validly issued, and, if applicable, fully paid and non-assessable. Each distribution and issuance referred to in ARTICLE VII of the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

In connection with the distribution of New Management Incentive Plan New Equity, the Reorganized Debtors may take whatever actions are necessary to comply with applicable federal, state, local, and international tax withholding obligations and other applicable requirements.

7. New Management Incentive Plan; Further Participation in Incentive Plans

On or after the Effective Date, the New Board of Reorganized WSI will implement the New Management Incentive Plan. The New Board of Reorganized WSI, in its sole and absolute discretion, shall determine the terms of the New Management Incentive Plan, including, without limitation, participation eligibility requirements and award amounts.

Any and all pre-existing understandings, either oral or written, between the Debtors and any current or former director, officer, or employee as to any entitlement to participate in any pre-existing equity or other incentive plan of any kind shall be null and void as of the Effective Date and shall not be binding on the Reorganized Debtors with respect to the New Management Incentive Plan or any other incentive plan that might be implemented after the Effective Date.

8. Waiver of Certain Avoidance Actions Against Participating Vendors

Upon execution of a Participating Vendor Agreement with the Debtors or the Reorganized Debtors no later than thirty (30) days following the Confirmation Date (unless extended to a later date by the Reorganized Debtors), the applicable Participating Vendor shall receive a waiver and

release of any and all claims and causes of action against such Participating Vendor arising under section 547 of the Bankruptcy Code. The Participating Vendor Agreements must be in form and substance reasonably acceptable to the Plan Sponsor.

9. Directors of Reorganized Debtors

On the Effective Date, each member of the existing board of directors or each manager, as applicable, of the Debtors shall be deemed to have resigned. The Plan Sponsor will designate the numbers of members of the New Boards. At a minimum, the New Board of Reorganized WSI shall consist of five (5) members: (a) the Chief Executive Officer of the Reorganized Debtors, (b) one (1) member to be nominated by the Creditors Committee, subject to the consent of the Plan Sponsor (such consent not to be unreasonably withheld, conditioned, or delayed), and (c) three (3) additional members to be selected by the Plan Sponsor. If the Creditors Committee fails to nominate a member to the New Board of Reorganized WSI by April 15, 2015, the Plan Sponsor shall be permitted to appoint an additional member to the New Board of Reorganized WSI in lieu of the Creditors Committee's nominee. The members of the New Boards will be identified in the Plan Supplement, accompanied by any disclosures required by section 1129(a)(5) of the Bankruptcy Code in connection therewith. The members of the New Boards shall serve from the Effective Date until any successors are duly elected or qualified or until earlier removed or replaced in accordance with the New Corporate Governance Documents.

10. Officers of Reorganized Debtors

Except as set forth in a schedule that the Plan Sponsor, in its sole discretion, may provide to the Debtors prior to the Confirmation Date, the existing senior officers of the Debtors in office immediately prior to the Effective Date shall serve initially in the same capacities upon and after the Effective Date for the Reorganized Debtors unless and until replaced or removed in accordance with the New Corporate Governance Documents.

Subject to the Reorganized Debtors' contractual agreements and obligations entered into and arising on and after the Effective Date and applicable non-bankruptcy law based upon facts and circumstances arising on and after the Effective Date, no director, officer, employee, consultant, or agent of the Debtors is entitled to continued employment or engagement, and, if employed, each is an at-will employee and is not entitled to any severance, termination, or other payment in connection with a termination of services.

11. Indemnification of Debtors' Directors, Managers, Officers, and Employees

Upon the Effective Date, the corporate governance documents of the Reorganized Debtors shall contain provisions which (i) eliminate the personal liability of the Reorganized Debtors' then present and future managers, directors and officers for post-emergence monetary damages resulting from breaches of their fiduciary duties on or after the Effective Date to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized; and (ii) require such Reorganized Debtor, subject to appropriate procedures, to indemnify the Reorganized Debtors' managers, directors, officers, and other key employees (as such key employees are identified by the Chief Executive Officer of the Reorganized Debtors and the New Boards) serving on or after the

Effective Date for all claims and actions relating to postpetition service to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized.

Upon and after the Effective Date, and for two (2) years thereafter, the Reorganized Debtors shall, to the maximum extent available without additional cost, continue to maintain director and officer insurance coverage for those Persons covered by any such policies in effect during the pendency of the Chapter 11 Cases, insuring such Persons in respect of any claims, demands, suits, causes of action, or proceedings against such Persons based upon any act or omission related to such Person's service with, for, or on behalf of the Debtors (whether occurring before or after the Petition Date). Such policy shall be fully paid and noncancellable.

On or as of the Effective Date, each Reorganized Debtor may enter into separate written agreements providing for the indemnification of each Person who is a director, officer, or key employee (as such key employees are identified by the Chief Executive Officer and the New Boards) of such Reorganized Debtor as of the Effective Date to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized.

12. Vesting of Assets; Release of Liens

Except as otherwise provided in the Plan, the property of each Debtor's Estate (including Litigation Rights and Avoidance Actions), together with any property of each Debtor that is not property of its Estate and that is not specifically disposed of pursuant to the Plan, shall vest in the applicable Reorganized Debtor on the Effective Date. Thereafter, each Reorganized Debtor may operate its business and may use, acquire, and dispose of such property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. As of the Effective Date, all such property of each Reorganized Debtor shall be free and clear of all Liens, Claims, and Interests, except as specifically provided in the Plan or the Confirmation Order or as contemplated in connection with the Exit Facility, and the Reorganized Debtors shall receive the benefit of any and all discharges under the Plan.

13. Restructuring Transactions

On, as of, or after the Effective Date, each of the Reorganized Debtors may enter into such transactions and may take such actions as may be necessary or appropriate, in accordance with any applicable state law, to effect a corporate or operational restructuring of their respective businesses, to otherwise simplify the overall corporate or operational structure of the Reorganized Debtors, to achieve corporate or operational efficiencies, or to otherwise improve financial results; provided that such transactions or actions are not otherwise inconsistent with the Plan, the Distributions to be made under the Plan, the New Corporate Governance Documents, or the Exit Facility. Such transactions or actions may include any mergers, consolidations, restructurings, dispositions, liquidations, closures, or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate.

14. Preservation and Pursuit of Litigation Rights and Avoidance Actions; Resulting Claim Treatment

Except (i) as otherwise provided in the Plan or the Confirmation Order, (ii) as otherwise provided in any contract, instrument, release, indenture, or other agreement created, executed, or

contemplated in connection with the Plan, and (iii) as to claims and causes of action against Participating Vendors arising under section 547 of the Bankruptcy Code as described in Article 5.8 of the Plan, and in accordance with section 1123(b) of the Bankruptcy Code, on the Effective Date, the Reorganized Debtors shall retain all of the Litigation Rights and Avoidance Actions that the Debtors held against any Entity. Each Reorganized Debtor shall retain and may enforce, sue on, settle, or compromise all such Litigation Rights and Avoidance Actions, or may decline to do any of the foregoing with respect to any such Litigation Rights and Avoidance Actions. Each Reorganized Debtor or their respective successor(s) may pursue such retained Litigation Rights and Avoidance Actions as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) who hold such rights and retain such actions in accordance with applicable law and consistent with the terms of the Plan.

If, as a result of the pursuit of any Litigation Rights or Avoidance Actions, a Claim under section 502(h) of the Bankruptcy Code arises, the Reorganized Debtors shall be permitted to reduce by way of setoff their recovery on account of such Litigation Rights or Avoidance Actions by an amount equal to the Distribution that otherwise would have been made to the Holder of such Claim.

15. Effectuating Documents; Further Transactions

The Chief Executive Officer, the Chief Financial Officer, or any other appropriate officer of the Reorganized Debtors, as the case may be, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Secretary or Assistant Secretary of any Reorganized Debtor, as the case may be, shall be authorized to certify or attest to any of the foregoing actions.

16. Exemption From Certain Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of a security, or the making or delivery of an instrument of transfer from a Debtor to a Reorganized Debtor or any other Entity pursuant to the Plan, including, without limitation, the granting or recording of any Lien or mortgage on any property under the Exit Facility, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

17. Corporate Action

On the Effective Date, the New Corporate Governance Documents shall be effective, and the appointment of directors, officers, and/or managers of the Reorganized Debtors, and all actions contemplated hereby shall be authorized and approved in all respects pursuant to the Plan. All matters provided for in the Plan involving the corporate structure of the Debtors or Reorganized Debtors, and any corporate action required by the Debtors or Reorganized Debtors in connection with the Plan, shall be deemed to have occurred and shall be in effect as of the Effective Date,

without any requirement of further action by the directors, officers and/or managers of the Debtors or Reorganized Debtors. On the Effective Date, the appropriate officers or managers of the Reorganized Debtors are authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan in the name of and on behalf of the Reorganized Debtors without the need for any required approvals, authorizations, or consents, except for any express consents required under the Plan.

18. Reorganized Debtors' Obligations Under the Plan

From and after the Effective Date, each of the Reorganized Debtors shall exercise its reasonable discretion and business judgment to perform the corresponding obligations under the Plan of its predecessor or predecessor in interest. The Plan will be administered and actions will be taken in the name of the Debtors and the Reorganized Debtors. From and after the Effective Date, the Reorganized Debtors shall conduct, among other things, the following tasks:

(a) administer the Plan and take all steps and execute all instruments and documents necessary to effectuate the Plan;

(b) pursue (including, as it determines through the exercise of its business judgment, prosecuting, enforcing, objecting to, litigating, reconciling, settling, abandoning, and resolving) all of the rights, claims, causes of action, defenses, and counterclaims retained by the Reorganized Debtors, including, without limitation, the Litigation Rights and the Avoidance Actions;

(c) reconcile Claims and resolve Disputed Claims, and administer the Claims allowance and disallowance processes as set forth in the Plan, including objecting to, prosecuting, litigating, reconciling, settling, and resolving Claims and Disputed Claims in accordance with the Plan;

(d) make decisions regarding the retention, engagement, payment, and replacement of professionals, employees and consultants;

(e) administer the Distributions under the Plan, including (i) making Distributions in accordance with the terms of the Plan, and (ii) filing with the Bankruptcy Court on each six (6)-month anniversary of the Effective Date reports regarding the Distributions made and to be made to the Holders of Allowed Claims;

(f) exercise such other powers as necessary or prudent to carry out the provisions of the Plan;

(g) file appropriate tax returns;

(h) reimburse the Plan Sponsor for actual costs incurred in connection with the Plan and confirmation thereof (including, without limitation, fees and costs paid related to the Exit Facility) as provided for in the Plan; and

(i) take such other action as may be necessary or appropriate to effectuate the Plan.

19. Operations Between Confirmation Date and Effective Date

The Debtors shall continue to operate as debtors in possession during the period from the Confirmation Date through and until the Effective Date in the ordinary course of business. The Plan Sponsor shall be entitled, upon and after the Confirmation Date, to appoint an observer to be officed at the Reorganized Debtors' headquarters, who shall have full rights to participate in all management and board-of-directors meetings, and who shall have full access to the books and records of the Debtors. After the Confirmation Date, no actions outside of the ordinary course shall be approved or taken by the Debtors without the prior express written consent of the Plan Sponsor.

20. Consent of Plan Sponsor

Notwithstanding anything to the contrary in the Plan, where the Plan provides for a power or waiver or election by the Debtor or the Reorganized Debtor (including, without limitation, where Claims are subject to alternative treatments or modifications to the Plan permitted), such waiver or election shall be subject to the prior written consent of the Plan Sponsor.

21. Intercompany Claims

On the Effective Date, at the option of the Plan Sponsor for the purpose of effecting the Plan, the Intercompany Claims shall be (a) Reinstated, in full or in part, (b) resolved through set-off, distribution or contribution, in full or in part, or (c) cancelled and discharged in full or in part, in which case such cancelled, discharged and satisfied portion shall be eliminated and the Holders thereof shall not be entitled to, and shall not receive or retain, any property or interest in property on account of such portion under the Plan.

E. Treatment of Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided in the Plan, as of the Effective Date, each Debtor shall be deemed to have rejected each prepetition executory contract and unexpired lease to which it is a party unless such executory contract or unexpired lease is a Designated Contract. The Confirmation Order shall constitute an order of the Bankruptcy Court under section 365(a) of the Bankruptcy Code approving the assumption or assumption and assignment of prepetition executory contracts and unexpired leases, including the Designated Contracts, as of the Effective Date or such later date as the Reorganized Debtors, the Plan Sponsor, and an objecting counterparty may fix and agree and the Bankruptcy Court approves.

At any time before the effective date of assumption of a Designation Contract (including, without limitation, after the Effective Date with respect to any Designated Contract that is subject to an Assumption Objection that remains unresolved as of the Effective Date), the Debtors or the Reorganized Debtors may withdraw or modify the designation of a Designation Contract for assumption, in each instance as directed by the Plan Sponsor (in the Plan Sponsor's sole and absolute

discretion) in a notice via e-mail from the Plan Sponsor to the Debtors or the Reorganized Debtors and their counsel. The Debtors shall promptly provide notice of rejection of the applicable executory contract or unexpired lease to each counterparty to such executory contract or unexpired lease, which rejection shall be effective immediately upon delivery of a rejection notice to such counterparties. For the avoidance of doubt, any Designated Contract that is subject to an Assumption Objection that remains unresolved as of the Effective Date shall not be deemed assumed as of the Effective Date and, if not designated for rejection by the Plan Sponsor, shall be assumed effective as of the time identified in a written stipulation executed by the Reorganized Debtors, the Plan Sponsor, and the applicable counterparties. Notwithstanding anything to the contrary in the Plan, on and after the Effective Date, the Reorganized Debtor and the Plan Sponsor may resolve any pending Assumption Objections by a written stipulation Filed with the Bankruptcy Court (if such resolution occurs after the Chapter 11 Cases have closed, such written stipulation shall be effective upon signing and without having to be Filed with the Bankruptcy Court), without any need for further Court approval of such stipulation or otherwise.

In the event that the Debtors, the Plan Sponsor, and any objecting counterparty cannot resolve an Assumption Objection prior to the Confirmation Hearing, the Assumption Objection will be heard during the Confirmation Hearing or at such later date as the Debtors, the Plan Sponsor, and the objecting counterparty may fix and agree and the Bankruptcy Court approves. In the event that any outstanding Assumption Objection remains unresolved following the Confirmation Hearing, the Plan Sponsor may (as noted above), in its sole and absolute discretion, at any time prior to entry of an order by the Bankruptcy Court authorizing the assumption of such Designated Contract, direct the Debtors to reject the Designated Contract that is the subject of such unresolved Assumption Objection.

Notwithstanding anything to the contrary in the Plan, the Debtors and the Reorganized Debtors reserve the right to assert that any license, franchise, or partially performed contract is a property right and not an executory contract.

In the event of any dispute regarding any executory contract or unexpired lease, including, without limitation, as to whether a contract or lease is executory or unexpired or with respect to Cure or any other matter relating to assumption, the right of the Debtors or the Reorganized Debtors to assume or reject such contract or lease shall be extended until the date that is thirty (30) days after entry of a Final Order by the Bankruptcy Court resolving such dispute.

2. Assignment of Executory Contracts and Unexpired Leases

To the extent provided under the Bankruptcy Code or other applicable law, any executory contract or unexpired lease transferred and assigned pursuant to the Plan shall remain in full force and effect for the benefit of the transferee or assignee in accordance with its terms, notwithstanding any provision in such executory contract or unexpired lease (including those of the type described in section 365(b)(2) of the Bankruptcy Code) that prohibits, restricts or conditions such transfer or assignment. To the extent provided under the Bankruptcy Code or other applicable law, any provision that prohibits, restricts or conditions the assignment or transfer of any such executory contract or unexpired lease or that terminates or modifies such executory contract or unexpired lease or allows the counterparty to such executory contract or unexpired lease to terminate, modify, recapture, impose any penalty, condition renewal or extension or modify any term or condition upon

any such transfer and assignment constitutes an unenforceable anti-assignment provision and is void and of no force or effect.

3. Cure Rights for Designated Contracts Assumed Under Plan

Any monetary amounts by which each executory contract and unexpired lease to be assumed pursuant to the Plan is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by Cure. If a Designated Contract is subject to an Assumption Objection, Cure shall occur following the entry of a Final Order by the Bankruptcy Court resolving the dispute and approving the assumption; provided, however, that the Plan Sponsor may, in its sole and absolute discretion, withdraw or modify its designation of a Designation Contract for assumption as set forth in Article 6.1 of the Plan. A list of Cure amounts will be included in the Plan Supplement. If no Cure amount for a Designated Contract is listed therein, the Cure amount shall be deemed to be $0.

4. Rejection Damages Bar Date for Rejections Pursuant to Plan

If the rejection of an executory contract or unexpired lease pursuant to the Plan results in a Claim, then such Claim shall be forever barred and shall not be enforceable against any Reorganized Debtor or the properties of any of them unless a Proof of Claim is Filed and served upon counsel to the Reorganized Debtors within thirty (30) days after entry of the Confirmation Order. The foregoing applies only to Claims arising from the rejection of an executory contract or unexpired lease; any other Claims held by a party to a rejected executory contract or unexpired lease shall have been evidenced by a Proof of Claim Filed by earlier applicable Bar Dates or shall be barred and unenforceable.

5. Assumption of Certain Vendor Agreements

In the event that there is in effect between the Debtors and any vendor immediately prior to the Effective Date any electronic interchange trading partner agreement, open credit terms agreement, corporate reclamation agreement, reclamation disposition agreement, hold harmless agreement, less-than-truck load program agreement, or similar agreement, and any such agreement is considered to be an executory contract and is not otherwise terminated or rejected by the Debtors, such agreement shall be deemed to be assumed pursuant to section 365 of the Bankruptcy Code under the Plan; provided, however, that no Cure shall be owed with respect to any such agreement, and in the event that a vendor asserts any Cure, at the election of the Plan Sponsor, in its sole and absolute discretion, such vendor's agreement shall not be deemed assumed and shall instead be deemed rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

6. Assumption of Utility Service Agreements

In the event that there is in effect between the Debtors and any utility immediately prior to the Effective Date, with respect to any operating facility of the Debtors, any utility service agreement or related agreement providing a reduced rate to the Debtors, which agreement has not been previously assumed, rejected or terminated, but is considered to be an executory contract, such agreement shall be deemed to be assumed pursuant to section 365 of the Bankruptcy Code; provided, however, that no Cure shall be owed with respect to any such agreement, and in the event that a utility asserts any Cure, at the election of the Plan Sponsor, in its sole and absolute discretion, such

utility's agreement shall not be deemed assumed and shall instead be deemed rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

7. Assumption of Governmental Licenses

In the event that any license granted to the Debtors by a governmental unit, and in effect immediately prior to the Effective Date, is considered to be an executory contract and is not otherwise terminated or rejected by the Debtors, such license shall be deemed to be assumed by the Reorganized Debtors pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan.

8. Assumption of Gift Card Obligations

On the Effective Date, the Reorganized Debtors shall assume the Debtors' ordinary course gift card obligations, provided that such claims (i) arise from gift cards sold in the ordinary course and (ii) shall not include any escheatment claims asserted by any governmental entity or any similar claim. The assumed liability of the Reorganized Debtors shall be no more than the face value of the gift card and shall be limited to use of such gift cards presented by individual holders for goods sold at their retail stores by the Reorganized Debtors, subject to such lawful limitations as the Reorganized Debtors may impose for gift cards issued by them after the Effective Date in the ordinary course of business.

9. Treatment of Compensation and Benefit Programs

Except to the extent (i) otherwise provided for in the Plan, (ii) previously assumed or rejected by an order of the Bankruptcy Court entered on or before the Confirmation Date, (iii) the subject of a pending motion to reject Filed by a Debtor on or before the Confirmation Date, or (iv) previously terminated, all ordinary course employee compensation and benefit programs of the Debtors in effect during the pendency of the Chapter 11 Cases, including all health and welfare plans, 401(k) plans, pension plans within the meaning of Title IV of the Employee Retirement Income Security Act of 1974, as amended, and all benefits subject to sections 1114 and 1129(a)(13) of the Bankruptcy Code, entered into before or after the Petition Date and in effect during the pendency of the Chapter 11 Cases, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan; provided, however, that no equity incentive plans and no obligations in respect of any longevity bonus plan or similar incentive plan shall be assumed. Nothing contained in the Plan shall be deemed to modify the existing terms of such employee compensation and benefit programs, including, without limitation, the Debtors' and the Reorganized Debtors' rights of termination and amendment thereunder. Notwithstanding the foregoing, the Reorganized Debtors are not assuming any employment, severance, bonus, or similar agreement (or any agreement outside the ordinary course of business) with any officer or director and any and all such agreements shall be deemed rejected.

The Debtors' existing vacation, paid time off, and other benefit policies will be reinstated on the Effective Date for any employees of the Debtors employed on the Effective Date that have not received a notice of termination prior to or on the Effective Date, subject to the Reorganized Debtors' right to modify or terminate such policies in accordance with their terms and applicable nonbankruptcy law.

As of the Effective Date, any and all stock based incentive plans or stock ownership plans of the Debtors entered into before the Effective Date, or other agreements or documents giving rise to Old Equity Interests, including the contingent cash components of any such plans, agreements, or documents, shall be terminated. To the extent such plans, agreements or documents are considered to be executory contracts, such plans, agreements or documents shall be deemed to be, and shall be treated as though they are, executory contracts that are rejected pursuant to section 365 of the Bankruptcy Code under the Plan. Any Claims resulting from such rejection shall constitute Subordinated 510(b) Claims, except that Claims for contingent cash components of any such plans, agreements or documents shall constitute Unsecured Claims. From and after the Effective Date, stock options, whether included in a contract, agreement or otherwise, will have no value and will not entitle any Holder thereof to purchase or otherwise acquire any equity interests in the Reorganized Debtors.

10. Certain Indemnification Obligations Owed by Debtors

Indemnification Obligations owed to directors, officers, and employees of the Debtors (or the estates of any of the foregoing) who served or were employed by the Debtors on or after the Petition Date, excluding (i) claims resulting from willful misconduct, self-interested transactions, or intentional tort and (ii) claims arising from actions, events, or circumstances prior to the Petition Date, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan.

All Indemnification Obligations owed to directors, officers, and employees of the Debtors who served or were employed by the Debtors prior to, but not on or after, the Petition Date shall be deemed to be, and shall be treated as though they are, executory contracts that are rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

Indemnification Obligations owed to any Professionals retained pursuant to sections 327 or 328 of the Bankruptcy Code and order of the Bankruptcy Court, to the extent that such Indemnification Obligations relate to the period after the Petition Date, excluding claims resulting from willful misconduct, self-interested transactions, or intentional tort, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan.

11. Continuing Obligations Owed to Debtors

Any confidentiality agreement entered into between any of the Debtors and any supplier of goods or services requiring the parties to maintain the confidentiality of each other's proprietary information shall be deemed to be, and shall be treated as though it is, an executory contract that is assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan.

Any indemnity agreement entered into between any of the Debtors and any supplier of goods or services requiring the supplier to provide insurance in favor of any of the Debtors, to warrant or guarantee such supplier's goods or services, or to indemnify any of the Debtors for claims arising from the goods or services shall be deemed to be, and shall be treated as though it is, an executory contract that is assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan; provided, however, that if any party thereto asserts any Cure, at the election of the Plan Sponsor such

agreement shall not be deemed assumed, and shall instead be rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

Continuing obligations of third parties to the Debtors under insurance policies, contracts, or leases that have otherwise ceased to be executory or have otherwise expired on or prior to the Effective Date, including, without limitation, continuing obligations to pay insured claims, to defend against and process claims, to refund premiums or overpayments, to provide indemnification, contribution or reimbursement, to grant rights of first refusal, to maintain confidentiality, or to honor releases, shall continue and shall be binding on such third parties notwithstanding any provision to the contrary in the Plan, unless otherwise specifically terminated by the Debtors or Reorganized Debtors or by order of Bankruptcy Court.

To the extent any insurance policy under which the insurer has a continuing obligation to pay the Debtors or a third party on behalf of the Debtors is held by the Bankruptcy Court to be an executory contract, such insurance policy shall be treated as though it is an executory contract that is assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan. Any and all Claims (including Cure) arising under or related to any insurance policies or related insurance agreements that are assumed by the Debtors prior to or as of the Effective Date: (i) shall not be discharged; (ii) shall be Allowed Administrative Claims; and (iii) shall be paid in full in the ordinary course of business of the Reorganized Debtors as set forth in Article 3.1(c) of the Plan.

12. Postpetition Contracts and Leases

The Debtors shall not be required to assume or reject any contract or lease entered into by the Debtors after the Petition Date. Any such contract or lease shall continue in effect in accordance with its terms after the Effective Date through termination thereof by its terms, unless the Reorganized Debtors have obtained a Final Order of the Bankruptcy Court approving an earlier termination of such contract and lease.

13. Treatment of Claims Arising from Assumption or Rejection

All Allowed Claims for Cure arising from the assumption of any Designated Contract shall be treated as Administrative Claims pursuant to Article 3.1(c) of the Plan; all Allowed Claims arising from the rejection of an executory contract or unexpired lease shall be treated, to the extent applicable, as Unsecured Claims, unless otherwise ordered by Final Order of the Bankruptcy Court; and all other Allowed Claims relating to an executory contract or unexpired lease shall have such status as they may be entitled to under the Bankruptcy Code as determined by Final Order of the Bankruptcy Court.

F. Provisions Governing Distributions

1. Distributions for Allowed Claims

Except as otherwise provided in the Plan or as ordered by the Bankruptcy Court, all Distributions to Holders of Allowed Claims as of the applicable Distribution Date shall be made on or as soon as practicable after the applicable Distribution Date. Distributions on account of Claims that first become Allowed Claims after the applicable Distribution Date shall be made pursuant to

Article 8.2 of the Plan and on such day as selected by the Reorganized Debtors, in their sole discretion.

The Reorganized Debtors shall have the right, in their sole and absolute discretion, to accelerate any Distribution Date occurring after the Effective Date if the facts and circumstances so warrant.

Distributions made as soon as reasonably practicable after the Effective Date shall be deemed to have been made on the Effective Date.

2. Interest on Claims; Dividends

Unless otherwise specifically provided for in the Plan or the Confirmation Order, or under or in connection with the DIP Facility Orders or the L/C Facility Orders, postpetition interest shall not accrue or be paid on Claims, and no Holder of a Claim shall be entitled to interest accruing on any Claim from the Petition Date to the date a final Distribution is made on such Claim, if an Allowed Claim.

3. Designation; Distributions by Disbursing Agent

The Debtors shall, on or before the Effective Date, designate the Entity to serve as the Disbursing Agent under the Plan on terms and conditions mutually agreeable between the Debtors and such Entity.

The Disbursing Agent shall make all Distributions required to be made to Holders of Classes 5 and 6 Claims, on the respective Distribution Dates under the Plan and such other Distributions to other Holders of Claims as are delegated to the Disbursing Agent by the Reorganized Debtors.

If the Disbursing Agent is an independent third party designated to serve in such capacity, such Disbursing Agent shall receive, without further approval from the Bankruptcy Court, reasonable compensation for distribution services rendered pursuant to the Plan and reimbursement of reasonable out of pocket expenses incurred in connection with such services from the Reorganized Debtors. No Disbursing Agent shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

4. Means of Cash Payment

Cash payments under the Plan shall be in U.S. funds, and shall be made, at the option, and in the sole discretion, of the Reorganized Debtors, by (i) checks drawn on or (ii) wire transfers from a domestic bank selected by the Reorganized Debtors. Cash payments to foreign creditors may be made, at the option, and in the sole discretion, of the Reorganized Debtors, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction. Cash payments made pursuant to the Plan in the form of checks issued by the Reorganized Debtors shall be null and void if not cashed within one hundred and twenty (120) days of the date of the issuance thereof. Requests for reissuance of any check shall be made directly to the Reorganized Debtors.

For purposes of effectuating Distributions under the Plan, any Claim denominated in foreign currency shall be converted to U.S. Dollars pursuant to the applicable published exchange rate in effect on the Petition Date.

5. Fractional Distributions

Notwithstanding any other provision of the Plan to the contrary, no payment of fractional cents shall be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole penny (up or down), with half cents or more being rounded up and fractions less than half of a cent being rounded down.

6. De Minimis Distributions

Notwithstanding anything to the contrary contained in the Plan, the Disbursing Agent shall not be required to distribute, and shall not distribute, Cash or other property to the Holder of any Allowed Claim if the amount of Cash or other property to be distributed on account of such Claim is less than $100. Any Holder of an Allowed Claim on account of which the amount of Cash or other property to be distributed is less than $100 shall have such Claim discharged and shall be forever barred from asserting such Claim against the Reorganized Debtors or their respective property. Any Cash or other property not distributed pursuant to this provision shall be the property of the Reorganized Debtors, free of any restrictions thereon.

7. Delivery of Distributions

Distributions to Holders of Allowed Claims shall be made by the Disbursing Agent (a) at the addresses set forth on the Proofs of Claim Filed by such Holders, (b) at the addresses reflected in the Schedules if no Proof of Claim has been Filed, or (c) at the addresses set forth in any written notices of address changes delivered to the Debtors, the Reorganized Debtors or the Disbursing Agent after the date of any related Proof of Claim or after the date of the Schedules if no Proof of Claim was Filed. If any Holder's Distribution is returned as undeliverable, a reasonable effort shall be made to determine the current address of such Holder, but no further Distributions to such Holder shall be made unless and until the Disbursing Agent is notified of such Holder's then current address, at which time all missed Distributions shall be made to such Holder without interest. Unless otherwise agreed between the Reorganized Debtors and the Disbursing Agent, amounts in respect of undeliverable Distributions made by the Disbursing Agent shall be returned to the Reorganized Debtors, and held in trust by the Reorganized Debtors, until such Distributions are claimed, at which time the applicable amounts shall be returned to the Disbursing Agent for distribution pursuant to the Plan. All claims for undeliverable Distributions must be made on or before the second (2^{nd}) anniversary of the Initial Distribution Date, after which date all unclaimed property shall revert to the Reorganized Debtors free of any restrictions thereon and the claims of any Holder or successor to such Holder with respect to such property shall be discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary. Except as set forth above, nothing contained in the Plan shall require any Reorganized Debtor or any Disbursing Agent to attempt to locate any Holder of an Allowed Claim. Each Holder of an Allowed General Unsecured Claim shall be required to execute and be bound by the Stockholders Agreement as a condition precedent to receiving any allocation of New Equity. In addition, the Reorganized Debtors may require, as a condition to the

receipt of any distribution, that the Holder of an Allowed Claim complete the appropriate Form W-8 or Form W-9, as applicable to each Holder. If such Holder fails to comply with such request within three (3) months, such distribution shall be deemed an unclaimed distribution.

8. Application of Distribution Record Date

At the close of business on the Distribution Record Date, the claims registers for all Claims shall be closed, and there shall be no further changes in the record holders of such Claims. Except as provided in the Plan, the Reorganized Debtors, the Disbursing Agent, and each of their respective agents, successors, and assigns shall have no obligation to recognize any transfer of Claims occurring after the Distribution Record Date and shall be entitled instead to recognize and deal for all purposes under the Plan with only those record holders stated on the claims registers as of the close of business on the Distribution Record Date irrespective of the number of Distributions to be made under the Plan to such Entities or the date of such Distributions.

9. Withholding, Payment, and Reporting Requirements

In connection with the Plan and all Distributions under the Plan, the Disbursing Agent shall, to the extent applicable, comply with all tax withholding, payment, and reporting requirements imposed by any federal, state, provincial, local, or foreign taxing authority, and all Distributions under the Plan shall be subject to any such withholding, payment, and reporting requirements. The Disbursing Agent shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding, payment, and reporting requirements. Notwithstanding any other provision of the Plan, (a) each Holder of an Allowed Claim that is to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution, and including, in the case of any Holder of a Disputed Unsecured Claim that has become an Allowed Unsecured Claim, any tax obligation that would be imposed upon the Reorganized Debtors in connection with such Distribution, and (b) no Distribution shall be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Disbursing Agent for the payment and satisfaction of such withholding tax obligations or such tax obligation that would be imposed upon the Reorganized Debtors in connection with such Distribution. Any property to be distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated as an undeliverable Distribution pursuant to Article 7.7 of the Plan.

10. Setoffs

The Reorganized Debtors may, but shall not be required to, set off against any Claim or any Allowed Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Reorganized Debtors of any such claim that the Debtors or the Reorganized Debtors may have against such Holder.

11. Prepayment

Except as otherwise provided in the Plan, any ancillary documents entered into in connection herewith, or the Confirmation Order, the Reorganized Debtors shall have the right to prepay, without penalty, all or any portion of an Allowed Claim entitled to payment in Cash at any time; provided, however, that any such prepayment shall not be violative of, or otherwise prejudice, the relative priorities and parities among the Classes of Claims.

12. No Distribution in Excess of Allowed Amounts

Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall receive in respect of such Claim any Distribution of a value as of the Effective Date in excess of the Allowed amount of such Claim (excluding payments on account of interest due and payable from and after the Effective Date pursuant to the Plan, if any).

13. Allocation of Distributions

All Distributions received under the Plan by Holders of Claims shall be deemed to be allocated first to the principal amount of such Claim as determined for United States federal income tax purposes and then to accrued interest, if any, with respect to such Claim.

14. Joint Distributions

The Reorganized Debtors may, in their sole discretion, make distributions jointly to any Holder of a Claim and any other entity who has asserted, or whom the Reorganized Debtors have determined to have, an interest in such Claim. Except as otherwise provided in the Plan or in the Confirmation Order, and notwithstanding the joint nature of any Distribution, all Distributions made by the Debtors shall be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims of any nature whatsoever against the Reorganized Debtors or any of their assets or properties as set forth in Article 11.9 of the Plan.

G. Procedures for Resolving Disputed, Contingent, Unliquidated and Disputed Claims

1. Prosecution of Objections to Claims

(a) Objections to Claims; Estimation Proceedings

Except as set forth in the Plan or any applicable Court order, the Reorganized Debtors must file all objections to Claims and serve such objections on the Holders of such Claims by the Claims Objection Deadline, as the same may be extended by the Bankruptcy Court. If a timely objection has not been Filed to a Proof of Claim or the Schedules have not been amended with respect to a Claim that (i) was scheduled by the Debtors but (ii) was not scheduled as contingent, unliquidated, and/or disputed, the Claim to which the Proof of Claim or Scheduled Claim relates will be treated as an Allowed Claim. Notice of any motion for an order extending the Claims Objection Deadline shall be required to be given only to those Entities that have requested notice in the Chapter 11 Cases, or to such Entities as the Bankruptcy Court shall order.

The Reorganized Debtors may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors or the Reorganized Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event the Bankruptcy Court so estimates any contingent or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court, as applicable. If the estimated amount constitutes a maximum limitation on such Claim, the Reorganized Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned Claims objection, estimation, and resolution procedures are cumulative and are not necessarily exclusive of one another. Claims may be estimated and thereafter resolved by any permitted mechanisms.

(b) Authority to Prosecute and Settle Objections

After the Effective Date, only the Reorganized Debtors shall have the authority to file objections to Claims and to settle, compromise, withdraw, or litigate to judgment objections to Claims, including, without limitation, Claims for reclamation under section 546(c) of the Bankruptcy Code. The Reorganized Debtors may settle or compromise any Disputed Claim without approval of the Bankruptcy Court. Any settlement of Claims approved by the Bankruptcy Court prior to the Effective Date shall be binding on all parties.

2. Treatment of Disputed Claims

(a) No Distributions Pending Allowance

Notwithstanding any other provisions of the Plan, no payments or Distributions will be made on account of a Disputed Claim or, if less than the entire Claim is a Disputed Claim, the portion of a Claim that is Disputed, until such Disputed Claim becomes an Allowed Claim. Any Non-Plan Sponsor New Equity that may be issued in the future if such Disputed Claim becomes Allowed shall not be issued unless and until such Disputed Claim becomes Allowed.

(b) Distributions on Account of Disputed Claims Once They Are Allowed

The Disbursing Agent shall, on the applicable Distribution Dates, make Distributions on account of any Disputed Claim that has become an Allowed Claim. Such Distributions shall be made pursuant to the provisions of the Plan governing the applicable Class. Such Distributions shall be based upon the Distributions that would have been made to the Holder of such Claim under the Plan if the Disputed Claim had been an Allowed Claim on the Effective Date in the amount ultimately Allowed.

3. Provisions for Disputed Claims

Distributions with respect to Disputed Claims that become Allowed will be made on the next Distribution Date after such Disputed Claims become Allowed. Nothing in the Plan or this Disclosure Statement shall be deemed to entitle the Holder of a Disputed Claim to postpetition interest on such Claim. If the applicable Distribution with respect to a Disputed Claim that becomes

Allowed would be the issuance of Non-Plan Sponsor New Equity, such Non-Plan Sponsor New Equity shall not be issued unless and until such Disputed Claim becomes Allowed.

4. Accounts; Escrows; Reserves

The Reorganized Debtors shall, subject to and in accordance with the provisions of the Plan (a) establish one or more general accounts into which shall be deposited all funds not required to be deposited into any other account, reserve or escrow, (b) create, fund and withdraw funds from, as appropriate, the Administrative Claims Reserve, and (c) if practicable, invest any Cash that is withheld as the applicable claims reserve in an appropriate manner to ensure the safety of the investment. Nothing in the Plan or this Disclosure Statement shall be deemed to entitle the Holder of a Disputed Claim to postpetition interest on such Claim, however.

(a) Administrative Claims Reserve. On the Effective Date (or as soon thereafter as is practicable), the Reorganized Debtors shall create and fund the Administrative Claims Reserve in an amount agreed between the Debtors and the Plan Sponsor before the Effective Date based on a reasonable estimate of the amounts that will be necessary to pay Distributions on account of Allowed Administrative Claims, including Claims under section 503(b)(9) and all Claims for Stub Rent under section 503(b) of the Bankruptcy Code and lease payments under section 365(d)(5) of the Bankruptcy Code. To the extent necessary to fund payments to Allowed Administrative Claims, the funds in the Administrative Claims Reserve shall be periodically replenished by the Reorganized Debtors in such amounts as may be determined by the Reorganized Debtors in their sole discretion. The Reorganized Debtors shall be obligated to and shall pay all Allowed Administrative Claims in excess of the amounts actually deposited in the Administrative Claims Reserve. In the event that any Cash remains in the Administrative Claims Reserve after payment of all Allowed Administrative Claims and all Allowed Professional Fee Claims, such Cash shall be distributed to the Reorganized Debtors.

(b) The Administrative Claims Reserve shall also be used to pay the Allowed Professional Fee Claims held by the Professionals. In connection therewith, the Reorganized Debtors shall fund the Administrative Claims Reserve on the Effective Date in an additional amount agreed between the Debtors and the Plan Sponsor before the Effective Date based on a reasonable estimate of the amounts that will be necessary to pay unpaid Professional Fee Claims through the Effective Date. The Reorganized Debtors shall be obligated to and shall pay all Allowed Professional Fee Claims in excess of the amounts actually deposited in the Administrative Claims Reserve.

(c) Except for the Cash to be held in the Administrative Claims Reserve, no other Cash will be reserved or set aside in connection with any Claims.

H. Settlement, Release, Injunction and Related Provisions

1. Compromises and Settlements

From and after the Effective Date, the Reorganized Debtors may compromise and settle various Claims against them, as well as Litigation Rights and Avoidance Actions that they may have against other Entities without any further approval by the Bankruptcy Court.

Until the Effective Date, the Debtors expressly reserve the right to compromise and settle (subject to the approval of the Bankruptcy Court) Claims against them, Avoidance Actions, Litigation Rights, or other claims that they may have against other Entities, provided that such resolution shall be subject to the written consent of the Plan Sponsor.

2. Releases and Satisfaction of Subordination Rights

All Claims against the Debtors and all rights and claims between or among the Holders of Claims relating in any manner whatsoever to any claimed subordination rights shall be deemed satisfied by the Distributions under, described in, contemplated by, and/or implemented in Articles 3.1, 3.2, 3.3, 3.4, and 3.5 of the Plan. Distributions under, described in, contemplated by, and/or implemented by the Plan to the various Classes of Claims under the Plan shall not be subject to levy, garnishment, attachment, or like legal process by any Holder of a Claim by reason of any claimed subordination rights or otherwise, so that each Holder of a Claim shall have and receive the benefit of the Distributions in the manner set forth in the Plan.

3. Releases and Related Matters

Notwithstanding anything in the Plan to the contrary, on the Effective Date and effective as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, each of the Releasing Parties shall be deemed, to the maximum extent permitted by law, to have forever released, waived, and discharged each of the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action (including, without limitation, claims or causes of action arising under chapter 5 of the Bankruptcy Code), and liabilities whatsoever, whether known or unknown, whether foreseen or unforeseen, whether liquidated or unliquidated, whether fixed or contingent, whether matured or unmatured, existing or hereafter arising, at law, in equity, or otherwise, that are based in whole or in part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the conduct of the Debtors' business, the Reorganized Debtors, the Chapter 11 Cases, the Plan, the Restructuring, or the Plan Sponsorship Agreement, except for acts or omissions that are determined in a Final Order to have constituted actual fraud or willful misconduct; *provided*, *however*, that nothing in Article 11.9 of the Plan shall be deemed to prohibit the Reorganized Debtors from asserting and enforcing any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities that any of the Reorganized Debtors may have against any directors or officers for alleged breach of confidentiality, or any other contractual obligations owed to any of the Reorganized Debtors, including non-compete and related agreements and obligations.

Entry of the Confirmation Order shall constitute (a) the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases set forth in Article 11.9 of the Plan, and (b) the

Bankruptcy Court's findings that such releases are (1) in exchange for good and valuable consideration provided by the Released Parties (including, without limitation, performance of the terms of the Plan in facilitating the Restructuring and consummation of the Plan Sponsorship Agreement), and a good-faith settlement and compromise of the released claims; (2) in the best interests of the Debtors, the Estates, and all Holders of Claims that are Releasing Parties; (3) fair, equitable, and reasonable; (4) given and made after due notice and opportunity for hearing; and (5) a bar to any of the Releasing Parties asserting any released claim against any of the Released Parties.

Each Holder of a Claim in Classes 5 or 6 shall be a Releasing Party and, as such, provides the releases set forth in Article 11.9 of the Plan, unless such Holder either (a) votes to reject the Plan or (b) does not otherwise vote to accept or reject the Plan but timely submits a Release Opt-Out indicating such Holder's decision to not participate in the releases set forth set forth Article 11.9 of the Plan. For the avoidance of doubt, each Holder of a Claim in Classes 5 or 6 that votes to accept the Plan is a Releasing Party, and any Release Opt-Out that might be submitted by any such Holder of a Claim that votes to accept the Plan shall be void and of no effect.

4. Discharge of the Debtors

Except as otherwise provided in the Plan or in the Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims of any nature whatsoever against the Debtors or any of their assets or properties and, upon the Effective Date, the Debtors, and each of them, shall (i) be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in section 502 of the Bankruptcy Code, whether or not (A) a Proof of Claim based upon such debt is Filed or deemed Filed under section 501 of the Bankruptcy Code, (B) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code, (C) a Claim based upon such debt is or has been disallowed by order of the Bankruptcy Court, or (D) the Holder of a Claim based upon such debt accepted the Plan, and (ii) be deemed to have terminated all Old Equity Interests.

As of the Effective Date, except as provided in the Plan or the Confirmation Order, all Entities shall be precluded from asserting against the Debtors or the Reorganized Debtors or any of their assets or properties, any other or further claims, debts, rights, causes of action, claims for relief, liabilities, or equity interests relating to the Debtors based upon any act, omission, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date. In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against the Debtors and termination of all Old Equity Interests, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against the Debtors at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest. None of the foregoing shall preclude an applicable governmental taxing authority from conducting a tax audit covering the postpetition, pre-Effective Date period or from asserting and recovering a claim arising from such tax audit, to the extent such claim is an Allowed Claim.

5. Injunction

Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all Entities that have held, currently hold, may hold, or allege that they hold, a Claim or other debt or liability that is discharged or an Old Equity Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan are permanently enjoined from taking any of the following actions against the Debtors, the Reorganized Debtors, and their respective affiliates or their property on account of any such discharged Claims, debts, or liabilities or terminated Interests or rights: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any Lien or encumbrance; (iv) asserting a setoff or right of subrogation of any kind against any debt, liability, or obligation due to the Debtors or the Reorganized Debtors; or (v) commencing or continuing any action, in each such case in any manner, in any place, or against any Entity that does not comply with or is inconsistent with the provisions of the Plan.

As of the Effective Date, all Entities that have held, currently hold, or may hold, a Claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, or liability that is released, or an Interest that is terminated, pursuant to Articles 11.8, 11.9 or 11.10 of the Plan are permanently enjoined from taking any of the following actions on account of such released Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities, or such terminated Interests: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any Lien or encumbrance; (iv) asserting a setoff against any debt, liability, or obligation due to any released Entity; or (v) commencing or continuing any action, in any manner, in any place, or against any Entity that does not comply with or is inconsistent with the provisions of the Plan.

Without limiting the effect of the provisions of Article 11.11 of the Plan upon any Entity, by accepting Distributions pursuant to the Plan, each Holder of an Allowed Claim receiving a Distribution pursuant to the Plan shall be deemed to have specifically consented to the injunctions set forth in Article 11.11 of the Plan.

Nothing in Article 11.11 of the Plan shall impair (i) the rights of any Holder of a Disputed Claim to establish its Claim in response to an objection Filed by the Debtors or the Reorganized Debtors, (ii) the rights of any defendant in an Avoidance Action Filed by the Debtors or the Reorganized Debtors to assert defenses in such action, or (iii) the rights of any party to an executory contract or unexpired lease that has been assumed by the Debtors or the Reorganized Debtors pursuant to an order of the Bankruptcy Court or the provisions of the Plan to enforce such assumed contract or lease.

6. Exculpation and Limitation of Liability

On the Effective Date and effective as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, none of the Exculpated Parties shall have or incur any liability to any Entity, including, without limitation to any Holder of a Claim or an Interest, for any prepetition or postpetition act or omission

in connection with, relating to, or arising out of the Chapter 11 Cases, the formulation, negotiation, preparation, dissemination, solicitation of acceptances, implementation, confirmation, or consummation of the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created, executed, or contemplated in connection with the Plan, or the administration of the Plan or the property to be distributed under the Plan, or any other prepetition or postpetition act or omission in connection with or in contemplation of the Restructuring or the Plan Sponsorship Agreement, except for acts or omissions that are determined in a Final Order to have constituted actual fraud or willful misconduct. The Exculpated Parties shall be entitled to rely upon the written advice of counsel with respect to their duties and responsibilities under, or in connection with, the Chapter 11 Cases, the Plan, and administration thereof.

Notwithstanding any other provision of the Plan, no Holder of a Claim or an Interest or other Entity, and none of their respective members, officers, managers, directors, employees, consultants, advisors, agents, or other representatives, including, without limitation, attorneys, accountants, and financial advisors, or their respective subsidiaries and affiliates, or the successors or assigns of the foregoing, shall have any right of action against any of the Exculpated Parties for any prepetition or postpetition act or omission in connection with, relating to, or arising out of the Chapter 11 Cases, the formulation, negotiation, preparation, dissemination, solicitation of acceptances, implementation, confirmation, or consummation of the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created, executed, or contemplated in connection with the Plan, or the administration of the Plan or the property to be distributed under the Plan, or any other prepetition or postpetition act or omission in connection with or in contemplation of the Restructuring or the Plan Sponsorship Agreement, except for acts or omissions that are determined in a Final Order to have constituted actual fraud or willful misconduct.

7. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code or otherwise, and extant on the Confirmation Date (excluding any injunctions or stays contained in or arising from the Plan or the Confirmation Order), shall remain in full force and effect until the Effective Date.

I. Conditions Precedent to Confirmation of the Plan and the Effective Date

1. Conditions to Confirmation

The following conditions precedent to the occurrence of the Confirmation Date must be satisfied:

(a) the Confirmation Order shall have been entered in form and substance reasonably satisfactory to the Debtors and the Plan Sponsor, and shall, among other things:

(i) provide that the Debtors and the Reorganized Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement, and consummate the contracts, instruments, releases, leases, indentures and other

agreements or documents created, executed, or contemplated in connection with the Plan;

(ii) approve the Exit Facility;

(iii) authorize the issuance of the New Equity; and

(iv) authorize and direct the Debtors or the Reorganized Debtors, as appropriate, to take all actions necessary or appropriate to consummate the Plan, including, without limitation, entering into, implementing, and consummating the contracts, instruments, releases, leases, indentures, and other agreements or documents created, executed, or contemplated in connection with or described in the Plan.

2. Conditions to Effective Date

The following conditions precedent must be satisfied or waived by the Debtors and the Plan Sponsor on or prior to the Effective Date in accordance with Article 9.3 of the Plan:

(a) the Effective Date shall occur no later than May 15, 2015;

(b) the Plan, the Plan Supplement, and all related documents, including any amendments or modifications thereto, each shall be in form and substance reasonably acceptable to the Plan Sponsor and the Debtors;

(c) the Plan Sponsorship Agreement shall not have been terminated;

(d) the Confirmation Order shall (i) be in in form and substance reasonably acceptable to the Plan Sponsor and the Debtors, (ii) have been entered by April 30, 2015, and (iii) not be subject to any stay on enforcement.

(e) (i) except as otherwise provided in the Plan, all documents and agreements necessary to implement the Plan shall (A) be in in form and substance reasonably acceptable to the Plan Sponsor and the Debtors, (B) have been effected or executed (to the extent any of such documents and agreements contemplate execution by one or more persons, any such document or agreement shall have been executed and delivered by the respective parties thereto), (C) have been tendered for delivery to the required parties, and (D) to the extent required, have been filed with the applicable governmental units in accordance with applicable laws or regulations; and (ii) all conditions precedent to all such documents and agreements shall have been satisfied or waived, including, without limitation, conditions precedent to the funding of credit under the Exit Facility, pursuant to the terms and conditions of such documents or agreements;

(f) all material authorizations, consents, and regulatory approvals required, if any, in connection with consummation of the Plan shall have been obtained; and

(g) the New Equity shall be held by fewer than 300 holders of record as contemplated by Section 12(g)(4) and Rule 12g-4 under the Securities Exchange Act of 1934.

3. Waiver of Conditions

Each of the conditions to Effective Date set forth in Article 9.2 of the Plan may be waived in whole or in part by the Debtors without any notice to parties in interest or the Bankruptcy Court and without a hearing, but subject to the prior written consent of the Plan Sponsor in its discretion.

J. Modification, Revocation or Withdrawal of the Plan

1. Modifications and Amendments

The Debtors may alter, amend, or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date; provided that any alterations, modifications, or amendments to the Plan that contemplate the continued sponsorship of the Plan by the Plan Sponsor are subject to the prior written consent of the Plan Sponsor. The Debtors shall provide parties in interest with notice of such amendments or modifications as may be required by the Bankruptcy Rules or order of the Bankruptcy Court. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, modified, or clarified, if the proposed alteration, amendment, modification, or clarification does not materially and adversely change the treatment of the Claim of such Holder. In the event of any dispute as to whether such proposed alteration, amendment, modification, or clarification materially and adversely changes the treatment of the Claim of any such Holder, the Debtors shall bear the burden of demonstrating that such proposed alteration, amendment, modification, or clarification does not materially adversely change the treatment of the Claim of such Holder.

After the Confirmation Date and prior to substantial consummation (as defined in section 1101(2) of the Bankruptcy Code) of the Plan, the Debtors or Reorganized Debtors, as applicable, may, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement approved with respect to the Plan, or the Confirmation Order, and such matters as may be necessary to carry out the purpose and effect of the Plan so long as such proceedings do not adversely affect the treatment of Holders of Claims under the Plan; provided, however, that, to the extent required, prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or an order of the Bankruptcy Court. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, modified, or clarified, if the proposed alteration, amendment, modification, or clarification does not materially and adversely change the treatment of the Claim of such Holder. In the event of any dispute as to whether such proposed alteration, amendment, modification, or clarification materially and adversely changes the treatment of the Claim of any such Holder, the Debtors or Reorganized Debtors, as the case may be, shall bear

the burden of demonstrating that such proposed alteration, amendment, modification, or clarification does not materially adversely change the treatment of the Claim of such Holder.

2. Revocation, Withdrawal, or Non-Consummation

The Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Confirmation Date and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan prior to the Confirmation Date, or if Confirmation or the Effective Date does not occur, then (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Class of Claims), assumption or rejection of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims against, or any Interests in, any Debtor, or any Avoidance Actions, Litigation Rights or other claims by or against any Debtor, the Creditors Committee, the Plan Sponsor, or any Entity, (ii) prejudice in any manner the rights of any Debtor, the Creditors Committee, or any Entity in any further proceedings involving a Debtor, or (iii) constitute an admission of any sort by any Debtor, the Creditors Committee, or any other Entity.

K. Retention of Jurisdiction

1. Scope of Retention of Jurisdiction

Under sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, and except as otherwise ordered by the Bankruptcy Court, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, or related to, these Chapter 11 Cases and the Plan to the fullest extent permitted by law (provided, however, that notwithstanding the foregoing, with respect to all civil proceedings arising in or related to the Chapter 11 Cases and the Plan, the Bankruptcy Court shall have original but not exclusive jurisdiction, in accordance with section 1334(b) of title 28 of the United States Code), including, among other things, jurisdiction to do the following:

(a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured, or unsecured status of any Claim not otherwise Allowed under the Plan (other than personal injury or wrongful death Claims, unless agreed by the Holder), including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the allowance or priority of Claims;

(b) hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 327, 328, 330, 331, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code; provided, however, that from and after the Effective Date, the payment of the fees and expenses of the retained Professionals of the Reorganized Debtors shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(c) hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which a Debtor is a party or with respect to which a Debtor may be liable, including, if necessary, the nature or amount of any required Cure or the liquidation or allowance of any Claims arising therefrom;

(d) effectuate performance of and payments under the provisions of the Plan and enforce remedies upon any default under the Plan;

(e) hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters arising out of, under, or related to, the Chapter 11 Cases, including, without limitation, the Avoidance Actions and the Litigation Rights, and with respect to the Plan;

(f) enter such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created, executed, or contemplated in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

(g) hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Plan, including disputes arising under agreements, documents, or instruments executed in connection with the Plan, provided, however, that any dispute arising under or in connection with the Exit Facility shall be dealt with in accordance with the provisions of the governing documents;

(h) consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(i) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the implementation, consummation, or enforcement of the Plan or the Confirmation Order;

(j) enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified, or vacated;

(k) hear and determine any matters arising in connection with or relating to the Plan, the Plan Supplement, the schedules to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created, executed, or contemplated in connection with the Plan, the Plan Supplement, the schedules to the Plan, the Disclosure Statement, or the Confirmation Order;

(l) enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases (whether or not the Chapter 11 Cases have been closed);

(m) except as otherwise limited in the Plan, recover all assets of the Debtors and property of the Estates, wherever located;

(n) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(o) hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge;

(p) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code; and

(q) enter a final decree closing the Chapter 11 Cases.

2. Failure of the Bankruptcy Court to Exercise Jurisdiction

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Cases, including the matters set forth in Article 10.1 of the Plan, the provisions of ARTICLE X of the Plan shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

V. PROJECTED FINANCIAL INFORMATION

The Debtors have attached their projected financial information (the "Projections") as **Exhibit B** to this Disclosure Statement. The Debtors believe that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as Confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Reorganized Debtors. In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed the ability of the Reorganized Debtors to satisfy their financial obligations while maintaining sufficient liquidity and capital resources.

The Debtors do not, as a matter of course, publish their business plans or strategies, projections or anticipated financial position. Accordingly, the Debtors do not anticipate that they or the Reorganized Debtors will, and disclaim any obligation to, furnish updated financial projections to Holders of Claims or other parties in interest after the Confirmation Date or otherwise make such information public.

In connection with the planning and development of the Plan, the Projections were prepared to present the anticipated impact of the Plan. The Projections assume that the Plan will be implemented in accordance with its stated terms. The Projections are based on forecasts of key

economic variables and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes and/or a variety of other factors, including those factors listed in the Plan and the Disclosure Statement. Accordingly, the estimates and assumptions underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive uncertainties. Therefore, such Projections, estimates and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein. The Projections were prepared on [DATE].

The Projections contain certain statements that are considered "forward-looking statements" under the federal securities laws. Statements concerning these and other matters are not guarantees of the Debtors' future performance. Such forward-looking statements represent the Debtors' estimates and assumptions only as of the date such statements were made and involve known and unknown risks, uncertainties, and other unknown factors that could impact the Debtors' restructuring plans or cause the actual results of the Debtors to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes," "belief," "expects," "intends," "anticipates," "plans," or similar terms to be uncertain and forward-looking. There can be no assurance that the restructuring transactions described in the Disclosure Statement will be consummated.

The Projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement and the Plan. Creditors and other interested parties should also read the following section entitled "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

VI. RISK FACTORS

A. Risks Related to Bankruptcy

1. Parties May Object to the Plan's Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

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

With regard to any proposed plan of reorganization, the Debtors may not receive the requisite acceptances to confirm a plan. In the event that votes from Claims in Classes entitled to vote are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek Confirmation of the Plan by the Bankruptcy Court. If the requisite acceptances are not received, the Debtors may nevertheless seek Confirmation of the Plan notwithstanding the dissent of certain Classes of Claims. The Bankruptcy Court may confirm the

Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an Impaired Class of Claims if it determines that the plan satisfies section 1129(b) of the Bankruptcy Code. To confirm a plan over the objection of a dissenting Class, the Bankruptcy Court also must find that at least one Impaired Class has accepted the plan, with such acceptance being determined without including the acceptance of any "insider" in such Class.

Even if the requisite acceptances of a proposed plan are received, the Bankruptcy Court might not confirm the Plan as proposed if the Bankruptcy Court finds that any of the statutory requirements for confirmation under section 1129 of the Bankruptcy Code have not been met.

If the Plan is not confirmed by the Bankruptcy Court, it is unclear whether the Debtors would be able to reorganize their businesses and what, if any, distributions Holders of Claims ultimately would receive with respect to their Claims. There can be no assurance that the Debtors will be able to successfully develop, prosecute, confirm and consummate an alternative plan that is acceptable to the Bankruptcy Court and the Debtors' creditors.

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

As more fully set forth in the Plan, the Effective Date is subject to a number of conditions precedent, including the occurrence of the Effective Date by May 15, 2015. If such conditions precedent are not met or waived, the Effective Date will not occur.

4. The Plan Sponsorship Agreement May Be Terminated

The Plan Sponsorship Agreement may be terminated upon the occurrence of any of the events described in Section 11 thereof, including the failure of the Debtors to meet a number of milestones in the Chapter 11 Cases relating to Confirmation of the Plan. If the Plan Sponsorship Agreement is terminated, the Plan Sponsor will no longer be required to proceed under the Plan Sponsorship Agreement, and the DIP Lender may be authorized to exercise remedies against the Debtors and their assets. The Debtors may be unable to obtain new financing with which to refinance the debt to the DIP Lender and operate their businesses.

5. If the Debtors Lose Edmond S. Thomas as CEO the Debtors May Be in Default Under the Terms of the DIP Credit Agreement

Under the terms of the DIP Credit Agreement, if, for any reason, Edmund S. Thomas ceases to serve as the Chief Executive Officer of the Debtors with substantially the same authority and duties as existed prior to the Petition Date, the Debtors are required to appoint a successor to such role acceptable to the DIP Lender in its sole discretion within five (5) Business Days. If the Debtors are unable to find a successor acceptable to the DIP Lender in the time provided, the Debtors would be in default under the DIP Credit Agreement and the DIP Lender may be authorized to exercise remedies against the Debtors and their assets. The Debtors may be unable to obtain new financing with which to refinance the debt to the DIP Lender and operate their businesses.

B. Risks Related to the Reorganized Debtors' Businesses

1. The Reorganized Debtors May Not Be Able to Achieve Their Projected Financial Results

The Projections set forth in Exhibit B to this Disclosure Statement represent the Debtors' best estimate of the Reorganized Debtors' future financial performance based on currently known facts and assumptions. The Reorganized Debtors' actual financial results may differ significantly from the Projections. If the Reorganized Debtors do not achieve their projected financial results, the value of the New Equity may be negatively affected and the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements. In addition, if the Reorganized Debtors do not achieve their projected financial results, they may not be able to satisfy the terms and conditions of the Exit Facility. If the Reorganized Debtors default under the terms of the Exit Facility, the lender under the Exit Facility may be authorized the exercise remedies against the Reorganized Debtors and their assets. The Debtors may be unable to obtain new financing with which to refinance the Exit Facility and operate their businesses.

2. If the Reorganized Debtors Lose Key Executive Officers, Their Businesses Could Be Disrupted and the Debtors' Financial Performance Could Suffer

The Debtors' businesses depend upon the efforts, abilities and expertise of the Debtors' executive officers and other key employees. The Debtors can provide no assurance that the Reorganized Debtors will be able to retain the services of any of the Debtors' key executives. If any of the Debtors' key executives were to leave the Reorganized Debtors' employment, the Reorganized Debtors' operating results could be adversely affected.

3. The Reorganized Debtors Could Be Engaged in Litigation

The Reorganized Debtors may be subject to various claims and legal actions arising in the ordinary course of their businesses. The Debtors are not able to predict the nature and extent of any such claims or legal actions, and cannot guarantee that the ultimate resolution of such claims or legal actions will not have a material adverse effect on the Reorganized Debtors.

C. Risks Related to Financial Information

1. The Financial Information Is Based on the Debtors' Books and Records and No Audit Was Performed

The financial information contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used reasonable efforts to assure the accuracy of the financial information provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects the financial

condition of the Debtors, the Debtors are unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

2. The Financial Projections Are Not Assured and Are Subject to Inherent Uncertainty

This Disclosure Statement contains various projections concerning the financial results of the Reorganized Debtors' operations, including the Projections, that are, by their nature, forward looking, and which projections are necessarily based on certain assumptions and estimates. Should any or all of these assumptions or estimates ultimately prove to be incorrect, the actual future experiences of the Reorganized Debtors may turn out to be materially different from the financial projections. Specifically, the Projections contained in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtors, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of Confirmation of the Plan and the Effective Date; (b) the Reorganized Debtors' ability to maintain or increase revenues and gross margins, control future operating expenses or make necessary capital expenditures; (c) general business and economic conditions; (d) overall industry performance and trends; and (e) consumer preferences supporting the Reorganized Debtors' business plan.

VII. CONFIRMATION OF THE PLAN

A. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.

The Bankruptcy Court has scheduled the Confirmation Hearing to commence on [DATE], 2015 at [TIME] (prevailing Eastern Time), before the Honorable Christopher S. Sontchi, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 5th Floor, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

Objections to Confirmation of the Plan must be filed and served so that they are actually received by no later than [DATE], 2015 at [TIME] (prevailing Eastern Time). **Unless objections to Confirmation of the Plan are timely served and filed in compliance with the Disclosure Statement Order, they may not be considered by the Bankruptcy Court**.

B. Requirements for Confirmation of the Plan

Among the requirements for the Confirmation of the Plan is that the Plan (i) is accepted by all Impaired Classes of Claims, or, if rejected by an Impaired Class of Claims, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Impaired Class of Claims; (ii) is feasible; and (iii) is in the "best interests" of Holders of Claims.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (i) the Plan

satisfies or will satisfy all of the necessary statutory requirements of chapter 11 of the Bankruptcy Code; (ii) the Debtors have complied or will have complied with all of the necessary requirements of chapter 11 of the Bankruptcy Code; and (iii) the Plan has been proposed in good faith. Specifically, in addition to other applicable requirements, the Debtors believe that the Plan satisfies or will satisfy the following applicable Confirmation requirements of section 1129 of the Bankruptcy Code:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as the Plan proponents, have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment: (1) made before the Confirmation of the Plan is reasonable; or (2) is subject to the approval of the Bankruptcy Court as reasonable, if it is to be fixed after Confirmation of the Plan.
- Either each Holder of a Claim in an Impaired Class of Claims has accepted the Plan, or will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on the Effective Date of the Plan under chapter 7 of the Bankruptcy Code.
- Each Class of Claims that is entitled to vote on the Plan will have accepted the Plan, or the Plan can be confirmed without the approval of a Class that did not accept the Plan pursuant to section 1129(b) of the Bankruptcy Code.
- Except to the extent a different treatment is agreed to, the Plan provides that all Administrative Claims and Allowed Priority Claims will be paid in full on the Effective Date, or as soon thereafter as is reasonably practicable.
- At least one Class of Impaired Claims will have accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in that Class.
- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successors thereto.
- All accrued and unpaid fees of the type described in 28 U.S.C. § 1930, including the fees of the U.S. Trustee, will be paid as of the Effective Date.

C. Best Interests of Creditors/Liquidation Analysis

Often called the "best interests of creditors" test, section 1129(a)(7) of the Bankruptcy Code requires that a Bankruptcy Court find, as a condition to confirmation of a chapter 11 plan, that the

plan provides, with respect to each impaired class, that each holder of a claim or an interest in such class either (i) has accepted the plan or (ii) will receive or retain under the plan property of a value that is not less than the amount that such holder would receive or retain if the debtor liquidated under chapter 7 on the Effective Date. To make these findings, the Bankruptcy Court must: (a) estimate the cash liquidation proceeds that a chapter 7 trustee would generate if each of the Debtors' Chapter 11 Cases were converted to a chapter 7 case on the Effective Date and the assets of the Debtors' Estates were liquidated; (b) determine the liquidation distribution that each non-accepting Holder of a Claim or an Interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and (c) compare the Holder's liquidation distribution to the distribution under the Plan that the Holder would receive if the Plan were confirmed and consummated.

The Debtors have attached hereto as **Exhibit C** a liquidation analysis prepared by the Debtors' management with the assistance of FTI. The hypothetical chapter 7 liquidations of the Debtors, for purposes of determination of the Debtors' liquidation value, are assumed to commence on April 30, 2015. Based on this liquidation analysis, the Debtors believe that Holders of Claims will receive equal or greater value as of the Effective Date under the Plan than such Holders would receive in a chapter 7 liquidation. In addition, a chapter 7 trustee would be entitled to receive an up to 3% commission under section 326(a) of the Bankruptcy Code with respect to all distributable cash received by the chapter 7 trustee, and the chapter 7 trustee would retain his or her own professionals whose fees, costs and expenses would be paid ahead of Holders of Claims.

D. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtors, or any successor to the Debtors (unless such liquidation or reorganization is proposed in the plan). To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed the ability of the Reorganized Debtors to meet their respective obligations under the Plan. As part of this analysis, the Debtors prepared the Projections, as set forth on **Exhibit B** attached hereto. Based upon the Projections, the Debtors believe that the Reorganized Debtors will own viable businesses following the Effective Date and that the Plan therefore meets the feasibility requirements of the Bankruptcy Code.

E. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each class of claims or interests that is impaired under a plan accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required.

A class is "impaired" unless a plan: (a) leaves unaltered the legal, equitable and contractual rights to which the claim or the interest entitles the holder of such claim or interest; or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of allowed claims in that class, counting only those claims that actually voted to accept or reject the plan. Thus, a Class of Impaired Claims will have voted to accept the Plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance.

F. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan even if all impaired classes have not accepted it, provided that the plan has been accepted by at least one impaired class of claims, determined without including the acceptance of the plan by any insider. Notwithstanding an impaired class's rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent's request, in a procedure commonly known as "cramdown," so long as the plan does not "discriminate unfairly" (as discussed below) and is "fair and equitable" (as discussed below) with respect to each class of claims or interests that is impaired under, and has not accepted, the plan.

To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors shall request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke, or withdraw the Plan, the Plan Supplement, or any schedule or exhibit, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary, subject to the written approval of the Plan Sponsor.

1. No Unfair Discrimination

The "unfair discrimination" test applies to classes of claims or interests that reject or are deemed to have rejected a plan and that are of equal priority with another class of claims or interests that is receiving different treatment under such plan. The test does not require that the treatment of such classes of claims or interests be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class. The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that it does not "discriminate unfairly" against any rejecting Class.

2. Fair and Equitable Test

The "fair and equitable" test applies to classes that reject or are deemed to have rejected a plan and are of different priority and status vis-à-vis another class (*e.g.*, secured versus unsecured claims, or unsecured claims versus equity interests), and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class, including interest. As to the rejecting class, the test sets different standards depending upon the type of claims or interests in such rejecting class. The Debtors submit that if the Debtors "cramdown" the Plan

pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that the applicable "fair and equitable" standards are met.

VIII. CERTAIN SECURITIES LAW MATTERS

A. New Equity

The Plan provides for Reorganized WSI to issue 80% of the New Equity to the Plan Sponsor and the remaining portion of the New Equity to the Holders of Allowed General Unsecured Claims that have neither made the Cash Payment Election nor agreed in writing with the Debtors or the Reorganized Debtors and with the Plan Sponsor to accept some less favorable treatment of their respective Allowed General Unsecured Claims than receipt of their respective Pro Rata shares of New Equity. The New Equity that would have been issued to a Holder of an Allowed General Unsecured Claim that makes the Cash Payment Election shall instead remain unissued.

The Debtors believe the New Equity constitute "securities," as defined in Section 2(a)(1) of the United States Securities Act of 1933, as amended (the "Securities Act"), section 101 of the Bankruptcy Code and the applicable securities regulatory authority of any state under any state securities law ("Blue Sky Laws"). The Debtors further believe that the offer and sale of the New Equity pursuant to the Plan are, and subsequent transfers of the New Equity by the Holders thereof that are not "underwriters," as defined in Section 2(a)(11) of the Securities Act and in the Bankruptcy Code will be, exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code, and state securities laws.

B. Issuance and Resale of New Equity Under the Plan

1. Exemptions from Registration Requirements of the Securities Act

The Debtors believe that, subject to certain exceptions described below, various provisions of the Securities Act, the Bankruptcy Code, and state securities laws exempt from federal and state securities registration requirements (a) the offer and sale of securities pursuant to the Plan and (b) subsequent transfers of such securities.

The Debtors have not filed a registration statement under the Securities Act or any other federal or state securities laws with respect to the New Equity that may be deemed to be offered by virtue of the Solicitation. The Debtors are relying on section 4(a)(2) and/or any other applicable section of the Securities Act, the Bankruptcy Code, and similar state law provisions, and to the extent applicable, on Regulation D under the Securities Act ("Regulation D") and/or any other applicable regulation or similar state law provisions, to exempt from registration under the Securities Act and any applicable state securities laws the offer of any securities that may be deemed to be made pursuant to the Solicitation. Section 4(a)(2) exempts from the registration provisions of the Securities Act any transaction by an issuer not involving any public offering. Regulation D similarly exempts from the registration provisions under the Securities Act offerings of securities to "accredited investors," as such term is defined under Regulation D, and a limited number of other investors.

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any state Blue Sky Law requirements) will not apply to the offer or sale of

stock, options, warrants or other securities by a debtor if: (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor; and (c) the securities are issued in exchange for such claim against, interest in, or claim for administrative expense, or are issued principally in such exchange and partly for cash or property. In reliance upon this exemption, the offer and sale of the New Equity will not be registered under the Securities Act or any state Blue Sky Law.

To the extent that the issuance of the New Equity is covered by section 1145 of the Bankruptcy Code, the New Equity may be resold without registration under the Securities Act or other federal securities laws, unless the Holder is an "underwriter" (as discussed below) with respect to such securities, as that term is defined in section 2(a)(11) of the Securities Act and in section 1145(b)(1) of the Bankruptcy Code. In addition, the New Equity generally may be able to be resold without registration under state securities laws pursuant to various exemptions provided by the respective Blue Sky Law of those states; however, the availability of such exemptions cannot be known unless individual state Blue Sky Laws are examined.

Recipients of the New Equity are advised to consult with their own legal advisors as to the applicability of section 1145 of the Bankruptcy Code to the New Equity and the availability of any exemption from registration under the Securities Act and state Blue Sky Laws.

2. Resale of New Equity and Definition of Underwriter

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, a debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest; or (b) offers to sell securities offered or sold under a plan for the holders of such securities; or (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer with respect to such securities within the meaning of section 2(a)(11) of the Securities Act. A person who receives a fee in exchange for purchasing an issuer's securities could be considered an underwriter within the meaning of that section.

The definition of an "issuer" for purposes of whether a person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "controlling persons" of the issuer of the securities. "Control" as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "controlling person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy

Code suggests that a creditor who owns ten percent (10%) or more of a class of securities of a reorganized debtor may be presumed to be a "controlling person" and, therefore, an underwriter.

Resale of New Equity by entities deemed to be "underwriters" (which definition includes "controlling persons") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Such Entities deemed to be "underwriters" would generally not be permitted to resell New Equity unless such securities were registered under the Securities Act or other exemptions from such registration requirements were available. Under certain circumstances, holders of New Equity who are deemed to be "underwriters" may be entitled to resell their New Equity pursuant to the non-exclusive safe harbor resale provisions of Rule 144 and Rule 144A of the Securities Act.

Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such person if volume limitations, manner of sale requirements and certain other conditions are met. However, the Debtors do no presently intend to make publicly available the requisite current information regarding the Reorganized Debtors, and as a result, Rule 144 of the Securities Act will not be available for resale of New Equity by persons deemed to be underwriters.

Rule 144A of the Securities Act provides a non-exclusive safe harbor exemption from the registration requirements of the Securities Act for resales to certain "qualified institutional buyers" of securities that are "restricted securities" within the meaning of the Securities Act, irrespective of whether the seller of such securities purchased its securities with a view towards reselling such securities, if certain other conditions are met (*e.g.*, the availability of information required by paragraph 4(d) of Rule 144A of the Securities Act and certain notice provisions). Under Rule 144A of the Securities Act, a "qualified institutional buyer" is defined to include, among other persons, "dealers" registered as such pursuant to section 15 of the Securities Exchange Act of 1934 (the "Exchange Act"), and entities that purchase securities for their own account or for the account of another qualified institutional buyer and that, in the aggregate, own and invest on a discretionary basis at least $100 million in the securities of unaffiliated issuers.

Whether any particular person would be deemed to be an "underwriter" (including whether such person is a "controlling person") with respect to New Equity would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be deemed an "underwriter" with respect to New Equity and, in turn, whether any person may freely resell New Equity. The Debtors recommend that potential recipients of New Equity consult their own counsel concerning their ability to freely trade such securities in compliance with federal and state securities laws.

C. Registration of the New Equity with the SEC

The Effective Date is conditioned upon the New Equity being held by less than 300 persons (as contemplated by Section 12(g)(4) and Rule 12g-4 under the Exchange Act). This will allow WSI to, and WSI intends to, rely upon Section 12(g)(4) and Rule 12g-4 to deregister the WSI common stock with the SEC on or after the Effective Date. After the WSI common stock is deregistered with the SEC, then WSI will no longer be subject to the reporting requirements under the Exchange Act.

IX. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

This discussion is provided for information purposes only, and is based on provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations promulgated thereunder, judicial authorities, and current administrative rulings and practice, all as in effect on the date hereof. Legislative, judicial, or administrative changes or interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the United States federal income tax consequences of the Plan. Any such changes or interpretations may be retroactive and could significantly, and adversely, affect the United States federal income tax consequences of the Plan.

The following summary does not address the U.S. federal income tax consequences to Holders of Claims not entitled to vote to accept or reject the Plan. In addition, to the extent that the following discussion relates to the consequences to Holders of Claims entitled to vote to accept or reject the Plan, it is limited to Holders that are United States persons within the meaning of the IRC. For purposes of the following discussion, a "United States person" is any of the following:

- An individual who is a citizen or resident of the United States;
- A corporation created or organized under the laws of the United States or any state or political subdivision thereof;
- An estate, the income of which is subject to federal income taxation regardless of its source; or
- A trust that (a) is subject to the primary supervision of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust, or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular Holder in light of its particular facts and circumstances, or to certain types of Holders subject to special treatment under the IRC. Examples of Holders subject to special treatment under the IRC are governmental entities and entities exercising governmental authority, foreign companies, persons who are not citizens or residents of the United States, banks and certain other financial institutions, broker-dealers, insurance companies, tax-exempt organizations, real estate investment trusts, small business investment companies, regulated investment companies, Holders that are or hold their Claims through a partnership or other pass-through entity, dealers in securities or foreign currency, persons that have a functional currency other than the U.S. dollar, and persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are

part of a straddle, constructive sale, or conversion transaction. This discussion does not address the state, local or foreign tax consequences of the Plan.

The tax treatment of Holders of Claims and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the Distributions provided for by the Plan may vary, depending upon the following factors, among others: (i) whether the Claim or portion thereof constitutes a Claim for principal or interest; (ii) the type of consideration, if any, received by the Holder in exchange for the Claim, and whether the Holder receives Distributions under the Plan in more than one taxable year; (iii) whether the Holder is a citizen or resident of the United States for tax purposes, is otherwise subject to U.S. federal income tax on a net basis, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the Holder acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the Holder has taken a bad debt deduction or a worthless securities deduction with respect to the Claim or any portion thereof in the current or prior taxable years; (viii) whether the Holder has previously included in gross income accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the Holder; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; (xi) whether the Claim is considered a "security" for U.S. federal income tax purposes; and (xii) whether the "market discount" rules apply to the Holder. Therefore, each Holder should consult such Holder's own tax advisor for tax advice with respect to that Holder's particular situation and circumstances, and the particular tax consequences to such Holder of the transactions contemplated by the Plan.

A significant amount of time may elapse between the date of the Disclosure Statement and the receipt of a final Distribution under the Plan. Events occurring after the date of the Disclosure Statement, such as new or additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling has been or will be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the tax aspects of the Plan, and no opinion of counsel has been or will be obtained by the Debtors with respect thereto. No representations are being made regarding the particular tax consequences of the confirmation or implementation of the Plan as to any Holder of a Claim. This discussion is not binding upon the IRS or other taxing authorities. No assurance can be given that the IRS or another authority would not assert, or that a court would not sustain, a different position from any discussed herein.

THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT SUCH HOLDER'S TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN.

A. Certain U.S. Federal Income Tax Consequences to Holders of Claims

1. Receipt of Cash in Satisfaction of Claim

Each Holder of an Allowed Convenience Claim, and each Holder of an Allowed General Unsecured Claim that makes, in its discretion, the Cash Payment Election, will receive solely cash in full satisfaction of its Claim. In addition, a Holder of an Allowed General Unsecured Claim may reach an agreement with the Debtor (or Reorganized Debtor) and the Plan Sponsor to receive solely cash in lieu of New Equity in satisfaction of its Claim.

A Holder who receives cash in exchange for its Allowed Claim will generally recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the amount of cash received in exchange for its Allowed Claim, and (ii) the Holder's adjusted tax basis in its Allowed Claim that is treated as exchanged for cash. The character of such income, gain or loss as ordinary income or loss or as capital gain or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Allowed Claim in such Holder's hands, whether the Allowed Claim constitutes a capital asset in the hands of the Holder, whether the Allowed Claim was purchased at a discount, and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Allowed Claim. To the extent that any amount received by a Holder of an Allowed Claim is attributable to accrued interest not previously included in the Holder's income, such amount should be taxable to the Holder as interest income. Conversely, a Holder of an Allowed Claim may be able to recognize a deductible loss to the extent that any accrued interest on the Allowed Claim was previously included in the Holder's gross income but was not paid in full by the Debtors. Such loss should be ordinary. To the extent any amounts are paid to a Holder in such Holder's capacity as an employee and which for U.S. federal income tax purposes constitute wages, such amounts will generally be treated for tax purposes as ordinary income and will be subject to withholding by the Debtors.

2. Receipt of New Equity in Exchange for Claim

Pursuant to the Plan, a Holder of an Allowed General Unsecured Claim, other than any such Holder that makes the Cash Payment Election or reaches a separate agreement with the Debtor (or Reorganized Debtor) and the Plan Sponsor with respect to the satisfaction of its Claim, will receive, in full satisfaction of its Claim, its Pro Rata Share of the Non-Plan Sponsor New Equity.

The federal income tax consequences of the exchange of a Claim solely for New Equity will depend on whether the Claim is treated as a "security" for tax purposes (as described above). If such Claim is treated as a "security," the exchange should be treated as a recapitalization and therefore as a reorganization under the IRC. If not, a Holder should be treated as exchanging its Claim for New Equity in a fully taxable exchange.

The determination of whether an Allowed Claim constitutes a "security" depends upon the nature of the indebtedness or obligation. Important factors to be considered include, among other things, the length of time to maturity and the purpose of the borrowing. Generally, corporate debt instruments that mature within five years of issuance are not considered "securities" and corporate debt instruments that mature ten years or more from the time of issuance are considered "securities." Whether a debt instrument with a term of five or more, but less than ten, years is a security is

unclear. Allowed Claims for accrued interest generally are not considered "securities." Holders of Claims that are due to receive New Equity in accordance with the provisions of the Plan should consult their own tax advisors regarding whether such Claims constitute "securities" for these purposes.

Assuming the Claim is treated as a "security" for tax purposes, and the exchange is therefore treated as a recapitalization under the IRC, the Holder of such Claim will not recognize gain or loss in the exchange except to the extent that a portion of the New Equity is allocable to accrued and unpaid interest that has not been included in income by the Holder. Except for any such portion, a Holder should obtain a tax basis in the New Equity equal to the tax basis of the Claim exchanged therefor and a holding period for the New Equity that includes the Holder's holding period for the Claim.

If the Claim is not treated as a "security," a Holder should be treated as exchanging its Claim for New Equity in a fully taxable exchange. In that case, the Holder should recognize gain or loss equal to the difference between (i) the fair market value of the New Equity received in the exchange that is not allocable to accrued interest, and (ii) the Holder's tax basis in the Claim exchanged therefor (other than basis attributable to accrued interest). If the Claim is not a capital asset in the hands of the Holder, the Holder will recognize an ordinary gain or loss as a result of the exchange. If the Claim is a capital asset, the Holder will recognize a capital gain or loss, which will constitute long-term capital gain or loss of the Claim was held for more than one year by the Holder. To the extent that a portion of the New Equity received in the exchange is allocable to accrued interest, the Holder may recognize ordinary income to the extent not previously included in income. A Holder's tax basis in the New Equity should be equal to the fair market value of such New Equity as of the exchange date. A Holder's holding period for the New Equity should begin on the day following the exchange date.

3. Receipt of Other Consideration

Pursuant to the Plan, it is possible that the Holder of an Allowed General Unsecured Claim may agree with the Debtor (or Reorganized Debtor) and the Plan Sponsor to receive consideration other than solely cash or solely New Equity in satisfaction of its Claim. In such event, the federal income tax consequences of the exchange will depend on many factors, including the type and mix of such consideration and the tax characterization of the Claim in the hands of the Holder. Because the specifics of any such transaction are unknowable at this time, this summary does not address the tax consequences of such transactions. Accordingly, any such Holder should explore such tax consequences with its tax advisor.

4. Accrued but Unpaid Interest

In general, to the extent a holder of a debt instrument receives cash or property in satisfaction of interest accrued during the holding period of such instrument, the amount of such cash or the value of such property will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, such holder may recognize a deductible loss to the extent that any accrued interest was previously included in its gross income and is not paid. The extent to which cash or property received by a holder of a debt instrument will be attributable to accrued but unpaid interest is unclear. Pursuant to the Plan, all distributions in respect of any Allowed Claim

will be allocated first to the principal amount of such Allowed Claim, and thereafter, to the extent permitted under the Bankruptcy Code, to accrued but unpaid interest, if any. However, it is unclear whether such allocation will be respected for tax purposes. Certain legislative history indicates that an allocation of consideration between principal and interest provided in a bankruptcy plan of reorganization generally is binding for U.S. federal income tax purposes. However, regulations issued by the IRS require, in general, that payments made on a debt instrument first be allocated to unpaid interest.

Each Holder of an Allowed Claim is urged to consult its tax advisor regarding the inclusion in income of amounts received in satisfaction of accrued but unpaid interest, the allocation of consideration between principal and interest, and the deductibility of previously included unpaid interest for tax purposes.

5. Market Discount

If a Holder of an Allowed Claim purchased the underlying security or debt obligation at a price less than its adjusted issue price, the difference would constitute "market discount" for U.S. federal income tax purposes. Any gain recognized by a holder on the exchange of its Allowed Claim should be treated as ordinary income to the extent of any market discount accrued on the underlying securities or debt obligation by the Holder on or prior to the date of the exchange. Any additional accrued but unrecognized market discount should carry over to any "securities" (as described above) or debt obligation received in a tax-free exchange pursuant to the Plan, and should be allocated among such securities or debt obligation based upon their relative fair market values. Any gain recognized by such Holder on a subsequent disposition of such securities or debt obligation received under the Plan may be treated as ordinary income to the extent of such accrued but unrecognized market discount.

6. Consequences of Ownership of New Equity Issued Pursuant to the Plan

The following is a description of the principal U.S. federal income tax consequences that may be relevant with respect to the ownership and disposition of the New Equity. This discussion addresses only the U.S. federal income tax considerations of U.S. Holders that will receive New Equity under the Plan and that will hold such New Equity as capital assets.

The gross amount of any distribution of cash or property made to a U.S. Holder with respect to the New Equity generally will be includible in gross income by such Holder as dividend income to the extent such distributions are paid out of the current or accumulated earnings and profits of the Reorganized Debtors as determined under U.S. federal income tax principles. Dividends received by corporations may qualify for a dividends-received-deduction if certain holding period and taxable income requirements are satisfied, but such corporate holders may be subject to "extraordinary dividend" provisions of the IRC.

A distribution in excess of the Reorganized Debtors' current and accumulated earnings and profits will first be treated as a return of capital to the extent of the Holder's adjusted basis in the New Equity and will be applied against and reduce such basis. To the extent that such distribution exceeds the Holder's adjusted basis in its New Equity, the distribution will be treated as capital gain,

which will be treated as long-term capital gain if such Holder's holding period in its New Equity exceeds one year as of the date of the distribution. Long-term capital gains may be eligible for reduced rates of taxation.

For U.S. federal income tax purposes, a Holder generally will recognize capital gain or loss on the sale, exchange, or other taxable disposition of any of its New Equity in an amount equal to the difference, if any, between the amount realized for the New Equity and the Holder's adjusted tax basis in the New Equity (except to the extent of market discount on existing notes that is carried over to the New Equity). Capital gains of non-corporate Holders derived with respect to a sale, exchange, or other disposition of New Equity held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

7. Backup Withholding Tax and Information Reporting Requirements

Payments in respect of Allowed Claims under the Plan may be subject to applicable information reporting and backup withholding. Backup withholding of taxes will generally apply to Payments in respect of an Allowed Claim under the Plan if the Holder of such Allowed Claim fails to provide an accurate taxpayer identification number or otherwise fails to comply with the applicable requirements of the backup withholding rules. The backup withholding tax rate is currently 28%.

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

B. Certain Federal Income Tax Consequences to the Debtors

1. Cancellation of Debt and Reduction of Tax Attributes

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of cash paid, (y) the issue price of any new debt instrument issued by the debtor and (z) the fair market value of any other consideration given in satisfaction of such indebtedness at the time of the exchange. The issue price of any such new debt instrument is determined under either Section 1273 or 1274 of the IRC. Generally, these provisions treat the fair market value of a publicly-traded debt instrument as its issue price and the stated principal amount of any other debt instrument as its issue price if its terms provide for interest not less than the applicable federal rate.

A debtor will not, however, be required to include any amount of COD Income in gross income if the debtor is under the jurisdiction of a Bankruptcy Court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income. In general, tax attributes will be reduced in the following order: (a) net operating losses ("NOLs"); (b) most tax credits; (c) capital loss carryovers; (d) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); and (e) foreign

tax credits. A debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to Section 108(b)(5) of the IRC. In the context of a consolidated group of corporations, the tax rules provide for a complex ordering mechanism in determining how the tax attributes of one member can be reduced by the COD Income of another member.

Because the Plan provides for the issuance and distribution of New Equity, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend in part on the fair market value of the New Equity. This value cannot be known with certainty until after the Effective Date. In addition, it has not been determined whether the Debtors will make the election under Section 108(b)(5) of the IRC.

2. Accrued Interest

To the extent that there exists accrued but unpaid interest on indebtedness owing to holders of Allowed Claims and to the extent that such accrued but unpaid interest has not been deducted previously by the Debtors, portions of payments made in consideration for the indebtedness underlying such Allowed Claims that are allocable to such accrued but unpaid interest should be deductible by the Debtors. Any such interest that is not paid will not be deductible by the Debtors and will not give rise to COD Income.

To the extent that any of the Debtors have previously taken a deduction for accrued but unpaid interest, any amounts so deducted that are paid will not give rise to any tax consequences to such Debtors. If such amounts are not paid, they will give rise to COD Income that would be excluded from gross income pursuant to the bankruptcy exclusion discussed above. As a result, the Debtors would be required to reduce their tax attributes to the extent of such interest previously deducted and not paid.

3. Utilization of New Operating Loss Carryforwards

(a) Limitation on NOLs and Other Tax Attributes

The amount of tax attributes that will be available to the Reorganized Debtors at emergence is based on a number of factors and is impossible to calculate at this time. Some of the factors that will impact the amount of available tax attributes include: (a) the amount of tax losses incurred by the Debtors in 2015; (b) the fair market value of the New Equity; and (c) the amount of COD Income realized by the Debtors in connection with consummation of the Plan. Following consummation of the Plan, the Debtors anticipate that any remaining NOLs may be subject to limitation under Section 382 of the IRC by reason of the transactions pursuant to the Plan.

Under Section 382 of the IRC, whenever there is a more than fifty percent ownership change of a corporation during a three-year testing period, the ability of the corporation to utilize its NOL carryovers and certain subsequently recognized built-in losses and deductions (collectively, "Pre-Change Losses") to offset future taxable income may be subject to an annual limitation. The Debtors anticipate that the issuance of the New Equity pursuant to the Plan will result in an ownership change of the Reorganized Debtors for these purposes, and that the Debtors' use of their Pre-Change Losses will be subject to limitation unless an exception to the general rules of Section 382 of the IRC applies. This limitation is independent of, and in addition to, the reduction of tax attributes described in the preceding section resulting from the exclusion of COD Income.

(b) General Section 382 Annual Limitation

This discussion refers to the limitation determined under Section 382 of the IRC in the case of an ownership change as the "Section 382 Limitation." In general, the annual Section 382 Limitation on the use of Pre-Change Losses in any "post-change year" is equal to the product of (i) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (ii) the "long term tax exempt rate" in effect for the month in which the ownership change occurs. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. However, the annual limitation may be further reduced if a corporation that has undergone an ownership change (i) does not continue its historic business or uses a significant portion of its assets in a new business for two years after the ownership change or (ii) undergoes a second ownership change. In addition, if a loss corporation has a "net unrealized built-in loss" beyond a certain minimum amount immediately before an ownership change, then any built-in losses recognized during the five–year period following the ownership change (up to the amount of the original net unrealized built-in loss) generally will be treated as a Pre-Change Loss and will be subject to the annual limitation.

The issuance under the Plan of the New Equity, along with the cancellation of existing Equity Interests, is expected to cause an ownership change with respect to the Debtors. As a result, the Debtors' Pre-Change Losses will be subject to the Section 382 Limitation (as described above). The Section 382 Limitation may be increased to the extent that the Reorganized Debtors recognize certain built-in gains in their assets during the five-year period following the ownership change. If, in any year, the amount of Pre-Change Losses used by the Reorganized Debtors to offset income is less than the Section 382 Limitation, any unused limitation may be carried forward, thereby increasing the Section 382 Limitation (the amount of Pre-Change Losses which may offset income) in the subsequent taxable year of the Reorganized Debtors.

(c) Special Bankruptcy Exceptions

An exception to the foregoing annual limitation rules generally applies when shareholders and/or "qualified creditors" of a debtor company in chapter 11 receive, in respect of their stock or "qualified indebtedness (as defined in Treasury Regulations Section 1.382-9(d)(2)), at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis but, instead, the debtor's NOLs are required to be reduced by the amount of any interest deductions claimed during any taxable year ending during the three-year period preceding the taxable year that includes the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the debtor undergoes another ownership change within two years after consummation, then the debtor's Pre-Change Losses effectively are eliminated in their entirety. Because the Plan Sponsor New Equity to be issued pursuant to the Plan will not be issued in exchange for qualified indebtedness, the 382(l)(5) Exception will not apply if the Plan is consummated.

Where the 382(l)(5) Exception is not applicable, a second special rule will generally apply (the "382(l)(6) Exception"). When the 382(l)(6) Exception applies, a debtor corporation that

undergoes an ownership change generally is permitted to determine the fair market value of its stock after taking into account the increase in value resulting from any surrender or cancellation of creditors' claims in the bankruptcy. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an ownership change to be determined before the events giving rise to the change. The 382(l)(6) Exception differs from the 382(l)(5) Exception in that the debtor corporation is not required to reduce its NOLs by interest deductions in the manner described above, and the debtor may undergo a change of ownership within two years without triggering the elimination of its Pre-Change Losses.

4. Alternative Minimum Tax

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20% rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, as a general rule, only 90% of a corporation's AMTI may be offset by available alternative tax NOL carryforwards.

Additionally, under Section 56(g)(4)(G) of the IRC, an ownership change (as discussed above) that occurs with respect to a corporation having a net unrealized built in loss in its assets will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under Section 382(h) of the IRC, immediately before the ownership change.

X. RECOMMENDATION

In the opinion of each of the Debtors, the Plan is superior and preferable to the alternatives described in this Disclosure Statement. The Plan has the full support of the Creditors' Committee. Furthermore, the value being provided to Creditors under the Plan was subject to a competitive process through which parties other than the Plan Sponsor could have provided higher and better bids. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan and support Confirmation of the Plan.

Dated: February 11, 2015

Respectfully submitted,

THE WET SEAL, INC.
(on behalf of itself and each of the Debtors)

By: _____
Name: EDMOND S. THOMAS
Title: CEO

EXHIBIT A

Joint Plan of Reorganization

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
THE WET SEAL, INC., et al.,[1]	)	Case No. 15-10081 (CSS)
	)	
Debtors.	)	(Jointly Administered)
	)	

JOINT PLAN OF REORGANIZATION OF THE WET SEAL, INC. AND SUBSIDIARY DEBTORS

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Counsel for The Wet Seal, Inc. et al., Debtors and Debtors in Possession

Dated: Wilmington, Delaware
February 11, 2015

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[1] The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: The Wet Seal, Inc. (5940); The Wet Seal Retail, Inc. (6265), Wet Seal Catalog, Inc. (7604), and Wet Seal GC, LLC (2855-VA). The Debtors' address is 26972 Burbank, Foothill Ranch, CA 92610.

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JOINT PLAN OF REORGANIZATION OF THE WET SEAL, INC. AND SUBSIDIARY DEBTORS

INTRODUCTION

The Wet Seal, Inc., The Wet Seal Retail, Inc., Wet Seal Catalog, Inc., and Wet Seal GC, LLC, as debtors and debtors in possession (collectively, the "***Debtors***"), hereby propose this Plan (as defined below), which provides for the resolution of the outstanding Claims (as defined below) and Interests (as defined below) asserted against the Debtors. Reference is made to the Disclosure Statement (as defined below) for a discussion of (i) the Debtors' history, businesses, properties, results of operations, and projections for future operations, (ii) a summary and analysis of this Plan, and (iii) certain related matters, including risk factors relating to the consummation of this Plan and Distributions (as defined below) to be made under this Plan. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code (as defined below).

Except as otherwise provided herein, these bankruptcy cases have been consolidated for procedural purposes only and are being jointly administered pursuant to an order of the United States Bankruptcy Court for the District of Delaware. The votes to accept or reject a Plan by Holders of Claims against a particular Debtor shall be tabulated as votes to accept or reject that Debtor's separate Plan. Distributions under a Debtor's Plan will be made to the holders of Claims in the Classes identified in that Plan. The Debtors nonetheless reserve the right to seek substantive consolidation of some or all of the Debtors' estates and to make appropriate modifications of the Plan if and to the extent necessary to effectuate confirmation of the Plan .

All Holders of Claims who are entitled to vote on the Plan are encouraged to read the Plan and the Disclosure Statement in their entirety before voting to accept or reject the Plan. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code, Rule 3019 of the Bankruptcy Rules (as defined below), and ARTICLE XI of the Plan, the Debtors reserve the right, to alter, amend, modify, revoke, or withdraw the Plan prior to its substantial consummation.

No solicitation materials, other than the Disclosure Statement and related materials transmitted therewith, have been approved for use in soliciting acceptances and rejections of this Plan. Nothing in the Plan should be construed as constituting a solicitation of acceptances of the Plan unless and until the Disclosure Statement has been approved and distributed to all Holders of Claims and Interests to the extent required by section 1125 of the Bankruptcy Code.

ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ CAREFULLY THE DISCLOSURE STATEMENT (INCLUDING ALL EXHIBITS THERETO) AND THE PLAN, EACH IN ITS ENTIRETY, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

ARTICLE I

DEFINED TERMS AND RULES OF INTERPRETATION

For purposes of the Plan, except as expressly provided or unless the context otherwise requires, (a) all capitalized terms used in the Plan and not otherwise defined in the Plan shall have the meanings ascribed to them in ARTICLE I of the Plan, (b) any capitalized term used in the Plan that is not defined in the Plan, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable, (c) whenever the context requires, such terms shall include the plural as well as the singular number, the masculine gender shall include the feminine, and the feminine gender shall include the masculine, (d) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms

and conditions means that such document shall be substantially in such form or substantially on such terms and conditions, (e) any reference in the Plan to an existing document or exhibit means such document or exhibit as it may be amended, modified, or supplemented from time to time, (f) unless otherwise specified, all references in the Plan to sections, articles, schedules, and exhibits are references to sections, articles, schedules, and exhibits of or to the Plan, (g) the words "herein," "hereof," and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan, (h) captions and headings to articles and sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan, and (i) the rules of construction set forth in section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply.

1.1 **"Administrative Claim"** means a Claim arising under sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, to the extent not previously paid, including, but not limited to, (a) any actual and necessary costs and expenses incurred after the Petition Date of preserving the Estates and operating the businesses of the Debtors (such as wages, salaries, and commissions for services rendered after the commencement of the Chapter 11 Cases and payments for inventory, leased equipment, and premises), (b) all other Claims entitled to administrative claim status pursuant to a Final Order of the Bankruptcy Court, but excluding Priority Tax Claims, Non-Tax Priority Claims, and Professional Fee Claims, (c) all fees and charges assessed against the Estates under chapter 123 of title 28 of the United States Code, (d) all Claims for Stub Rent under section 503(b) of the Bankruptcy Code and lease payments under section 365(d)(5) of the Bankruptcy Code, (e) all Claims for the value of any goods received by the Debtors within twenty (20) days before the Petition Date that were sold to the Debtors in the ordinary course of their business; and (f) Claims of employees terminated at any time after the Petition Date and before the Effective Date.

1.2 **"Administrative Claims Bar Date"** means the last date by which an Entity may File an Administrative Expense Request which shall be the day that is forty-five (45) days after the Effective Date or the first Business Day following such day or such earlier date as is set by the Bankruptcy Court with the consent of the Debtors and the Plan Sponsor.

1.3 **"Administrative Claims Reserve"** means the reserve of Cash established and maintained by the Reorganized Debtors to pay Allowed Administrative Claims, including Claims under section 503(b)(9) of the Bankruptcy Code and all Claims for Stub Rent under section 503(b) of the Bankruptcy Code and lease payments under section 365(d)(5) of the Bankruptcy Code, and to pay Professional Fee Claims.

1.4 **"Administrative Expense Request"** means a request for the payment of an Administrative Claim.

1.5 **"Allowed Claim"** means a Claim or any portion thereof (a) that has been allowed by a Final Order of the Bankruptcy Court (or such court as the Debtors or Reorganized Debtors, as applicable, and the Holders of any such Claim agree may adjudicate such Claim and any objections thereto), (b) that either (x) has been Scheduled as a liquidated, non-contingent, and undisputed Claim in an amount greater than zero on the Schedules, or (y) is the subject of a timely Filed Proof of Claim as to which either (i) no objection to its allowance has been Filed on or before the Claims Objection Deadline or (ii) any objection to its allowance has been settled, waived through payment, withdrawn, or denied by a Final Order, or (c) that is expressly allowed in a liquidated amount in the Plan; provided, however, that with respect to an Administrative Claim, "Allowed Claim" means an Administrative Claim as to which a timely written request for payment has been made in accordance with applicable bar dates for such requests set by the Bankruptcy Court (if such written request is required) in each case as to which the Debtors, Reorganized Debtors, or any other party in interest (x) have not interposed a timely objection by the Claims Objection Deadline or (y) have interposed a timely objection and such objection has been settled, waived through payment, withdrawn, or has been denied by a Final Order; provided further, however, that for purposes of determining the status (i.e., Allowed or Disputed) of a particular Claim prior to the expiration of the period fixed for Filing objections to the allowance or disallowance of Claims, any such Claim that has not been previously allowed or disallowed by a Final Order of the Bankruptcy Court or the Plan shall be deemed a Disputed Claim unless such Claim is specifically identified by the Debtors as being an Allowed Claim. Unless otherwise provided in the Plan, section 506(b) of

the Bankruptcy Code, or a Final Order of the Bankruptcy Court, "Allowed Claim" shall not, for purposes of Distributions under the Plan, include for prepetition Claims interest or any other amounts accruing on, in connection with, or with respect to, such Allowed Claim from and after the Petition Date.

1.6 "Allowed . . . Claim" means an Allowed Claim of the particular type or Class described.

1.7 "Assumption Objection" means any objection to the proposed assumption or assumption and assignment of any executory contract or unexpired lease pursuant to the Plan, based on (a) the nature or amount of any Cure, (b) the ability of any Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (c) any other matter pertaining to assumption, as such proposed assumption or assumption and assignment is set forth in the notice delivered by the Debtors to each of the counterparties of the Designated Contracts providing each such counterparty with notice that the respective Designated Contract may be assumed by the Reorganized Debtors subject to payment of the estimated Cure, and informing such counterparty that objections to the proposed assumption, including objections to the estimated Cure, must be Filed with the Bankruptcy Court and submitted to the Debtors and to the Plan Sponsor no later than 4:00 p.m. prevailing Eastern time on April 21, 2015 or such other time to which the Plan Sponsor has agreed.

1.8 "Avoidance Actions" means Causes of Action arising under sections 502, 506(d), 510, 544, 545, 547, 548, 549, 550, 551, 553(b) or 558 of the Bankruptcy Code, or under related state or federal statutes and common law, including, without limitation, fraudulent transfer laws, whether or not litigation is commenced to prosecute such Causes of Action.

1.9 "Ballot" means each of the ballot forms distributed to each Holder of a Claim entitled to vote to accept or reject this Plan.

1.10 "Bankruptcy Code" means title 11 of the United States Code, as in effect on the Petition Date or thereafter amended and as applicable to the Chapter 11 Cases.

1.11 "Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware or such other court as may have jurisdiction over the Chapter 11 Cases or any aspect thereof.

1.12 "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as amended and as applicable to the Chapter 11 Cases or proceedings therein, as the case may be, and the Local Rules of Bankruptcy Practice and Procedure for the United States Bankruptcy Court for the District of Delaware, as in effect on the Petition Date or thereafter amended.

1.13 "Bar Date(s)" means the date(s) designated by the Bankruptcy Court as the last date(s) for filing Proofs of Claim against the Debtors.

1.14 "Business Day" means any day, excluding Saturdays, Sundays, or "legal holidays" (as defined in Rule 9006(a) of the Bankruptcy Rules), on which commercial banks are open for business in Wilmington, Delaware.

1.15 "Cash" means legal tender of the United States of America or equivalents thereof, which may be conveyed by check or wire transfer.

1.16 "Cash Payment Election" means the written election made by the Holder of an Allowed General Unsecured Claim in its Ballot, in accordance with the instructions set forth in such Ballot, to receive, in lieu of its Pro Rata share of the Non-Plan Sponsor New Equity, a cash payment pursuant to Article 3.3(a).

1.17 "Causes of Action" means any and all claims, actions, proceedings, causes of action, Avoidance Actions, suits, accounts, controversies, agreements, promises, rights of action, rights to legal remedies, rights to equitable remedies, rights to payment and Claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise, that any Debtor and/or Estate may hold against any Entity, but excluding those released, exculpated or waived pursuant to the Plan, the Confirmation Order, and the Final DIP Order.

1.18 "Chapter 11 Case(s)" means (a) when used with reference to a particular Debtor, the case under chapter 11 of the Bankruptcy Code commenced by such Debtor in the Bankruptcy Court and (b) when used with reference to all Debtors, the cases under chapter 11 of the Bankruptcy Code commenced by the Debtors in the Bankruptcy Court.

1.19 "Claim" means a "claim" as defined in section 101(5) of the Bankruptcy Code, whether arising before or after the Petition Date including without limitation .an Administrative Expense Request.

1.20 "Claims Objection Deadline" means the last day for filing objections to Administrative Expense Requests and all other Claims, including, without limitation, Secured Claims, Priority Tax Claims, Non-Tax Priority Claims, and Unsecured Claims, which day shall be the latest of (a) ninety (90) days after the Effective Date, (b) thirty (30) days after entry of a Final Order under section 502(j) of the Bankruptcy Code reinstating any Claim previously disallowed, (c) ninety (90) days after the filing of a Claim or any amendment to any Claim, or (d) such other later date as is established by order of the Bankruptcy Court upon motion of the Reorganized Debtors.

1.21 "Class" means a category of Holders of Claims or Interests, as described in ARTICLE II and ARTICLE III of the Plan.

1.22 "Class Ballot" means the form of Ballot issued to Holders of Claims in a particular Class.

1.23 "Collateral" means any property or interest in property of a Debtor's Estate subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable state law.

1.24 "Confirmation" means approval of the Plan by the Bankruptcy Court pursuant to section 1129 of the Bankruptcy Code.

1.25 "Confirmation Date" means the date of entry of the Confirmation Order on the docket of the Chapter 11 Cases.

1.26 "Confirmation Hearing" means the hearing held by the Bankruptcy Court to consider Confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

1.27 "Confirmation Order" means the order entered on the docket of the Chapter 11 Cases confirming the Plan.

1.28 "Consummation or Consummate" means the occurrence of the transactions and satisfaction or waiver of the conditions necessary for the Plan to become effective.

1.29 "Contingent" means, with reference to a Claim, a Claim that has not accrued or is not otherwise payable and the accrual of which, or the obligation to make payment on which, is dependent upon a future event that may or may not occur.

1.30 "Convenience Claim" means all Unsecured Claims of a single Holder of a type that would otherwise be included as a General Unsecured Claim in Class 5 that are less than or equal to $30,000 in the aggregate.

1.31 "Creditor" means a "creditor" as defined in section 101(15) of the Bankruptcy Code.

1.32 "Creditors Committee" means the official statutory committee of unsecured creditors appointed by the U.S. Trustee in the Chapter 11 Cases pursuant to section 1102(a) of the Bankruptcy Code.

1.33 "Cure" means the distribution of Cash, or such other property as may be agreed upon by the parties or ordered by the Bankruptcy Court, with respect to the assumption or assumption and assignment of an executory contract or unexpired lease, pursuant to section 365(b) of the Bankruptcy Code, in an amount equal to all unpaid monetary obligations, without interest, or such other amount as may be agreed upon by the parties, under such executory contract or unexpired lease, to the extent such obligations are enforceable under the Bankruptcy Code and applicable bankruptcy law.

1.34 "Debtor" means any of WSI or any Subsidiary Debtor in its individual capacity.

1.35 "Debtors" means, collectively, WSI and all of the Subsidiary Debtors.

1.36 "Designated Contracts" means those executory contracts and unexpired leases to which any or all of the Debtors is a party to be assumed on the Effective Date (except as otherwise provided in the Plan), as identified in the list included as part of the Plan Supplement.

1.37 "DIP Credit Agreement" means the Senior Secured, Super-Priority Debtor-in-Possession Credit Agreement, dated as of January 15, 2015, among B. Riley Financial, Inc., as lender, The Wet Seal, Inc., as lead borrower for The Wet Seal, Inc., The Wet Seal Retail, Inc., and Wet Seal Catalog, Inc., as borrowers and debtors in possession, and the guarantors party thereto, as the same may have been or be amended, modified, restated, or supplemented and in effect from time to time, and as approved by the DIP Facility Orders.

1.38 "DIP Facility" means the debtor-in-possession financing under the DIP Credit Agreement.

1.39 "DIP Facility Claims" means all DIP Facility Principal Claims and DIP Facility Non-Principal Claims.

1.40 "DIP Facility Non-Principal Claim" means a Claim under or in connection with the DIP Credit Agreement, the DIP Facility Orders, and/or related documents and agreements, other than and excluding a DIP Facility Principal Claim.

1.41 "DIP Facility Orders" means (a) the Interim Order Pursuant to Sections 105, 361, 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001 and 9014: (1) Authorizing Post-Petition Financing, (2) Granting Liens and Providing Superpriority Administrative Expense Priority, (3) Authorizing Use of Cash Collateral, (4) Modifying the Automatic Stay, and (5) Scheduling a Final Hearing [Docket No. 104] entered by the Bankruptcy Court on January 20, 2015, and (b) the Final DIP Order.

1.42 "DIP Facility Principal Claim" means a Claim for outstanding principal due under the DIP Credit Agreement.

1.43 "DIP Lenders" means the "Lender" as defined in the DIP Credit Agreement.

1.44 "Disallowed Claim" means a Claim, or any portion thereof, that (a) has been disallowed by a Final Order, (b) is scheduled at zero or is contingent, disputed or unliquidated and as to which

no Proof of Claim has been Filed by the applicable Bar Date or deemed timely Filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order or under applicable law, or (c) is not Scheduled and as to which (i) no Proof of Claim has been Filed by the applicable Bar Date or deemed timely Filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order or under applicable law, or (ii) no Administrative Expense Request has been Filed by the Administrative Claims Bar Date or deemed timely Filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order or under applicable law.

1.45 "Disbursing Agent" means any Entity designated by the Debtors or the Reorganized Debtors, and acceptable to the Plan Sponsor in its discretion, to serve as disbursing agent under the Plan with respect to Distributions to Holders in particular Classes of Claims; which may include, without limitation, Donlin, Recano & Co., Inc., the Debtors' claims and noticing agent.

1.46 "Disclosure Statement" means the disclosure statement (including all exhibits and schedules thereto) relating to this Plan, distributed in accordance with sections 1125 and 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018.

1.47 "Disputed Claim" means a Claim, or any portion thereof, that is neither an Allowed Claim nor a Disallowed Claim.

1.48 "Disputed . . . Claim" means a Disputed Claim of the particular type or Class described.

1.49 "Disputed Claim Amount" means (a) if a liquidated amount is set forth in the Proof of Claim relating to a Disputed Claim, (i) the liquidated amount set forth in the Proof of Claim relating to the Disputed Claim; (ii) an amount agreed to by the Debtors or the Reorganized Debtors, as applicable, and the Holder of such Disputed Claim; or (iii) if a request for estimation is Filed by any party, the amount at which such Disputed Claim is estimated by the Bankruptcy Court; (b) if no liquidated amount is set forth in the Proof of Claim relating to a Disputed Claim, (i) an amount agreed to by the Debtors or the Reorganized Debtors, as applicable, and the Holder of such Disputed Claim or (ii) the amount estimated by the Bankruptcy Court with respect to such Disputed Claim; or (c) if the Disputed Claim was listed on the Schedules as unliquidated, contingent or disputed and no Proof of Claim was Filed, or deemed to have been Filed, by the applicable Bar Date and the Claim has not been resolved by written agreement of the parties or an order of the Bankruptcy Court, zero.

1.50 "Distribution" means any distribution, including any issuance of Non-Plan Sponsor New Equity, pursuant to the Plan to the Holders of Allowed Claims.

1.51 "Distribution Date" means the date upon which a Distribution is made by the Disbursing Agent in accordance with the Plan to Holders of Allowed Claims entitled to receive Distributions under the Plan.

1.52 "Distribution Record Date" means the record date for determining entitlement to receive Distributions under the Plan on account of Allowed Claims, which date shall be the third (3rd) Business Day after the Confirmation Date at 5:00 p.m. prevailing Eastern time.

1.53 "Effective Date" means the Business Day upon which all conditions to the Consummation of the Plan as set forth in Article 9.2 of the Plan have been satisfied or waived, as provided in Article 9.3 of the Plan, and the transactions contemplated by the Plan are consummated.

1.54 "Entity" means an "entity" as defined in section 101(15) of the Bankruptcy Code.

1.55 "Estate(s)" means, individually, the estate of each Debtor and, collectively, the estates of all Debtors, created pursuant to section 541 of the Bankruptcy Code.

1.56 "Exculpated Parties" means the (a) Debtors and the directors and officers of the Debtors serving in such capacities at any time after the Petition Date and before the Effective Date, (b) the Reorganized Debtors, (c) the Plan Sponsor and its present or former members, officers, managers, directors, employees, consultants, advisors, agents, and other representatives, including, without limitation, attorneys, accountants, and financial advisors, and their respective subsidiaries and affiliates, and the successors or assigns of the foregoing, and (d) the Creditors Committee (as to itself or any of its members).

1.57 "Exhibit" means an exhibit annexed to either this Plan or as an appendix to the Disclosure Statement.

1.58 "Exhibit Filing Date" means the date on which Exhibits to the Plan or the Disclosure Statement shall be Filed with the Bankruptcy Court, which date shall be, except as otherwise provided in the Plan, at least ten (10) days prior to the Confirmation Hearing or such later date as may be established by order of the Bankruptcy Court.

1.59 "Exit Facility" means the agreements and related documents and instruments evidencing the new financing to be obtained by the Reorganized Debtors as of the Effective Date to support payments required to be made under the Plan, pay transaction costs, and fund working capital and general corporate purposes of the Reorganized Debtors on and after the Effective Date, in each case only to the extent necessary.

1.60 "Face Amount" means (a) when used in reference to a Disputed Claim, the Disputed Claim Amount and (b) when used in reference to an Allowed Claim, the Allowed Claim amount.

1.61 "File, Filed or Filing" means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

1.62 "Final DIP Order" means the Final Order Pursuant to Sections 105, 361, 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001 and 9014: (1) Authorizing Post-Petition Financing, (2) Granting Liens and Providing Superpriority Administrative Expense Priority, (3) Authorizing Use of Cash Collateral, and (4) Modifying the Automatic Stay [Docket No. 251] entered by the Bankruptcy Court on February 5, 2015.

1.63 "Final Order" means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket in the Chapter 11 Cases, or the docket of any such other court, the operation or effect of which has not been stayed, reversed, or amended and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal or seek review or rehearing or leave to appeal has expired and as to which no appeal or petition for review or rehearing was filed or, if filed, no appeal or petition for review or rehearing remains pending; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, Rule 9023 or Rule 9024 of the Bankruptcy Rules, or applicable state law, as applicable, may be filed with respect to such order or judgment shall not cause such order or judgment not to be a Final Order.

1.64 "General Unsecured Claim" means an Unsecured Claim that is not an Intercompany Claim, a Convenience Claim, a Subordinated 510(c) Claim, or a Subordinated 510(b) Claim.

1.65 "Holder" means a holder of a Claim against or Interest in a Debtor.

1.66 "Impaired" means, with respect to any Claim or Interest, the impairment of any legal, equitable or other rights as contemplated by section 1124 of the Bankruptcy Code.

1.67 "Indemnification Obligation" means any obligation of any of the Debtors to indemnify, reimburse, or provide contribution to any present or former officer, director, or employee, or any present or former Professionals, advisors, or representatives of the Debtors, pursuant to by-laws, articles of incorporation, contract, or otherwise as may be in existence immediately prior to the Petition Date; provided,

however, that such term shall not include any obligation that constitutes a Subordinated 510(b) Claim or Subordinated 510(c) Claim.

1.68 **"Initial Distribution Date"** means the first Distribution Date following the Effective Date.

1.69 **"Insured Claim"** means any Claim or portion of a Claim (other than a Workers Compensation Claim) that is insured under the Debtors' insurance policies, but only to the extent of such coverage.

1.70 **"Intercompany Claim"** means any Claim held by a Debtor against another Debtor, including, without limitation: (a) any account reflecting intercompany book entries that are held by a Debtor with respect to another Debtor, (b) any Claim not reflected in such book entries that is held by a Debtor against another Debtor, and (c) any derivative Claim asserted by or on behalf of one Debtor against another Debtor.

1.71 **"Interest"** means the legal, equitable, contractual, or other rights of any Entity with respect to any capital stock or other ownership interest in any Debtor, whether or not transferable, and any option, warrant or right to purchase, sell, subscribe for, or otherwise acquire or receive an ownership interest or other equity security in any Debtor, which rights, options and warrants are not Claims.

1.72 **"L/C Credit Agreement"** means the Senior Secured, Super-Priority Debtor-in-Possession Letter of Credit Agreement, dated as of January 15, 2015, among Bank of America, N.A. as L/C Issuer, and The Wet Seal, Inc., as Applicant Representative for The Wet Seal, Inc., The Wet Seal Retail, Inc., and Wet Seal Catalog, Inc., as the Applicants and debtors in possession, as the same may have been or be amended, modified, restated, or supplemented and in effect from time to time.

1.73 **"L/C Facility"** means the letter-of-credit financing under the L/C Credit Agreement.

1.74 **"L/C Facility Claim"** means a Claim under or in connection with the L/C Credit Agreement, the L/C Facility Orders, and/or related documents and agreements.

1.75 **"L/C Facility Orders"** means (a) the Interim Order Pursuant to Sections 105, 361, 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001 and 9014: (1) Authorizing Post-Petition L/C Financing Facility, (2) Granting Liens and Providing Superpriority Administrative Expense Priority, (3) Authorizing Use of Cash Collateral and Providing for Adequate Protection, (4) Modifying the Automatic Stay, and (5) Scheduling a Final Hearing [Docket No. 105] entered by the Bankruptcy Court on January 20, 2015, and (b) the Final Order Pursuant to Sections 105, 361, 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001 and 9014: (1) Authorizing Post-Petition L/C Financing Facility, (2) Granting Liens and Providing Superpriority Administrative Expense Priority, (3) Authorizing Use of Cash Collateral and Providing for Adequate Protection, and (4) Modifying the Automatic Stay [Docket No. 249] entered by the Bankruptcy Court on February 5, 2015.

1.76 **"Lien"** means any lien, security interest, pledge, title retention agreement, encumbrance, charge, mortgage, or hypothecation to secure payment of a debt or performance of an obligation, other than, in the case of securities and any other equity ownership interests, any restrictions imposed by applicable United States or foreign securities laws.

1.77 **"Litigation Rights"** means the Causes of Action that the Debtors or their Estates may hold against any Entity (except to the extent expressly released under the Plan), including, without limitation, the right to pursue Avoidance Actions (except with respect to the Avoidance Actions waived under the Plan).

1.78 **"New Boards"** means the boards of directors or other managers of the Reorganized Debtors, to be constituted as of the Effective Date pursuant to Article 5.9 of the Plan.

1.79 "New Corporate Governance Documents" means the corporate charter, by-laws, certificates or articles of incorporation, memorandum of association, and/or articles of association, as applicable, of each of the Reorganized Debtors, which shall be substantially in the form(s) included in the Plan Supplement.

1.80 "New Equity" means, collectively, the Plan Sponsor New Equity, the Non-Plan Sponsor New Equity, and the New Management Incentive Plan New Equity .

1.81 "New Management Incentive Plan" means the new stock-based management incentive plan that will be implemented by the Reorganized Debtors pursuant to Article 5.7 of the Plan and will provide for distributions of the New Management Incentive Plan New Equity.

1.82 "New Management Incentive Plan New Equity" means, up to a maximum of ten percent (10%) in the aggregate, on a fully diluted basis, of newly issued common stock of Reorganized WSI that will be issued and distributed in connection with the New Management Incentive Plan.

1.83 "Non-Plan Sponsor New Equity" means, subject to dilution by the New Management Incentive Plan New Equity, the balance, after issuance of the Plan Sponsor New Equity, of the common stock of Reorganized WSI to be issued to Holders of Allowed General Unsecured Claims pursuant to Article 3.3(a).

1.84 "Non-Tax Priority Claim" means a Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Claim.

1.85 "Old Equity Interests" means, collectively, all previously issued and outstanding common stock, preferred stock, or other equity interests of WSI outstanding immediately prior to the Effective Date, including, without limitation, treasury stock and all options, warrants, calls, rights, puts, awards, commitments, or any other agreements of any character to convert, exchange, exercise for, or otherwise receive such common stock, preferred stock, or other equity interest. For the avoidance of doubt, Old Equity Interests excludes the Interests that WSI holds in the Subsidiary Debtors, which Interests will be Reinstated and Reorganized WSI shall continue to hold after the Effective Date.

1.86 "Other Secured Claim" means a Claim, other than a Prepetition Credit Agreement Claim, L/C Facility Claim, DIP Facility Claim, or Secured Tax Claim that is secured by a valid, perfected, and enforceable Lien on property in which a Debtor's Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the applicable Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined by a Final Order of the Bankruptcy Court pursuant to section 506(a) of the Bankruptcy Code.

1.87 "Participating Vendor" means a vendor that executes a Participating Vendor Agreement with the Debtors or the Reorganized Debtors.

1.88 "Participating Vendor Agreement" means an agreement with the Debtors or the Reorganized Debtors, in form and substance acceptable to the Plan Sponsor, to continue to participate in and extend trade credit going forward in connection with the Reorganized Debtors' continuing operations.

1.89 "Person" means a "person" within the meaning of section 101(41) of the Bankruptcy Code.

1.90 "Petition Date" means January 15, 2015, the date on which the Debtors filed their respective petitions for relief commencing the cases that are being jointly administered as the Chapter 11 Cases.

1.91 "Plan" means this Joint Plan of Reorganization of Wet Seal, Inc. and Subsidiary Debtors, all exhibits annexed to the Plan, referenced in the Plan or included in the Plan Supplement, as the same may be amended, modified, or supplemented from time to time.

1.92 "Plan Sponsor" means B. Riley Financial, Inc. and its affiliates or designees selected in its sole discretion in accordance with the Plan Sponsorship Agreement, or such other replacement Entity that is designated to be the "Plan Sponsor" in an order entered by the Bankruptcy Court.

1.93 "Plan Sponsor New Equity" means, collectively, subject to dilution by the New Management Incentive Plan New Equity, 80% of the newly issued common stock of Reorganized WSI to be issued to the Plan Sponsor on the Effective Date.

1.94 "Plan Sponsorship Agreement" means the Plan Sponsorship Agreement, dated as of January 15, 2015, by and among the Debtors and the Plan Sponsor, which was assumed by the Debtors pursuant to the Plan Sponsorship Agreement Assumption Order.

1.95 "Plan Sponsorship Agreement Assumption Order" means the order approving the Debtors' assumption of the Plan Sponsorship Agreement entered by the Bankruptcy Court on February 5, 2015 [Docket No. 252].

1.96 "Plan Sponsor Term Sheet" means the Exclusivity and Work Fee Agreement dated January 9, 2015, by and among the Debtors and the Plan Sponsor, including all exhibits, appendices, and attachments thereto.

1.97 "Plan Supplement" means, collectively, the supplement(s) to the Plan, in form and substance reasonably satisfactory to the Plan Sponsor, containing, without limitation, (a) the Designated Contracts as well as the estimated Cure for each such Designated Contract, (b) the forms of the New Corporate Governance Documents, (c) the stockholders agreement of Reorganized WSI, (d) the identities of the members of the New Boards accompanied by any disclosures required by section 1129(a)(5) of the Bankruptcy Code in connection therewith, and (e) the commitment letter or term sheet for the Exit Facility, which supplements will be Filed by the Debtors with the Bankruptcy Court by April 15, 2015 or such later date as is both consented to by the Plan Sponsor and established by order of the Bankruptcy Court.

1.98 "Prepetition Credit Agreement Claim" means a Claim under or in connection with the Amended and Restated Credit Agreement, dated as of February 3, 2011, by and among Bank of America, N.A., the lenders party thereto, The Wet Seal, Inc., The Wet Seal Retail, Inc., Wet Seal Catalog, Inc., Wet Seal GC, LLC, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as amended, modified or supplemented prior to the Petition Date.

1.99 "Priority Tax Claim" means a Claim of a governmental unit of the kind specified in sections 502(i), 507(a)(8), or 1129(a)(9)(D) of the Bankruptcy Code.

1.100 "Professional" means any professional employed in these Chapter 11 Cases pursuant to sections 327, 328, or 1103 of the Bankruptcy Code.

1.101 "Professional Fee Claim" means a Claim of a Professional for compensation for services rendered or reimbursement of costs, expenses, or other charges incurred after the Petition Date and on or before the Effective Date.

1.102 "Proof of Claim" means a proof of claim, including, but not limited to, any Administrative Expense Request, Filed with the Bankruptcy Court in connection with the Chapter 11 Cases pursuant to section 501 of the Bankruptcy Code.

1.103 "Pro Rata" means, at any time, the proportion that the Face Amount of an Allowed Claim in a particular Class bears to the aggregate Face Amount of all Allowed Claims in such Class, unless the Plan provides otherwise.

1.104 "Reclamation Claim" means each Claim to the extent asserted against one or more of the Debtors pursuant to section 546(c) of the Bankruptcy Code and/or other applicable law.

1.105 "Reclamation Claimant" means a vendor or supplier of goods to one or more Debtors who has asserted a Reclamation Demand and/or a Reclamation Claim against one or more of the Debtors.

1.106 "Reclamation Demand" means a demand for reclamation of certain goods pursuant to section 546(c) of the Bankruptcy Code and/or other applicable law.

1.107 "Reinstated" or **"Reinstatement"** means (i) leaving unaltered the legal, equitable, and contractual rights to which a Claim or Interest entitles the Claim Holder or Interest Holder so as to leave such Claim or Interest unimpaired in accordance with section 1124 of the Bankruptcy Code; or (ii) notwithstanding any contractual provision or applicable law that entitles the Claim Holder or Interest Holder to demand or receive accelerated payment of such Claim or Interest after the occurrence of a default (a) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code; (b) reinstating the maturity of such Claim or Interest as such maturity existed before such default; (c) compensating the Claim Holder or Interest Holder for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; and (d) not otherwise altering the legal, equitable, or contractual rights to which such Claim or Interest entitles the Claim Holder or Interest Holder; provided, however, that any contractual right that does not pertain to the payment when due of principal and interest on the obligation on which such Claim or Interest is based, including, but not limited to, financial covenant ratios, negative pledge covenants, covenants or restrictions on merger or consolidation and affirmative covenants regarding corporate existence, prohibiting certain transactions or actions contemplated by the Plan, or conditioning such transactions or actions on certain factors, shall not be required to be reinstated in order to accomplish Reinstatement.

1.108 "Released Parties" means the (a) the Plan Sponsor and its present or former members, officers, managers, directors, employees, consultants, advisors, agents, and other representatives, including, without limitation, attorneys, accountants, and financial advisors, and their respective subsidiaries and affiliates, and the successors or assigns of the foregoing (solely in their respective capacities as successors and assigns of the foregoing), and (b) the directors and officers of the Debtors serving in such capacities at any time after the Petition Date and before the Effective Date.

1.109 "Releasing Parties" means (a) the Debtors, (b) the Reorganized Debtors, (c) the Estates, and any Entity seeking to exercise the rights of the Estates, including, without limitation, any successor to the Debtors or any Estate representative appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code, and (d) all Holders of Claims in Classes 5 or 6 that (i) vote to accept the Plan or (ii) do not otherwise vote to accept or reject the Plan and do not timely submit a Release Opt-Out indicating such Holder's decision to not participate in the releases set forth in Article 11.9 of the Plan.

1.110 "Release Opt-Out" means the item set forth in the Ballots, due by the Voting Deadline, pursuant to which Holders of Claims in Classes 5 or 6 that do not otherwise vote to accept or reject the Plan may opt out of the releases set forth in Article 11.9 of the Plan.

1.111 "Reorganized Debtor(s)" means, individually, any reorganized Debtor or its successor and, collectively, all reorganized Debtors or their successors, on or after the Effective Date.

1.112 "Reorganized WSI" means WSI or its successor on or after the Effective Date.

1.113 "Restructuring" means the restructuring of the Debtors' affairs on the terms and conditions set forth in the Plan, including, all of the transactions contemplated by the Plan.

1.114 "Schedules" means the schedules of assets and liabilities, and the statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code and the Bankruptcy Rules, as such schedules have been or may be further modified, amended or supplemented in accordance with Bankruptcy Rule 1009 or orders of the Bankruptcy Court.

1.115 "Secured Claim" means a Claim that is secured by a Lien which is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable state law, on property in which an Estate has an interest, or a Claim that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Holder's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined by a Final Order pursuant to section 506(a) of the Bankruptcy Code, or in the case of setoff, pursuant to section 553 of the Bankruptcy Code, or in either case as otherwise agreed upon in writing by the Holder of such Claim, the Debtors or the Reorganized Debtors, and the Plan Sponsor. The amount of any Claim that exceeds the value of the Holder's interest in the Estate's interest in property or the amount subject to setoff shall be treated as an Unsecured Claim.

1.116 "Secured Tax Claim" means a Claim of a governmental unit for the payment of a tax assessed against property of the Estate that is secured by a Lien on property of the Estate.

1.117 "Stockholders Agreement" means the stockholders agreement of Reorganized WSI included in the Plan Supplement.

1.118 "Solicitation Procedures Order" means the [Order (I) Approving Disclosure Statement, (II) Fixing Voting Record Date, (III) Scheduling Plan Confirmation Hearing and Approving Form and Manner of Related Notice and Objection Procedures, (IV) Approving Procedures and Deadlines Concerning Executory Contracts and Unexpired Leases, (V) Approving Solicitation Packages and Procedures and Deadlines for Soliciting, Receiving and Tabulating Votes on the Plan, and (VI) Approving the Forms of Ballots and Notices to Non-Voting Classes] [Docket No. _____].

1.119 "Stub Rent" means rent covering a period of a Debtor's postpetition tenancy for which payment became due prepetition.

1.120 "Subordinated 510(b) Claim" means any Claim subordinated pursuant to section 510(b) of the Bankruptcy Code, which shall include any Claim arising from the rescission of a purchase or sale of any Old Equity Interests, any Claim for damages arising from the purchase or sale of any Old Equity Interests, or any Claim for reimbursement, contribution or indemnification on account of any such Claim.

1.121 "Subordinated 510(c) Claim" means any Claim (i) subordinated pursuant to section 510(c) of the Bankruptcy Code or (ii) for punitive or exemplary damages or for a fine or penalty, to the extent permitted by applicable law.

1.122 "Subsidiary Debtor(s)" means, individually or collectively, The Wet Seal Retail, Inc., Wet Seal Catalog, Inc., and Wet Seal GC, LLC, which are wholly owned subsidiaries of WSI.

1.123 "Unimpaired" means, with respect to a Claim, Class, or Interest, a Claim, Class or Interest that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

1.124 "Unsecured Claim" means a Claim arising prior to the Petition Date against any of the Debtors that is neither a Secured Claim nor entitled to priority under section 507 of the Bankruptcy Code or any order of the Bankruptcy Court, which Claim may be a General Unsecured Claim, Convenience Claim, Subordinated 510(c) Claim or Subordinated 510(b) Claim.

1.125 "U.S. Trustee" means the Office of the United States Trustee for the District of Delaware.

1.126 "Voting Deadline" means _____, 2015 at 5:00 p.m. Eastern Time, the date and time by which all Ballots to accept or reject the Plan must be received in order to be counted, as set forth by and subject to the provisions of the Solicitation Procedures Order.

1.127 "WSI" means The Wet Seal, Inc.

1.128 "Workers Compensation Claim" means a Claim held by an employee of the Debtors for workers compensation coverage under the workers compensation program applicable in the particular state in which the employee is employed by the Debtors.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

2.1 Introduction

(a) All Claims and Interests, except DIP Facility Claims, L/C Facility Claims, Administrative Claims, and Priority Tax Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, DIP Facility Claims, L/C Facility Claims, Administrative Claims, and Priority Tax Claims have not been classified, and the respective treatment of such unclassified Claims is set forth below in Article 3.1 of the Plan.

(b) A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving Distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date.

2.2 Unclassified Claims (not entitled to vote on the Plan)

1. *DIP Facility Claims*
2. *L/C Facility Claims*
3. *Administrative Claims*
4. *Priority Tax Claims*

2.3 Unimpaired Classes of Claims and Interests (deemed to have accepted the Plan and, therefore, not entitled to vote on the Plan)

1. *Class 1: Prepetition Credit Agreement Claims*
2. *Class 2: Secured Tax Claims*
3. *Class 3: Other Secured Claims*
4. *Class 4: Non-Tax Priority Claims*

2.4 Impaired/Voting Classes of Claims

1. *Class 5: General Unsecured Claims*

2. *Class 6: Convenience Claims*

2.5 Impaired/Non-Voting Classes of Claims and Interests (deemed to have rejected the Plan and, therefore, not entitled to vote on the Plan)

1. *Class 7: Subordinated 510(c) Claims*

2. *Class 8: Subordinated 510(b) Claims*

3. *Class 9: Old Equity Interests*

ARTICLE III

TREATMENT OF CLAIMS AND INTERESTS

3.1 Unclassified Claims

(a) DIP Facility Claims

All DIP Facility Principal Claims shall be Allowed and, on the Effective Date, shall be converted, and by such conversion satisfied in full, into the Plan Sponsor New Equity.

All DIP Facility Non-Principal Claims shall be Allowed and, on or before the Effective Date, each Holder of an Allowed DIP Facility Non-Principal Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for such Allowed DIP Facility Non-Principal Claim, (i) Cash equal to the unpaid portion of such Allowed DIP Facility Non-Principal Claim or (ii) such other less favorable treatment as to which the Holder of an Allowed DIP Facility Non-Principal Claim, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing.

(b) L/C Facility Claims

All L/C Facility Claims shall be Allowed and, on or before the Effective Date, each Holder of an Allowed L/C Facility Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for such Allowed L/C Facility Claim, (i) Cash equal to the unpaid portion of such Allowed L/C Facility Claim in the amount required under the L/C Credit Agreement or (ii) such other less favorable treatment as to which the Holder of an Allowed L/C Facility Claim, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing.

(c) Administrative Claims

Except as otherwise provided for herein, and subject to the requirements of this Plan, on, or as soon as reasonably practicable after the later of (i) the Initial Distribution Date or (ii) thirty (30) days following the date on which an Administrative Claim becomes an Allowed Administrative Claim, the Holder of such Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Administrative Claim, (a) Cash equal to the unpaid portion of the Face Amount of such Allowed Administrative Claim or (b) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing; provided, however, that Allowed Administrative Claims with respect to liabilities incurred by a Debtor in the ordinary course of business during the Chapter 11 Cases (including, without limitation, the Plan Sponsor's reasonable fees and expenses and DIP Facility Non-Principal Claims) shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto; provided further, however, that,

in no event shall a postpetition obligation that is contingent or disputed and subject to liquidation through pending or prospective litigation, including, but not limited to, alleged obligations arising from personal injury, property damage, products liability, consumer complaints, employment law (excluding claims arising under workers' compensation law), secondary payor liability, or any other disputed legal or equitable claim based on tort, statute, contract, equity, or common law, be considered to be an obligation that is payable in the ordinary course of business.

(d) Priority Tax Claims

Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Initial Distribution Date, each Holder of an Allowed Priority Tax Claim shall be entitled to receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, as shall have been determined by the Debtors in their sole discretion, (i) on the Initial Distribution Date, Cash equal to the unpaid portion of such Allowed Priority Tax Claim, (ii) deferred Cash payments over a period not exceeding five (5) years after the Petition Date in an aggregate principal amount equal to the Face Amount of such Allowed Priority Tax Claim, plus interest on the unpaid portion thereof at the rate of interest determined under applicable nonbankruptcy law as of the calendar month in which the plan is confirmed, or (iii) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing. If and to the extent the aggregate amount of Allowed Priority Tax Claims exceeds amounts initially deposited in an applicable reserve for the payment of such Claims, Allowed Priority Tax Claims will be paid from the assets of the applicable Reorganized Debtor.

3.2 Unimpaired Classes of Claims and Interests

(a) Class 1: Prepetition Credit Agreement Claims

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) the Distribution Date immediately following the date on which a Prepetition Credit Agreement Claim becomes an Allowed Prepetition Credit Agreement Claim, the Holder of such Allowed Prepetition Credit Agreement Claim shall receive at the election of the Reorganized Debtors, in full satisfaction, settlement, release and discharge of and in exchange for, such Allowed Prepetition Credit Agreement Claim, (i) Cash equal to the value of its Allowed Prepetition Credit Agreement Claim, (ii) the return of the Holder's Collateral securing the Prepetition Credit Agreement Claim, (iii) its Prepetition Credit Agreement Claim Reinstated pursuant to sections 1124(1) or 1124(2) of the Bankruptcy Code, or (iv) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing. Subject to the L/C Facility Orders and the DIP Facility Orders, including the provisions of each relating to the subordination and release, and priorities, of Liens, any Holder of a Prepetition Credit Agreement Claim shall retain its Lien in the Collateral or the proceeds of the Collateral (to the extent that such Collateral is sold by the Debtors free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Petition Date until such time as (A) the Holder of such Prepetition Credit Agreement Claim (i) has been paid Cash equal to the value of its Allowed Prepetition Credit Agreement Claim, (ii) has received a return of the Collateral securing the Prepetition Credit Agreement Claim, (iii) has its Prepetition Credit Agreement Claim Reinstated pursuant to sections 1124(1) or 1124(2) of the Bankruptcy Code, or (iv) has been afforded such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing; or (B) such purported Lien has been determined by an order of the Bankruptcy Court to be invalid or otherwise avoidable. Class 1 is Unimpaired and therefore Holders of Prepetition Credit Agreement Claims are conclusively presumed to have accepted the Plan.

(b) Class 2: Secured Tax Claims

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) the Distribution Date immediately following the date on which a Secured Tax Claim becomes an Allowed Secured Tax Claim, the Holder of such Allowed Secured Tax Claim shall receive at the election of the Reorganized Debtors, in full satisfaction, settlement, release and discharge of and in exchange for, such

Allowed Secured Tax Claim, (i) Cash equal to the value of its Allowed Secured Tax Claim, (ii) the return of the Holder's Collateral securing the Secured Tax Claim or (iii) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing. Any Holder of a Secured Tax Claim shall retain its Lien in the Collateral or the proceeds of the Collateral (to the extent that such Collateral is sold by the Debtors free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Petition Date until such time as (A) the Holder of such Secured Tax Claim (i) has been paid Cash equal to the value of its Allowed Secured Tax Claim, (ii) has received a return of the Collateral securing the Secured Tax Claim or (iii) has been afforded such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing; or (B) such purported Lien has been determined by an order of the Bankruptcy Court to be invalid or otherwise avoidable. To the extent that a Secured Tax Claim exceeds the value of the interest of the Estate in the property that secures the Claim, such Claim shall be deemed Disallowed pursuant to section 502(b)(3) of the Bankruptcy Code. Class 2 is Unimpaired and therefore Holders of Secured Tax Claims are conclusively presumed to have accepted the Plan.

(c) Class 3: Other Secured Claims

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date or (b) the Distribution Date immediately following the date on which an Other Secured Claim becomes an Allowed Other Secured Claim, the Holder of such Allowed Other Secured Claim shall receive at the election of the Reorganized Debtors, in full satisfaction, settlement, release and discharge of and in exchange for, such Allowed Other Secured Claim, (i) Cash equal to the value of its Allowed Other Secured Claim, (ii) the return of the Holder's Collateral securing the Other Secured Claim, (iii) its Other Secured Claim Reinstated pursuant to sections 1124(1) or 1124(2) of the Bankruptcy Code, or (iv) such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing. Any Holder of an Other Secured Claim shall retain its Lien in the Collateral or the proceeds of the Collateral (to the extent that such Collateral is sold by the Debtors free and clear of such Lien) to the same extent and with the same priority as such Lien held as of the Petition Date until such time as (A) the Holder of such Other Secured Claim (i) has been paid Cash equal to the value of its Allowed Other Secured Claim, (ii) has received a return of the Collateral securing the Other Secured Claim, (iii) has its Other Secured Claim Reinstated pursuant to sections 1124(1) or 1124(2) of the Bankruptcy Code, or (iv) has been afforded such other less favorable treatment as to which such Holder, the Debtors or Reorganized Debtors, and the Plan Sponsor shall have agreed upon in writing; or (B) such purported Lien has been determined by an order of the Bankruptcy Court to be invalid or otherwise avoidable. Class 3 is Unimpaired and therefore Holders of Other Secured Claims are conclusively presumed to have accepted the Plan.

(d) Class 4: Non-Tax Priority Claims

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date, (b) the Distribution Date immediately following the date on which an Allowed Non-Tax Priority Claim becomes payable pursuant to any agreement between the Reorganized Debtors and the Holder of such Non-Tax Priority Claim or (c) the date on which an Allowed Non-Tax Priority Claim becomes payable pursuant to and as specified by a court order, the Holder of such Allowed Non-Tax Priority Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Non-Tax Priority Claim, either (i) Cash equal to the unpaid portion of the Face Amount of such Allowed Non-Tax Priority Claim or (ii) such other less favorable treatment as to which such Holder, the Debtor or Reorganized Debtor, and the Plan Sponsor shall have agreed upon in writing. Class 4 is Unimpaired and therefore Holders of Non-Tax Priority Claims are conclusively presumed to have accepted the Plan.

3.3 Impaired/Voting Classes of Claims[2]

(a) Class 5: General Unsecured Claims

On, or as soon as reasonably practicable after, the later of (a) the Initial Distribution Date, (b) the Distribution Date immediately following the date on which an Allowed General Unsecured Claim becomes payable pursuant to any agreement between the Reorganized Debtors and the Holder of such General Unsecured Claim, or (c) the date on which an Allowed General Unsecured Claim becomes payable pursuant to and as specified by a court order, the Holder of such Allowed General Unsecured Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed General Unsecured Claim, its Pro Rata share of the Non-Plan Sponsor New Equity based on the unpaid portion of the Face Amount of such Allowed General Unsecured Claim as a percentage of the Debtors' estimate of the aggregate of the Face Amounts of all Allowed General Unsecured Claims (with any future issuances of Non-Plan Sponsor New Equity to be made consistent with the actual aggregate of the Face Amounts of all Allowed General Unsecured Claims when such aggregate amount is determined), unless the Holder of such Allowed General Unsecured Claim (i) makes the Cash Payment Election or (ii) agrees in writing with the Debtor or the Reorganized Debtor, and with the Plan Sponsor, to accept some less favorable treatment of its Allowed General Unsecured Claim.

If the Holder of an Allowed General Unsecured Claim makes the Cash Payment Election, such Holder shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed General Unsecured Claim, a Cash payment equal to [5]% of such Allowed General Unsecured Claim. Such Cash payments shall be funded by Cash on hand, and, to the extent necessary, borrowing under the Exit Facility, as more fully described in Article 5.4.

If the Holder of an Allowed General Unsecured Claim agrees in writing with the Debtor or the Reorganized Debtor, and with the Plan Sponsor, to accept some less favorable treatment of its Allowed General Unsecured Claim, such Holder's Allowed General Unsecured Claim shall be satisfied, settled, released, and discharged in accordance with the terms of such writing.

Class 5 is Impaired and therefore Holders of General Unsecured Claims are entitled to vote on the Plan.

(b) Class 6: Convenience Claims

On the Effective Date (or as soon thereafter as is practicable), each Holder of an Allowed Convenience Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Convenience Claim, cash equal to [5]% of the allowed amount of such Convenience Claim.

Class 6 is Impaired and therefore Holders of Convenience Claims are entitled to vote on the Plan.

3.4 Impaired/Non-Voting Classes of Claims and Interests

(a) Class 7: Subordinated 510(c) Claims

On the Effective Date, Holders of Subordinated 510(c) Claims shall not be entitled to, and shall not receive or retain any property or interest in property under the Plan on account of such Subordinated 510(c) Claims. Class 7 is deemed to have rejected the Plan and therefore Holders of Subordinated 510(c) Claims are not entitled to vote on the Plan.

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[2] The treatment of Class 5 and of Class 6 remains under negotiation with the Creditors Committee and the Plan Sponsor.

(b) Class 8: Subordinated 510(b) Claims

On the Effective Date, Holders of Subordinated 510(b) Claims shall not be entitled to, and shall not receive or retain any property or interest in property under the Plan on account of such Subordinated 510(b) Claims. Class 8 is deemed to have rejected the Plan and therefore Holders of Subordinated 510(b) Claims are not entitled to vote on the Plan.

(c) Class 9: Old Equity Interests

As of the Effective Date, all Old Equity Interests of any kind shall be deemed void, cancelled, and of no further force and effect and the Holders thereof shall not receive or retain any property or interest in property under the Plan on account of such Interests. Class 9 is deemed to have rejected the Plan and therefore Holders of Old Equity Interests are not entitled to vote on the Plan. For the avoidance of doubt, the Interests in each of the Subsidiary Debtors shall be Reinstated and shall continue to be held by Reorganized WSI following the Effective Date.

3.5 Special Provisions Regarding Insured Claims

(a) Distributions under the Plan to each holder of an Insured Claim shall be in accordance with the treatment provided under the Plan for General Unsecured Claims or, Convenience Claims, as applicable. Any Allowed General Unsecured Claim with respect to an Insured Claim shall be limited to the amount by which the Allowed Insured Claim exceeds the total coverage available under the Debtors' applicable insurance policies.

(b) If there is insurance, any party with rights against or under the applicable insurance policy, including, without limitation, the Reorganized Debtors and Holders of Insured Claims, may pursue such rights.

(c) Nothing in this section shall constitute a waiver of any Litigation Rights the Debtors may hold against any Entity, including the Debtors' insurance carriers; and nothing in this section is intended to, shall, or shall be deemed to preclude any Holder of an Allowed Insured Claim from seeking and/or obtaining a distribution or other recovery from any insurer of the Debtors in addition to (but not in duplication of) any Distribution such Holder may receive under the Plan; provided, however, that the Debtors do not waive, and expressly reserve their rights to assert that any insurance coverage is property of the Estates to which they are entitled.

(d) The Plan shall not expand the scope of, or alter in any other way, the rights and obligations of the Debtors' insurers under their policies, and the Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtors, the existence, primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall not operate as a waiver of any other Claims the Debtors' insurers have asserted or may assert in any Proof of Claim or the Debtors' rights and defenses to such Proofs of Claim.

3.6 Reclamation Claims

To the extent that Reclamation Claimants seek to assert that their Reclamation Claims are Secured Claims under the Bankruptcy Code, the Debtors assert that the Reclamation Claims are not entitled to such treatment because (i) the Reclamation Claimants' reclamation rights did not satisfy section 546(c) of the Bankruptcy Code and other applicable nonbankruptcy law, and (ii) as a result of the amendments to the Bankruptcy Code in 2005, section 546(c) of the Bankruptcy Code no longer provides that a reclamation claim is entitled to administrative expense priority under section 503(b) of the Bankruptcy Code. Accordingly, each Reclamation Claimant shall be considered to be a Holder of an Unsecured Claim with respect to the value of the goods sold and delivered to the Debtors by such Reclamation Claimant.

3.7 Reservation of Rights Regarding Claims

Except as otherwise explicitly provided in the Plan, nothing shall affect the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Claims, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment.

ARTICLE IV

ACCEPTANCE OR REJECTION OF THE PLAN

4.1 Impaired Classes of Claims Entitled to Vote

Holders of Claims in each Impaired Class of Claims are entitled to vote as a Class to accept or reject the Plan, other than Classes that are deemed to reject the Plan as provided in Article 4.4 of the Plan. Accordingly, only the votes of Holders of Claims in Class 5 and Class 6 shall be solicited with respect to the Plan.

4.2 Acceptance by an Impaired Class

In accordance with section 1126(c) of the Bankruptcy Code, and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if the Plan is accepted by the Holders of at least two-thirds (⅔) in dollar amount and more than one-half (½) in number of the Allowed Claims in such Class that have timely and properly voted to accept or reject the Plan.

4.3 Presumed Acceptances by Unimpaired Classes

Class 1, Class 2, Class 3, and Class 4 are Unimpaired under the Plan. Under section 1126(f) of the Bankruptcy Code, Holders of such Unimpaired Claims are conclusively presumed to have accepted the Plan, and the votes of such Unimpaired Claim Holders shall not be solicited.

4.4 Impaired Claims Classes Deemed to Reject Plan

Holders of Claims and Interests in Class 7, Class 8, and Class 9 are not entitled to receive or retain any property or interests in property under the Plan. Under section 1126(g) of the Bankruptcy Code, such Holders are deemed to have rejected the Plan, and the votes of such Holders shall not be solicited.

4.5 Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code

To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors shall request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke, or withdraw the Plan, the Plan Supplement, or any schedule or exhibit, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary, subject to the written approval of the Plan Sponsor.

4.6 Elimination of Vacant Classes

Any Class of Claims or Interests that does not contain, as of the date of the commencement of the Confirmation Hearing, a Holder of an Allowed Claim or Interest, or a Holder of a Claim temporarily allowed under Bankruptcy Rule 3018, shall be deemed deleted from the Plan for purposes of determining acceptance of the Plan by such Class under section 1129(a)(8) of the Bankruptcy Code.

ARTICLE V

MEANS FOR IMPLEMENTATION OF THE PLAN

5.1 Plan Funding

Cash payments under the Plan shall be funded by Cash on hand, and, to the extent necessary, borrowing under the Exit Facility, as more fully described in Article 5.4.

5.2 Continued Corporate Existence

Subject to the provisions of Article 5.13 below, the Debtors shall continue to exist as the Reorganized Debtors after the Effective Date as separate legal entities, in accordance with the applicable laws in the respective jurisdictions in which they are incorporated or otherwise organized, and pursuant to the New Corporate Governance Documents of the Reorganized Debtors.

5.3 Corporate Governance Documents

The New Corporate Governance Documents shall be substantially in the forms of such documents included in the Plan Supplement and otherwise in form and substance acceptable to the Plan Sponsor in its reasonable discretion. The corporate governance documents of each Reorganized Debtor shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code and shall include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities, but only to the extent required by section 1123(a)(6) of the Bankruptcy Code.

5.4 New Financing

On the Effective Date, the Exit Facility, together with any new promissory notes and guarantees evidencing the obligations of the Reorganized Debtors thereunder, and all other documents, instruments, mortgages, and agreements to be entered into, delivered, or confirmed thereunder on the Effective Date, shall become effective. The Exit Facility shall be in an amount and on terms and conditions reasonably acceptable to the Plan Sponsor, which terms and conditions shall be consistent with the commitment letter or term sheet included in the Plan Supplement, and may include revolving credit, term credit, and/or letters of credit. The Exit Facility shall be used by the Reorganized Debtors to support payments required to be made under the Plan, pay transaction costs, and fund working capital and general corporate purposes of the Reorganized Debtors on and after the Effective Date, in each case only to the extent necessary. The obligations incurred by the Reorganized Debtors pursuant to the Exit Facility and related documents shall be paid as set forth in the Exit Facility and related documents. To the extent that any commitment fee accrues under the Exit Facility, it shall be paid by the Reorganized Debtors (or reimbursed by the Reorganized Debtors to the extent previously paid by the Plan Sponsor in the event that the Plan Sponsor decides in its sole and absolute discretion to advance all or any portion of such commitment fee).

5.5 Cancellation of Old Equity Interests and Agreements

Except as otherwise provided for herein, or in any contract, instrument or other agreement or document created, executed, or contemplated in connection with the Plan, on the Effective Date and concurrently with the applicable Distributions made pursuant to ARTICLE III hereof, the Old Equity Interests and any other promissory notes, share certificates, whether for preferred or common stock (including treasury stock), other instruments evidencing any Claims or Interests, other than a Claim that is being Reinstated and rendered unimpaired, and all options, warrants, calls, rights, puts, awards, commitments or any other agreements of any character to acquire such Interests shall be deemed canceled and of no further force and effect, without any further act or action under any applicable agreement, law, regulation, order or rule, and the obligations of the Debtors under the notes, share certificates and other agreements and instruments governing

such Claims and Interests shall be discharged. The holders of or parties to such canceled notes, share certificates, and other agreements and instruments shall have no rights arising from or relating to such notes, share certificates and other agreements and instruments or the cancellation thereof, except the rights provided pursuant to the Plan. As indicated above, the Old Subsidiary Equity Interests in each of the Subsidiary Debtors shall be Reinstated and shall continue to be held by Reorganized WSI following the Effective Date.

5.6 Authorization and Issuance of New Equity

(a) On the Effective Date or such later date as is provided in the Plan, equity in the Reorganized WSI will be distributed as follows, subject to dilution by the New Management Incentive Plan New Equity:

(i) the Plan Sponsor will purchase and receive the Plan Sponsor New Equity in consideration for $25,000,000 of value in the form of (A) conversion of the DIP Facility Principal Claims and (B) cash; and

(ii) in full satisfaction of Allowed General Unsecured Claims, the Non-Plan Sponsor New Equity will be issued to Holders of Allowed General Unsecured Claims that (A) have not made the Cash Payment Election and (B) have not agreed in writing with the Debtor or the Reorganized Debtor and with the Plan Sponsor to accept some less favorable treatment of their respective Allowed General Unsecured Claims than receipt of their respective Pro Rata shares of Non-Plan Sponsor New Equity; provided, however, that with respect to a Disputed Claim, any Non-Plan Sponsor New Equity that may be issued in the future if such Disputed Claim becomes Allowed shall not be issued unless and until such Disputed Claim becomes Allowed.

(b) The New Equity that would have been issued to a Holder of an Allowed General Unsecured Claim that makes the Cash Payment Election shall instead remain unissued.

(c) Reorganized WSI shall issue and deliver the Plan Sponsor New Equity to the Plan Sponsor or the Plan Sponsor's designee or in the manner as the Plan Sponsor may otherwise instruct.

(d) On or after the Effective Date, Reorganized WSI and the Plan Sponsor shall execute and deliver the Stockholders Agreement.

(e) As of the Effective Date, the issuance of the New Equity pursuant to distributions under the Plan shall be authorized without registration under the United States Securities Act of 1933, as amended, or any similar federal, state, or local law in reliance upon the exemptions set forth in section 1145 of the Bankruptcy Code and/or other applicable exemptions, without further act or action by any Entity, except as may be required by the New Corporate Governance Documents, or by applicable law, regulation, order, or rule; all documents evidencing same shall be executed and delivered as provided for in the Plan or the Plan Supplement.

(f) The New Equity will be freely tradable, subject to any applicable restrictions of the federal and state securities laws and subject to the Stockholders Agreement. All of the New Equity issued pursuant to the Plan shall be duly authorized, validly issued, and, if applicable, fully paid and non-assessable. Each distribution and issuance referred to in ARTICLE VII shall be governed by the terms and conditions set forth herein applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

(g) In connection with the distribution of New Management Incentive Plan New Equity, the Reorganized Debtors may take whatever actions are necessary to comply with applicable federal, state, local, and international tax withholding obligations and other applicable requirements.

5.7 New Management Incentive Plan; Further Participation in Incentive Plans

(a) On or after the Effective Date, the New Board of Reorganized WSI will implement the New Management Incentive Plan. The New Board of Reorganized WSI, in its sole and absolute discretion, shall determine the terms of the New Management Incentive Plan, including, without limitation, participation eligibility requirements and award amounts.

(b) Any and all pre-existing understandings, either oral or written, between the Debtors and any current or former director, officer, or employee as to any entitlement to participate in any pre-existing equity or other incentive plan of any kind shall be null and void as of the Effective Date and shall not be binding on the Reorganized Debtors with respect to the New Management Incentive Plan or any other incentive plan that might be implemented after the Effective Date.

5.8 Waiver of Certain Avoidance Actions Against Participating Vendors

Upon execution of a Participating Vendor Agreement with the Debtors or the Reorganized Debtors no later than thirty (30) days following the Confirmation Date (unless extended to a later date by the Reorganized Debtors), the applicable Participating Vendor shall receive a waiver and release of any and all claims and causes of action against such Participating Vendor arising under section 547 of the Bankruptcy Code. The Participating Vendor Agreements must be in form and substance reasonably acceptable to the Plan Sponsor.

5.9 Directors of Reorganized Debtors

On the Effective Date, each member of the existing board of directors or each manager, as applicable, of the Debtors shall be deemed to have resigned. The Plan Sponsor will designate the numbers of members of the New Boards. At a minimum, the New Board of Reorganized WSI shall consist of five (5) members: (a) the Chief Executive Officer of the Reorganized Debtors, (b) one (1) member to be nominated by the Creditors Committee, subject to the consent of the Plan Sponsor (such consent not to be unreasonably withheld, conditioned, or delayed), and (c) three (3) additional members to be selected by the Plan Sponsor. If the Creditors Committee fails to nominate a member to the New Board of Reorganized WSI by April 15, 2015, the Plan Sponsor shall be permitted to appoint an additional member to the New Board of Reorganized WSI in lieu of the Creditors Committee's nominee. The members of the New Boards will be identified in the Plan Supplement, accompanied by any disclosures required by section 1129(a)(5) of the Bankruptcy Code in connection therewith. The members of the New Boards shall serve from the Effective Date until any successors are duly elected or qualified or until earlier removed or replaced in accordance with the New Corporate Governance Documents.

5.10 Officers of Reorganized Debtors

Except as set forth in a schedule that the Plan Sponsor, in its sole discretion, may provide to the Debtors prior to the Confirmation Date, the existing senior officers of the Debtors in office immediately prior to the Effective Date shall serve initially in the same capacities upon and after the Effective Date for the Reorganized Debtors unless and until replaced or removed in accordance with the New Corporate Governance Documents.

Subject to the Reorganized Debtors' contractual agreements and obligations entered into and arising on and after the Effective Date and applicable non-bankruptcy law based upon facts and circumstances arising on and after the Effective Date, no director, officer, employee, consultant, or agent of the Debtors is entitled to continued employment or engagement, and, if employed, each is an at-will employee and is not entitled to any severance, termination, or other payment in connection with a termination of services.

5.11 Indemnification of Debtors' Directors, Managers, Officers, and Employees

(a) Upon the Effective Date, the corporate governance documents of the Reorganized Debtors shall contain provisions which (i) eliminate the personal liability of the Reorganized Debtors' then present and future managers, directors and officers for post-emergence monetary damages resulting from breaches of their fiduciary duties on or after the Effective Date to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized; and (ii) require such Reorganized Debtor, subject to appropriate procedures, to indemnify the Reorganized Debtors' managers, directors, officers, and other key employees (as such key employees are identified by the Chief Executive Officer of the Reorganized Debtors and the New Boards) serving on or after the Effective Date for all claims and actions relating to postpetition service to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized.

(b) Upon and after the Effective Date, and for two (2) years thereafter, the Reorganized Debtors shall, to the maximum extent available without additional cost, continue to maintain director and officer insurance coverage for those Persons covered by any such policies in effect during the pendency of the Chapter 11 Cases, insuring such Persons in respect of any claims, demands, suits, causes of action, or proceedings against such Persons based upon any act or omission related to such Person's service with, for, or on behalf of the Debtors (whether occurring before or after the Petition Date). Such policy shall be fully paid and noncancellable.

(c) On or as of the Effective Date, each Reorganized Debtor may enter into separate written agreements providing for the indemnification of each Person who is a director, officer, or key employee (as such key employees are identified by the Chief Executive Officer and the New Boards) of such Reorganized Debtor as of the Effective Date to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized.

5.12 Vesting of Assets; Release of Liens

Except as otherwise provided herein, the property of each Debtor's Estate (including Litigation Rights and Avoidance Actions), together with any property of each Debtor that is not property of its Estate and that is not specifically disposed of pursuant to the Plan, shall vest in the applicable Reorganized Debtor on the Effective Date. Thereafter, each Reorganized Debtor may operate its business and may use, acquire, and dispose of such property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. As of the Effective Date, all such property of each Reorganized Debtor shall be free and clear of all Liens, Claims, and Interests, except as specifically provided in the Plan or the Confirmation Order or as contemplated in connection with the Exit Facility, and the Reorganized Debtors shall receive the benefit of any and all discharges under the Plan.

5.13 Restructuring Transactions

On, as of, or after the Effective Date, each of the Reorganized Debtors may enter into such transactions and may take such actions as may be necessary or appropriate, in accordance with any applicable state law, to effect a corporate or operational restructuring of their respective businesses, to otherwise simplify the overall corporate or operational structure of the Reorganized Debtors, to achieve corporate or operational efficiencies, or to otherwise improve financial results; provided that such transactions or actions are not otherwise inconsistent with the Plan, the Distributions to be made under the Plan, the New Corporate Governance Documents, or the Exit Facility. Such transactions or actions may include any mergers, consolidations, restructurings, dispositions, liquidations, closures, or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate.

5.14 Preservation and Pursuit of Litigation Rights and Avoidance Actions; Resulting Claim Treatment

(a) Except (i) as otherwise provided in the Plan or the Confirmation Order, (ii) as otherwise provided in any contract, instrument, release, indenture, or other agreement created, executed, or contemplated in connection with the Plan, and (iii) as to claims and causes of action against Participating Vendors arising under section 547 of the Bankruptcy Code as described in Article 5.8 herein, and in accordance with section 1123(b) of the Bankruptcy Code, on the Effective Date, the Reorganized Debtors shall retain all of the Litigation Rights and Avoidance Actions that the Debtors held against any Entity. Each Reorganized Debtor shall retain and may enforce, sue on, settle, or compromise all such Litigation Rights and Avoidance Actions, or may decline to do any of the foregoing with respect to any such Litigation Rights and Avoidance Actions. Each Reorganized Debtor or their respective successor(s) may pursue such retained Litigation Rights and Avoidance Actions as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) who hold such rights and retain such actions in accordance with applicable law and consistent with the terms of the Plan.

(b) If, as a result of the pursuit of any Litigation Rights or Avoidance Actions, a Claim under section 502(h) of the Bankruptcy Code arises, the Reorganized Debtors shall be permitted to reduce by way of setoff their recovery on account of such Litigation Rights or Avoidance Actions by an amount equal to the Distribution that otherwise would have been made to the Holder of such Claim.

5.15 Effectuating Documents; Further Transactions

The Chief Executive Officer, the Chief Financial Officer, or any other appropriate officer of the Reorganized Debtors, as the case may be, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Secretary or Assistant Secretary of any Reorganized Debtor, as the case may be, shall be authorized to certify or attest to any of the foregoing actions.

5.16 Exemption From Certain Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of a security, or the making or delivery of an instrument of transfer from a Debtor to a Reorganized Debtor or any other Entity pursuant to this Plan, including, without limitation, the granting or recording of any Lien or mortgage on any property under the Exit Facility, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

5.17 Corporate Action

On the Effective Date, the New Corporate Governance Documents shall be effective, and the appointment of directors, officers, and/or managers of the Reorganized Debtors, and all actions contemplated hereby shall be authorized and approved in all respects pursuant to the Plan. All matters provided for herein involving the corporate structure of the Debtors or Reorganized Debtors, and any corporate action required by the Debtors or Reorganized Debtors in connection with the Plan, shall be deemed to have occurred and shall be in effect as of the Effective Date, without any requirement of further action by the directors, officers and/or managers of the Debtors or Reorganized Debtors. On the Effective Date, the appropriate officers or managers of the Reorganized Debtors are authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan in the name of and on behalf of the

Reorganized Debtors without the need for any required approvals, authorizations, or consents, except for any express consents required under the Plan.

5.18 Reorganized Debtors' Obligations Under the Plan

From and after the Effective Date, each of the Reorganized Debtors shall exercise its reasonable discretion and business judgment to perform the corresponding obligations under the Plan of its predecessor or predecessor in interest. The Plan will be administered and actions will be taken in the name of the Debtors and the Reorganized Debtors. From and after the Effective Date, the Reorganized Debtors shall conduct, among other things, the following tasks:

(a) administer the Plan and take all steps and execute all instruments and documents necessary to effectuate the Plan;

(b) pursue (including, as it determines through the exercise of its business judgment, prosecuting, enforcing, objecting to, litigating, reconciling, settling, abandoning, and resolving) all of the rights, claims, causes of action, defenses, and counterclaims retained by the Reorganized Debtors, including, without limitation, the Litigation Rights and the Avoidance Actions;

(c) reconcile Claims and resolve Disputed Claims, and administer the Claims allowance and disallowance processes as set forth in the Plan, including objecting to, prosecuting, litigating, reconciling, settling, and resolving Claims and Disputed Claims in accordance with the Plan;

(d) make decisions regarding the retention, engagement, payment, and replacement of professionals, employees and consultants;

(e) administer the Distributions under the Plan, including (i) making Distributions in accordance with the terms of the Plan, and (ii) filing with the Bankruptcy Court on each six (6)-month anniversary of the Effective Date reports regarding the Distributions made and to be made to the Holders of Allowed Claims;

(f) exercise such other powers as necessary or prudent to carry out the provisions of the Plan;

(g) file appropriate tax returns;

(h) reimburse the Plan Sponsor for actual costs incurred in connection with the Plan and confirmation thereof (including, without limitation, fees and costs paid related to the Exit Facility) as provided for herein; and

(i) take such other action as may be necessary or appropriate to effectuate the Plan.

5.19 Operations Between Confirmation Date and Effective Date

The Debtors shall continue to operate as debtors in possession during the period from the Confirmation Date through and until the Effective Date in the ordinary course of business. The Plan Sponsor shall be entitled, upon and after the Confirmation Date, to appoint an observer to be officed at the Reorganized Debtors' headquarters, who shall have full rights to participate in all management and board-of-directors meetings, and who shall have full access to the books and records of the Debtors. After the Confirmation Date, no actions outside of the ordinary course shall be approved or taken by the Debtors without the prior express written consent of the Plan Sponsor.

5.20 Transactions on Business Days

If the date on which a transaction may occur under this Plan shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day.

5.21 Consent of Plan Sponsor

Notwithstanding anything to the contrary herein, where the Plan provides for a power or waiver or election by the Debtor or the Reorganized Debtor (including, without limitation, where Claims are subject to alternative treatments or modifications to the Plan permitted), such waiver or election shall be subject to the prior written consent of the Plan Sponsor.

5.22 Intercompany Claims

On the Effective Date, at the option of the Plan Sponsor for the purpose of effecting the Plan, the Intercompany Claims shall be (a) Reinstated, in full or in part, (b) resolved through set-off, distribution or contribution, in full or in part, or (c) cancelled and discharged in full or in part, in which case such cancelled, discharged and satisfied portion shall be eliminated and the Holders thereof shall not be entitled to, and shall not receive or retain, any property or interest in property on account of such portion under the Plan.

ARTICLE VI

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6.1 Assumption and Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided in the Plan, as of the Effective Date, each Debtor shall be deemed to have rejected each prepetition executory contract and unexpired lease to which it is a party unless such executory contract or unexpired lease is a Designated Contract. The Confirmation Order shall constitute an order of the Bankruptcy Court under section 365(a) of the Bankruptcy Code approving the assumption or assumption and assignment of prepetition executory contracts and unexpired leases, including the Designated Contracts, as of the Effective Date or such later date as the Reorganized Debtors, the Plan Sponsor, and an objecting counterparty may fix and agree and the Bankruptcy Court approves.

At any time before the effective date of assumption of a Designation Contract (including, without limitation, after the Effective Date with respect to any Designated Contract that is subject to an Assumption Objection that remains unresolved as of the Effective Date), the Debtors or the Reorganized Debtors may withdraw or modify the designation of a Designation Contract for assumption, in each instance as directed by the Plan Sponsor (in the Plan Sponsor's sole and absolute discretion) in a notice via e-mail from the Plan Sponsor to the Debtors or the Reorganized Debtors and their counsel. The Debtors shall promptly provide notice of rejection of the applicable executory contract or unexpired lease to each counterparty to such executory contract or unexpired lease, which rejection shall be effective immediately upon delivery of a rejection notice to such counterparties. For the avoidance of doubt, any Designated Contract that is subject to an Assumption Objection that remains unresolved as of the Effective Date shall not be deemed assumed as of the Effective Date and, if not designated for rejection by the Plan Sponsor, shall be assumed effective as of the time identified in a written stipulation executed by the Reorganized Debtors, the Plan Sponsor, and the applicable counterparties. Notwithstanding anything to the contrary in this Plan, on and after the Effective Date, the Reorganized Debtor and the Plan Sponsor may resolve any pending Assumption Objections by a written stipulation Filed with the Bankruptcy Court (if such resolution occurs after the Chapter 11 Cases have closed, such written stipulation shall be effective upon signing and without having to be Filed with the Bankruptcy Court), without any need for further Court approval of such stipulation or otherwise.

In the event that the Debtors, the Plan Sponsor, and any objecting counterparty cannot resolve an Assumption Objection prior to the Confirmation Hearing, the Assumption Objection will be heard during the Confirmation Hearing or at such later date as the Debtors, the Plan Sponsor, and the objecting counterparty may fix and agree and the Bankruptcy Court approves. In the event that any outstanding Assumption Objection remains unresolved following the Confirmation Hearing, the Plan Sponsor may (as noted above), in its sole and absolute discretion, at any time prior to entry of an order by the Bankruptcy Court authorizing the assumption of such Designated Contract, direct the Debtors to reject the Designated Contract that is the subject of such unresolved Assumption Objection.

Notwithstanding anything to the contrary herein, the Debtors and the Reorganized Debtors reserve the right to assert that any license, franchise, or partially performed contract is a property right and not an executory contract.

In the event of any dispute regarding any executory contract or unexpired lease, including, without limitation, as to whether a contract or lease is executory or unexpired or with respect to Cure or any other matter relating to assumption, the right of the Debtors or the Reorganized Debtors to assume or reject such contract or lease shall be extended until the date that is thirty (30) days after entry of a Final Order by the Bankruptcy Court resolving such dispute.

6.2 Assignment of Executory Contracts and Unexpired Leases

To the extent provided under the Bankruptcy Code or other applicable law, any executory contract or unexpired lease transferred and assigned pursuant to this Plan shall remain in full force and effect for the benefit of the transferee or assignee in accordance with its terms, notwithstanding any provision in such executory contract or unexpired lease (including those of the type described in section 365(b)(2) of the Bankruptcy Code) that prohibits, restricts or conditions such transfer or assignment. To the extent provided under the Bankruptcy Code or other applicable law, any provision that prohibits, restricts or conditions the assignment or transfer of any such executory contract or unexpired lease or that terminates or modifies such executory contract or unexpired lease or allows the counterparty to such executory contract or unexpired lease to terminate, modify, recapture, impose any penalty, condition renewal or extension or modify any term or condition upon any such transfer and assignment constitutes an unenforceable anti-assignment provision and is void and of no force or effect.

6.3 Cure Rights for Designated Contracts Assumed Under Plan

Any monetary amounts by which each executory contract and unexpired lease to be assumed pursuant to the Plan is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by Cure. If a Designated Contract is subject to an Assumption Objection, Cure shall occur following the entry of a Final Order by the Bankruptcy Court resolving the dispute and approving the assumption; provided, however, that the Plan Sponsor may, in its sole and absolute discretion, withdraw or modify its designation of a Designation Contract for assumption as set forth in Article 6.1. A list of Cure amounts is included in the Plan Supplement. If no Cure amount for a Designated Contract is listed therein, the Cure amount shall be deemed to be $0.

6.4 Rejection Damages Bar Date for Rejections Pursuant to Plan

If the rejection of an executory contract or unexpired lease pursuant to the Plan results in a Claim, then such Claim shall be forever barred and shall not be enforceable against any Reorganized Debtor or the properties of any of them unless a Proof of Claim is Filed and served upon counsel to the Reorganized Debtors within thirty (30) days after entry of the Confirmation Order. The foregoing applies only to Claims arising from the rejection of an executory contract or unexpired lease; any other Claims held by a party to a rejected executory contract or unexpired lease shall have been evidenced by a Proof of Claim Filed by earlier applicable Bar Dates or shall be barred and unenforceable.

6.5 Assumption of Certain Vendor Agreements

In the event that there is in effect between the Debtors and any vendor immediately prior to the Effective Date any electronic interchange trading partner agreement, open credit terms agreement, corporate reclamation agreement, reclamation disposition agreement, hold harmless agreement, less-than-truck load program agreement, or similar agreement, and any such agreement is considered to be an executory contract and is not otherwise terminated or rejected by the Debtors, such agreement shall be deemed to be assumed pursuant to section 365 of the Bankruptcy Code under the Plan; provided, however, that no Cure shall be owed with respect to any such agreement, and in the event that a vendor asserts any Cure, at the election of the Plan Sponsor, in its sole and absolute discretion, such vendor's agreement shall not be deemed assumed and shall instead be deemed rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

6.6 Assumption of Utility Service Agreements

In the event that there is in effect between the Debtors and any utility immediately prior to the Effective Date, with respect to any operating facility of the Debtors, any utility service agreement or related agreement providing a reduced rate to the Debtors, which agreement has not been previously assumed, rejected or terminated, but is considered to be an executory contract, such agreement shall be deemed to be assumed pursuant to section 365 of the Bankruptcy Code; provided, however, that no Cure shall be owed with respect to any such agreement, and in the event that a utility asserts any Cure, at the election of the Plan Sponsor, in its sole and absolute discretion, such utility's agreement shall not be deemed assumed and shall instead be deemed rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

6.7 Assumption of Governmental Licenses

In the event that any license granted to the Debtors by a governmental unit, and in effect immediately prior to the Effective Date, is considered to be an executory contract and is not otherwise terminated or rejected by the Debtors, such license shall be deemed to be assumed by the Reorganized Debtors pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan.

6.8 Assumption of Gift Card Obligations

On the Effective Date, the Reorganized Debtors shall assume the Debtors' ordinary course gift card obligations, provided that such claims (i) arise from gift cards sold in the ordinary course and (ii) shall not include any escheatment claims asserted by any governmental entity or any similar claim. The assumed liability of the Reorganized Debtors shall be no more than the face value of the gift card and shall be limited to use of such gift cards presented by individual holders for goods sold at their retail stores by the Reorganized Debtors, subject to such lawful limitations as the Reorganized Debtors may impose for gift cards issued by them after the Effective Date in the ordinary course of business.

6.9 Treatment of Compensation and Benefit Programs

(a) Except to the extent (i) otherwise provided for in the Plan, (ii) previously assumed or rejected by an order of the Bankruptcy Court entered on or before the Confirmation Date, (iii) the subject of a pending motion to reject Filed by a Debtor on or before the Confirmation Date, or (iv) previously terminated, all ordinary course employee compensation and benefit programs of the Debtors in effect during the pendency of the Chapter 11 Cases, including all health and welfare plans, 401(k) plans, pension plans within the meaning of Title IV of the Employee Retirement Income Security Act of 1974, as amended, and all benefits subject to sections 1114 and 1129(a)(13) of the Bankruptcy Code, entered into before or after the Petition Date and in effect during the pendency of the Chapter 11 Cases, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan; provided, however, that no equity incentive plans and no obligations in respect of any longevity bonus plan or similar incentive plan shall be assumed. Nothing contained herein shall be deemed to modify the existing terms of such employee compensation and benefit programs, including,

without limitation, the Debtors' and the Reorganized Debtors' rights of termination and amendment thereunder. Notwithstanding the foregoing, the Reorganized Debtors are not assuming any employment, severance, bonus, or similar agreement (or any agreement outside the ordinary course of business) with any officer or director and any and all such agreements shall be deemed rejected.

(b) The Debtors' existing vacation, paid time off, and other benefit policies will be reinstated on the Effective Date for any employees of the Debtors employed on the Effective Date that have not received a notice of termination prior to or on the Effective Date, subject to the Reorganized Debtors' right to modify or terminate such policies in accordance with their terms and applicable nonbankruptcy law.

(c) As of the Effective Date, any and all stock based incentive plans or stock ownership plans of the Debtors entered into before the Effective Date, or other agreements or documents giving rise to Old Equity Interests, including the contingent cash components of any such plans, agreements, or documents, shall be terminated. To the extent such plans, agreements or documents are considered to be executory contracts, such plans, agreements or documents shall be deemed to be, and shall be treated as though they are, executory contracts that are rejected pursuant to section 365 of the Bankruptcy Code under the Plan. Any Claims resulting from such rejection shall constitute Subordinated 510(b) Claims, except that Claims for contingent cash components of any such plans, agreements or documents shall constitute Unsecured Claims. From and after the Effective Date, stock options, whether included in a contract, agreement or otherwise, will have no value and will not entitle any Holder thereof to purchase or otherwise acquire any equity interests in the Reorganized Debtors.

6.10 Certain Indemnification Obligations Owed by Debtors

(a) Indemnification Obligations owed to directors, officers, and employees of the Debtors (or the estates of any of the foregoing) who served or were employed by the Debtors on or after the Petition Date, excluding (i) claims resulting from willful misconduct, self-interested transactions, or intentional tort and (ii) claims arising from actions, events, or circumstances prior to the Petition Date, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan.

(b) All Indemnification Obligations owed to directors, officers, and employees of the Debtors who served or were employed by the Debtors prior to, but not on or after, the Petition Date shall be deemed to be, and shall be treated as though they are, executory contracts that are rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

(c) Indemnification Obligations owed to any Professionals retained pursuant to sections 327 or 328 of the Bankruptcy Code and order of the Bankruptcy Court, to the extent that such Indemnification Obligations relate to the period after the Petition Date, excluding claims resulting from willful misconduct, self-interested transactions, or intentional tort, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan.

6.11 Continuing Obligations Owed to Debtors

(a) Any confidentiality agreement entered into between any of the Debtors and any supplier of goods or services requiring the parties to maintain the confidentiality of each other's proprietary information shall be deemed to be, and shall be treated as though it is, an executory contract that is assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan.

(b) Any indemnity agreement entered into between any of the Debtors and any supplier of goods or services requiring the supplier to provide insurance in favor of any of the Debtors, to warrant or guarantee such supplier's goods or services, or to indemnify any of the Debtors for claims arising from the goods or services shall be deemed to be, and shall be treated as though it is, an executory contract that

is assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan; provided, however, that if any party thereto asserts any Cure, at the election of the Plan Sponsor such agreement shall not be deemed assumed, and shall instead be rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

(c) Continuing obligations of third parties to the Debtors under insurance policies, contracts, or leases that have otherwise ceased to be executory or have otherwise expired on or prior to the Effective Date, including, without limitation, continuing obligations to pay insured claims, to defend against and process claims, to refund premiums or overpayments, to provide indemnification, contribution or reimbursement, to grant rights of first refusal, to maintain confidentiality, or to honor releases, shall continue and shall be binding on such third parties notwithstanding any provision to the contrary in the Plan, unless otherwise specifically terminated by the Debtors or Reorganized Debtors or by order of Bankruptcy Court.

(d) To the extent any insurance policy under which the insurer has a continuing obligation to pay the Debtors or a third party on behalf of the Debtors is held by the Bankruptcy Court to be an executory contract, such insurance policy shall be treated as though it is an executory contract that is assumed pursuant to section 365 of the Bankruptcy Code and Article 6.1 of the Plan. Any and all Claims (including Cure) arising under or related to any insurance policies or related insurance agreements that are assumed by the Debtors prior to or as of the Effective Date: (i) shall not be discharged; (ii) shall be Allowed Administrative Claims; and (iii) shall be paid in full in the ordinary course of business of the Reorganized Debtors as set forth in Article 3.1(c) of the Plan.

6.12 Postpetition Contracts and Leases

The Debtors shall not be required to assume or reject any contract or lease entered into by the Debtors after the Petition Date. Any such contract or lease shall continue in effect in accordance with its terms after the Effective Date through termination thereof by its terms, unless the Reorganized Debtors have obtained a Final Order of the Bankruptcy Court approving an earlier termination of such contract and lease.

6.13 Treatment of Claims Arising from Assumption or Rejection

All Allowed Claims for Cure arising from the assumption of any Designated Contract shall be treated as Administrative Claims pursuant to Article 3.1(c) of the Plan; all Allowed Claims arising from the rejection of an executory contract or unexpired lease shall be treated, to the extent applicable, as Unsecured Claims, unless otherwise ordered by Final Order of the Bankruptcy Court; and all other Allowed Claims relating to an executory contract or unexpired lease shall have such status as they may be entitled to under the Bankruptcy Code as determined by Final Order of the Bankruptcy Court.

ARTICLE VII

PROVISIONS GOVERNING DISTRIBUTIONS

7.1 Distributions for Allowed Claims

(a) Except as otherwise provided herein or as ordered by the Bankruptcy Court, all Distributions to Holders of Allowed Claims as of the applicable Distribution Date shall be made on or as soon as practicable after the applicable Distribution Date. Distributions on account of Claims that first become Allowed Claims after the applicable Distribution Date shall be made pursuant to Article 8.2 of the Plan and on such day as selected by the Reorganized Debtors, in their sole discretion.

(b) The Reorganized Debtors shall have the right, in their sole and absolute discretion, to accelerate any Distribution Date occurring after the Effective Date if the facts and circumstances so warrant.

(c) Distributions made as soon as reasonably practicable after the Effective Date shall be deemed to have been made on the Effective Date.

7.2 Interest on Claims; Dividends

Unless otherwise specifically provided for in the Plan or the Confirmation Order, or under or in connection with the DIP Facility Orders or the L/C Facility Orders, postpetition interest shall not accrue or be paid on Claims, and no Holder of a Claim shall be entitled to interest accruing on any Claim from the Petition Date to the date a final Distribution is made on such Claim, if an Allowed Claim.

7.3 Designation; Distributions by Disbursing Agent

(a) The Debtors shall, on or before the Effective Date, designate the Entity to serve as the Disbursing Agent under the Plan on terms and conditions mutually agreeable between the Debtors and such Entity.

(b) The Disbursing Agent shall make all Distributions required to be made to Holders of Classes 5 and 6 Claims, on the respective Distribution Dates under the Plan and such other Distributions to other Holders of Claims as are delegated to the Disbursing Agent by the Reorganized Debtors.

If the Disbursing Agent is an independent third party designated to serve in such capacity, such Disbursing Agent shall receive, without further approval from the Bankruptcy Court, reasonable compensation for distribution services rendered pursuant to the Plan and reimbursement of reasonable out of pocket expenses incurred in connection with such services from the Reorganized Debtors. No Disbursing Agent shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

7.4 Means of Cash Payment

(a) Cash payments under this Plan shall be in U.S. funds, and shall be made, at the option, and in the sole discretion, of the Reorganized Debtors, by (i) checks drawn on or (ii) wire transfers from a domestic bank selected by the Reorganized Debtors. Cash payments to foreign creditors may be made, at the option, and in the sole discretion, of the Reorganized Debtors, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction. Cash payments made pursuant to this Plan in the form of checks issued by the Reorganized Debtors shall be null and void if not cashed within one hundred and twenty (120) days of the date of the issuance thereof. Requests for reissuance of any check shall be made directly to the Reorganized Debtors.

(b) For purposes of effectuating Distributions under the Plan, any Claim denominated in foreign currency shall be converted to U.S. Dollars pursuant to the applicable published exchange rate in effect on the Petition Date.

7.5 Fractional Distributions

Notwithstanding any other provision of the Plan to the contrary, no payment of fractional cents shall be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole penny (up or down), with half cents or more being rounded up and fractions less than half of a cent being rounded down.

7.6 De Minimis Distributions

Notwithstanding anything to the contrary contained in the Plan, the Disbursing Agent shall not be required to distribute, and shall not distribute, Cash or other property to the Holder of any Allowed Claim if the amount of Cash or other property to be distributed on account of such Claim is less than $100. Any Holder of an Allowed Claim on account of which the amount of Cash or other property to be distributed is less than $100 shall have such Claim discharged and shall be forever barred from asserting such Claim against

the Reorganized Debtors or their respective property. Any Cash or other property not distributed pursuant to this provision shall be the property of the Reorganized Debtors, free of any restrictions thereon.

7.7 Delivery of Distributions

Distributions to Holders of Allowed Claims shall be made by the Disbursing Agent (a) at the addresses set forth on the Proofs of Claim Filed by such Holders, (b) at the addresses reflected in the Schedules if no Proof of Claim has been Filed, or (c) at the addresses set forth in any written notices of address changes delivered to the Debtors, the Reorganized Debtors or the Disbursing Agent after the date of any related Proof of Claim or after the date of the Schedules if no Proof of Claim was Filed. If any Holder's Distribution is returned as undeliverable, a reasonable effort shall be made to determine the current address of such Holder, but no further Distributions to such Holder shall be made unless and until the Disbursing Agent is notified of such Holder's then current address, at which time all missed Distributions shall be made to such Holder without interest. Unless otherwise agreed between the Reorganized Debtors and the Disbursing Agent, amounts in respect of undeliverable Distributions made by the Disbursing Agent shall be returned to the Reorganized Debtors, and held in trust by the Reorganized Debtors, until such Distributions are claimed, at which time the applicable amounts shall be returned to the Disbursing Agent for distribution pursuant to the Plan. All claims for undeliverable Distributions must be made on or before the second (2^{nd}) anniversary of the Initial Distribution Date, after which date all unclaimed property shall revert to the Reorganized Debtors free of any restrictions thereon and the claims of any Holder or successor to such Holder with respect to such property shall be discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary. Except as set forth above, nothing contained in the Plan shall require any Reorganized Debtor or any Disbursing Agent to attempt to locate any Holder of an Allowed Claim. Each Holder of an Allowed General Unsecured Claim shall be required to execute and be bound by the Stockholders Agreement as a condition precedent to receiving any allocation of New Equity. In addition, the Reorganized Debtors may require, as a condition to the receipt of any distribution, that the Holder of an Allowed Claim complete the appropriate Form W-8 or Form W-9, as applicable to each Holder. If such Holder fails to comply with such request within three (3) months, such distribution shall be deemed an unclaimed distribution.

7.8 Application of Distribution Record Date

At the close of business on the Distribution Record Date, the claims registers for all Claims shall be closed, and there shall be no further changes in the record holders of such Claims. Except as provided herein, the Reorganized Debtors, the Disbursing Agent, and each of their respective agents, successors, and assigns shall have no obligation to recognize any transfer of Claims occurring after the Distribution Record Date and shall be entitled instead to recognize and deal for all purposes hereunder with only those record holders stated on the claims registers as of the close of business on the Distribution Record Date irrespective of the number of Distributions to be made under the Plan to such Entities or the date of such Distributions.

7.9 Withholding, Payment, and Reporting Requirements

In connection with the Plan and all Distributions under the Plan, the Disbursing Agent shall, to the extent applicable, comply with all tax withholding, payment, and reporting requirements imposed by any federal, state, provincial, local, or foreign taxing authority, and all Distributions under the Plan shall be subject to any such withholding, payment, and reporting requirements. The Disbursing Agent shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding, payment, and reporting requirements. Notwithstanding any other provision of the Plan, (a) each Holder of an Allowed Claim that is to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution, and including, in the case of any Holder of a Disputed Unsecured Claim that has become an Allowed Unsecured Claim, any tax obligation that would be imposed upon the Reorganized Debtors in connection with such Distribution, and (b) no Distribution shall be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Disbursing Agent for the payment and satisfaction of such withholding tax

obligations or such tax obligation that would be imposed upon the Reorganized Debtors in connection with such Distribution. Any property to be distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated as an undeliverable Distribution pursuant to Article 7.7 of the Plan.

7.10 Setoffs

The Reorganized Debtors may, but shall not be required to, set off against any Claim or any Allowed Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the Holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Reorganized Debtors of any such claim that the Debtors or the Reorganized Debtors may have against such Holder.

7.11 Prepayment

Except as otherwise provided in the Plan, any ancillary documents entered into in connection herewith, or the Confirmation Order, the Reorganized Debtors shall have the right to prepay, without penalty, all or any portion of an Allowed Claim entitled to payment in Cash at any time; provided, however, that any such prepayment shall not be violative of, or otherwise prejudice, the relative priorities and parities among the Classes of Claims.

7.12 No Distribution in Excess of Allowed Amounts

Notwithstanding anything to the contrary herein, no Holder of an Allowed Claim shall receive in respect of such Claim any Distribution of a value as of the Effective Date in excess of the Allowed amount of such Claim (excluding payments on account of interest due and payable from and after the Effective Date pursuant to the Plan, if any).

7.13 Allocation of Distributions

All Distributions received under the Plan by Holders of Claims shall be deemed to be allocated first to the principal amount of such Claim as determined for United States federal income tax purposes and then to accrued interest, if any, with respect to such Claim.

7.14 Joint Distributions

The Reorganized Debtors may, in their sole discretion, make distributions jointly to any Holder of a Claim and any other entity who has asserted, or whom the Reorganized Debtors have determined to have, an interest in such Claim. Except as otherwise provided in the Plan or in the Confirmation Order, and notwithstanding the joint nature of any Distribution, all Distributions made by the Debtors shall be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims of any nature whatsoever against the Reorganized Debtors or any of their assets or properties as set forth in Article 11.9 of the Plan.

ARTICLE VIII

PROCEDURES FOR RESOLVING DISPUTED, CONTINGENT, AND UNLIQUIDATED CLAIMS AND DISTRIBUTIONS WITH RESPECT THERETO

8.1 Prosecution of Objections to Claims

(a) Objections to Claims; Estimation Proceedings

Except as set forth in the Plan or any applicable Court order, the Reorganized Debtors must file all objections to Claims and serve such objections on the Holders of such Claims by the Claims Objection Deadline, as the same may be extended by the Bankruptcy Court. If a timely objection has not been Filed to a

Proof of Claim or the Schedules have not been amended with respect to a Claim that (i) was scheduled by the Debtors but (ii) was not scheduled as contingent, unliquidated, and/or disputed, the Claim to which the Proof of Claim or Scheduled Claim relates will be treated as an Allowed Claim. Notice of any motion for an order extending the Claims Objection Deadline shall be required to be given only to those Entities that have requested notice in the Chapter 11 Cases, or to such Entities as the Bankruptcy Court shall order.

The Reorganized Debtors may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors or the Reorganized Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event the Bankruptcy Court so estimates any contingent or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court, as applicable. If the estimated amount constitutes a maximum limitation on such Claim, the Reorganized Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned Claims objection, estimation, and resolution procedures are cumulative and are not necessarily exclusive of one another. Claims may be estimated and thereafter resolved by any permitted mechanisms.

(b) Authority to Prosecute and Settle Objections

After the Effective Date, only the Reorganized Debtors shall have the authority to file objections to Claims and to settle, compromise, withdraw, or litigate to judgment objections to Claims, including, without limitation, Claims for reclamation under section 546(c) of the Bankruptcy Code. The Reorganized Debtors may settle or compromise any Disputed Claim without approval of the Bankruptcy Court. Any settlement of Claims approved by the Bankruptcy Court prior to the Effective Date shall be binding on all parties.

8.2 Treatment of Disputed Claims

(a) No Distributions Pending Allowance

Notwithstanding any other provisions of the Plan, no payments or Distributions will be made on account of a Disputed Claim or, if less than the entire Claim is a Disputed Claim, the portion of a Claim that is Disputed, until such Disputed Claim becomes an Allowed Claim. Any Non-Plan Sponsor New Equity that may be issued in the future if such Disputed Claim becomes Allowed shall not be issued unless and until such Disputed Claim becomes Allowed.

(b) Distributions on Account of Disputed Claims Once They Are Allowed

The Disbursing Agent shall, on the applicable Distribution Dates, make Distributions on account of any Disputed Claim that has become an Allowed Claim. Such Distributions shall be made pursuant to the provisions of the Plan governing the applicable Class. Such Distributions shall be based upon the Distributions that would have been made to the Holder of such Claim under the Plan if the Disputed Claim had been an Allowed Claim on the Effective Date in the amount ultimately Allowed.

8.3 Provisions for Disputed Claims

Distributions with respect to Disputed Claims that become Allowed will be made on the next Distribution Date after such Disputed Claims become Allowed. Nothing in this Plan or the Disclosure Statement shall be deemed to entitle the Holder of a Disputed Claim to postpetition interest on such Claim. If the applicable Distribution with respect to a Disputed Claim that becomes Allowed would be the issuance of Non-Plan Sponsor New Equity, such Non-Plan Sponsor New Equity shall not be issued unless and until such Disputed Claim becomes Allowed.

8.4 Accounts; Escrows; Reserves

The Reorganized Debtors shall, subject to and in accordance with the provisions of this Plan (a) establish one or more general accounts into which shall be deposited all funds not required to be deposited into any other account, reserve or escrow, (b) create, fund and withdraw funds from, as appropriate, the Administrative Claims Reserve, and (c) if practicable, invest any Cash that is withheld as the applicable claims reserve in an appropriate manner to ensure the safety of the investment. Nothing in this Plan or the Disclosure Statement shall be deemed to entitle the Holder of a Disputed Claim to postpetition interest on such Claim, however.

(a) Administrative Claims Reserve. On the Effective Date (or as soon thereafter as is practicable), the Reorganized Debtors shall create and fund the Administrative Claims Reserve in an amount agreed between the Debtors and the Plan Sponsor before the Effective Date based on a reasonable estimate of the amounts that will be necessary to pay Distributions on account of Allowed Administrative Claims, including Claims under section 503(b)(9) and all Claims for Stub Rent under section 503(b) of the Bankruptcy Code and lease payments under section 365(d)(5) of the Bankruptcy Code. To the extent necessary to fund payments to Allowed Administrative Claims, the funds in the Administrative Claims Reserve shall be periodically replenished by the Reorganized Debtors in such amounts as may be determined by the Reorganized Debtors in their sole discretion. The Reorganized Debtors shall be obligated to and shall pay all Allowed Administrative Claims in excess of the amounts actually deposited in the Administrative Claims Reserve. In the event that any Cash remains in the Administrative Claims Reserve after payment of all Allowed Administrative Claims and all Allowed Professional Fee Claims, such Cash shall be distributed to the Reorganized Debtors.

(b) The Administrative Claims Reserve shall also be used to pay the Allowed Professional Fee Claims held by the Professionals. In connection therewith, the Reorganized Debtors shall fund the Administrative Claims Reserve on the Effective Date in an additional amount agreed between the Debtors and the Plan Sponsor before the Effective Date based on a reasonable estimate of the amounts that will be necessary to pay unpaid Professional Fee Claims through the Effective Date. The Reorganized Debtors shall be obligated to and shall pay all Allowed Professional Fee Claims in excess of the amounts actually deposited in the Administrative Claims Reserve.

(c) Except for the Cash to be held in the Administrative Claims Reserve, no other Cash will be reserved or set aside in connection with any Claims.

ARTICLE IX

CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

9.1 Conditions to Confirmation

The following conditions precedent to the occurrence of the Confirmation Date must be satisfied:

(a) the Confirmation Order shall have been entered in form and substance reasonably satisfactory to the Debtors and the Plan Sponsor, and shall, among other things:

(i) provide that the Debtors and the Reorganized Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement, and consummate the contracts, instruments, releases, leases, indentures and other agreements or documents created, executed, or contemplated in connection with the Plan;

(ii) approve the Exit Facility;

(iii) authorize the issuance of the New Equity; and

(iv) authorize and direct the Debtors or the Reorganized Debtors, as appropriate, to take all actions necessary or appropriate to consummate the Plan, including, without limitation, entering into, implementing, and consummating the contracts, instruments, releases, leases, indentures, and other agreements or documents created, executed, or contemplated in connection with or described in the Plan.

9.2 Conditions to Effective Date

The following conditions precedent must be satisfied or waived by the Debtors and the Plan Sponsor on or prior to the Effective Date in accordance with Article 9.3 of the Plan:

(a) The Effective Date shall occur no later than May 15, 2015;

(b) The Plan, the Plan Supplement, and all related documents, including any amendments or modifications thereto, each shall be in form and substance reasonably acceptable to the Plan Sponsor and the Debtors;

(c) the Plan Sponsorship Agreement shall not have been terminated;

(d) the Confirmation Order shall (i) be in in form and substance reasonably acceptable to the Plan Sponsor and the Debtors, (ii) have been entered by April 30, 2015, and (iii) not be subject to any stay on enforcement.

(e) (i) except as otherwise provided in the Plan, all documents and agreements necessary to implement the Plan shall (A) be in in form and substance reasonably acceptable to the Plan Sponsor and the Debtors, (B) have been effected or executed (to the extent any of such documents and agreements contemplate execution by one or more persons, any such document or agreement shall have been executed and delivered by the respective parties thereto), (C) have been tendered for delivery to the required parties, and (D) to the extent required, have been filed with the applicable governmental units in accordance with applicable laws or regulations; and (ii) all conditions precedent to all such documents and agreements shall have been satisfied or waived, including, without limitation, conditions precedent to the funding of credit under the Exit Facility, pursuant to the terms and conditions of such documents or agreements;

(f) all material authorizations, consents, and regulatory approvals required, if any, in connection with consummation of the Plan shall have been obtained; and

(g) the New Equity shall be held by fewer than 300 holders of record as contemplated by Section 12(g)(4) and Rule 12g-4 under the Securities Exchange Act of 1934.

9.3 Waiver of Conditions

Each of the conditions set forth in Article 9.2 may be waived in whole or in part by the Debtors without any notice to parties in interest or the Bankruptcy Court and without a hearing, but subject to the prior written consent of the Plan Sponsor in its discretion.

ARTICLE X

RETENTION OF JURISDICTION

10.1 Scope of Retention of Jurisdiction

Under sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, and except as otherwise ordered by the Bankruptcy

Court, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, or related to, these Chapter 11 Cases and the Plan to the fullest extent permitted by law (provided, however, that notwithstanding the foregoing, with respect to all civil proceedings arising in or related to the Chapter 11 Cases and the Plan, the Bankruptcy Court shall have original but not exclusive jurisdiction, in accordance with section 1334(b) of title 28 of the United States Code), including, among other things, jurisdiction to do the following:

(a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured, or unsecured status of any Claim not otherwise Allowed under the Plan (other than personal injury or wrongful death Claims, unless agreed by the Holder), including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the allowance or priority of Claims;

(b) hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 327, 328, 330, 331, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code; provided, however, that from and after the Effective Date, the payment of the fees and expenses of the retained Professionals of the Reorganized Debtors shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(c) hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which a Debtor is a party or with respect to which a Debtor may be liable, including, if necessary, the nature or amount of any required Cure or the liquidation or allowance of any Claims arising therefrom;

(d) effectuate performance of and payments under the provisions of the Plan and enforce remedies upon any default under the Plan;

(e) hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters arising out of, under, or related to, the Chapter 11 Cases, including, without limitation, the Avoidance Actions and the Litigation Rights, and with respect to the Plan;

(f) enter such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created, executed, or contemplated in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

(g) hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Plan, including disputes arising under agreements, documents, or instruments executed in connection with the Plan, provided, however, that any dispute arising under or in connection with the Exit Facility shall be dealt with in accordance with the provisions of the governing documents;

(h) consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(i) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the implementation, consummation, or enforcement of the Plan or the Confirmation Order;

(j) enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified, or vacated;

(k) hear and determine any matters arising in connection with or relating to the Plan, the Plan Supplement, the schedules to the Plan, the Disclosure Statement, the Confirmation Order, or any

contract, instrument, release, or other agreement or document created, executed, or contemplated in connection with the Plan, the Plan Supplement, the schedules to the Plan, the Disclosure Statement, or the Confirmation Order;

(l) enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases (whether or not the Chapter 11 Cases have been closed);

(m) except as otherwise limited herein, recover all assets of the Debtors and property of the Estates, wherever located;

(n) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(o) hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge;

(p) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code; and

(q) enter a final decree closing the Chapter 11 Cases.

10.2 Failure of the Bankruptcy Court to Exercise Jurisdiction

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Cases, including the matters set forth in Article 10.1 of the Plan, the provisions of this ARTICLE X shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 Administrative Claims

All Administrative Expense Requests (other than as set forth in Articles 3.1(c), 11.2, or this Article 11.1 of the Plan) must be made by application Filed with the Bankruptcy Court and served on counsel for the Reorganized Debtors no later than the Administrative Claims Bar Date. In the event that the Reorganized Debtors object to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing, no application seeking payment of an Administrative Claim need be Filed with respect to an undisputed postpetition obligation which was paid or payable by a Debtor in the ordinary course of business; provided, however, that in no event shall a postpetition obligation that is contingent or disputed and subject to liquidation through pending or prospective litigation, including, but not limited to, alleged obligations arising from personal injury, property damage, products liability, consumer complaints, employment law (excluding claims arising under workers' compensation law), secondary payor liability, or any other disputed legal or equitable claim based on tort, statute, contract, equity, or common law, be considered to be an obligation which is payable in the ordinary course of business; and (c) no application seeking payment of an Administrative Claim need be Filed with respect to Cure owing under an executory contract or unexpired lease if the amount of Cure is fixed or proposed to be fixed by order of the Bankruptcy Court pursuant to a motion Filed by the Debtors to assume the executory contract or unexpired lease and fix the amount of Cure in connection therewith and a timely objection asserting an increased amount of Cure is Filed by the non-Debtor party to the subject contract or lease; provided further, however, that postpetition statutory tax claims shall not be subject to the Administrative Claims Bar Date.

11.2 Professional Fee Claims

(a) All final requests for payment of Professional Fee Claims pursuant to sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code must be made by application Filed with the Bankruptcy Court and served on the Reorganized Debtors, their counsel, counsel to the Creditors Committee, and other necessary parties in interest no later than sixty (60) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to such applications must be Filed and served on the Reorganized Debtors, their counsel, counsel to the Creditors Committee and the requesting Professional on or before the date that is thirty (30) days after the date on which the applicable application was served (or such longer period as may be allowed by order of the Bankruptcy Court or by agreement with the requesting Professional).

(b) Each Reorganized Debtor may, without application to or approval by the Bankruptcy Court, retain professionals and pay reasonable professional fees and expenses in connection with services rendered to it after the Effective Date.

11.3 Payment of Statutory Fees; Filing of Quarterly Reports

(a) All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on or before the Effective Date. All such fees that arise after the Effective Date shall be paid by the Reorganized Debtors. The obligation of each of the Reorganized Debtors to pay quarterly fees to the Office of the United States Trustee pursuant to section 1930 of title 28 of the United States Code shall continue until such time as each particular Debtor's case is closed.

(b) The obligation of the Reorganized Debtors to file quarterly financial reports as required by the Office of the United States Trustee shall continue until the Chapter 11 Cases are closed.

11.4 Modifications and Amendments

(a) The Debtors may alter, amend, or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date; provided that any alterations, modifications, or amendments to the Plan that contemplate the continued sponsorship of the Plan by the Plan Sponsor are subject to the prior written consent of the Plan Sponsor. The Debtors shall provide parties in interest with notice of such amendments or modifications as may be required by the Bankruptcy Rules or order of the Bankruptcy Court. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, modified, or clarified, if the proposed alteration, amendment, modification, or clarification does not materially and adversely change the treatment of the Claim of such Holder. In the event of any dispute as to whether such proposed alteration, amendment, modification, or clarification materially and adversely changes the treatment of the Claim of any such Holder, the Debtors shall bear the burden of demonstrating that such proposed alteration, amendment, modification, or clarification does not materially adversely change the treatment of the Claim of such Holder.

(b) After the Confirmation Date and prior to substantial consummation (as defined in section 1101(2) of the Bankruptcy Code) of the Plan, the Debtors or Reorganized Debtors, as applicable, may, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement approved with respect to the Plan, or the Confirmation Order, and such matters as may be necessary to carry out the purpose and effect of the Plan so long as such proceedings do not adversely affect the treatment of Holders of Claims under the Plan; provided, however, that, to the extent required, prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or an order of the Bankruptcy Court. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, modified, or clarified, if the proposed alteration, amendment, modification, or clarification does not materially and adversely change the treatment of the Claim of such Holder. In the event of any dispute as to whether

such proposed alteration, amendment, modification, or clarification materially and adversely changes the treatment of the Claim of any such Holder, the Debtors or Reorganized Debtors, as the case may be, shall bear the burden of demonstrating that such proposed alteration, amendment, modification, or clarification does not materially adversely change the treatment of the Claim of such Holder.

11.5 Severability of Plan Provisions

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

11.6 Successors and Assigns and Binding Effect

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, personal representative, successor, or assign of such Entity, including, but not limited to, the Reorganized Debtors.

11.7 Compromises and Settlements

From and after the Effective Date, the Reorganized Debtors may compromise and settle various Claims against them, as well as Litigation Rights and Avoidance Actions that they may have against other Entities without any further approval by the Bankruptcy Court.

Until the Effective Date, the Debtors expressly reserve the right to compromise and settle (subject to the approval of the Bankruptcy Court) Claims against them, Avoidance Actions, Litigation Rights, or other claims that they may have against other Entities, provided that such resolution shall be subject to the written consent of the Plan Sponsor.

11.8 Releases and Satisfaction of Subordination Rights

All Claims against the Debtors and all rights and claims between or among the Holders of Claims relating in any manner whatsoever to any claimed subordination rights shall be deemed satisfied by the Distributions under, described in, contemplated by, and/or implemented in Articles 3.1, 3.2, 3.3, 3.4, and 3.5 of the Plan. Distributions under, described in, contemplated by, and/or implemented by the Plan to the various Classes of Claims hereunder shall not be subject to levy, garnishment, attachment, or like legal process by any Holder of a Claim by reason of any claimed subordination rights or otherwise, so that each Holder of a Claim shall have and receive the benefit of the Distributions in the manner set forth in the Plan.

11.9 Releases and Related Matters

Notwithstanding anything in this Plan to the contrary, on the Effective Date and effective as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, each of the Releasing Parties shall be deemed, to the maximum extent permitted by law, to have forever released, waived, and discharged each of the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action (including, without limitation, claims or causes of action arising under chapter 5 of the Bankruptcy Code), and liabilities whatsoever, whether known or unknown, whether foreseen or unforeseen, whether liquidated or unliquidated, whether fixed or contingent, whether matured or unmatured, existing or hereafter arising, at law, in equity, or otherwise, that are based in whole or

in part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the conduct of the Debtors' business, the Reorganized Debtors, the Chapter 11 Cases, the Plan, the Restructuring, or the Plan Sponsorship Agreement, except for acts or omissions that are determined in a Final Order to have constituted actual fraud or willful misconduct; *provided, however,* that nothing in this Article 11.9 shall be deemed to prohibit the Reorganized Debtors from asserting and enforcing any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities that any of the Reorganized Debtors may have against any directors or officers for alleged breach of confidentiality, or any other contractual obligations owed to any of the Reorganized Debtors, including non-compete and related agreements and obligations.

Entry of the Confirmation Order shall constitute (a) the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases set forth in this Article 11.9, and (b) the Bankruptcy Court's findings that such releases are (1) in exchange for good and valuable consideration provided by the Released Parties (including, without limitation, performance of the terms of the Plan in facilitating the Restructuring and consummation of the Plan Sponsorship Agreement), and a good-faith settlement and compromise of the released claims; (2) in the best interests of the Debtors, the Estates, and all Holders of Claims that are Releasing Parties; (3) fair, equitable, and reasonable; (4) given and made after due notice and opportunity for hearing; and (5) a bar to any of the Releasing Parties asserting any released claim against any of the Released Parties.

Each Holder of a Claim in Classes 5 or 6 shall be a Releasing Party and, as such, provides the releases set forth in this Article 11.9, unless such Holder either (a) votes to reject the Plan or (b) does not otherwise vote to accept or reject the Plan but timely submits a Release Opt-Out indicating such Holder's decision to not participate in the releases set forth set forth this Article 11.9. For the avoidance of doubt, each Holder of a Claim in Classes 5 or 6 that votes to accept the Plan is a Releasing Party, and any Release Opt-Out that might be submitted by any such Holder of a Claim that votes to accept the Plan shall be void and of no effect.

11.10 Discharge of the Debtors

(a) Except as otherwise provided herein or in the Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims of any nature whatsoever against the Debtors or any of their assets or properties and, upon the Effective Date, the Debtors, and each of them, shall (i) be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in section 502 of the Bankruptcy Code, whether or not (A) a Proof of Claim based upon such debt is Filed or deemed Filed under section 501 of the Bankruptcy Code, (B) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code, (C) a Claim based upon such debt is or has been disallowed by order of the Bankruptcy Court, or (D) the Holder of a Claim based upon such debt accepted the Plan, and (ii) be deemed to have terminated all Old Equity Interests.

(b) As of the Effective Date, except as provided in the Plan or the Confirmation Order, all Entities shall be precluded from asserting against the Debtors or the Reorganized Debtors or any of their assets or properties, any other or further claims, debts, rights, causes of action, claims for relief, liabilities, or equity interests relating to the Debtors based upon any act, omission, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date. In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against the Debtors and termination of all Old Equity Interests, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against the Debtors at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest. None of the foregoing shall preclude an applicable governmental taxing authority from conducting a tax audit covering the postpetition, pre-Effective Date period or from asserting and recovering a claim arising from such tax audit, to the extent such claim is an Allowed Claim.

11.11 Injunction

(a) Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all Entities that have held, currently hold, may hold, or allege that they hold, a Claim or other debt or liability that is discharged or an Old Equity Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan are permanently enjoined from taking any of the following actions against the Debtors, the Reorganized Debtors, and their respective affiliates or their property on account of any such discharged Claims, debts, or liabilities or terminated Interests or rights: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any Lien or encumbrance; (iv) asserting a setoff or right of subrogation of any kind against any debt, liability, or obligation due to the Debtors or the Reorganized Debtors; or (v) commencing or continuing any action, in each such case in any manner, in any place, or against any Entity that does not comply with or is inconsistent with the provisions of the Plan.

(b) As of the Effective Date, all Entities that have held, currently hold, or may hold, a Claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, or liability that is released, or an Interest that is terminated, pursuant to Articles 11.8, 11.9 or 11.10 of the Plan are permanently enjoined from taking any of the following actions on account of such released Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities, or such terminated Interests: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any Lien or encumbrance; (iv) asserting a setoff against any debt, liability, or obligation due to any released Entity; or (v) commencing or continuing any action, in any manner, in any place, or against any Entity that does not comply with or is inconsistent with the provisions of the Plan.

(c) Without limiting the effect of the foregoing provisions of this Article 11.11 upon any Entity, by accepting Distributions pursuant to the Plan, each Holder of an Allowed Claim receiving a Distribution pursuant to the Plan shall be deemed to have specifically consented to the injunctions set forth in this Article 11.11.

(d) Nothing in this Article 11.11 shall impair (i) the rights of any Holder of a Disputed Claim to establish its Claim in response to an objection Filed by the Debtors or the Reorganized Debtors, (ii) the rights of any defendant in an Avoidance Action Filed by the Debtors or the Reorganized Debtors to assert defenses in such action, or (iii) the rights of any party to an executory contract or unexpired lease that has been assumed by the Debtors or the Reorganized Debtors pursuant to an order of the Bankruptcy Court or the provisions of the Plan to enforce such assumed contract or lease.

11.12 Exculpation and Limitation of Liability

(a) On the Effective Date and effective as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, none of the Exculpated Parties shall have or incur any liability to any Entity, including, without limitation to any Holder of a Claim or an Interest, for any prepetition or postpetition act or omission in connection with, relating to, or arising out of the Chapter 11 Cases, the formulation, negotiation, preparation, dissemination, solicitation of acceptances, implementation, confirmation, or consummation of the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created, executed, or contemplated in connection with the Plan, or the administration of the Plan or the property to be distributed under the Plan, or any other prepetition or postpetition act or omission in connection with or in contemplation of the Restructuring or the Plan Sponsorship Agreement, except for acts or omissions that are determined in a Final Order to have constituted actual fraud or willful misconduct. The Exculpated Parties shall be entitled to rely upon the written advice of counsel with respect to their duties and responsibilities under, or in connection with, the Chapter 11 Cases, the Plan, and administration thereof.

(b) Notwithstanding any other provision of the Plan, no Holder of a Claim or an Interest or other Entity, and none of their respective members, officers, managers, directors, employees, consultants, advisors, agents, or other representatives, including, without limitation, attorneys, accountants, and financial advisors, or their respective subsidiaries and affiliates, or the successors or assigns of the foregoing, shall have any right of action against any of the Exculpated Parties for any prepetition or postpetition act or omission in connection with, relating to, or arising out of the Chapter 11 Cases, the formulation, negotiation, preparation, dissemination, solicitation of acceptances, implementation, confirmation, or consummation of the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created, executed, or contemplated in connection with the Plan, or the administration of the Plan or the property to be distributed under the Plan, or any other prepetition or postpetition act or omission in connection with or in contemplation of the Restructuring or the Plan Sponsorship Agreement, except for acts or omissions that are determined in a Final Order to have constituted actual fraud or willful misconduct.

11.13 Term of Injunctions or Stays

Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code or otherwise, and extant on the Confirmation Date (excluding any injunctions or stays contained in or arising from the Plan or the Confirmation Order), shall remain in full force and effect until the Effective Date.

11.14 Revocation, Withdrawal, or Non-Consummation

The Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Confirmation Date and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan prior to the Confirmation Date, or if Confirmation or the Effective Date does not occur, then (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Class of Claims), assumption or rejection of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims against, or any Interests in, any Debtor, or any Avoidance Actions, Litigation Rights or other claims by or against any Debtor, the Creditors Committee, the Plan Sponsor, or any Entity, (ii) prejudice in any manner the rights of any Debtor, the Creditors Committee, or any Entity in any further proceedings involving a Debtor, or (iii) constitute an admission of any sort by any Debtor, the Creditors Committee, or any other Entity.

11.15 Plan Supplement

The Plan Supplement shall be Filed with the Bankruptcy Court by April 15, 2015 or by such later date as may be established by order of the Bankruptcy Court and shall be subject to the written approval of the Plan Sponsor. Upon such filing, all documents included in the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal business hours. Holders of Claims or Interests may obtain a copy of any document included in the Plan Supplement upon written request to the Debtors in accordance with Article 11.16 of the Plan.

11.16 Notices

Any notice, request, or demand required or permitted to be made or provided under the Plan shall be (a) in writing, (b) served by (i) certified mail, return receipt requested, (ii) hand delivery, (iii) overnight delivery service, (iv) first class mail, or (v) facsimile transmission, and (c) deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

Ed Thomas, CEO
The Wet Seal, Inc.
26972 Burbank
Foothill Ranch, CA 92610
Fax: _____

with a copy to the Debtors' counsel:

Michael Tuchin
Klee, Tuchin, Bogdanoff & Stern LLP
1999 Avenue of the Stars
39th Floor
Los Angeles, CA 90067
Fax: (310) 407-9090

and a copy to the Creditors Committee's counsel:

Jeffrey N. Pomerantz
Pachulski Stang Ziehl & Jones LLP
10100 Santa Monica Boulevard
11th Floor
Los Angeles, CA 90067-4100
Fax: (310) 201-0760

and a copy to the Plan Sponsor:

Steven H. Reiner, Managing Director
B. Riley & Co., L.L.C.
11100 Santa Monica Blvd., Suite 800
Los Angeles, CA 90025
Fax: _____

With a copy to the Plan Sponsor's counsel:

Van C. Durrer, II
Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue
Suite 3400
Los Angeles, CA 90071
Fax: (213) 621-5200

11.17 Computation of Time

In computing any period of time prescribed or allowed by the Plan, the provisions of Rule 9006(a) of the Bankruptcy Rules shall apply.

11.18 Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules), the laws of (a) the State of Delaware shall govern the construction and implementation of the Plan and (except as may be provided otherwise in any such agreements, documents, or instruments) any agreements, documents, and instruments executed in connection with the Plan and (b) the laws of the state of

incorporation of each Debtor shall govern corporate governance matters with respect to such Debtor; in each case without giving effect to the principles of conflicts of law thereof.

11.19 Exhibits

All Exhibits are incorporated into and are a part of this Plan as if set forth in full herein, and, to the extent not annexed hereto, such Exhibits shall be Filed with the Bankruptcy Court on or before the Exhibit Filing Date. After the Exhibit Filing Date, copies of Exhibits can be obtained upon written request to counsel to the Debtors, Klee, Tuchin, Bogdanoff & Stern LLP, 1999 Avenue of the Stars, 39th Floor, Los Angeles, CA 90067 (Attn: Shanda Pearson), or by downloading such Exhibits from the Bankruptcy Court's website at http://www.deb.uscourts.gov (registration required) or from the Claims Agent's website at https://donlinrecano.com/Clients/wsi/Index. To the extent any Exhibit is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-Exhibit portion of the Plan shall control.

Dated: February 11, 2015

THE WET SEAL, INC.
THE WET SEAL RETAIL, INC.
WET SEAL CATALOG, INC.
WET SEAL GC, LLC

By: _____

Name: ED THOMAS
Title: CEO

Ed Thomas, CEO
The Wet Seal, Inc.
26972 Burbank
Foothill Ranch, CA 92610

EXHIBIT B

Financial Projections

[TO BE PROVIDED]

EXHIBIT C

Liquidation Analysis

Wet Seal, Inc.
Recovery Analysis - Proforma Balance Sheet as of May 2, 2015
Prepared on February 5th, 2015

This analysis has been prepared by management based on the Company's best estimates and knowledge of events as of the week ending 2/7/15. Although the estimates and assumptions that were made in preparing the analysis are considered reasonable by management, they are inherently subject to significant uncertainties and contingencies. Accordingly, there can be no assurance that the estimates shown below will be realized. Actual results may therefore vary materially from those presented.

($ in 000's)	Proforma Balance	% Realization Low	% Realization High	Value Realization Low	Value Realization High	Note
I. Statement of Assets						
Bank Cash	1,500	100%	100%	1,500	1,500	*1*
Credit Card Receivables	1,526	90%	95%	1,373	1,450	*2*
Prepaid Expenses	1,955	0%	10%	-	200	*3*
Inventory	11,686	60%	80%	7,012	9,349	*4*
PP&E	23,789	6%	11%	1,350	2,700	*5*
Intellectual Property	12,400	4%	40%	500	5,000	*6*
Credit Card Holdback	2,000	75%	90%	1,500	1,800	*7*
Leases	-	0%	0%	-	-	*8*
Recovery of LC's	5,800	95%	100%	5,510	5,800	*9*
Gross Estimated Proceeds	**60,656**	**31%**	**46%**	**18,745**	**27,799**	
Less: Wind Down Expenses						
Wind Down Costs				3,500	2,500	*10*
Chapter 7 Trustee Fees				562	834	*11*
Transaction Costs				250	950	*12*
Accrued Sales Tax				1,515	1,515	*13*
Subtotal				5,827	5,799	
Net Estimated Proceeds before Distributions				**12,918**	**22,000**	
II. Distribution of Proceeds						
Senior Debt						
Borrowings Senior Secured Bank Line				9,465	9,465	*14*
Letters of Credit				-	-	*15*
Subtotal				9,465	9,465	
Administrative Claims						
503(b)(9) Claims				500	375	*16*
Incentive / Accrued Payroll				3,000	2,000	*17*
WARN Liability				1,750	1,500	*18*
Accrued / Unpaid Chapter 11 Professional Fees				1,336	1,336	*19*
Other				1,000	500	*20*
Subtotal				7,586	5,711	
Priority Unsecured Claims						
Customer Liabilities				3,500	2,500	*21*
Vacation				1,083	1,083	*22*
Subtotal				4,583	3,583	
Total Distributions before Unsecured Creditors				**21,634**	**18,759**	
Available for Distribution to Unsecured Creditors				**-**	**3,241**	
III. Unsecured Claims						
Unsecured Claims / Recovery						
Senior Convertible Debt				28,760	28,760	*23*
Merchandise Accounts Payable				8,344	8,759	*24*
Accounts Payable / Accrued Liabilities				20,500	19,500	*25*
502(b)(6) Claims - Lease Rejections				118,017	118,017	*26*
Other				10,000	5,000	*27*
Total Unsecured Claims				185,620	180,035	
Memo: Recovery %				***0.0%***	***1.8%***	

Wet Seal, Inc.
Recovery Analysis - Proforma Balance Sheet as of May 2, 2015
Prepared on February 5th, 2015 - Assuming Chapter 7 Liquidation

Note 1

The Debtors' estimated bank cash as of the liquidation date is approximately $1.5M. In liquidation, the estimated recovery on the balance of cash and cash equivalents is 100%.

Note 2

The Debtors' estimated credit card receivables as of the liquidation date are approximately $1.5M. This analysis assumes that in liquidation, the recovery on credit card receivables will be between 90% and 95%.

Note 3

The Debtors' prepaid expenses consist of primarily of prepaid insurance, maintenance, supplies and other expenses. The Debtors' management believes that liquidation would have a significant impact on the recovery value of these assets. The estimated recovery on the total value of these expenses is between 0% and 10% of book value.

Note 4

The Debtors have estimated a net orderly liquidation value (NOLV) rate of 60% to 80%.

Note 5

The book value of the Debtors' property, plant and equipment is comprised primarily of $5.4M of FF&E, $2.9M of software, $2.1M of hardware, and $11.6M of leasehold improvements. Zero recovery is assumed for leasehold improvements. The recovery range assumed on software is 0% to 5% and the recovery range assumed on FF&E and hardware is 15% to 25%.

Note 6

The Debtors possess certain trade names and trademarks (e.g., Wet Seal and Arden B), which the Debtors have estimated may have a value in a liquidation scenario. A third party appraised the value of these assets in October of 2014 and determined that they had a value at that time of $12.4M in a forced liquidation scenario. For the purpose of this analysis two valuation methodologies were used. The first method was a forced liquidation valuation that adjusted the methodology used in the October 2014 appraisal for the now reduced store footprint and sales performance. The second methodology was a comparable transactions approach based on recent known IP sales in the apparel industry.

Note 7

The Debtors have estimated that the Company's bankruptcy filing will result in $2M of credit card holdbacks in the event of a Chapter 7 liquidation. Chargebacks may increase in the event of a Chapter 7 liquidation due to customers not being able to make returns. A recovery range of 75% - 90% is assumed.

Note 8

The Debtors believe that there is an excess supply of open leasable space at malls and do not anticipate recovering any meaningful value from the assignment of store leases.

Note 9

As of the petition date, the Debtors had cash collateralized letters of credit in the amount of $10.7M, of which $9.2M is related to merchandise vendors and $1.5M is non-merchandise. The recovery of funds cash collateralizing letters of credit in favor of factors that are over secured by their letters of credit that is in excess of the amounts owed to the factors is assumed to be 95% to 100% in this analysis. This range of recovery is conservative. The Debtors expect to recover 100%, following reconciliation.

Note 10

The estimate for wind down costs includes operating costs, the costs for counsel for the Trustee and other miscellaneous expenses.

Note 11

The Chapter 7 Trustee Fee category consists of estimated Trustee fees of 3% of all moneys disbursed or turned over in the case by the Chapter 7 Trustee to parties in interest.

Note 12

Third-party transaction costs are estimated to be 10% for intellectual property and 15% for property, plant and equipment.

Note 13

Sales tax accrued throughout the month is remitted during the following month. Under a Chapter 7 liquidation scenario 100% of the sales tax that has been collected but has not yet been remitted at the time of liquidation would be paid.

Note 14

The estimate consists of the $8.5M that is expected to be drawn on the senior secured bank line by May 2nd, less the expected reimbursement of May rent and plus any checks that are anticipated to be outstanding as of May 2nd. Letters of credit are not considered as they are cash collateralized.

Note 15

All letters of credit currently in place were cash collateralized prior to the bankruptcy filing. No new letters of credit are expected to be issued between now and May 2nd.

Note 16

There was $1.5M of inventory received during the 20 days prior to the bankruptcy filing. $1.0M of this inventory was paid for prior to the bankruptcy filing and an additional $0.1M is covered by letters of credit. The remaining $0.4M of inventory is protected by a 503(b)(9) claim and is expected to be paid in full in a Chapter 7 liquidation scenario.

Note 17

The incentive to retain employees and the accrued payroll liability are the Debtors' best estimate and are subject to change.

Note 18

The potential WARN liability is estimated to be 2 months of payroll for all corporate employees.

Note 19

Accrued unpaid professional fees represent the accrued and unpaid professional fees incurred by Chapter 11 financial advisors, attorneys, and other professionals between the date of the Chapter 11 bankruptcy filing and the conversion to a Chapter 7 liquidation. The Debtors estimate that the total professional fees incurred between the filing date and May 2nd will be approximately $4.9M and that of this $3.6M will be paid out by May 2nd. Under a Chapter 7 liquidation scenario 100% of the accrued professional fees would be paid out.

Note 20

This figure consists of all other administrative claims.

Note 21

The largest components of customer liabilities are gift card balances and merchandise credits. The Debtors estimate that the balance of gift cards outstanding as of May 2nd will be $0.8M and the balance for merchandise credits will be $2.2M.

Note 22

The figure for accrued vacation is the Debtors' best estimate and is subject to change.

Note 23

The estimate for senior convertible debt consists of Hudson Bay's principal claim of $24.9M, a redemption fee of $3.7M, and $0.1M of interest.

Note 24

The estimate for merchandise accounts payable is net of the estimated 503(b)(9) claims and merchandise letters of credit, plus the estimated merchandise letters of credit recovery amount.

Note 25

The estimate for accounts payable and accrued liabilities is based on the Company's pro forma balance sheet and is the Debtors' best estimate.

Note 26

The estimate for 502(b)(6) claims was built by store, based on current lease terms. The claims include base rent, common area maintenance, and real estate taxes.

Note 27

This figure consists of all other unsecured claims.