



January 19, 2015

To The Board of Directors of The Wet Seal, Inc.  
c/o Mr. Edmond Thomas, President and CEO  
26972 Burbank  
Foothill Ranch, CA 92610

VIA E-MAIL AND FACSIMILE

Re: The Wet Seal, Inc., et al. (DIP)

Dear Mr. Thomas:

Versa Capital Management, LLC ("Versa") stands ready to enter into a transaction to acquire The Wet Seal, Inc. and its affiliates (collectively, the "Debtors"), which filed Chapter 11 bankruptcy cases in the United States Bankruptcy Court for the District of Delaware on January 15, 2015. As part of the Debtors' bankruptcy filings, the Debtors are seeking approval of a post-petition financing arrangement with B. Riley Financial, Inc. (the "DIP Term Loan") and a plan sponsorship agreement with B. Riley Financial, Inc. (the "Plan Sponsorship Agreement").

Versa is a private equity investment firm with more than \$1.4 billion in assets under management focused on control investments in special situations involving middle market companies where value and performance growth can be achieved through enhanced operational and financial management. The firm invests in all facets of a company's capital structure. Versa's portfolio includes turnaround investments in numerous specialty retailers including AVENUE Stores, Bob's Stores, Eastern Mountain Sports, and Sports Chalet as well as investments in Hatteras-CABO, a builder of sportfishing boats and luxury motoryachts; Allen-Vanguard, a global leader in the development of defense systems and IED counter-measures; Polartec<sup>®</sup>, a producer of branded high-performance fabrics; and Civitas Media, a portfolio of community newspapers. Versa is uniquely positioned to work with the Debtors to complete the transactions contemplated by the Plan Sponsorship Agreement given its extensive experience in the bankruptcy process, special situations generally and the retail industry.

We have reviewed the documents relating to the DIP Term Loan and the Plan Sponsorship Agreement that were filed with the Bankruptcy Court. Any and all capitalized terms not otherwise defined herein shall have those meanings set forth in the DIP Term Loan and the Plan Sponsorship Agreement.

By this letter, we are informing the Debtors that Versa is willing to provide the DIP Term Loan, on the terms and conditions set forth in the documents relating to the DIP Term Loan, and enter into the Plan Sponsorship Agreement, on the terms and conditions set forth therein, with the following improved terms:

- With respect to the Plan Sponsorship Agreement:
  - On the Effective Date of the Plan, Versa will purchase 80% of the newly issued common stock in the Reorganized Company for \$25 million in the form of (a) conversion of the principal amount of the DIP Financing into equity and (b) cash.

Offer – The Wet Seal, Inc. (DIP)  
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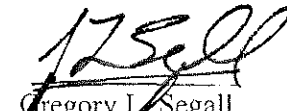
- Versa will eliminate the \$1,000,000 break-up fee and only require reimbursement of reasonable out-of-pocket expenses (including, without limitation, legal fees).
- With respect to the DIP Term Loan:
  - The Applicable Rate will be reduced from 10.25% to 8.00%.
  - The Default Rate will be reduced to 12.25% to 10.00%.
  - The Commitment Fee will be reduced from 2.50% to 1.00% as follows: (a) upon interim approval of the DIP Term Loan, the Commitment Fee will be an amount equal to 1.00% of the amount of interim financing approved (e.g., 1.00% of \$1,000,000), (b) upon final approval of the DIP Term Loan, the Commitment Fee will be an amount equal to 1.00% of the amount by which the additional financing approved, on a final basis (e.g., \$14 million) exceeds the Availability Block then in effect. This would substantially reduce the Commitment Fee approved at the interim hearing and substantially reduce the overall Commitment Fee by \$225,000.

All other terms and conditions of the DIP Term Loan (including the interim financing order, credit agreement and security agreement) and the Plan Sponsorship Agreement would remain the same. Versa is prepared to move forward on the same timeline as B. Riley Financial, Inc. For purposes of timely completing the transactions contemplated by the Plan Sponsorship Agreement, the Debtors would need to provide Versa with immediate access to all information provided to B. Riley, access to the Debtors' management team and business, and such other information as requested by Versa. Versa would, of course, sign a confidentiality agreement with the Debtors.

Versa has ample liquidity to immediately fund its proposed commitments under this Superior Proposal. Unless previously accepted, this offer expires upon the earlier to occur of (x) interim approval of the B. Riley DIP Term Loan, and (y) Monday January 26, 2015 at 5:00pm EST.

We look forward to completing this transaction with the Debtors.

Sincerely,

  
Gregory L. Segall  
Chairman and CEO

cc: Michael L. Tuchin, Esq. (via e-mail)  
Lee R. Bogdanoff, Esq. (via e-mail)  
Michael R. Nestor, Esq. (via e-mail)  
Mr. Derek Pitts (via e-mail)  
Greenberg Traurig, LLP (Nancy Peterman, Esq. and Howard Steinberg, Esq.)  
Klehr Harrison Harvey Branzburg (Mort Branzburg, Esq.)