



Audit Committee Charter

SECTION I - PURPOSE

The Audit Committee is established by the Board of Directors (the "Board" or the "Board of Directors") of The Wet Seal, Inc. (the "Company") for the purpose of assisting the Board with overseeing the Company's accounting and financing reporting processes and the audit of the Company's financial statements, including overseeing:

- the integrity of the Company's financial statements,
- the Company's compliance with legal and regulatory requirements,
- the independent auditors' qualifications and independence,
- the performance of the Company's internal audit function and independent auditors,
- the Company's system of disclosure controls and system of internal controls regarding finance, accounting, legal compliance, and ethics that management and the Board have established, and
- such other related matters required by applicable law or the rules and listing standards of the NASDAQ Stock Market, as they may be amended from time to time (the "Nasdaq Rules").

Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Audit Committee should also provide an open avenue of communication among the independent auditors, financial and senior management, the internal auditing function, and the Board of Directors.

The Audit Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors, as it deems necessary or appropriate, without seeking approval of the Board or management.

The Company shall provide appropriate funding, as determined by the Audit Committee, for compensation to the independent auditors and any other public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, compensation of any advisors that the Audit Committee chooses to engage and ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Charter. The Audit Committee will report regularly to the Board of Directors regarding the execution of its duties and responsibilities. The powers and responsibilities delegated by the Board of Directors to the Audit Committee in this Charter or otherwise exercised and carried out by the Audit Committee as it deems appropriate without requirement of approval of the Board of Directors, and any decision made by the Audit Committee (including any decision to exercise or refrain from exercising any of the powers delegated hereunder) shall be at the Audit Committee's sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Audit Committee shall have and may exercise all the powers and authority of the Board of Directors. To the fullest extent permitted by law, the Audit Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

Notwithstanding the foregoing, the Audit Committee's responsibilities are limited to oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements and for the effectiveness of internal control over financial reporting. Management and the internal auditing department are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out a proper audit of the Company's annual financial statements and of the Company's internal control over financial reporting, reviews of the Company's quarterly financial statements prior to the filing of each Quarterly Report on Form 10-Q with the United States Securities and Exchange Commission (the "SEC"), and other procedures.

In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Company and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As

such, it is not the duty or responsibility of the Audit Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures, to set auditor independence standards, or to determine that the Company’s financial statements and disclosure are complete and accurate and in accordance with United States generally accepted accounting principles (“GAAP”) and applicable laws, rules and regulations. Each member of the Audit Committee shall be entitled to rely on the integrity of those persons within the Company and of the professionals and experts (including the Company’s internal auditors (or others responsible for the internal audit function, including contracted nonemployees or audit or accounting firms engaged to provide internal audit services) and the Company’s independent auditors) from which the Audit Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Audit Committee by such persons, professionals or experts.

Furthermore, auditing literature, particularly Statement on Auditing Standards AU Sec. 722, defines the term “review” to include a particular set of required procedures to be undertaken by independent auditors. The members of the Audit Committee are not independent auditors, and the term “review” as used in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Audit Committee members can or should follow the procedures required of auditors performing reviews of financial statements.

SECTION II - COMPOSITION AND MEETINGS

The Audit Committee shall be comprised of three or more directors as determined by the Board. No member of the Audit Committee shall have participated in the preparation of the financial statements of the Company or any of its subsidiaries at any time during the prior three years. In addition, each member of the Audit Committee shall otherwise be an “independent director” (as defined by all Nasdaq Rules and the Securities Exchange Act of 1934, as amended, and all applicable rules and regulations promulgated thereunder from time to time (the “Exchange Act”)) unless otherwise permitted by such rules and regulations, and free from any relationship (including disallowed compensatory arrangements) that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. No member of the Audit Committee may serve simultaneously on the audit committee of more than two other public companies, unless prior approval is obtained from the Board.

All members of the Audit Committee shall be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. At least one member of the Audit Committee shall be an “audit committee financial expert” in compliance with the criteria established by the SEC and shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual’s financial sophistication, including being, or having been, a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The existence of such member(s) shall be disclosed in periodic filings as required by the SEC. Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The members of the Audit Committee shall be elected by the Board on the recommendation of the Nominating and Corporate Governance Committee at the annual organizational meeting of the Board to serve until the next annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Audit Committee members may be removed from the Audit Committee, with or without cause, by majority vote of the Board.

Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership. The Chair, or in his or her absence, a member designated by the Chair, shall preside at each meeting of the Audit Committee and set the agendas for the Audit Committee meetings. The Audit Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company’s bylaws that are applicable to the Audit Committee.

The Audit Committee shall meet at least once during each fiscal quarter, or more frequently as circumstances dictate. Each regularly scheduled meeting shall conclude with an executive session of the Audit Committee absent members of management and on such terms and conditions as the Audit Committee may elect. As part of its job to foster open communication, the Audit Committee should meet periodically with management, the director of the internal auditing function and the independent auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. In addition, the Audit Committee shall meet quarterly with the independent auditors and management to discuss the annual audited financial statements and quarterly financial statements, including the Company’s disclosure under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s SEC filings.

The Audit Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Audit Committee, attend any meeting of the Audit Committee to provide such pertinent information as the Audit Committee requests.

The Audit Committee shall have the authority to delegate responsibilities listed herein to subcommittees of the Audit Committee if the Audit Committee determines that such delegation would be in the best interest of the Company. In particular, the Audit Committee may, in its discretion, delegate to one or more of its members the authority to preapprove any audit or nonaudit services to be performed by the independent auditors, with any such preapproval reported to the Audit Committee at its next regularly scheduled meeting, as further described under "Section III – Responsibilities and Duties – Independent Auditors - 10."

SECTION III - RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

Documents/Reports/Accounting Information Review

1. Review and reassess the adequacy of this Charter periodically, at least annually, and recommend to the Board of Directors any necessary or appropriate amendments as conditions dictate.
2. Review and discuss with management the Company's annual financial statements, quarterly financial statements, and all internal controls reports (or summaries thereof). Review other relevant reports or financial information submitted by the Company to any governmental body, or the public, including management certifications as required by the Sarbanes-Oxley Act of 2002 (Sections 302 and 906) and relevant reports rendered by the independent auditors (or summaries thereof).
3. Based on its discussions of the audited financial statements with management, its discussions of the matters required to be discussed by AUC Section 260, "The Auditor's Communication with those charged with Governance," as it may be modified or supplemented, and the disclosures received from the independent auditors regarding their independence, recommend to the Board whether the financial statements should be included in the Annual Report on Form 10-K. Review with financial management and the independent auditors the Form 10-Q prior to its filing (or prior to the release of earnings).
4. Review earnings press releases with management, including a review of "pro-forma" or "adjusted" non-GAAP information.
5. Discuss with management financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be on general terms (i.e., discussion of the types of information to be disclosed and the type of presentation to be made).
6. Review the regular internal reports (or summaries thereof) to management prepared by the internal auditing department and management's response.
7. Prepare any report or other disclosures, including any recommendation of the Audit Committee, required by the rules of the SEC to be included in the Company's annual proxy statement.

Independent Auditors

1. Meet with management, the independent auditors and the internal auditors in connection with each annual audit to discuss the scope of the audit, the procedures followed and the staffing of the audit. Advise management, the internal auditors and the independent auditors that they are expected to provide to the Audit Committee a timely analysis of significant issues and practices relating to accounting principles and policies, financial reporting and internal control over financial reporting.
2. Appoint, compensate, retain and oversee the work performed by the independent auditors for the purpose of preparing or issuing an audit report or related work. Review the performance of the independent auditors and remove the independent auditors if circumstances warrant. The independent auditors shall report directly to the Audit Committee and the Audit Committee shall oversee the resolution of disagreements between management and the independent auditors in the event that they arise. Consider whether the auditors' performance of permissible nonaudit services is compatible with the auditors' independence.
3. Appoint, compensate, retain and oversee the work performed by any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review or attestation services. Any such other registered public accounting firm shall report directly to the Audit Committee.
4. Review with the independent auditors any problems or difficulties and management's response; review the independent auditors' attestation report on the effectiveness of the Company's internal control over financial reporting; and hold timely discussions with the independent auditors regarding the following:
 - o all critical accounting policies and practices;
 - o all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors;
 - o other material written communications between the independent auditors and management including, but not limited to, the management letter and schedule of unadjusted differences or internal control letter issued or proposed to be issued by the independent auditors to the Company; and
 - o an analysis of the auditors' judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
5. Review the form of opinion the independent auditors propose to render to the Board of Directors and stockholders with

respect to the annual audited financial statements.

6. Obtain from the independent auditors assurance that the audit was conducted in a manner consistent with Section 10A of the Exchange Act, which sets forth certain procedures to be followed in any audit of financial statements required under the Exchange Act.
7. At least annually, obtain and review a report by the independent auditors describing:
 - o the firm's internal quality control procedures;
 - o any material issues raised by the most recent internal quality-control review or by any inquiry or investigation by governmental or professional authorities, including the Public Company Accounting Oversight Board, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
8. At least annually, obtain from the independent auditors a formal written statement delineating all relationships between the independent auditors and the Company. Actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may affect the objectivity and independence of the independent auditors and take, or recommend that the full Board take, appropriate action to oversee the independence of the independent auditors.
9. At least annually, obtain from the independent auditors a formal written statement of the fees billed in each of the last two fiscal years for each of the following categories of services rendered by the independent auditors: (i) the audit of the Company's annual financial statements and the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q or services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements; (ii) assurance and related services not included in clause (i) that are reasonably related to the performance of the audit or review of the Company's financial statements, in the aggregate and by each service; (iii) tax compliance, tax advice and tax planning services, in the aggregate and by each service; and (iv) all other products and services rendered by the independent auditors, in the aggregate and by each service.
10. Review and preapprove both audit and nonaudit services to be provided by the independent auditors (other than with respect to de minimis exceptions permitted by the Sarbanes-Oxley Act of 2002). This duty may be delegated to one or more designated members of the Audit Committee with any such preapproval reported to the Audit Committee at its next regularly scheduled meeting. Approval of nonaudit services shall be disclosed to investors in periodic reports required by Section 13(a) of the Exchange Act.
11. Establish hiring policies for employees or former employees of the independent auditors and review and approve any and all of management's proposed hirings of such employees or former employees to ensure compliance with applicable laws or regulations.
12. Discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner, confirm with the independent auditors that the independent auditors are in compliance with the partner rotation requirements established by the SEC.
13. Review and evaluate the qualifications, performance and independence of the independent auditors' audit team, including the lead partner.

Financial Reporting Processes and Accounting Policies

1. In consultation with the independent auditors and the internal auditors, review the integrity of the organization's financial reporting processes (both internal and external), and the internal control structure (including disclosure controls).
2. Review with management major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control concerns.
3. Review analyses prepared by management (and the independent auditors) setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
4. Review with management and the independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
5. Review and approve all related party transactions of the Company in accordance with the policies of the Company in effect from time to time.
6. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters.
7. Establish and maintain procedures for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
8. Inquire of the Company's chief executive officer and chief financial officer as to the existence of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Internal Audit

1. Review and advise on the selection and removal of the internal audit director, or if an outsourced function and director, the firm providing the internal audit function.

2. Advise the internal audit director that he or she, or if an outsourced function and director, the firm providing the internal audit function that it, is expected to provide to the Audit Committee summaries of, and as appropriate, the significant reports to management prepared by the internal auditors and management's responses thereto.
3. Review activities, organizational structure and qualifications, and the responsibilities, budget and staffing, of the internal audit function.
4. Annually, review and recommend changes (if any) to the internal audit charter.

Other Compliance Functions

1. Periodically review with the internal audit director any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.
2. Inquire with management quarterly regarding change in status of significant new and pre-existing legal proceedings and/or legal compliance matters.
3. Review, with the Company's counsel, any legal, compliance or regulatory matter that could have a significant impact on the Company's financial statements, business or compliance policies, including notices to or inquiries received from governmental agencies.
4. Discuss with management and the independent auditors any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise material issues regarding the Company's financial statements, financial reporting processes, accounting policies or internal audit function.
5. Review the Company's policies and procedures with respect to risk assessment and risk management. Such review should include the Company's major financial and accounting risk exposures and the steps management has undertaken to monitor and control them.

Other Responsibilities

1. Review with the independent auditors, the internal auditing department and the management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review will be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.
2. Annually, perform a self-assessment relative to the Audit Committee's purpose, duties and responsibilities outlined herein.
3. Perform any other activities consistent with this Charter, the Company's by-laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.