



Compensation Committee Charter

Purpose and Authority of the Committee

The Compensation Committee (the "Committee") of the Board of Directors (the "Board") of The Wet Seal, Inc. (the "Company") is appointed by the Board to (i) make recommendations to the Board to assist the Board in discharging its responsibilities with respect to all forms of compensation of the Company's executive officers and directors, (ii) administer the Company's equity incentive plans for employees and directors, (iii) produce an annual report on executive compensation for use in the Company's annual proxy statement, (iv) perform such other functions as the Board may from time to time assign to the Committee and (v) attend to any additional matters for which the Committee is charged with responsibility under 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").

This Charter sets forth the authority and responsibility of the Committee for approving, evaluating, advising and/or making recommendations to the Board with respect to, executive officer and director compensation goals and objectives, arrangements, plans, policies and programs of the Company and for assisting the Board with administering the Company's equity incentive plans for employees and directors, whether adopted prior to or after the date of adoption of this Charter (the "Stock Plans").

Composition of the Committee and Delegation

The Committee will consist of three or more members, with the exact number being determined by the Board. Except as may be permitted by the Nasdaq Rules, the Committee shall consist solely of "independent directors," i.e., those directors who neither are officers or employees of the Company or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise "independent" under the Nasdaq Rules. In addition, each member of the Committee will: (i) be a "non-employee director," as defined in Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (ii) be an "outside director" within the meaning of Treasury Regulation 1.162-27 promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"); and (iii) meet any other requirements imposed by applicable law, regulations or rules, including the Nasdaq Rules and rules and regulations promulgated by the Securities and Exchange Commission ("SEC"), subject to any applicable exemptions and transition provisions.

All members of the Committee will be appointed by, and shall serve at the discretion of, the Board. The Board will select members of the Committee, on the recommendation of the Nominating and Corporate Governance Committee, who will be approved by a majority vote of the members of the Board. Each Committee member shall serve during his or her respective term as a director, subject to earlier resignation or removal. A Committee member (including the Chair) may be removed at any time, with or without cause, by a majority vote of the Board. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall have the authority, in its discretion, to delegate responsibilities listed herein to subcommittees of the Committee, subject to and in accordance with applicable rules and regulations.

Committee Responsibilities

The principal responsibilities of the Committee in carrying out its purposes outlined above are set forth below. These responsibilities are set forth as a guide with the understanding that the Committee may supplement them as appropriate and may establish policies and procedures from time to time that it deems necessary or advisable in fulfilling its responsibilities.

1. The Committee will review, and recommend to the Board, the Company's overall compensation strategy, including base salary, incentive compensation and equity-based grant approaches, to assure that it promotes stockholder interests and supports the Company's strategic and tactical objectives.
2. The Chief Executive Officer ("CEO") will have authority to grant bonuses, stock options and stock rights to eligible employees of the Company in accordance with The Wet Seal, Inc. Total Compensation Matrix approved by the Board with respect to the applicable fiscal year of the Company, subject to the terms of the applicable Board-approved equity plan of the Company; provided, however, that any such equity grant to an executive officer of the Company shall be

reviewed and approved by the Committee.

3. The Committee will annually review, and recommend to the Board for approval, the corporate goals and objectives relevant to CEO compensation and evaluate the CEO's performance in light of these goals and objectives. Based on this evaluation, the Committee will recommend to the Board for approval, (i) the salary paid to the CEO; (ii) the grant of cash-based bonuses and equity compensation to the CEO; (iii) the entering into or amendment or extension of any employment contract or similar arrangement with the CEO; (iv) any CEO severance or change in control arrangement; and (v) any other CEO compensation matters as from time to time may be directed by the Board. In developing a recommendation of the long-term incentive component of the CEO's compensation, the Committee will consider, among other factors: (i) the Company's performance and relative shareholder return, (ii) the value of similar incentive awards to chief executive officers at companies that the Committee determines comparable based on factors it selects, and (iii) the incentive awards given to the CEO in past years.
4. The Committee will annually review, and recommend to the Board for approval, the corporate goals and objectives relevant to compensation of all other executive officers, including the Chief Operating Officer, the Chief Financial Officer and Divisional Presidents. In light of these goals and objectives, the Committee will annually review the proposals of the CEO with respect to (i) salary paid to the executive officers; (ii) the grant of cash-based bonuses and equity compensation provided to the executive officers; (iii) the entering into, amendment or extension of any employment contract or similar arrangement with the executive officers; (iv) executive officers' severance or change in control arrangements; and (v) any other executive officer compensation matters as from time to time directed by the Board. In developing a recommendation for Board approval, of the long-term incentive component of executive officer compensation, the Committee will consider the same factors pertaining to such compensation that it considers for that element of the CEO's compensation.
5. The Committee will periodically review with the CEO, and make recommendations to the Board, with respect to adoption and approval of, or amendments to, all equity-based incentive compensation plans and arrangements for employees and directors, and the shares and amounts reserved thereunder (subject to stockholder approval when required). The Committee will also periodically review and make recommendations to the Board with respect to the adoption and approval of any amendments to cash-based incentive plans for senior executives.
6. The Committee will: (i) approve grants of stock, stock options, stock purchase rights or other equity grants to employees and directors eligible for such grants (including grants in compliance with Rule 16b-3 promulgated under the Exchange Act to individuals who are subject to Section 16 of the Exchange Act); (ii) interpret the Stock Plans and agreements thereunder; and (iii) determine acceptable forms of consideration for stock acquired pursuant to the Stock Plans. Pursuant to Section 157 of the Delaware General Corporation Law (the "DGCL"), the Committee may delegate to the Company's CEO the authority to grant stock options and stock rights to employees of the Company or of any subsidiary of the Company who are not directors or executive officers, provided that such grants are within the limits established by Section 157 of the DGCL and by resolution of the Board of Directors.
7. The Committee will periodically review the Company's policies and procedures with respect to employee loans, and will not recommend for approval by the Board any arrangement in which the Company, directly or indirectly, extends or maintains credit, arranges for the extension of credit or renews an extension of credit, in the form of a personal loan to or for any director or executive officer (or equivalent thereof) of the Company. The Committee will assist the Board and management of the Company in complying with this prohibition.
8. The Committee will exercise the powers of the directors and perform such duties and responsibilities as may be assigned to a "committee" or this Committee under the terms of any incentive-compensation, equity-based, deferred compensation, or other plan in the Company's executive benefit program.
9. The Committee will prepare an annual Compensation Committee Report on executive compensation for inclusion in the Company's proxy statement for the its annual meeting in accordance with the applicable rules and regulations of the SEC and, in connection therewith, review and discuss the "Compensation and Discussion Analysis" and other compensation disclosure prepared in response to applicable disclosure requirements under SEC rules and regulations.
10. The Committee will review and recommend to the Board for approval the frequency with which the Company will conduct "say-on-pay" votes, taking into account the results of the most recent stockholder advisory vote required by Section 14A of the Exchange Act, and review and approve the proposals regarding the "say-on-pay" votes and the frequency of the "say-on-pay" vote to be included in the Company's proxy statement.
11. The Committee shall report to the Board on its activities on a regular basis and not less than once per year.
12. The Committee will review and recommend for approval by the Board settlements of employment related lawsuits exceeding \$100,000.
13. The Committee will review and recommend for approval by the Board all employment agreements with executive officers. The CEO will have the authority to hire, retain, promote or terminate any employee whose salary is \$250,000 or less in base annual pay regardless of Section 16(b) status under the Exchange Act.
14. The Committee will review with management the Company's major compensation-related risk exposures and the steps management has taken, or should consider taking, to monitor or mitigate such exposures.
15. The Committee will review, on an annual basis, the level and form of non-employee director compensation and recommend to the Chairman of the Board any changes the Committee considers appropriate.
16. The Committee will oversee regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, certifying that performance goals have been attained for purposes of Section 162 (m) of the Code.
17. The Committee will review and assess the adequacy of this Charter at least annually and recommend any changes to the full Board.
18. The Committee will perform any other activities required by applicable law, rules or regulations, including SEC rules and

regulations and the Nasdaq Rules, and perform other activities that are consistent with this Charter, the Company's Restated Certificate of Incorporation, as amended, and Bylaws, as amended, and governing laws, delegated to it by the Board or as the Committee deems necessary or appropriate consistent with its purpose.

Meetings

Meetings of the Committee will be held from time to time, but at least twice each year, in response to the needs of the Board or as otherwise determined by the Chair of the Committee. The Chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over Committee meetings, making Committee assignments and reporting the Committee's actions to the Board from time to time as requested by the Board. A quorum of the Committee for the transaction of business will be a majority of its members. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. Without a meeting, the Committee may act by unanimous written consent of all members.

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

The CEO may not be present during any voting or deliberations of the Committee regarding the CEO's compensation.

Following each of its meetings, the Committee shall deliver a report on the meeting to the Board, including a summary description of actions taken by the Committee at the meeting. The Committee will maintain written minutes of its meetings and copies of its actions by written consent, and will cause such minutes and copies of written consents to be filed with the minutes of the meetings of the Board.

Annual Evaluation Procedures

The Committee shall on an annual basis evaluate its performance, which evaluation should among other things: (i) compare its performance with the requirements of this Charter; (ii) evaluate its performance against its goals and objectives for the previous year; and (iii) set forth its goals and objectives for the upcoming year. The evaluation should include a review and assessment of the adequacy of this Charter. The Committee shall address all matters that it considers relevant to its performance, including at least the following: (i) the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, (ii) the manner in which they were discussed or debated, (iii) the quality of the written materials and presentations and (iv) whether the number and length of meetings of the Committee were adequate for it to complete its work in a thorough and thoughtful manner.

The Committee shall report the results of its evaluation to the Board, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

Resources and Authority of the Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority, in its sole discretion, to select, retain and obtain the advice of, outside legal counsel, compensation consultants or other experts or advisors, as it deems appropriate. With respect to compensation consultants retained to assist in the evaluation of director, CEO or executive officer compensation, this authority shall be vested solely in the Committee. The Committee shall set the compensation, and oversee the work of, its outside legal counsel, compensation consultants or other experts and advisors. The Company will provide for appropriate funding, as determined by the Committee, for:

1. Payment of compensation to any legal counsel, compensation and other consultants, experts and advisors retained by the Committee;
2. Ordinary administrative expenses of the Committee that are necessary and appropriate in carrying out its functions; and
3. The commission of any necessary studies or surveys concerning the levels of executive compensation payable in the industry in which the Company is engaged and in other related industries or obtaining recommendations from outside consultants concerning comparable compensation programs.

Prior to selecting or receiving advice from a compensation consultant, legal counsel (other than in-house counsel) or other advisor to the Committee, the Committee shall take into consideration such factors as may be required by applicable law and the Nasdaq Rules and such other factors it deems appropriate, which factors shall include the independence of, or any conflicts of interest associated with retaining, any outside advisor. The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice.

Miscellaneous

Nothing contained in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. This Charter, and any amendments thereto, shall be displayed on the Company's web site and a printed copy of such shall be made available to any stockholder of the Company who requests it