



## **Corporate Policy and Procedure on Insider Trading and Disclosure of Information to the Public for Employees of the Wet Seal, inc.**

### **Introduction**

Federal and state securities laws prohibit any person who is aware of material non-public information about a company from trading in securities of that company. These laws also prohibit a person from disclosing or tipping material non-public information to other persons who may trade on the basis of that information.

Our board of directors has adopted this policy to promote compliance with these laws and to protect you and our company from the serious liabilities and penalties that can result from violations of these laws.

It is your responsibility to comply with the securities laws and this policy. If you have questions about this policy, please contact our Chief Financial Officer. Information on how to contact our Chief Financial Officer is set forth under the heading "Company Assistance".

**You should carefully read this policy and follow its directives at all times. Failure to adhere to this policy will result in immediate disciplinary measures being taken including, in appropriate cases, dismissal.**

### **Persons subject to this policy**

If you are an employee, officer, or director of The Wet Seal, Inc. or any of its subsidiaries, or a person designated by our board of directors (each, a Designated Person), then this policy applies to you.

It also applies to your family members who reside with you, anyone else who lives with you and any other person or entity (such as trusts and partnerships) whose transactions in Wet Seal securities are directed by you, are subject to your influence or control, or in which you have a monetary interest.

You are responsible for making sure that these other persons and entities comply with this policy.

### **Core trading and disclosure restrictions**

The following trading and disclosure restrictions apply to all of our employees, officers, directors, each Designated Person as well as the other parties and entities identified under the heading "Persons subject to this policy":

- If you have material non-public information regarding us, you must not trade or advise anyone else to trade in our securities until such information has been publicly disclosed.
- If you have material non-public information regarding any other company that you obtained from your employment or relationship with us, you must not trade or advise anyone else to trade in the securities of that other company, or otherwise disclose such material non-public information, until such information has been publicly disclosed.
- Do not share material non-public information with people in our company whose jobs do not require them to have the information.
- Do not disclose any non-public information, material or otherwise, concerning our company to anyone outside our company unless required as part of your duties and the person receiving the information has a reason to know the information for company business purposes.

### **Transactions covered by this policy**

This policy applies to any purchase or sale of Wet Seal securities, including our common stock, options to purchase our common stock, any other type of securities that we may issue, such as preferred stock, convertible debentures and warrants, as well as exchange-traded options, other derivative securities, and puts, calls and short sales involving Wet Seal securities.

Notwithstanding this general rule, certain transactions under The Wet Seal Inc.'s benefit plans are not prohibited by this policy.

These transactions are discussed in this policy under the heading "Exceptions to this policy for certain transactions under Company benefit plans". In addition, trading in Wet Seal securities is not prohibited by this policy if the trades are conducted pursuant to an approved and qualified pre-arranged trading plan (a Rule 10b5-1 Trading Plan (as described in more detail below)). These types of plans are discussed in this policy under the heading "Exceptions to this policy for trades pursuant to pre-arranged trading plans".

You are also prohibited from placing any "stop loss" orders or any other "limit order" involving Wet Seal securities, except pursuant to a Rule 10b5-1 Trading Plan. Otherwise, it would be possible for a trade to occur during a time in which material non-public information was known to you.

**Please be aware that these policies will continue to apply to you after the termination of your employment or service with us for so long as you are in possession of material non-public information about our company.**

## **Purchasing and Selling Wet Seal Securities**

Our company has adopted a conservative approach concerning trading in Wet Seal securities by our employees, in order to help prevent inadvertent violations and avoid even the appearance of an improper transaction (which could result, for example, if an employee engages in a trade unaware of a pending material development).

Procedure for Purchases and Sales of Wet Seal Securities. Except as provided herein regarding Rule 10b5-1 Trading Plans, our employees, officers, directors, Designated Persons and certain other parties and entities identified under the heading "Persons subject to this policy" shall not make any purchases, sales and other transactions of our securities during "Black-Out Periods".

"Purchase" and "sale" are defined broadly under the federal securities law. "Purchase" includes not only the actual purchase of a security, but any contract to purchase or acquire a security. "Sale" includes not only the actual sale of a security, but any contract to sell or dispose of a security. These definitions extend to a broad range of transactions including conventional cash-for-stock transactions, conversions, the exercise of stock options with the assistance of a broker, and acquisitions and exercises of warrants or puts, calls or other options related to a security.

The following shall be deemed Black-Out Periods for purposes of trading in Wet Seal securities:

- the first week of every fiscal month (as such months are identified on the fiscal calendar of our company distributed to our employees), with the Black-Out Period terminating at 5 p.m. (California time) on Friday of such week
- for each fiscal May, August and November, from the first business day of such month up to, and including, the end of the first full business day following our company's announcement of quarterly earnings results
- from the first business day of fiscal March up to, and including, the end of the first full business day following our company's announcement of annual earnings results
- certain other periods designated from time to time at the discretion of our Chief Financial Officer to be Black-Out Periods, as communicated to our employees

Any employee wishing to know more information about our Black-Out Periods should contact our Chief Financial Officer.

**IN ALL EVENTS, transactions in Wet Seal Securities are allowed ONLY during non Black-Out Periods (provided you are not otherwise in possession of material nonpublic information) or pursuant to Rule 10b5-1 Trading Plans.**

## **Definition of material non-public information**

**Material information.** Information about our company is "material" if there is a substantial likelihood that a reasonable shareholder or investor would consider it important in making a decision to purchase, sell or hold our securities, or if the disclosure of the information would be expected to significantly alter the total mix of the information in the marketplace about us. In simple terms, material information is any type of information that could reasonably be expected to affect the market price of our securities. Both positive and negative information may be material. Information that could be material about our company includes, but is not limited to:

- earning estimates (including changes of previously announced estimates)
- a significant change in our operations, projections or strategic plans
- a pending merger or acquisition
- a pending sale of significant assets or subsidiaries
- the gain or loss of a major supplier
- a new line of merchandise, a new merchandising strategy or a new store concept
- a significant pricing change in our merchandising
- bank borrowings or other financing transactions

- liquidity or cash problems
- actual or pending defaults under our agreements with third parties
- stock buy-back programs, or redemption of debt or equity
- a declaration of a stock split, a public or private securities offering (debt or equity) by us or a change in our dividend policies or amounts
- a change in senior management or information concerning their business or personal lives
- changes in our company's independent auditors or that our company may no longer rely on their audit report
- regulatory proceedings and governmental investigations
- an actual or threatened major lawsuit

As noted above, this list is not exhaustive and, depending upon the circumstances, other information may be material. In short, if you would consider the information in making an investment decision, you should assume it is material. Remember that both positive and negative information may be inside information. You should always treat information as material if you have any reason to believe that it may be important.

**Non-public information.** Non-public information is information that is not generally available to the investing public. If you are aware of material non-public information, you may not trade until the information has been widely disclosed to the public (for example, through a press release or a filing with the Securities and Exchange Commission) and the market has had sufficient time to absorb the information. For purposes of this policy, information will generally be considered public after the first full trading day following our company's public release of the information. For example, if we issued a press release on a Thursday, the first day that trading could occur would be on the following Monday.

If you are not sure whether information is material or non-public, please consult with our Chief Financial Officer for guidance before engaging in any transaction in Wet Seal securities.

### **Unauthorized disclosure of information**

You are prohibited from disclosing to anyone inside or outside our company any nonpublic information obtained at or through our company, except when such disclosure is part of your regular duties and is needed to enable our company to carry out its business properly and effectively.

We are subject to laws that govern the timing of our disclosures of material information to the public and others. Our policy governing disclosure of company information provides that only certain designated employees may discuss our company with the news media, securities analysts and investors. All inquiries from outsiders regarding material non-public information about our company should be forwarded to the Chief Executive Officer. Accordingly, when an inquiry is made by an outsider, the following response will generally be appropriate:

*"As to these types of matters, the Company's spokesperson is the Company's Chief Executive Officer. If there is any comment, he would be the one to contact."*

The following procedures are appropriate in protecting the confidentiality of our company's information:

- avoid discussions of confidential matters in places where they might be overheard or otherwise disseminated
- mark sensitive documents "confidential" and use sealed envelopes marked "confidential"
- secure confidential documents and restrict the copying of sensitive documents
- provide instructions to receptionists regarding outside inquiries
- use code names for sensitive projects
- use passwords to restrict computer access
- do not use any Internet message boards or similar medium available to the public to post any unauthorized messages regarding our company or our business, financial condition, employees, clients or other matters related to us

### **Consequences of violating insider trading laws or this policy**

The consequences of violating the securities laws or this policy can be severe. They include the following:

**Civil and criminal penalties.** If you violate the insider trading or tipping laws, you may be required to:

- pay civil penalties up to three times the profit made or loss avoided
- pay a criminal penalty of up to \$5 million
- serve a jail term of up to 20 years

In addition, our company and/or the supervisors of a person who violates these laws may also be subject to civil or criminal penalties if they did not take appropriate steps to prevent illegal trading.

**Company Discipline.** If you violate this policy or insider trading or tipping laws, you may be subject to disciplinary action by our company, up to and including termination for cause. A violation of our company policy is not necessarily the same as a violation of law and we may determine that specific conduct violates our policy, whether or not the conduct also violates the law. We are not required to await the filing or conclusion of a civil or criminal action against an alleged violator before taking disciplinary action.

**Reporting Of Violations.** Any employee, officer, director or Designated Person who violates this policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other employee, officer, director or Designated Person, must report the violation immediately to our Chief Financial Officer.

### **Exceptions to this policy for certain transactions under Company benefit plans**

Certain transactions in Wet Seal securities under company benefit plans are not prohibited by this policy. These are:

**Stock Option Exercises.** This policy does not apply to your exercise of an employee stock option for cash or with shares of stock already owned by you. The prohibitions of this policy do apply, however, to sales of shares received upon exercise of an option, regardless of whether such sale is to pay the exercise price or for tax withholding.

**401(k) Plan.** This policy does not apply to purchases of Wet Seal stock in our 401(k) plan resulting from your periodic contribution of money to the plan through a payroll deduction election. This policy does apply, however, to certain elections you may make under our 401(k) plan, including (i) an election to increase or decrease the percentage of your periodic contributions that will be allocated to the Wet Seal stock fund, (ii) an election to make an intraplan transfer of an existing account balance into or out of the Wet Seal stock fund, (iii) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your Wet Seal stock fund balance, and (iv) your election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Wet Seal stock fund.

### **Exception to this policy for trades pursuant to pre-arranged trading plans**

The trading restrictions in this policy do not apply to trading in Wet Seal securities if the trades occur pursuant to a pre-arranged trading plan that has been pre-cleared by our Chief Financial Officer. A Securities and Exchange Commission rule, Rule 10b5-1(c), provides a defense from insider trading liability for trades that occur pursuant to a pre-arranged "trading plan" that meets certain specified conditions. You must pre-clear any such trading plan with our Chief Financial Officer and you must enter into the trading plan at a time when you were not aware of any material non-public information. As a condition to the approval of any such plan, our Chief Financial Officer may require the inclusion in the plan of any provisions deemed necessary or advisable to comply with the law and our company policy. Any changes to a pre-cleared trading plan must be approved by our Chief Financial Officer before any further transactions can be made pursuant to the trading plan.

In pre-clearing the implementation, amendment or termination of a trading plan, our Chief Financial Officer shall not be responsible for determining whether such plan is in compliance with the provisions of Rule 10b5-1(c). Compliance with Rule 10b5-1(c) is solely your responsibility.

### **Company Assistance**

If you have a question about this policy or whether it applies to a particular transaction, contact our Chief Financial Officer for additional guidance. His telephone number is 949-699- 3918.

\* \* \*

This policy is intended to inform you of our policies prohibiting insider trading. It is not, however, intended to be a complete explanation of the legal restrictions and consequences of trading in Wet Seal securities. Employees are strongly encouraged to consult with their own legal and tax advisors before engaging in any transaction involving Wet Seal securities or the securities of companies with which we do business. Please remember that you are ultimately responsible for complying with the laws prohibiting insider trading and that violation of such laws can result in both civil and criminal penalties (including jail).