

The Wet Seal, Inc. Audit Committee Charter

SECTION I - PURPOSE

The Audit Committee is established by and amongst the Board of Directors of The Wet Seal, Inc. (“the Company”) for the primary purpose of assisting the board with:

- overseeing the integrity of the Company’s financial statements,
- overseeing the Company’s compliance with legal and regulatory requirements,
- overseeing the independent auditor’s qualifications and independence,
- overseeing the performance of the company’s internal audit function and independent auditor, and
- overseeing 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.

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 has the authority to obtain advice and assistance from the Company’s outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities and may retain independent counsel, experts or advisors that the Committee believes to be necessary or appropriate.

The Company shall provide appropriate funding, as determined by the Audit Committee, for compensation to the independent auditor and to any advisers that the audit committee chooses to engage.

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. Management of the Company is responsible for the preparation and integrity of the Company’s financial statements as well as the Company’s financial reporting process, accounting policies, internal audit function, internal accounting controls and disclosure controls and procedures. The independent auditor is responsible for performing an audit of the Company’s annual financial statements, expressing an opinion as to the conformity of such annual financial statements with generally accepted accounting principles and reviewing the Company’s quarterly financial statements. It is not the responsibility of the Audit Committee to plan or conduct audits or to determine that the Company’s financial statements and disclosure are complete and accurate and in accordance with generally accepted accounting principles 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 auditor (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 auditor) 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 of Accounting Standards No. 100, 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, each of whom shall be independent directors (as defined by all applicable rules and regulations of the NASDAQ Stock Market and the Securities Exchange Act of 1934, as amended), 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 Committee. All members of the 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 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. 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 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. Committee members may be removed from the Committee, with or without cause, by 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 full 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 Committee.

The 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 Committee absent members of management and on such terms and conditions as the Committee may elect. As part of its job to foster open communication, the 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 Committee or each of these groups believe should be discussed privately. In addition, the 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".

SECTION III - RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

Documents/Reports/Accounting Information Review

1. Review this Charter periodically, at least annually, and recommend to the Board of Directors any necessary 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 Statement on Auditing Standards No. 114, "The Auditor's Communication with those charged with Governance," and the disclosures received from the independent auditor regarding its 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 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.

Independent Auditors

1. Meet with management, the independent auditor and the internal auditor in connection with each annual audit to discuss the scope of the audit, the procedures followed and the staffing of the audit.
2. Appoint, compensate, and oversee the work performed by the independent auditor 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 auditor's performance of permissible nonaudit services is compatible with the auditor's independence.
3. Review with the independent auditor any problems or difficulties and management's response; review the independent auditor's attestation and report on management's internal control report; and hold timely discussions with the independent auditors regarding the following:
 - all critical accounting policies and practices;
 - all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
 - other material written communications between the independent auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and
 - an analysis of the auditor's 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.
4. At least annually, obtain and review a report by the independent auditor describing:
 - the firm's internal quality control procedures;
 - any material issues raised by the most recent internal quality-control review, peer review, or by any inquiry or investigation by governmental or professional authorities, 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; and
 - all relationships between the independent auditor and the Company (to assess the auditor's independence).
5. Review and preapprove both audit and nonaudit services to be provided by the independent auditor (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 Securities Exchange Act of 1934.
6. Review and approve any and all of management's proposed hiring's of employees or former employees of the independent auditor to ensure compliance with governing laws or regulations.
7. Confirm with the independent auditor that the independent auditor is in compliance with the partner rotation requirements established by the SEC.

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 auditor) 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 auditor 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.
6. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting, or auditing matters.
7. Establish and maintain procedures for the confidential, anonymous submission by Company employees regarding questionable accounting or auditing matters.

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. Review activities, organizational structure, and qualifications of the internal audit function.
3. 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. Establish, review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code. Ensure that the code is in compliance with all applicable rules and regulations.
3. Review management's monitoring of the Company's compliance with the organization's Ethical Code, and ensure that management has the proper review system in place to ensure that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
4. Inquire with management quarterly regarding change in status of significant new and pre-existing legal proceedings and/or legal compliance matters.
5. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
6. Discuss with management and the independent auditor 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.
7. 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 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 Committee.
2. Prepare the report that the SEC requires be included in the Company's annual proxy statement.
3. Annually, perform a self-assessment relative to the Audit Committee's purpose, duties and responsibilities outlined herein.
4. Perform any other activities consistent with this Charter, the Company's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.