



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 discharge the Board's responsibilities with respect to all forms of compensation of the Company's executive officers and directors, to administer the Company's equity incentive plans for employees and directors, to produce an annual report on executive compensation for use in the Company's annual proxy statement and to perform such other functions as the Board may from time to time assign to the Committee. This Charter sets forth the authority and responsibility of the Committee for approving and evaluating executive officer and director compensation arrangements, plans, policies and programs of the Company and for 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. Each of the members of the Committee will be (i) an "independent director" as defined under the NASDAQ Listing Standards, as they may be amended from time to time (the "Nasdaq Rules"), except as may otherwise be permitted by such rules and (ii) 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"). If any such person does not qualify as an "outside director" within the meaning of Treasury Regulation 1.162-27(e)(3) at the time that the Committee is granting "qualified performance-based compensation" within the meaning of Treasury Regulation 1.162-27(e)(2), such person shall recuse himself or herself from considering any compensation arrangement for which the Company will seek to so qualify. In such event, the Board shall appoint one or more "outside directors" to the Committee such as that it is comprised solely of two or more "outside directors" in order to satisfy the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended. 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 who will be approved by a majority vote of the members of the Board. Committee members will serve during their respective term as a director, subject to earlier removal 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 to delegate responsibilities listed herein to subcommittees of the Company if the Committee determines such delegation would be in the best interest of the Company.

Committee Responsibilities

The principal processes of the Committee in carrying out its oversight responsibilities are set forth below. These processes 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.

- The Committee will have the final authority to determine the form and amount of compensation and internal equity considerations to be paid or awarded to the Chief Executive Officer ("CEO"), the Chief Operating Officer ("COO") and the Chief Financial Officer ("CFO") and Divisional Presidents.
- 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.
- The CEO will have authority to grant bonuses, stock option and restricted stock in accordance with the 2005 Board Approved Wet Seal, Inc. Total Compensation Matrix and such future compensation matrices.
- The Committee will annually review and approve 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 make and annually review decisions respecting (i) salary paid to the CEO; (ii) the grant of all 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 directed by the Board. In determining the long-term incentive component of the CEO's compensation, the Committee will consider, among other things: the Company's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at companies that the Committee determines comparable based on factors it selects, and the incentive awards given to the CEO in prior years. The CEO may not be present during voting or deliberations concerning CEO compensation.

- The Committee will annually review and approve the corporate goals and objectives relevant to executive officers' 16(b) compensation. 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 arrangement; and (v) any other executive officer compensation matters as from time to time directed by the Board. In determining the long-term incentive component of the executive officers' compensation, the Committee will consider the same factors pertaining to such compensation that it considers for that element of the CEO's compensation.
- 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. The Committee will also periodically review and make recommendations to the Board with respect to the adoption and approval of, and amendments to all cash based incentive plans for senior executives.
- The Committee will: (i) approve grants of stock, stock options or stock purchase rights 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 Committee may delegate to the Company's CEO the authority to grant options 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 and by resolution of the Board of directors.
- The Committee will periodically review the Company's policies and procedures with respect to employee loans, and will not approve 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.
- The Committee will exercise the powers of the directors and perform such duties and responsibilities as may be assigned to a "committee", this Committee or the Board under the terms of any incentive-compensation, equity-based, deferred compensation, or other plan in the Company's executive benefit program.
- The Committee will prepare an annual report on executive compensation to the Company's stockholders for inclusion in the proxy statement for the Company's annual meeting in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC").
- The Committee will make periodic reports to the Board on its activities.
- The Committee will approve settlements of employment related lawsuits exceeding \$100,000.
- The Committee will review and approve all employment agreements.
- The Committee will perform any other activities required by applicable law, rules or regulations, including the rules of the SEC and any exchange or market on which the Company's capital stock is traded, and perform other activities that are consistent with this Charter, the Company's Restated Certificate of Incorporation and Bylaws, and governing laws, as the Committee or the Board deems necessary or appropriate.
- 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.

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 Chairman of such Committee, and the Committee shall provide reports to the Board. The Chairperson 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

(but at least once each year) as requested by the Board.

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 any meeting of the Committee to provide such pertinent information as the Committee requests.

Minutes

The Committee will maintain written minutes of its meetings, and will file such minutes with the books and records of the Company.

Removal

A Committee member (including the Chairperson) may be removed at any time, with or without cause, by the Board. No person may be made a member of the Committee if his or her service on the Committee would violate any restriction on service imposed by any rule or regulation of the SEC or the Nasdaq Stock Market Rules.

Annual Evaluation Procedures

The Committee shall on an annual basis evaluate its performance, which evaluation should among other things: (a) compare its performance with the requirements of this Charter; (b) evaluate its performance against its goals and objectives for the previous year; and (c) 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: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, the quality of the written materials and presentations and 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.

Studies

The Committee may conduct or authorize studies of matters within the Committee's scope of responsibilities as described above, and may retain, at the expense of the Company, independent counsel or other consultants necessary to assist the Committee in any such studies. The Committee shall have sole authority to retain and terminate any compensation consultant to be used to survey the compensation practices in the Company's industry and to provide advice so that the Company can maintain its competitive ability to recruit and retain highly qualified personnel. The Committee shall have the sole authority to negotiate and approve the fees and retention terms of any compensation consultant retained.

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. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities. 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 shareholder of the Company who requests it.