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As filed with the Securities and Exchange Commission on September 7, 2011

Registration No. 333-175299

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TILLY'S, INC.
(Exact name of registrant as specified in its charter)

Delaware	5600	45-2164791
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

10 Whatney
Irvine, California 92618
(949) 609-5599
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Daniel Griesemer
President and Chief Executive Officer
Tilly's, Inc.
10 Whatney
Irvine, California 92618
(949) 609-5599
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Cary K. Hyden, Esq. Michael A. Treska, Esq. Latham & Watkins LLP 650 Town Center Drive, 20th Floor Costa Mesa, California 92626	Patrick Grosso, Esq. Vice President, General Counsel & Secretary Tilly's, Inc. 10 Whatney Irvine, California 92618	Robert E. Buckholz, Esq. Patrick S. Brown, Esq. Sullivan & Cromwell LLP 125 Broad Street New York, New York 10004

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑ (Do not check if a smaller reporting company)	Smaller reporting company	☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)	Amount of registration fee(2)
Class A Common Stock, $0.001 par value per share	$100,000,000	$11,610

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.
(2) Previously paid on June 29, 2011.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated September 7, 2011

Shares

Class A Common Stock

This is an initial public offering in which we are selling shares of Class A common stock of Tilly's, Inc.

Following this offering, we will have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 10 votes per share and is convertible into one share of Class A common stock upon the occurrence of certain events. Upon completion of this offering, holders of our Class B common stock will control common stock representing % of the total voting power of our common stock.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the Class A common stock. After pricing of the offering, we expect that the Class A common stock will trade on the New York Stock Exchange under the symbol "TLYS".

Investing in our Class A common stock involves risks that are described in the "Risk Factors" section beginning on page 11 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The underwriters have agreed to reimburse us for a portion of our out-of-pocket expenses in connection with this offering. See "Underwriting".

To the extent that the underwriters sell more than shares of Class A common stock, the underwriters have the option to purchase up to an additional shares of Class A common stock from us at the initial public offering price, less the underwriting discount.

The underwriters expect to deliver the shares of Class A common stock against payment in New York, New York on or about , 2011.

Goldman, Sachs & Co. **BofA Merrill Lynch** **Piper Jaffray**

William Blair & Company **Stifel Nicolaus Weisel**

Prospectus dated , 2011.

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Prospectus

Through and including (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

You should rely only on the information contained in this prospectus or any free writing prospectus filed with the U.S. Securities and Exchange Commission, or SEC. We have not, and the underwriters have not, authorized any other person to provide you with different information. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither this prospectus nor any free writing prospectus is an offer to sell, nor is it seeking an offer to buy, these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus is complete and accurate only as of the date on the front cover, regardless of its time of delivery or of any sale of shares of our common stock. The information may have changed since that date.

Persons who come into possession of this prospectus and any such free writing prospectus in jurisdictions outside the U.S. are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

Basis of Presentation

We operate on a fiscal calendar which results in a 52- or 53-week fiscal year ending on the Saturday closest to January 31st. The reporting periods contained in our financial statements included in this prospectus contain:

- 53 weeks of operations in fiscal year 2006, which ended on February 3, 2007;
- 52 weeks of operations in fiscal year 2007, which ended on February 2, 2008;
- 52 weeks of operations in fiscal year 2008, which ended on January 31, 2009;
- 52 weeks of operations in fiscal year 2009, which ended on January 30, 2010; and
- 52 weeks of operations in fiscal year 2010, which ended on January 29, 2011.

Fiscal years are identified in this prospectus according to the calendar year prior to the calendar year in which they ended. For example, references to "2010", "fiscal 2010", "fiscal year 2010" or similar references refer to the fiscal year ended January 29, 2011.

Tilly's, Inc., the issuer of the Class A common stock to be sold in this offering, is a newly formed Delaware corporation that was incorporated in May 2011. Tilly's, Inc. was formed solely for the purpose of reorganizing the corporate structure of World of Jeans & Tops, a California corporation. Pursuant to a reorganization transaction that we will effect prior to the completion of this offering, referred to as the Reorganization Transaction, World of Jeans & Tops will become a wholly owned subsidiary of Tilly's, Inc. In connection with the Reorganization Transaction, the shareholders of World of Jeans & Tops will contribute all of their equity interests in that corporation to Tilly's, Inc. in return for shares of Tilly's, Inc. Class B common stock on a one-for-one basis. Prior to the consummation of this offering, we effected a -for- stock split of our Class A common stock and Class B common stock. Prior to the completion of the Reorganization Transaction, Tilly's, Inc. has not conducted any activities other than those incidental to its formation and the preparation of this prospectus. Accordingly, our consolidated financial statements and other financial information included in this prospectus as of dates and for periods prior to the date of the Reorganization Transaction reflect the results of operations and financial position of World of Jeans & Tops. Our consolidated financial statements and other financial information, if any, as of dates and for periods from and after the date of the Reorganization Transaction reflect the results of operations and financial condition of Tilly's, Inc. and its wholly owned subsidiary, unless otherwise expressly stated.

Market and Industry Data

We obtained the industry, market and competitive position data throughout this prospectus from our own internal estimates and research, as well as from industry and general publications and research, surveys and studies conducted by third parties. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that each of these studies and publications is reliable, we have not independently verified market and industry data from third-party sources. While we believe our internal company research is reliable and the definitions of our market and industry are appropriate, neither this research nor these definitions have been verified by any independent source.

PROSPECTUS SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus and does not contain all of the information that you should consider before investing in our Class A common stock. You should carefully read the following summary together with the more detailed information regarding us and our Class A common stock being sold in this offering, including "Risk Factors" and our financial statements and the accompanying notes, appearing elsewhere in this prospectus before making an investment decision. As used in this prospectus, except where the context otherwise requires or where otherwise indicated, the terms "company", "World of Jeans & Tops", "we", "our", "us" and "Tilly's" refer to Tilly's, Inc. and its subsidiary after the Reorganization Transaction.

Overview

Tilly's is a fast-growing destination specialty retailer of West Coast inspired apparel, footwear and accessories. We believe we bring together an unparalleled selection of the most sought-after brands rooted in action sports, music, art and fashion. Our stores are designed to be a seamless extension of our teen and young adult consumers' lifestyles with a balance of guys and juniors merchandise in a stimulating environment. We believe our success across a variety of real estate venues and geographies in the United States demonstrates Tilly's portability. Our motto "If it's not here…it's not happening" exemplifies our goal to serve as a destination for the latest, most relevant merchandise and brands important to our customers.

As of July 30, 2011, we operated 131 stores in 11 states, averaging approximately 7,700 square feet. We also sell our products through our e-commerce website, www.tillys.com. Our business is characterized by the following key elements:

- *Extensive assortment of relevant merchandise in a larger store format.* Our larger stores allow us to carry a more extensive selection of the most relevant, established and emerging brands and offer a greater assortment of apparel styles, sizes and price points across multiple categories. This broad selection enhances our ability to rapidly identify and respond to trends and consistently offer our customers both proven fashion items and core styles. We strive to keep our merchandising mix current by introducing additional brands and styles in response to the ever-evolving desires of our customers.
- *The Tilly's experience.* Tilly's is a customer-driven lifestyle brand. We are energized and inspired by our customers' individuality and passion for action sports, music, art and fashion. Our stores bring these interests together in a vibrant, stimulating and authentic environment that is an extension of our customers' high velocity, multitasking lifestyle. We do this by blending the most relevant brands and styles with music videos, product-related visuals and a dedicated team of store associates. We believe the Tilly's experience drives customer awareness, loyalty and repeat visits while generating a buzz and excitement for our brand.
- *Flexible real estate strategy across real estate venues and geographies* . We currently operate stores in 35 markets in 11 states across a variety of real estate venues including malls, power centers, neighborhood and lifestyle centers, outlet centers and street-front locations. Our geographic portability and real estate flexibility provide us with a wider scope of opportunities and enhance our ability to open new stores.

Our West Coast heritage dates back to 1982 when our founders, Hezy Shaked and Tilly Levine, opened our first store in Orange County, California. Over the last five years, we have demonstrated an ability to grow rapidly, having more than doubled our store count while entering 26 new markets. During this same period, we invested approximately $20 million in infrastructure and systems to support our recent and long-term growth. We believe our team's passion for the West Coast inspired and action sports lifestyle, sense of urgency and pursuit of

excellence enables Tilly's to consistently deliver a superior customer experience and positions us to successfully execute our long-term growth strategy. In fiscal 2010, we increased net sales to $332.6 million from $282.8 million in fiscal 2009, or 17.6%, and we increased operating income to $24.9 million from $21.4 million in fiscal 2009, or 16.4%.

Competitive Strengths

We believe that the following competitive strengths contribute to our success and distinguish us from our competitors:

- *Destination retailer with a broad, relevant assortment.* We believe the combined depth and breadth of apparel, footwear and accessories offered at our stores exceeds the selection offered at many other specialty retailers. We strive to bring together proven fashion trends, core styles and a vibrant in-store experience that is engaging for our core customers. We believe that our differentiated in-store environment, evolving selection of relevant brands and broader and deeper assortment positions us as a retail destination that appeals to a larger demographic than many other specialty retailers and encourages customers to visit our stores more frequently and spend more on each trip.
- *Dynamic merchandise model.* We believe our extensive selection of third-party and proprietary merchandise allows us to identify and address trends more quickly, offer a greater range of price points and manage our inventories more dynamically. By closely monitoring trends and shipping product to our stores at least five times per week, we adjust our merchandise mix with a frequency that promotes a current look to our stores and encourages frequent visits.
- *Flexible real estate strategy across real estate venues and geographies.* Our stores have proven to be successful in different real estate venues and geographies. We operate profitable stores in malls, power centers, neighborhood and lifestyle centers, outlet centers and street-front locations across 35 markets in 11 states. We believe our success operating in these different retail venues and geographies demonstrates the portability of Tilly's and provides us with greater flexibility for future expansion.
- *Multi-pronged marketing approach*. We utilize a multi-pronged marketing strategy to connect with our customers and drive traffic to our stores and website, including our catalog, in-store events and contests, social media and grass roots community programs. These initiatives are complemented by email marketing as well as traditional radio and print advertising to build customer awareness and loyalty, highlight key merchandise offerings, drive traffic to our stores and website and promote the Tilly's brand.
- *Sophisticated systems and distribution infrastructure to support growth.* Over the last five years we have invested approximately $20 million in our highly automated distribution center and information systems to support our future growth. We believe our distribution and allocation capabilities are unique within the industry and can support a national retail footprint in excess of 500 stores with minimal incremental capital investment.
- *Experienced management team.* Our senior management team, led by Hezy Shaked and Daniel Griesemer, has extensive experience across a wide range of disciplines in the specialty retail and direct-to-consumer industries, including store operations, merchandising, distribution, real estate and finance.

Our Growth Strategy

We are pursuing several strategies to continue our profitable growth, including:

- *Expand Our Store Base.* We believe there is a significant opportunity to expand our store base over the next 10 years from 131 locations as of July 30, 2011 to more than 500 stores across the United States. We plan to add 15 net stores in fiscal year 2011, approximately 20 net stores in fiscal year 2012, and to continue opening new stores at an annual rate of approximately 15% for the next several years thereafter. Our stores generate compelling economics. We expect net sales of approximately $2.2 million and cash flow of $300,000 from an average new store in its first 12 months, with growth to over $400,000 in cash flow in the second 12 month period as the store begins to mature. This produces a cash-on-cash payback period of approximately 18 months based on a target net investment to open new stores of $500,000 to $550,000.
- *Drive Comparable Store Sales.* We seek to maximize our comparable store sales by consistently offering new, on-trend and relevant merchandise across a broad assortment of categories, increasing our brand awareness through our multi-pronged marketing approach, providing an authentic store experience for our core customers and maintaining our high level of customer service. We believe our comparable store sales will benefit as stores opened in the last few years continue to mature and we continue to build brand awareness in new markets.
- *Grow Our e-Commerce Platform.* We believe our e-commerce platform is an extension of our brand and retail stores, providing our customers with a seamless shopping experience. We believe we can grow our e-commerce platform by continuing our successful catalog and online marketing efforts, offering a wider selection of internet-exclusive merchandise and expanding our online selection to ensure a broad and diverse offering of brands and products relative to our competition. We also believe we will see continued growth in our e-commerce sales as we open additional stores and build brand awareness in the communities surrounding those locations. In fiscal 2010, e-commerce sales increased 46% and represented approximately 10% of our total net sales. We believe e-commerce sales will continue to outpace our total sales growth and reach 15% of net sales over time.
- *Increase Our Operating Margins*. We believe we have the opportunity to drive margin expansion through scale efficiencies and continued process improvements focused on lowering our costs per unit and improving operational efficiency throughout our organization as we leverage our occupancy, buying, distribution and support staff costs, as well as systems, distribution facilities and corporate facilities costs over a greater sales base. In addition, we expect to improve margins and support growth by leveraging ongoing investments in infrastructure, including the opening of a dedicated distribution center for our e-commerce store and continuing upgrades to our point-of-sale, merchandise allocation and merchandise planning systems, as well as related work processes.

Risk Factors

There are a number of risks and uncertainties that may affect our financial and operating performance and our growth prospects. You should carefully consider all of the risks discussed in “Risk Factors”, which begins on page 9, before investing in our Class A common stock. These risks include, but are not limited to, the following:

- we may not be able to identify and respond to changing customer preferences and fashion-related trends;
- we may face intense competition and we may not be able to compete effectively;
- we could be negatively impacted by changes in consumer confidence and spending;
- we have expanded rapidly in recent years and we may not be able to effectively manage our operations or our future growth;

- we may not be able to execute on our growth strategy if we are unable to locate suitable locations or attract customers to our stores;
- we may not be able to successfully expand into new geographic markets in the United States;
- we may not be able to maintain and enhance our brand image, particularly in new markets;
- our operating results fluctuate on a quarterly basis due to the seasonal nature of our business; and
- we rely on key relationships with our suppliers and we may not be able to maintain or add to these relationships or obtain sufficient inventory to support our growth.

Corporate Information

Tilly's, Inc. was incorporated in Delaware in May 2011. We are a holding company, and all of our business operations are conducted through World of Jeans & Tops, a California corporation, which, following the Reorganization Transaction, will be our wholly owned subsidiary. Our founders opened their first store in 1982 and formed World of Jeans & Tops in 1984. World of Jeans & Tops operates under the name "Tilly's".

Office Location

Our principal executive office is located at 10 Whatney, Irvine, California 92618. Our telephone number is (949) 609-5599 and our fax number is (949) 609-5508. Our website address is www.tillys.com. The information contained on our website does not constitute part of, nor is it incorporated into, this prospectus.

Certain Trademarks

This prospectus includes references to trademarks such as, but not limited to, BLUE CROWN ®, FULL TILT®, "IF IT'S NOT HERE…IT'S NOT HAPPENING®", INFAMOUS®, RSQ® and TILLY'S®, which are protected under applicable intellectual property laws and are our property and/or the property of our subsidiary. This prospectus also contains trademarks, service marks, copyrights and trade names of other companies, which are the property of their respective owners. We regard our trademarks as valuable and intend to maintain such marks and any related registrations. Solely for convenience, our trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

THE OFFERING

Common stock offered by us	shares of Class A common stock
Underwriters' option to purchase additional shares	We have granted the underwriters a 30-day option to purchase up to additional shares of Class A common stock at the initial public offering price less the underwriting discount.
Class A common stock to be outstanding after this offering	shares
Class B common stock to be outstanding after this offering	shares
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $ million, after deducting the underwriting discount and estimated expenses payable by us, a portion of which will be reimbursed to us by the underwriters. We intend to use approximately $ million of the net proceeds from this offering to pay in full the principal amount of the undistributed earnings notes held by our existing shareholders in connection with World of Jeans & Tops' final "S" Corporation distribution. We expect proceeds in excess of the final "S" Corporation distribution to be $ million and we intend to use such proceeds for working capital and general corporate purposes. See "Use of Proceeds" for additional information.
Voting rights	After the completion of this offering, our common stock will consist of two classes: Class A common stock and Class B common stock. Purchasers in this offering will acquire Class A common stock. Class A and Class B common stock are identical, except with respect to voting and conversion rights. Holders of Class A common stock are entitled to one vote per share, and holders of Class B common stock are entitled to 10 votes per share, on all matters to be voted on by our common stockholders. Shares of Class A and Class B common stock vote together as a single class on all matters submitted to a vote of stockholders. Immediately following completion of this offering, all of the Class B common stock will be beneficially owned by Hezy Shaked, Tilly Levine and their children through related trusts, which we collectively refer to in this prospectus as the Shaked and Levine family entities. The Shaked and Levine family entities will control approximately % of the total voting

	power of our outstanding common stock following the completion of this offering. As a result, the Shaked and Levine family entities will be able to control the outcome of all matters submitted to a vote of our stockholders, including, for example, the election of directors, amendments to our certificate of incorporation and mergers or other business combinations. See "Description of Capital Stock".
Class B common stock conversion rights	Shares of Class B common stock may only be held by the Shaked and Levine family entities and non-profit or other corporations, partnerships or trusts controlled by Mr. Shaked, Ms. Levine or their children. Shares of Class B common stock that are transferred to a holder other than a Hezy Shaked Entity (as defined in "Description of Capital Stock") will automatically convert into a like number of shares of Class A common stock. In addition, all of the Class B common stock will convert into Class A common stock on a one-for-one basis on the date upon which the number of shares of Class A common stock and Class B common stock beneficially owned by Hezy Shaked and any Hezy Shaked Entity, in the aggregate, represents less than 15.0% of the total number of shares of Class A and Class B common stock then outstanding. See "Description of Capital Stock".
Dividend policy	We do not anticipate paying dividends on our common stock after completion of this offering. We intend to retain all available funds and any future earnings for use in the operation and expansion of our business.
Proposed New York Stock Exchange symbol	TLYS
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our Class A common stock.

The number of shares of Class A common stock that will be outstanding after completion of this offering excludes:

- shares of Class A common stock issuable upon exercise of outstanding stock options, of which were vested as of ; and
- additional shares of Class A common stock that we expect to reserve for future issuance under our 2011 Equity and Incentive Award Plan, which we intend to adopt upon consummation of this offering.

Except as otherwise noted, all information in this prospectus:

- assumes that our shares of Class A common stock will be sold at $ per share, which is the mid-point of the price range set forth on the cover page of this prospectus;
- assumes that the underwriters do not exercise their option to purchase additional shares; and
- gives effect to the completion of the Reorganization Transaction, including the -for- stock split of our Class A common stock and Class B common stock described elsewhere in this prospectus, which will occur prior to consummation of this offering.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present summary consolidated financial and other data and pro forma information to reflect our conversion from an "S" Corporation to a "C" Corporation for income tax purposes. The summary consolidated statement of operations data for the fiscal years ended January 30, 2010 and January 29, 2011 are derived from our financial statements audited by Deloitte & Touche LLP, our independent registered public accounting firm, included elsewhere in this prospectus. The summary consolidated statements of operations data for the twenty-six weeks ended July 31, 2010 and July 30, 2011 and the summary consolidated balance sheet data as of July 30, 2011 are derived from our unaudited financial statements included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read the following information together with the more detailed information contained in "Selected Consolidated Financial and Other Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the accompanying notes appearing elsewhere in this prospectus.

	Fiscal Year Ended		Twenty-Six Weeks Ended	
	January 30, 2010	January 29, 2011	July 31, 2010	July 30, 2011
	(in thousands, except per share data)			
Consolidated Statements of Operations Data:				
Net sales	$282,764	$ 332,604	$134,397	$170,391
Cost of goods sold(1)	195,430	229,989	97,009	118,464
Gross profit	87,334	102,615	37,388	51,927
Selling, general and administrative expenses	65,912	77,668	34,964	43,401
Operating income	21,422	24,947	2,424	8,526
Interest expense, net	284	249	138	101
Income before provision for income taxes	21,138	24,698	2,286	8,425
Provision for income taxes	275	282	30	96
Net income	$ 20,863	$ 24,416	$ 2,256	$ 8,329
Net income per common share:				
Basic	$ 1.04	$ 1.22	$ 0.11	$ 0.42
Diluted	$ 1.04	$ 1.21	$ 0.11	$ 0.41
Weighted average shares outstanding:				
Basic	20,000	20,000	20,000	20,000
Diluted	20,014	20,098	20,049	20,433
Pro Forma Income Information (unaudited)(2):				
Historical income before provision for income taxes	$ 21,138	$ 24,698	$ 2,286	$ 8,425
Pro forma provision for income taxes	8,455	9,879	914	3,370
Pro forma net income	$ 12,683	$ 14,819	$ 1,372	$ 5,055
Pro forma basic income per common share(3)				
Pro forma diluted income per common share(3)				

	Fiscal Year Ended		Twenty-Six Weeks Ended	
	January 30, 2010	January 29, 2011	July 31, 2010	July 30, 2011
Operating Data (unaudited):				
Stores operating at beginning of period	99	111	111	125
Stores opened during the period	13	16	10	7
Stores closed during the period	1	2	1	1
Stores operating at end of period	111	125	120	131
Comparable store sales change(4)	-3.1%	6.7%	-0.9%	16.7%
Total square feet at end of period	862,971	967,011	931,503	1,014,879
Average square footage per store at end of period	7,775	7,736	7,763	7,747
Average net sales per store (in thousands)(5)	$ 2,479	$ 2,528	$ 1,074	$ 1,213
Average net stores sales per square foot(5)	$ 318	$ 326	$ 138	$ 157
Capital expenditures (in thousands)	$ 17,514	$ 15,674	$ 9,015	$ 8,742

	Actual July 30, 2011 (unaudited)	Pro Forma July 30, 2011(7) (unaudited) (in thousands)	Pro Forma as adjusted July 30, 2011(8) (unaudited)
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 30,952		
Working capital	34,704		
Total assets	149,806		
Total long-term debt(6)	4,309		
Stockholders' equity	65,638		

(1) Includes buying, distribution and occupancy costs.

(2) The unaudited pro forma income information for all periods presented gives effect to an adjustment for income tax expense as if we had been a "C" Corporation at an assumed combined federal, state and local effective income tax rate, which approximates our statutory income tax rate, of 40%.

(3) Reflects the increase in the number of shares which would be sufficient to replace the capital in excess of current year earnings being withdrawn pursuant to the Reorganization Transaction and the related distribution of notes and cash (see footnote 8 below). The pro forma adjustment to basic and diluted weighted average shares outstanding for the fiscal year ended January 29, 2011 and the twenty-six weeks ended July 30, 2011 is and , respectively.

(4) Comparable store sales are net sales from stores that have been open at least 12 full fiscal months as of the end of the applicable reporting period. A remodeled or relocated store is included in comparable store sales, both during and after construction, if the square footage of the store was not changed by more than 20% and the store was not closed for more than five days in any fiscal month. Comparable store sales include sales through our e-commerce store but exclude gift card breakage income and e-commerce shipping and handling fee revenue. E-commerce sales contributed 2.9% and 3.3% to the comparable store sales change for fiscal years 2009 and 2010, respectively, and 2.9% and 2.1% to the comparable store sales change for the twenty-six week periods ended July 31, 2010 and July 30, 2011, respectively.

(5) The number of stores and the amount of square footage reflect the number of days during the period that new stores were open. E-commerce sales, e-commerce shipping revenue and gift card breakage income are excluded from our sales in deriving net sales per store and net sales per square foot.

(6) Comprised solely of a capital lease for our corporate headquarters and distribution center.

(7) This column gives effect to the Reorganization Transaction and stock split as described under "Description of Capital Stock—Reorganization Transaction," including (i) the issuance by World of Jeans & Tops of the

undistributed taxable earnings notes to its existing shareholders in the aggregate principal amount equal to 100% of World of Jeans & Tops' undistributed taxable income from the date of its formation up to the date of termination of its "S" Corporation status, as a final distribution prior to the termination of its "S" Corporation status, equal to $, and (ii) a change in net deferred tax asset of approximately $ assuming its "S" Corporation status terminated on .

(8) This column gives effect to (i) the sale by us of shares of our Class A common stock in this offering assuming an initial public offering price of $ per share, the mid-point of the filing range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us, a portion of which will be reimbursed to us by the underwriters and (ii) the application of the estimated proceeds from this offering as described under "Use of Proceeds".

RISK FACTORS

An investment in our Class A common stock involves a high degree of risk. You should carefully consider the risks described below, together with the financial statements and other information contained in this prospectus, before making a decision to buy our Class A common stock. If any of the following risks actually occurs, our business, financial condition and results of operations could suffer. As a result, the trading price and value of our Class A common stock could decline and you could lose all or part of your investment in our Class A common stock.

Risks Related to Our Business

Our business depends upon identifying and responding to changing customer fashion preferences and fashion-related trends. If we cannot identify trends in advance or we select the wrong fashion trends, our sales could be adversely affected.

Fashion trends in the West Coast inspired and action sports related apparel, footwear and accessories market can change rapidly. We need to anticipate, identify and respond quickly to changing trends and consumer demands in order to provide the merchandise our customers seek and maintain our brand image. If we cannot identify changing trends in advance, fail to react to changing trends or misjudge the market for a trend, our sales could be adversely affected and we may be faced with a substantial amount of unsold inventory or missed opportunities. As a result, we may be forced to mark down our merchandise in order to dispose of slow moving inventory which may result in lower profit margins, negatively impacting our financial condition and results of operations.

We face intense competition in our industry and we may not be able to compete effectively.

The retail industry is highly competitive. We currently compete with other retailers such as Abercrombie & Fitch Co., Aeropostale, Inc., American Eagle Outfitters, Inc., The Buckle, Inc., Forever 21, Inc., Hot Topic, Inc., Pacific Sunwear of California, Inc., The Wet Seal, Inc., Urban Outfitters, Inc. and Zumiez, Inc. In addition, we compete with independent specialty shops, department stores and direct marketers that sell similar lines of merchandise and target customers through catalogs and e-commerce. Competition with some or all of these retailers noted above could require us to lower our prices or risk losing customers. In addition, significant or unusual promotional activities by our competitors may cause us to respond in-kind and adversely impact our operating cash flow. Because of these factors, current and future competition could have a material adverse effect on our financial condition and results of operations.

Furthermore, many of our competitors have greater financial, marketing and other resources than we currently do, and therefore may be able to devote greater resources to the marketing and sale of their products, generate national brand recognition or adopt more aggressive pricing policies than we can, which would put us at a competitive disadvantage. Moreover, we do not possess exclusive rights to many of the elements that comprise our in-store experience and product offerings. Our competitors may seek to emulate facets of our business strategy and in-store experience, which could result in a reduction of any competitive advantage or special appeal that we might possess. In addition, most of our products are sold to us on a non-exclusive basis. As a result, our current and future competitors may be able to duplicate or improve on some or all of our in-store experience or product offerings that we believe are important in differentiating our stores and our customers' shopping experience. If our competitors were to duplicate or improve on some or all of our in-store experience or product offerings, our competitive position and our business could suffer.

Our sales could be severely impacted by declines in consumer confidence and decreases in consumer spending.

We depend upon consumers feeling confident to spend discretionary income on our product offering to drive our sales. Consumer spending may be adversely impacted by economic conditions such as consumer

confidence in future economic conditions, interest and tax rates, employment levels, salary and wage levels, general business conditions, the availability of consumer credit and the level of housing, energy and food costs. These risks may be exacerbated for retailers like us who focus on specialty apparel and accessories. Our financial performance is particularly susceptible to economic and other conditions in regions or states where we have a significant number of stores, such as the southwestern U.S. and Florida. If periods of decreased consumer spending persist, our sales could decrease and our financial condition and results of operations could be adversely affected.

We have expanded rapidly in recent years and have limited operating experience at our current size.

We have significantly expanded our operations in the last six and a half years, increasing from 32 stores in June 2004 in the state of California to operating 131 stores in 11 states as of July 30, 2011. If our operations continue to grow, we will be required to expand our sales and distribution functions, marketing, support services, management information systems and administrative personnel. This expansion could increase the strain on our existing resources, causing operational difficulties such as difficulties in hiring, obtaining adequate levels of merchandise, delayed shipments and decreased customer service levels. These difficulties could cause our brand image to deteriorate and lead to a decrease in revenues, income and the price of our common stock.

Our continued growth depends upon our ability to successfully open a significant number of new stores.

We have grown our store count rapidly in recent years and that has contributed to our growth in profits. However, we must continue to open and operate new stores to help maintain this revenue and profit growth. We opened 16 stores in 2010 and 13 stores in 2009. As of July 30, 2011, we have opened seven stores and closed one store during 2011 and plan to open an additional 9 stores in the remainder of the year. We plan to open approximately 20 net stores in 2012. However, there can be no assurance that we will open the planned number of new stores in fiscal year 2011 or thereafter. Our ability to successfully open and operate new stores is subject to a variety of risks and uncertainties, such as:

- identifying suitable store locations, the availability of which is beyond our control;
- obtaining acceptable lease terms;
- sourcing sufficient levels of inventory;
- selecting the appropriate merchandise that appeals to our customers;
- hiring and retaining store employees;
- assimilating new store employees into our corporate culture;
- effectively marketing the new stores' locations;
- avoiding construction delays and cost overruns in connection with the build-out of new stores;
- managing and expanding our infrastructure to accommodate growth; and
- integrating the new stores with our existing buying, distribution and other support operations.

Our failure to successfully address these challenges could have a material adverse effect on our financial condition and results of operations, causing the market price of our Class A common stock to decline.

Expanding into new geographic markets may present challenges that are different from those we currently encounter. Failure to effectively adapt to these new challenges could adversely affect our ability to profitably operate those stores and maintain our brand image.

We operate stores in a variety of different geographic markets in the U.S. and do not significantly differentiate between our stores by visual display or by the product offering. We also currently do not

significantly differentiate our general store business plan from store to store. As we expand store locations, we may face challenges that are different from those we currently encounter. Our expansion into new geographic markets could result in competitive, merchandising, distribution and other challenges. In addition, as the number of our stores increases, we may face risks associated with market saturation of our product offerings and locations. Our vendors may also restrict their sales to us in new markets to the extent they are already saturating that market with their products through other retailers or their own stores. There can be no assurance that any newly opened stores will be received as well as, or achieve net sales or profitability levels comparable to those of, our existing stores in the time periods estimated by us, or at all. If our stores fail to achieve, or are unable to sustain, acceptable net sales and profitability levels, our business may be materially harmed and we may incur significant costs associated with closing those stores and our brand image may be negatively impacted.

Our business largely depends on a strong brand image, and if we are not able to maintain and enhance our brand, particularly in new markets where we have limited brand recognition, we may be unable to increase or maintain our level of sales.

We believe that our brand image and brand awareness has contributed significantly to the success of our business. We also believe that maintaining and enhancing our brand image, particularly in new markets where we have limited brand recognition, is important to maintaining and expanding our customer base. As we execute our growth strategy, our ability to successfully integrate new stores into their surrounding communities, to expand into new markets or to maintain the strength and distinctiveness of our brand image in our existing markets will be adversely impacted if we fail to connect with our target customer. Maintaining and enhancing our brand image may require us to make substantial investments in areas such as merchandising, marketing, store operations, community relations, store graphics, catalog distribution and employee training, which could adversely affect our cash flow and which may not ultimately be successful. Failure to successfully market our brand in new and existing markets could harm our business, results of operations and financial condition.

Our sales can significantly fluctuate based upon shopping seasons, which may cause our operating results to fluctuate disproportionately on a quarterly basis.

Because of a traditionally higher level of sales during the back-to-school and winter holiday shopping seasons, our sales are typically higher in the third and fourth fiscal quarters than they are in the first and second fiscal quarters. Accordingly, the results of a single fiscal quarter, particularly the third and fourth fiscal quarters, should not be relied on as an indication of our annual results or future performance. In addition, any factors that harm our third and fourth fiscal quarter operating results could have a disproportionate effect on our results of operations for the entire fiscal year.

We depend on cash generated from our existing store operations to support our growth which could strain our cash flow.

We primarily rely on cash flow generated from existing stores to fund our current operations and our growth plans. It takes several months and a significant amount of cash to open a new store. If we continue to open a large number of stores relatively close in time, the cost of these store openings and the cost of continuing operations could reduce our cash position. An increase in our net cash outflow for new stores could adversely affect our operations by reducing the amount of cash available to address other aspects of our business.

In addition, as we expand our business, we will need significant amounts of cash from operations to pay our existing and future lease obligations, build out new store space, purchase inventory, pay personnel, pay for the increased costs associated with operating as a public company, and, if necessary, further invest in our infrastructure and facilities. If our business does not generate sufficient cash flow from operations to fund these activities, and sufficient funds are not otherwise available from the net proceeds we receive from this offering or our existing revolving credit facility or future credit facilities, we may need additional equity or debt financing. If such financing is not available to us on satisfactory terms, our ability to operate and expand our business or to

respond to competitive pressures would be limited and we could be required to delay, curtail or eliminate planned store openings. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, your ownership may be diluted. Any debt financing we may incur may impose on us covenants that restrict our operations, and will require interest payments that would create additional cash demands and financial risk for us.

Our ability to attract customers to our stores depends significantly on the success of the retail centers where the stores are located.

We depend on the location of our stores to generate a large amount of our customer traffic. We try to select well-known and popular malls, power centers, neighborhood and lifestyle centers, outlet centers and street-front locations, usually near prominent retailers, to generate customer traffic for our stores. Customer traffic at these retail centers, and consequently our stores, could be adversely affected by economic downturns nationally or regionally, competition from Internet retailers, changes in consumer demographics, the closing or decrease in popularity of other retailers in the retail centers in which our stores are located, our inability to obtain or maintain prominent store locations within retail centers or the selection by prominent retailers and businesses of other locations. A reduction in customer traffic would likely lead to a decrease in our sales, and, if similar reductions in traffic occur at a number of our stores, this could have a material adverse effect on our financial condition and results of operations.

Some of our new stores may open in locations close enough to our existing stores that sales at those existing stores may be negatively impacted.

As we continue to open additional locations within existing markets, some of our new stores may open close enough to our existing stores that a segment of customers will stop shopping at our existing locations and prefer to shop at the new locations, and therefore sales and profitability at those existing stores may decline. If this were to occur with a number of our stores, this could have a material adverse effect on our results of operations.

We purchase merchandise in advance of the season in which it will be sold and if we purchase too much inventory we may need to reduce prices in order to sell it, which may adversely affect our overall profitability.

We must actively manage our purchase of inventory. Generally, we order merchandise months in advance of it being received and offered for sale. If there is a significant decrease in demand for our products or if we fail to accurately predict fashion trends or consumer demands, we may be forced to rely on markdowns or promotional sales to dispose of excess inventory. This could have an adverse effect on our margins and operating income.

We buy and stock merchandise based upon seasonal weather patterns and therefore unseasonable weather could negatively impact our sales.

We buy select merchandise for sale based upon expected weather patterns during the seasons of winter, spring, summer and fall. If we encounter untimely aberrations in weather conditions, such as warmer winters or cooler summers than would be considered typical, these weather variations could cause some of our merchandise to be inconsistent with what consumers wish to purchase, causing our sales to decline. Furthermore, extended unseasonable weather conditions in the southwestern U.S., particularly in California and Arizona, will likely have a greater impact on our sales because of our store concentration in that region.

If we fail to maintain good relationships with our suppliers or if our suppliers are unable or unwilling to provide us with sufficient quantities of merchandise at acceptable prices, our business and operations may be adversely affected.

Our business is largely dependent on continued good relations with our suppliers, including vendors for our third-party branded products and manufacturers for our proprietary branded products. We operate on a purchase order basis for our proprietary branded and third-party branded merchandise and do not have long-term

contractual relationships with our suppliers. Accordingly, our suppliers can refuse to sell us merchandise, limit the type or quantity of merchandise they sell us or raise prices at any time, which can have an adverse impact on our business. Deterioration in our relationships with our suppliers could have a material adverse impact on our business, and there can be no assurance that we will be able to acquire desired merchandise in sufficient quantities on terms acceptable to us in the future. Also, some of our vendors are vertically integrated, selling products directly from their own retail stores, and therefore are in direct competition with us. These vendors may decide at some point in the future to discontinue supplying their merchandise to us, supply us less desirable merchandise or raise prices on the products they do sell us. If we lose key vendors or are unable to find alternative vendors to supply us with substitute merchandise for lost products, our business may be adversely affected.

A rise in the cost of raw materials, such as cotton, and the cost of labor and transportation could increase our cost of sales and cause our results of operations and margins to decline.

Fluctuations in the price, availability and quality of fabrics or other raw materials used to manufacture our products, as well as the price for labor and transportation, could have adverse impacts on our cost of sales and our ability to meet our customers' demands. In particular, because a key component of our clothing is cotton, any increases in the cost of cotton may significantly affect the cost of our products and could have an adverse impact on our cost of sales. We may not be able to pass all or a portion of these higher costs on to our customers, which could have a material adverse effect on our profitability.

Any inability to balance merchandise bearing our proprietary brands with the third-party branded merchandise we sell may have an adverse effect on our sales and gross margin.

Our proprietary branded merchandise represented approximately 29% of our net sales for the fiscal year ended January 29, 2011. Our proprietary branded merchandise generally has a higher gross margin than the third-party branded merchandise we offer. As a result, we may determine that it is best for us to continue to hold or increase the penetration of our proprietary brands in the future. However, carrying our proprietary brands limits the amount of third-party branded merchandise we can carry and, therefore, there is a risk that the customers' perception that we offer many major brands will decline. By maintaining or increasing the amount of our proprietary branded merchandise, we are also exposed to greater fashion risk, as we may fail to anticipate fashion trends correctly. These risks, if they occur, could have a material adverse effect on sales and profitability.

Most of our merchandise is produced in foreign countries, making the price and availability of our merchandise susceptible to international trade and other international conditions.

Although we purchase our merchandise from domestic suppliers, these suppliers have a majority of their merchandise made in foreign countries. Some foreign countries can be, and have been, affected by political and economic instability and natural disasters, negatively impacting trade. The countries in which our merchandise currently is manufactured or may be manufactured in the future could become subject to new trade restrictions imposed by the U.S. or other foreign governments. Trade restrictions, including increased tariffs or quotas, embargoes and customs restrictions, against apparel items, as well as U.S. or foreign labor strikes, work stoppages or boycotts, could increase the cost or reduce the supply of apparel available to us and have a material adverse effect on our business, financial condition and results of operations. In addition, our merchandise supply could be impacted if our suppliers' imports become subject to existing or future duties and quotas, or if our suppliers face increased competition from other companies for production facilities, import quota capacity and shipping capacity. Any increase in the cost of our merchandise or limitation on the amount of merchandise we are able to purchase could have a material adverse effect on our financial condition and results of operations.

If our vendors and manufacturing sources fail to use acceptable labor or other practices our reputation may be harmed, which could negatively impact our business.

We purchase merchandise from independent third-party vendors and manufacturers. If any of these suppliers have practices that are not legal or accepted in the U.S., consumers may develop a negative view of us,

our brand image could be damaged and we could become the subject of boycotts by our customers and/or interest groups. Further, if the suppliers violate labor or other laws of their own country, these violations could cause disruptions or delays in their shipments of merchandise. For example, much of our merchandise is manufactured in China and Mexico, which have different labor practices than the U.S. We do not independently investigate whether our suppliers are operating in compliance with all applicable laws and therefore we rely upon the suppliers' representations set forth in our purchase orders and vendor agreements concerning the suppliers' compliance with such laws. If our goods are manufactured using illegal or unacceptable labor practices in these countries, or other countries from which our suppliers source the product we purchase, our ability to supply merchandise for our stores without interruption, our brand image and, consequently, our sales may be adversely affected.

If we lose key management personnel our operations could be negatively impacted.

Our business and growth depends upon the leadership and experience of our key executive management team, including our co-founder, Hezy Shaked, who currently serves as our Chief Strategy Officer and Chairman of our board of directors, and Daniel Griesemer, our President and Chief Executive Officer, and we may be unable to retain their services. We also may be unable to retain other existing management personnel that are critical to our success, which could result in harm to our vendor and employee relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs. The loss of services of any of our key personnel could have a material adverse effect on our business and prospects, and could be viewed in a negative light by investors and analysts, which could cause our Class A common stock price to decline. None of our employees, except for Mr. Griesemer, have employment agreements and we do not intend to purchase key person life insurance covering any employee. If we lose the services of any of our key personnel or we are not able to attract additional qualified personnel, we may not be able to successfully manage our business.

If we cannot retain or find qualified employees to meet our staffing needs in our stores, our distribution center, or our corporate offices, our business could be adversely affected.

Our success depends upon the quality of the employees we hire. We seek employees who are motivated, represent our corporate culture and brand image and, for many positions, have knowledge of our merchandise and the skill necessary to excel in a customer service environment. The turnover rate in the retail industry is high and finding qualified candidates to fill positions may be difficult. If we cannot attract and retain corporate employees, district managers, store managers and store associates with the qualifications we deem necessary, our ability to effectively operate and expand may be adversely affected. In addition, we rely on temporary personnel to staff our distribution center, as well as seasonal part-time employees to provide incremental staffing to our stores in busy selling seasons such as the back-to-school and winter holiday seasons. We cannot guarantee that we will be able to find adequate temporary or seasonal personnel to staff our operations when needed, which may strain our existing personnel and negatively impact our operations.

Our corporate headquarters, distribution center and management information systems are in a single location in southern California, and if their operations are disrupted, we may not be able to operate our store support functions or ship merchandise to our stores, which would adversely affect our business.

Our corporate headquarters, distribution center and management information systems are in a single location in Irvine, California. If we encounter any disruptions to our operations at this building or if it were to shut down for any reason, including by fire or other natural disaster, then we may be prevented from effectively operating our stores, shipping and processing our merchandise and operating our e-commerce business. Furthermore, the risk of disruption or shut down at this building is greater than it might be if it were located in another region, as southern California is prone to natural disasters such as earthquakes and wildfires. Any disruption or shut down at this location could significantly impact our operations and have a material adverse effect on our financial condition and results of operations.

Our stores are mostly located in the southwestern U.S. and Florida, with a significant number of stores located in California, putting us at risk to region-specific disruptions.

Out of a total of 131 stores as of July 30, 2011, we operated 73 stores in California, 17 stores in Arizona, six stores in Nevada and 16 stores in Florida. Sales in these states could be more susceptible than the country generally to disruptions, such as from economic and weather conditions, demographic and population changes and changes in fashion tastes, and consequently, we may be more susceptible to these factors than more geographically diversified competitors. For example, because of the negative economic impact caused by the downturn in the housing market, sales in these states may have slowed more than sales would have in other regions or the country as a whole. Compared to the country as a whole, stores in California are exposed to a relatively high risk of damage from a major earthquake or wildfires, while stores in Florida are also exposed to a relatively high risk from hurricane damage. Any negative impact upon or disruption to the operations of stores in these states could have a material adverse effect on our financial condition and results of operations.

We are required to make significant lease payments for our store leases and corporate offices and distribution center, which may strain our cash flow.

We lease all of our retail store locations as well as our corporate headquarters and distribution center. We do not own any real estate. Leases for our stores are typically for terms of ten years and many can be extended in five-year increments. Many of our leases have early cancelation clauses which permit us to terminate the lease if certain sales thresholds are not met in certain periods of time. Our costs under these leases are a significant amount of our expenses and are growing rapidly as we expand the number of locations and existing locations experience expense increases. In fiscal year 2010, our total operating lease rent expense was $26.3 million and our common area maintenance expense was $9.5 million. This increased from $22.4 million and $8.0 million, respectively, in fiscal year 2009 and can be expected to continue to increase as we open more stores. We are required to pay additional rent under many of our lease agreements based upon achieving certain sales plateaus for each store location. In addition, we must make significant payments for common area maintenance and real estate taxes. Many of our lease agreements also contain provisions which increase the rent payments on a set time schedule, causing the cash rent paid for a location to escalate over the term of the lease. In addition, rent costs could escalate when multi-year leases are renewed at the expiration of their lease term. These costs are significant, recurring and increasing, which places a consistent strain on our cash flow.

We depend on cash flows from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flows from operating activities, and sufficient funds are not otherwise available to us from borrowings under our available revolving credit facility or from other sources, we may not be able to service our operating lease expenses, grow our business, respond to competitive challenges or to fund our other liquidity and capital needs, which would harm our business.

Additional sites that we lease are likely to be subject to similar long-term leases. If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores in desirable locations. If we are unable to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close, our business, profitability and results of operations may be harmed.

We rely on Integrity Retail Distribution and Federal Express to deliver merchandise to our stores located outside of southern California and therefore our business could be negatively impacted by disruptions in the operations of these third-party providers.

We rely on Integrity Retail Distribution to ship our merchandise from our distribution center in Irvine, California to our stores located in northern and central California, Arizona and Nevada, and we rely on Federal Express to ship our merchandise to stores in all other states. We also rely on Federal Express and the U.S. Postal

Service to ship all e-commerce sales packages to our customers. Relying on these third-party delivery services puts us at risk from disruptions in their operations, such as employee strikes, inclement weather and their ability to meet our shipping demands. If we are forced to use other delivery services, our costs could increase and we may not be able to meet shipment deadlines. Moreover, we may not be able to obtain terms as favorable as those received from the transportation providers we currently use, which would further increase our costs. These circumstances may negatively impact our financial condition and results of operations.

We may not be able to maintain comparable store sales or sales per square foot, which may cause our results of operations to decline and the price of our Class A common stock to be volatile.

The investing public may use comparable store sales or net store sales per square foot projections or results, over a certain period of time, such as on a quarterly or yearly basis, as an indicator of our profitability growth. Our comparable store sales can vary significantly from period to period for a variety of reasons, such as the age of stores, changing economic factors, unseasonable weather, changing fashion trends, pricing, the timing of the release of new merchandise and promotional events and increased competition. These factors could cause comparable store sales or net store sales per square foot to decline period to period or fail to grow at expected rates, which could adversely affect our results of operations and cause the price of our Class A common stock to be volatile during such periods.

If our management information systems fail to operate or are unable to support our growth, our operations could be disrupted.

We rely upon our management information systems in almost every aspect of our daily business operations. For example, our management information systems serve an integral part in enabling us to order merchandise, process merchandise at our distribution center and retail stores, perform and track sales transactions, manage personnel, pay vendors and employees, operate our e-commerce business and report financial and accounting information to management. In addition, we rely on our management information systems to enable us to leverage our costs as we grow. If our management information systems fail to operate or are unable to support our growth, our store operations and e-commerce business could be severely disrupted, and we could be required to make significant additional expenditures to remediate any such failure.

Our internal operations or management information systems could be disrupted by system security failures. These disruptions could negatively impact our sales, increase our expenses, and harm our reputation and the price of our Class A common stock.

Hackers, computer programmers and internal users may be able to penetrate our network security and create system disruptions, cause shutdowns and misappropriate our confidential information or that of third parties, including our customers. Therefore, we could incur significant expenses addressing problems created by security breaches to our network. This risk is heightened because we collect and store customer information for marketing purposes, as well as credit card information. We must, and do, take precautions to secure customer information and prevent unauthorized access to our database of confidential information. However, if unauthorized parties, including external hackers or computer programmers, gain access to our database, they may be able to steal this confidential information. Our failure to secure this information could result in costly litigation, adverse publicity or regulatory action that could have a material adverse effect on our financial condition and results of operations. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture that could unexpectedly interfere with our operations. The cost to alleviate security risks, defects in software and hardware and address any problems that occur could negatively impact our sales, distribution and other critical functions, as well as our financial results.

If we are unable to protect our intellectual property rights, our financial results may be negatively impacted.

Our success depends in large part on our brand image. Our company’s name, logo, domain name and our proprietary brands and our registered and unregistered trademarks and copyrights are valuable assets that serve to

differentiate us from our competitors. We currently rely on a combination of copyright, trademark, trade dress and unfair competition laws to establish and protect our intellectual property rights. We cannot assure you that the steps taken by us to protect our proprietary rights will be adequate to prevent infringement of our trademarks and proprietary rights by others, including imitation and misappropriation of our brand. We cannot assure you that obstacles will not arise as we expand our product lines and geographic scope. The unauthorized use or misappropriation of our intellectual property could damage our brand identity and the goodwill we created for our company, which could cause our sales to decline. Moreover, litigation may be necessary to protect or enforce these intellectual property rights, which could result in substantial costs and diversion of our resources, causing a material adverse effect on our business, financial condition, results of operations or cash flows. If we cannot protect our intellectual property rights, our brand identity and the goodwill we created for our company may diminish, causing our sales to decline.

We have not registered any of our intellectual property outside of the U.S. and cannot prohibit other companies from using our trademarks in foreign countries. Use of our trademarks in foreign countries could negatively impact our identity in the U.S. and cause our sales to decline.

We may be subject to liability if we, or our vendors, infringe upon the intellectual property rights of third parties.

We may be subject to liability if we infringe upon the intellectual property rights of third parties. If we were to be found liable for any such infringement, we could be required to pay substantial damages and could be subject to injunctions preventing further infringement. Such infringement claims could harm our brand image. In addition, any payments we are required to make and any injunction we are required to comply with as a result of such infringement actions could adversely affect our financial results.

We purchase merchandise from vendors that may be subject to design copyrights, design patents, or otherwise may incorporate protected intellectual property. We are not involved in the manufacture of any of the merchandise we purchase from our vendors for sale to our customers, and we do not independently investigate whether these vendors legally hold intellectual property rights to merchandise that they are manufacturing or distributing. As a result, we rely upon vendors' representations set forth in our purchase orders and vendor agreements concerning their right to sell us the products that we purchase from them. If a third party claims to have licensing rights with respect to merchandise we purchased from a vendor, or we acquire unlicensed merchandise, we could be obligated to remove such merchandise from our stores, incur costs associated with destruction of such merchandise if the distributor or vendor is unwilling or unable to reimburse us and be subject to liability under various civil and criminal causes of action, including actions to recover unpaid royalties and other damages and injunctions. Although our purchase orders and vendor agreement with each vendor require the vendor to indemnify us against such claims, a vendor may not have the financial resources to defend itself or us against such claims, in which case we may have to pay the costs and expenses associated with defending such claim. Any of these results could harm our brand image and have a material adverse effect on our business and growth.

Our founders control a majority of the voting power of our common stock, which may prevent other stockholders from influencing corporate decisions and may result in conflicts of interest that cause the price of our Class A common stock to decline.

Upon consummation of this offering, our common stock will consist of two classes: Class A and Class B. Holders of Class A common stock are entitled to one vote per share, and holders of Class B common stock are entitled to 10 votes per share, on all matters to be voted on by our common stockholders. Immediately following completion of this offering, all of the shares of Class B common stock will be beneficially owned by the Shaked and Levine family entities. As a result, the Shaked and Levine family entities will control approximately % of the total voting power of our outstanding common stock, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock in this offering. In addition, Mr. Shaked serves as

Chairman of the Board of Directors, and is the voting trustee, pursuant to a voting trust agreement, covering the shares owned by Ms. Levine. As a result, Mr. Shaked is in a position to dictate the outcome of any corporate actions requiring stockholder approval, including the election of directors and mergers, acquisitions and other significant corporate transactions. Mr. Shaked may delay or prevent a change of control from occurring, even if the change of control could appear to benefit the stockholders. Mr. Shaked may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This ownership concentration may adversely impact the trading of our Class A common stock because of a perceived conflict of interest that may exist, thereby depressing the value of our Class A common stock.

We will enter into tax indemnification agreements with our existing shareholders and could become obligated to make payments to them for any additional federal, state or local income taxes assessed against them for fiscal periods prior to the completion of this offering.

World of Jeans & Tops has historically been treated as an "S" Corporation for U.S. federal income tax purposes. Effective upon completion of the Reorganization Transaction, World of Jeans & Tops' "S" Corporation status will terminate and it will thereafter be subject to federal income taxes and increased state income taxes. In the event of an adjustment to World of Jeans & Tops' reported taxable income for a period or periods prior to termination of its "S" Corporation status, its shareholders during those periods could be liable for additional income taxes for those prior periods. Therefore, we will enter into tax indemnification agreements with the former shareholders of World of Jeans & Tops prior to consummation of this offering. Pursuant to the tax indemnification agreements, we will agree to indemnify, defend and hold harmless each such shareholder on an after-tax basis against additional income taxes, plus interest and penalties resulting from adjustments made, as a result of a final determination made by a competent tax authority, to the taxable income World of Jeans & Tops reported as an "S" Corporation. Such indemnification will also include any losses, costs or expenses, including reasonable attorneys' fees, arising out of a claim for such tax liability.

Acts of war or terrorism could negatively affect our business.

All of our stores are located in public areas where large numbers of people typically gather. Any terrorist attacks, or threats of terrorists attacks, to public areas could cause people not to visit areas where our stores are located. Further, armed conflicts or acts of war throughout the world may create uncertainty, causing consumers to spend less on discretionary purchases, including on apparel and accessories, and disrupting our ability to obtain merchandise for our stores. Such decreases in consumer spending or disruptions in our ability to obtain merchandise would likely decrease our sales and materially adversely affect our financial condition and results of operations.

Litigation costs and the outcome of litigation could have a material adverse effect on our business.

From time to time we may be subject to litigation claims through the ordinary course of our business operations regarding, but not limited to, employment matters, compliance with the Americans with Disabilities Act of 1990, apparel, footwear and accessory safety standards, security of customer and employee personal information, contractual relations with vendors, marketing and infringement of trademarks and other intellectual property rights. Litigation to defend ourselves against claims by third parties, or to enforce any rights that we may have against third parties, may be necessary, which could result in substantial costs and diversion of our resources, causing a material adverse effect on our business, financial condition, results of operations or cash flows.

Management does not believe the nature of any pending legal proceeding will have a material adverse effect on our financial condition and results of operations. However, management's assessment may change at any time based upon the discovery of facts or circumstances that are presently not known to us. Therefore, there can be no assurance that any pending or future litigation will not have a material adverse effect on our financial condition and results of operations.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs.

Currently, none of our employees are represented by a union. However, our employees have the right under the National Labor Relations Act to form or affiliate with a union. If some or all of our workforce were to become unionized and the terms of the collective bargaining agreement were significantly different from our current compensation arrangements, it could increase our costs and adversely impact our profitability. Moreover, participation in labor unions could put us at increased risk of labor strikes and disruption of our operations.

Violations of and/or changes in laws, including employment laws and laws related to our merchandise, could make conducting our business more expensive or change the way we do business.

We are subject to numerous regulations, including labor and employment, customs, truth-in-advertising, consumer protection and zoning and occupancy laws and ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of stores and warehouse facilities. If these regulations were violated by our management, employees or vendors, the costs of certain goods could increase, or we could experience delays in shipments of our goods, be subject to fines or penalties or suffer reputational harm, which could reduce demand for our merchandise and hurt our business and results of operations.

Similarly, changes in laws could make operating our business more expensive or require us to change the way we do business. For example, changes in laws related to employee healthcare, hours, wages, job classification and benefits could significantly increase operating costs. In addition, changes in product safety or other consumer protection laws could lead to increased costs for certain merchandise, or additional labor costs associated with readying merchandise for sale. It may be difficult for us to foresee regulatory changes impacting our business and our actions needed to respond to changes in the law could be costly and may negatively impact our operations.

We will incur significant expenses as a result of being a publicly traded company, which could negatively impact our earnings.

As a result of becoming a public company, and of being a public company, we expect to incur significant incremental legal, accounting, insurance and other expenses. Compliance with the Sarbanes-Oxley Act of 2002 and the rules implemented by the SEC and New York Stock Exchange, or NYSE, require changes to corporate governance practices of public companies that did not apply to us prior to becoming a public company. In addition, the reporting requirements of the Securities Exchange Act of 1934, as amended, will require, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. Our compliance with these laws, rules and regulations have increased, and will continue to increase, our expenses, including legal and accounting costs, and make some of our operations more costly and time consuming. In addition, it may also be more difficult for us to find and retain qualified persons to serve on our board of directors or as executive officers. Further, any additional expenses in legal, accounting, insurance and other related expenses could reduce our earnings and have a material adverse effect on our financial condition and results of operations.

Our failure to maintain adequate internal controls over our financial and management systems may cause errors in our financial reporting. These errors may cause a loss of investor confidence and result in a decline in the price of our Class A common stock.

Our public company reporting obligations and our anticipated growth will likely strain our financial and management systems, internal controls and our employees. In addition, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we are required to finish documenting and testing our internal controls so our management can certify the effectiveness of our internal controls over financial reporting and our independent registered public accounting firm can render an opinion on our internal controls over financial reporting by the time our annual report for fiscal year 2012 is due and annually thereafter.

We are currently taking the necessary steps to comply with Section 404. However, this process is time consuming and costly. If during this process we identify one or more material weaknesses in our internal controls, it is possible that our management may not be able to certify that our internal controls are effective by the certification deadline. We cannot be certain we will be able to successfully complete the implementation, certification and attestation requirements of Section 404 within the time period allowed.

Moreover, if we identify any material weaknesses or significant deficiencies in our internal controls, we will have to implement appropriate changes to these controls, which may require specific compliance training for our directors, officers and employees, require the hiring of additional finance, accounting, legal and other personnel, entail substantial costs to modify our existing accounting systems and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. Effective internal controls are necessary for us to produce reliable financial reports and are important to prevent fraud. As a result, our failure to satisfy the requirements of Section 404 on a timely basis could result in us being subject to regulatory action and a loss of investor confidence in the reliability of our financial statements, both of which in turn could cause the market value of our Class A common stock to decline.

Prior to this offering, World of Jeans & Tops was treated as an "S" Corporation under Subchapter S of the Internal Revenue Code, and claims of taxing authorities related to its prior status as an "S" Corporation could harm us.

Concurrent with and as a result of the Reorganization Transaction, World of Jeans & Tops' "S" Corporation status will terminate and World of Jeans & Tops will be treated as a "C" Corporation for federal and applicable state income tax purposes. As a "C" Corporation, World of Jeans & Tops will become subject to federal and increased state income taxes. In addition, if the unaudited, open tax years in which World of Jeans & Tops was an "S" Corporation are audited by the Internal Revenue Service, and World of Jeans & Tops is determined not to have qualified for, or to have violated, its "S" Corporation status, World of Jeans & Tops will be obligated to pay back taxes, interest and penalties, and the company will not have the right to reclaim tax distributions it made to its shareholders during those periods. These amounts could include taxes on all of World of Jeans & Tops' taxable income while it was an "S" Corporation. Any such claims could result in additional costs to us and could have a material adverse effect on our results of operations and financial condition.

We will need to amend our existing credit facility upon completion of our initial public offering and there is no guarantee that we will be able to do so. The terms of this amended facility may impose operating and financial restrictions on us that may impair our ability to respond quickly to changing business and economic conditions. If we need to draw on this facility, the impairment could have a significant adverse impact on our business.

Our existing credit facility with Wells Fargo Bank does not permit for our corporate reorganization and initial public offering. Therefore, immediately before the completion of our initial public offering, we expect to amend our credit facility. In addition, the amended facility is expected to provide a $25 million revolving line of credit, which we may use to finance working capital or other needs, including the purchase of inventory and equipment, capital expenditures and funding for other general corporate purposes. There is no guarantee that we will be able to amend the facility and, should we ever need to use the facility, our inability to successfully secure an amended facility could have a significant adverse impact on our business, including our plans for continued growth. We expect the amended revolving credit facility will contain a number of restrictions and affirmative and negative covenants, such as restrictions on liens, annual capital expenditures, additional indebtedness, dispositions, dividends or stock repurchases and changes in the nature of our business, as well as requirements for certain levels of tangible net worth, liquidity and profitability. Obligations under the revolving credit facility will likely be secured by substantially all of our assets. Our ability to comply with these restrictions and covenants may be affected by events beyond our control. A breach of any of these restrictions and covenants

could result in a default under the revolving credit facility. If a default occurs, the lender may elect to terminate the availability of undrawn amounts, increase the interest rate on all borrowings outstanding and declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable. If we are unable to repay outstanding borrowings when due, whether at their maturity or if declared due and payable by the lender following a default, the lender will have the right to proceed against the collateral granted to it to secure the indebtedness. As a result, any breach of these restrictions and covenants could have a material adverse effect on us.

We may engage in strategic transactions that could negatively impact our liquidity, increase our expenses and present significant distractions to our management.

We may consider strategic transactions and business arrangements, including, but not limited to, acquisitions, asset purchases, partnerships, joint ventures, restructurings, divestitures and investments. Any such transaction may require us to incur non-recurring or other charges, may increase our near and long-term expenditures and may pose significant integration challenges or disrupt our management or business, which could harm our operations and financial results.

Our e-commerce business subjects us to numerous risks that could have an adverse effect on our results of operations.

For fiscal year 2010, sales from our e-commerce business increased 46% over the previous year and represented approximately 10% of our total net sales. Our e-commerce business and its continued growth subject us to certain risks that could have an adverse effect on our results of operations, including:

- diversion of traffic from our stores;
- liability for online content;
- government regulation of the Internet; and
- risks related to the computer systems that operate our website and related support systems, including computer viruses, electronic break-ins and similar disruptions.

We may incur substantial expenses related to our issuance of stock-based compensation, which may have a negative impact on our operating results for future periods.

We follow the provisions of the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 718, *Compensation-Stock Compensation*, for stock-based compensation. Our stock-based compensation expenses may be significant in future periods, which could have an adverse impact on our operating and net income. FASB ASC 718 requires the use of subjective assumptions, including the options' expected lives and the price volatility of our Class A common stock. Changes in the subjective input assumptions can materially affect the amount of our stock-based compensation expense. In addition, an increase in the competitiveness of the market for qualified employees could result in an increased use of stock-based compensation awards, which in turn would result in increased stock-based compensation expense in future periods.

Risks Related to this Offering and Ownership of Our Class A Common Stock

We will be a controlled company within the meaning of the NYSE rules, and, as a result, we may rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.

Upon completion of this offering, Mr. Shaked will control more than 50% of the total voting power of our common stock and we will be considered a controlled company under the NYSE corporate governance listing standards. As a controlled company, certain exemptions under the NYSE listing standards will exempt us from the obligation to comply with certain NYSE corporate governance requirements, including the requirements:

- that a majority of our board of directors consist of independent directors, as defined under the rules of the NYSE;
- that we have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

Although we intend to comply with these listing requirements even though we will be a controlled company, there is no guarantee that we will not take advantage of these exemptions in the future. Accordingly, so long as we are a controlled company, holders of our Class A common stock may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

There has been no public market for our Class A common stock and an active trading market for our Class A common stock may never develop following the offering.

Prior to this offering, there has been no public market for our Class A common stock and we cannot guarantee that an active trading market will develop or be sustained after the offering. If an active market does not develop or is not sustained, it may be difficult for you to sell your Class A common stock at a favorable price or at all. We cannot predict the future value of our Class A common stock. The initial public offering price will be based upon negotiations between us and the underwriters and may not bear any relationship to the market price our Class A common stock may trade at after the offering. As a result, the value of our Class A common stock may decline below the initial public offering price, based upon the market for our Class A common stock or changes in our financial condition and results of operations, and you may not be able to resell your shares of our Class A common stock at or above the initial public offering price.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the price and trading volume of our Class A common stock could decline.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of us, the trading price for our Class A common stock would be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who covers us downgrades our Class A common stock or publishes inaccurate or unfavorable research about our business, the price of our Class A common stock would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our Class A common stock could decrease, which could cause the price of our Class A common stock and trading volume to decline.

The price of our Class A common stock may be volatile and decline in value.

The market for retail apparel stocks can be highly volatile. As a result, the market price of our Class A common stock is likely to be volatile and investors may experience a decrease in the value of the Class A common stock, unrelated to our operations. The price of our Class A common stock could fluctuate significantly in response to a number of factors, as discussed in this "Risk Factors" section and such as those listed below:

- variations in our operating performance and the performance of our competitors;
- publication of research reports or recommendation by securities analysts about us, our competitors or our industry, or a lack of such securities analyst coverage;
- our failure or our competitors' failure to meet analysts' projections or guidance;
- our levels of comparable store sales;
- changes to our management team;
- regulatory developments negatively affecting our industry;
- changes in stock market valuations of our competitors;
- the development and sustainability of an active trading market for our Class A common stock;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- the performance and successful integration of any new stores that we open;
- actions by competitors or other mall and non-mall tenants;
- announcements by us or our competitors of new product offerings or significant acquisitions;
- ratings downgrades by any securities analysts who follow our common stock;
- fluctuations in the stock markets generally;
- changes in general market and economic conditions; and
- changes in fashion trends that we did not anticipate.

Further, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation. The threat or filing of class action litigation lawsuits could cause the price of our Class A common stock to decline.

Future sales of our common stock by existing stockholders could cause the price of our Class A common stock to decline.

Any sales of a substantial number of shares of our common stock in the public market after this offering, or the perception that such sales might occur, may cause the market price for our Class A common stock to decline. Upon completion of this offering, we will have shares of Class A common stock and shares of Class B common stock outstanding, excluding any shares of Class A common stock that may be issued pursuant to the underwriters' option to purchase additional shares, and shares of Class A common stock issuable upon the exercise of outstanding stock options. All of these shares, other than the shares of Class B common stock held by the Shaked and Levine family entities and the shares of Class A common stock held by our directors and officers and other "affiliates", as defined in Rule 144 of the Securities Act of 1933, as amended, or Rule 144, will be freely tradable without restriction under the Securities Act of 1933, as amended, or Securities Act. The shares held by the Shaked and Levine family entities and our directors, officers and other affiliates are restricted securities under the Securities Act, and may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

Each of our executive officers, directors and certain of our stockholders have agreed, subject to certain exceptions, to be bound by a lock-up agreement that prevents us and them from selling or transferring shares of our common stock during the 180-day period following this offering. However, these shares will be freely tradable, subject to the limitations of Rule 144, in the public markets after the expiration of the lock-up period, which could depress the value of our Class A common stock. Moreover, Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated may, in their sole discretion, release any of the shares held by our executive officers, directors and other current stockholders from the restrictions of the lock-up agreement at any time without notice, which would allow the immediate sale of these shares in the market, subject to the limitations of Rule 144. See "Underwriting".

Our corporate organizational documents and Delaware law have anti-takeover provisions that may inhibit or prohibit a takeover of us and the replacement or removal of our management.

In addition to the effect that the concentration of ownership and voting power in the Shaked and Levine family entities, the anti-takeover provisions under Delaware law, as well as the provisions contained in our corporate organizational documents, may make an acquisition of us more difficult.

For example:

- our certificate of incorporation includes a provision authorizing our board of directors to issue blank check preferred stock without stockholder approval, which, if issued, would increase the number of outstanding shares of our capital stock and make it more difficult for a stockholder to acquire us;
- our certificate of incorporation provides that if all shares of our Class B common stock are converted into Class A common stock or otherwise cease to be outstanding, our board of directors will be divided into three classes in the manner provided by our certificate of incorporation. After the directors in each class serve for the initial terms provided in our certificate of incorporation, each class will serve for a staggered three-year term;
- our certificate of incorporation permits removal of a director only for cause by the affirmative vote of the holders of a majority of the voting power of the company once the board of directors is divided into three classes and provides that director vacancies can only be filled by an affirmative vote of a majority of directors then in office;
- our bylaws require advance notice of stockholder proposals and director nominations; and
- Section 203 of the Delaware General Corporation Law may prevent large stockholders from completing a merger or acquisition of us.

These provisions may prevent a merger or acquisition of us which could limit the price investors would pay for our common stock in the future.

We do not intend to pay cash dividends on our common stock, which may make our Class A common stock less desirable to investors and decrease its value.

We intend to retain all of our earnings to finance our operations and growth and do not anticipate paying any cash dividends on our common stock for the foreseeable future. Therefore, you may only receive a return on your investment in our Class A common stock if the market price increases above the price at which you purchased it, which may never occur.

You will experience immediate and substantial dilution.

Purchasers of Class A common stock in this offering will pay a price per share that is substantially higher than the pro forma net tangible book value per share of our outstanding Class A common stock immediately after

this offering. As a result, purchasers of our Class A common stock in this offering will suffer immediate and substantial dilution. Based on an assumed initial public offering price of $ per share, the mid-point of the price range set forth on the cover page of this prospectus, and our pro forma net tangible book value as of , the dilution will be $ per share of Class A common stock to new investors in this offering. If the underwriters sell additional shares of Class A common stock following the exercise of their option to purchase additional shares or if option holders exercise outstanding options to purchase shares of Class A common stock, further dilution could occur.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical or current fact included in this prospectus are forward-looking statements. Forward-looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate”, “estimate”, “expect”, “project”, “plan”, “intend”, “believe”, “may”, “might”, “will”, “should”, “can have”, “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected earnings, revenues, costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- our ability to successfully open a significant number of new stores;
- effectively adapting to new challenges associated with our expansion into new geographic markets;
- our ability to maintain and enhance a strong brand image;
- generating adequate cash from our existing stores to support our growth;
- identifying and responding to new and changing customer fashion preferences and fashion-related trends;
- competing effectively in an environment of intense competition;
- containing the increase in the cost of mailing catalogs, paper and printing;
- the success of the malls, power centers, neighborhood and lifestyle centers, outlet centers and street-front locations in which our stores are located;
- our ability to attract customers in the various retail venues and geographies in which our stores are located;
- adapting to declines in consumer confidence and decreases in consumer spending;
- our ability to adapt to significant changes in sales due to the seasonality of our business;
- price reductions or inventory shortages resulting from failure to purchase the appropriate amount of inventory in advance of the season in which it will be sold;
- natural disasters, unusually adverse weather conditions, boycotts and unanticipated events;
- changes in the competitive environment in our industry and the markets we serve, including increased competition from other retailers;
- our dependence on third-party vendors to provide us with sufficient quantities of merchandise at acceptable prices;
- increases in costs of fuel or other energy, transportation or utility costs and in the costs of labor and employment;
- our ability to balance proprietary branded merchandise with the third-party branded merchandise we sell;
- most of our merchandise is made in foreign countries, making price and availability of our merchandise susceptible to international trade conditions;
- failure of our vendors and their manufacturing sources to use acceptable labor or other practices;

- our dependence upon key executive management or our inability to hire or retain the talent required for our business;
- our ability to effectively adapt to our rapid expansion in recent years and our planned expansion;
- failure of our information technology systems to support our current and growing business, before and after our planned upgrades;
- disruptions in our supply chain and distribution center;
- our indebtedness and lease obligations, including restrictions on our operations contained therein;
- our reliance upon independent third-party transportation providers for certain of our product shipments;
- our ability to maintain comparable store sales or sales per square foot, which may cause our operations and stock price to be volatile;
- disruptions to our information systems in the ordinary course or as a result of systems upgrades;
- our inability to protect our trademarks or other intellectual property rights;
- acts of war or terrorism;
- the impact of governmental laws and regulations and the outcomes of legal proceedings;
- our ability to secure the personal financial information of our customers and comply with the security standards for the credit card industry;
- our failure to maintain adequate internal controls over our financial and management systems; and
- increased costs as a result of being a public company.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results.

See “Risk Factors” for a more complete discussion of the risks and uncertainties mentioned above and for discussion of other risks and uncertainties. All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this prospectus and hereafter in our other SEC filings and public communications. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties.

We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the forward-looking statements included in this prospectus are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

USE OF PROCEEDS

We estimate that the net proceeds from our sale of shares of our Class A common stock in this offering will be approximately $ million, assuming an offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus) and after deducting the underwriting discount and estimated offering expenses payable by us, a portion of which will be reimbursed to us by the underwriters. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us of this offering by $ million, assuming the sale by us of shares of our Class A common stock and after deducting the underwriting discount and estimated expenses. A 1.0 million increase (decrease) in the number of shares offered by us, assuming an initial public offering price of $ per share, which is the mid-point of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us by $ million, after deducting the underwriting discount and estimated expenses.

The principal purposes of this offering are to obtain capital to pay all undistributed cumulative earnings to date to the current shareholders of World of Jeans & Tops, obtain additional capital, create a public market for our common stock and facilitate our future access to the public equity markets. Prior to completion of this offering, World of Jeans & Tops will issue notes to its then existing “S” Corporation shareholders, which will reflect the amount of undistributed cumulative earnings remaining in World of Jeans & Tops from the date of its formation up to the date of termination of its “S” Corporation status. The notes have a term of 15 days and their interest rate will be the one-month LIBOR rate as of the date of their execution. We expect to use approximately $ million of the net proceeds from this offering to pay in full the principal amount of the notes, as well as any accrued interest. Therefore, our stockholders immediately following this offering, who were also the shareholders of World of Jeans & Tops prior to termination of its “S” Corporation status, will receive most of the net proceeds from the sale of shares offered by us.

We expect proceeds in excess of the final “S” Corporation distribution to be approximately $ million. We intend to use such excess proceeds for working capital and other general corporate purposes, which may include funding new store openings and funding other operating costs such as merchandise inventories, payroll, store rent, marketing and infrastructure expenditures. The amounts and timing of any expenditures will vary depending on the amount of cash generated by our operations, competitive and technological developments and the rate of growth of our business. Therefore, we do not currently have a specific plan for the excess proceeds from this offering and our management will have significant flexibility in applying the net proceeds. Pending their use, we intend to invest the excess proceeds from this offering in short term, investment-grade, interest-bearing instruments.

DIVIDEND POLICY

We do not anticipate paying dividends on our common stock after the completion of this offering. We intend to retain all available funds and any future earnings for use in the operation and expansion of our business. Any determination in the future to pay dividends will depend upon our financial condition, capital requirements, operating results and other factors deemed relevant by our board of directors, including any contractual or statutory restrictions on our ability to pay dividends.

As an "S" Corporation, World of Jeans & Tops distributed to its shareholders every year an amount sufficient to cover their tax liability due to the income that was reported by the shareholders on their individual tax returns. Additional amounts were distributed to its shareholders at the discretion of the board of directors of World of Jeans & Tops. For fiscal years 2009 and 2010, World of Jeans & Tops paid distributions to its shareholders of $16.0 million and $22.2 million, respectively. World of Jeans & Tops expects to pay, prior to the consummation of this offering, an additional $ million on behalf of its shareholders in connection with their quarterly estimated tax liability. In connection with the Reorganization Transaction, World of Jeans & Tops will issue to its existing shareholders notes in an aggregate principal amount equal to approximately $ million. This represents 100% of World of Jeans & Tops' undistributed taxable income from the date of its formation up to the date of termination of its "S" Corporation status. Upon completion of this offering, we will use a majority of the net proceeds from this offering to pay in full the principal amount of these undistributed earnings notes as described under "Use of Proceeds". We do not anticipate paying any additional distributions to our "S" Corporation shareholders subsequent to the consummation of this offering.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of July 30, 2011:

- on an actual basis;
- on a pro forma basis to give effect to the Reorganization Transaction as described under "Description of Capital Stock—Reorganization Transaction", including (i) the issuance by World of Jeans & Tops of the undistributed taxable earnings notes to its then shareholders in the aggregate principal amount equal to 100% of its undistributed taxable income from the date of its formation up to the date of termination of its "S" Corporation status, (ii) a change in net deferred tax assets of approximately $ assuming World of Jeans & Tops' "S" Corporation status terminated on , (iii) the -for- stock split of our Class A common stock and Class B common stock and (iv) upon consummation of our initial public offering, a change in additional paid-in capital and retained earnings as a result of the recognition of stock-based compensation expense, net of tax effect at the statutory rate; and
- on a pro forma basis as adjusted to give effect to: (i) the sale of shares of our Class A common stock in this offering at an assumed initial public offering price of $ per share, which is the mid-point of the price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us, a portion of which will be reimbursed to us by the underwriters and (ii) the application of the estimated proceeds from this offering as described under "Use of Proceeds".

You should read this table in conjunction with "Use of Proceeds", "Selected Consolidated Financial and Other Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of July 30, 2011		
	Actual	Pro Forma	Pro Forma as adjusted(2)
	(unaudited)	(unaudited)	(unaudited)
	(In thousands, except per share amounts)		
Cash and cash equivalents	$ 30,952	$ 30,952	
Debt:			
Existing line of credit(1)	—		
Other debt (capital lease liability)	4,957		
Total debt	4,957	—	—
Stockholders' equity:			
Common stock, $0.001 par value; 21,600 shares authorized, 20,000 shares issued and outstanding	20		
Common stock (Class A), $0.001 par value; 100,000 shares authorized, shares issued and outstanding	—		
Common stock (Class B), $0.001 par value; 35,000 shares authorized, shares issued and outstanding	—		
Preferred stock, $0.001 par value; 10,000 shares authorized, no shares issued or outstanding	—		
Additional paid-in capital	150		
Retained earnings	65,468		
Total stockholders' equity	65,638	—	—
Total capitalization	$ 70,595	$ —	$ —

(1) The existing line of credit with Wells Fargo Bank, NA provides for borrowings of up to $15.0 million, of which $15.0 million was available to borrow as of July 30, 2011. Upon consummation of the initial public offering, our existing line of credit with Wells Fargo Bank, NA will be amended. We expect the amended line of credit to contain substantially the same terms as the previous line of credit, but provide for borrowings of up to $25.0 million.

(2) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the mid-point of the range set forth on the cover page of this prospectus, would increase (decrease) each of additional paid-in capital, total stockholders' equity and total capitalization by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us, a portion of which will be reimbursed to us by the underwriters. Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us, would increase (decrease) additional paid-in capital, total stockholders' equity and total capitalization by approximately $ million. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and terms of this offering determined at pricing.

DILUTION

If you invest in our Class A common stock, your investment will be diluted immediately to the extent of the difference between the public offering price per share of our Class A common stock and the pro forma net tangible book value per share of our Class A common stock after this offering.

Our pro forma net tangible book value as of was approximately $ million, or $ per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities, divided by the number of shares of our common stock outstanding, on a pro forma basis after giving effect to the Reorganization Transaction as described under "Description of Capital Stock —Reorganization Transaction", including (i) the issuance by World of Jeans & Tops of 100% of its undistributed taxable earnings to its then shareholders resulting from the termination of its "S" Corporation status, equal to approximately $ million, (ii) a change in net deferred tax assets of approximately $ assuming the "S" Corporation status of World of Jeans & Tops terminated on and (iii) compensation expense of $ resulting from prior stock options issued under our 2007 Stock Option Plan becoming exercisable upon completion of this offering.

After giving effect to (i) the sale of the shares of Class A common stock offered by us assuming an initial public offering price of $ per share, which is the mid-point of the price range set forth on the cover page of this prospectus, less the underwriting discount and estimated offering expenses payable by us, a portion of which will be reimbursed to us by the underwriters and (ii) the application of the estimated proceeds from this offering as described in "Use of Proceeds", our pro forma as adjusted net tangible book value as of would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors. The following table illustrates this dilution.

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of	$	
Increase in pro forma net tangible book value per share attributable to this offering		
Pro forma net tangible book value per share as of , as adjusted for this offering		
Dilution per share to new investors		$

After this offering and assuming the exercise in full of all options outstanding and exercisable as of , pro forma net tangible book value per share as of , as adjusted for this offering, would have been approximately $ million, representing an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the mid-point of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value by approximately $ million, or $ per share, and the dilution per share to investors in this offering by approximately $ per share, assuming no change to the number of shares offered by us as set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us, a portion of which will be reimbursed to us by the underwriters. We may also increase or decrease the number of shares we are offering. A 1.0 million increase (decrease) in the number of shares offered by us would increase (decrease) our pro forma as adjusted net tangible book value by approximately $ million, or $ per share, assuming an initial public offering price of $ per share, which is the mid-point of the price range set forth on the cover page of this prospectus, and the dilution per share to investors in this offering by approximately $ per share after deducting the underwriting discount and estimated offering expenses payable by us, a portion of which will be reimbursed to us by the underwriters. The pro forma as adjusted information discussed above is illustrative only.

If the underwriters exercise their option to purchase up to additional shares of Class A common stock in this offering from us, our pro forma as adjusted net tangible book value as of and dilution per share to new investors will not change.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present selected consolidated financial and other data as of and for the periods indicated, and certain unaudited pro forma information to reflect our conversion from an "S" Corporation to a "C" Corporation for income tax purposes. The selected consolidated statement of operations data for the fiscal years ended January 31, 2009, January 30, 2010 and January 29, 2011 and selected consolidated balance sheet data as of January 30, 2010 and January 29, 2011 are derived from our financial statements audited by Deloitte & Touche LLP, our independent registered public accounting firm, included elsewhere in this prospectus. The selected consolidated statement of operations data for the fiscal years ended February 3, 2007 and February 2, 2008 and the selected consolidated balance sheet data as of February 3, 2007, February 2, 2008 and January 31, 2009 are derived from our audited financial statements that have not been included in this prospectus. The selected consolidated statements of operations data for the twenty-six weeks ended July 31, 2010 and July 30, 2011 and the selected consolidated balance sheet data as of July 30, 2011 are derived from our unaudited financial statements included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read this selected consolidated financial data in conjunction with the financial statements and accompanying notes and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

	Fiscal Year Ended(1)					Twenty-Six Weeks Ended	
	February 3, 2007	February 2, 2008	January 31, 2009	January 30, 2010	January 29, 2011	July 31, 2010	July 30, 2011
	(in thousands, except per share data)						
Consolidated Statements of Operations Data:							
Net sales	$199,229	$245,913	$254,983	$282,764	$ 332,604	$134,397	$170,391
Cost of goods sold(2)	125,390	154,357	172,107	195,430	229,989	97,009	118,464
Gross profit	73,839	91,556	82,876	87,334	102,615	37,388	51,927
Selling, general and administrative expenses	42,336	51,840	59,043	65,912	77,668	34,964	43,401
Operating income	31,503	39,716	23,833	21,422	24,947	2,424	8,526
Interest income (expense), net	298	607	35	(284)	(249)	(138)	(101)
Income before provision for income taxes	31,801	40,323	23,868	21,138	24,698	2,286	8,425
Provision for income taxes	436	416	262	275	282	30	96
Net income	$ 31,365	$ 39,907	$ 23,606	$ 20,863	$ 24,416	$ 2,256	$ 8,329
Net income per common share:							
Basic	$ 1.57	$ 2.00	$ 1.18	$ 1.04	$ 1.22	$ 0.11	$ 0.42
Diluted	$ 1.57	$ 2.00	$ 1.18	$ 1.04	$ 1.21	$ 0.11	$ 0.41
Weighted average shares outstanding:							
Basic	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Diluted	20,000	20,000	20,000	20,014	20,098	20,049	20,433
Pro Forma Income Information(3):							
Pro forma provision for income taxes	$ 12,720	$ 16,129	$ 9,547	$ 8,455	$ 9,879	$ 914	$ 3,370
Pro forma net income	19,081	24,194	14,321	12,683	14,819	1,372	5,055
Pro forma basic net income per common share(4)							
Pro forma diluted net income per common share(4)							

	Fiscal Year Ended					Twenty-Six Weeks Ended	
	February 3, 2007	February 2, 2008	January 31, 2009	January 30, 2010	January 29, 2011	July 31, 2010	July 30, 2011
Operating Data (unaudited):							
Stores operating at beginning of period	51	61	73	99	111	111	125
Stores opened during the period	10	13	26	13	16	10	7
Stores closed during the period	—	1	—	1	2	1	1
Stores operating at end of period	61	73	99	111	125	120	131
Comparable store sales change(5)	17.3%	8.7%	-12.5%	-3.1%	6.7%	-0.9%	16.7%
Total square feet at end of period	480,781	576,156	775,832	862,971	967,011	931,503	1,014,879
Average square footage per store at end of period	7,882	7,893	7,837	7,775	7,736	7,763	7,747
Average net sales per store (in thousands)(6)	$ 3,472	$ 3,452	$ 2,750	$ 2,479	$ 2,528	$ 1,074	$ 1,213
Average net store sales per square foot(6)	$ 440	$ 439	$ 351	$ 318	$ 326	$ 138	$ 157
Capital expenditures (in thousands)	$ 11,748	$ 14,817	$ 23,406	$ 17,514	$ 15,674	$ 9,015	$ 8,742

	As of					
	February 3, 2007	February 2, 2008	January 31, 2009	January 30, 2010	January 29, 2011	July 30, 2011
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 12,369	$25,359	$ 24,535	$ 25,705	$ 29,338	$ 30,952
Working capital	9,360	24,354	22,779	29,639	33,907	34,704
Total assets	68,963	93,449	110,142	115,454	130,974	149,806
Total long-term debt(7)	6,933	6,412	5,857	5,267	4,638	4,309
Stockholders' equity	29,755	46,637	55,053	59,896	62,092	65,638

(1) Except for the fiscal year ended February 3, 2007, which includes 53 weeks, all fiscal years presented include 52 weeks.

(2) Includes buying, distribution and occupancy costs.

(3) The unaudited pro forma income information for all periods presented gives effect to an adjustment for income tax expense as if we had been a "C" Corporation at an assumed combined federal, state and local effective income tax rate, which approximates our statutory income tax rate, of 40%.

(4) Reflects the increase in the number of shares which would be sufficient to replace the capital in excess of current year earnings being withdrawn pursuant to the Reorganization Transaction. The pro forma adjustment to basic and diluted weighted average shares outstanding for the fiscal year ended January 29, 2011 and the twenty-six weeks ended July 30, 2011 is and , respectively.

(5) Comparable store sales are net sales from stores that have been open at least 12 full fiscal months as of the end of the applicable reporting period. A remodeled or relocated store is included in comparable store sales, both during and after construction, if the square footage of the store was not changed by more than 20% and the store was not closed for more than five days in any fiscal month. Comparable store sales include sales through our e-commerce store but exclude gift card breakage income and e-commerce shipping and handling fee revenue. E-commerce sales contributed 2.5%, 3.4%, 1.9%, 2.9% and 3.3% to the comparable store sales change for fiscal years 2006, 2007, 2008, 2009 and 2010, respectively, and 2.9% and 2.1% to the comparable store sales change for the twenty-six week periods ended July 31, 2010 and July 30, 2011,

respectively. The comparable store sales increase for the fiscal year ended February 3, 2007 is compared to the corresponding 53-week period in the previous fiscal year. The comparable store sales increase for the fiscal year ended February 2, 2008 is compared to the corresponding 52-week period in the previous fiscal year.

(6) The number of stores and the amount of square footage reflect the number of days during the period that new stores were open. E-commerce sales, e-commerce shipping revenue and gift card breakage income are excluded from our sales in deriving net sales per store and net sales per square foot. Average net sales per store and average net store sales per square foot for the fiscal year ended February 3, 2007 are adjusted to reflect a 52-week year for comparability to the amounts shown for the other years.

(7) Comprised solely of a capital lease for our corporate headquarters and distribution center.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the consolidated historical financial statements and the accompanying notes included elsewhere in this prospectus, as well as the information presented under "Selected Consolidated Financial and Other Data". The statements in the following discussion and analysis regarding expectations about our future performance, liquidity and capital resources and any other non-historical statements in this discussion and analysis, are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, those described under "Risk Factors", "Forward-Looking Statements" and other matters included elsewhere in this prospectus. Our actual results could differ materially from those contained in or implied by any forward-looking statements.

We operate on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31 of the following year. References to "fiscal year 2010" or "fiscal 2010" refer to the fiscal year ended January 29, 2011, references to "fiscal year 2009" or "fiscal 2009" refer to the fiscal year ended January 30, 2010 and references to "fiscal year 2008" or "fiscal 2008" refer to the fiscal year ended January 31, 2009. Each of fiscal years 2010, 2009 and 2008 consisted of a 52-week period.

Overview

Tilly's is a fast-growing destination specialty retailer of West Coast inspired apparel, footwear and accessories. We believe we bring together an unparalleled selection of the most sought-after brands rooted in action sports, music, art and fashion. Our West Coast heritage dates back to 1982 when Hezy Shaked and Tilly Levine opened our first store in Orange County, California. As of July 30, 2011, we operated 131 stores in 11 states, averaging approximately 7,700 square feet. We also sell our products through our e-commerce website, www.tillys.com.

Our strong growth and operating results reflect initiatives taken by our management team as well as our customers' increasing awareness of our brand and merchandise assortment as we have expanded our presence in both existing and new markets. We increased net sales 27%, from $134.4 million in the twenty-six weeks ended July 31, 2010 to $170.4 million in the twenty-six weeks ended July 30, 2011. We increased operating income 254%, from $2.4 million in the twenty-six weeks ended July 31, 2010 to $8.5 million in the twenty-six weeks ended July 30, 2011. Our comparable store sales increased 16.7% in the twenty-six weeks ended July 30, 2011, which followed a 6.7% increase for the full fiscal year 2010. Since the beginning of fiscal 2006, we more than doubled our store count from 51 stores to 125 stores at fiscal year-end 2010.

We expect to continue our strong growth in the future. We believe there is a significant opportunity to expand our store base to more than 500 stores over the next 10 years. As of July 30, 2011, we have added six net new stores in fiscal year 2011 and plan to add a total of 15 net new stores by the end of the year. We plan to open approximately 20 net stores in fiscal year 2012 and to continue opening new stores at an annual rate of approximately 15% for the next several years thereafter. We expect to fund this store expansion through our cash on hand, which may include a portion of the proceeds from this offering, and cash flows from operations. We believe our success operating in different retail venues and geographies demonstrates the portability of Tilly's and provides us with flexibility for future expansion. We also expect to continue to support our comparable store sales by consistently offering new, on-trend and relevant merchandise, increasing our brand awareness, providing an engaging store experience for our core customers and maintaining our high level of customer service.

Our unit growth is supported by our new store economics, which we believe to be compelling. Our new store model assumes a target store size averaging 7,500 to 8,000 square feet. In the first 12 months after opening, our new store model targets net sales of approximately $2.2 million and cash flows of $300,000, with cash flows rising to over $400,000 in the second 12 months as the store begins to mature. The target net investment to open our stores is between $500,000 and $550,000, reflecting a mild inflationary increase to the range of historical

average costs incurred to open stores since the beginning of 2005. This results in an average pre-tax cash-on-cash payback period on our investment of about 18 months.

The sales and cash flow targets as well as the range of net investment targets are based on historical results, including store openings in fiscal 2010 and fiscal year-to-date 2011. The average store net investment range reflects the initial store build-out costs net of landlord allowances, preopening expenses and the investment in initial inventories, net of payables. The expected net investment range relies in part on a continuation of the historical levels of landlord allowances. Based on past real estate industry practices and our experience leasing and opening new locations in a variety of real estate environments and markets, we expect the average net investment, including the amount of landlord allowances, to be generally consistent over the next several years. However, if the amount of landlord allowances drop significantly, the amount of net investment to open new stores could rise, as could the expected cash-on-cash payback period. Furthermore, the Company's anticipated net investment may increase over time depending on a number of factors beyond our control, such as the cost of construction materials, competition for new retail locations and changes in the commercial real estate environment. In addition, the Company's anticipated yearly cash flows may be impacted by several factors, such as the level of competition and the specific store location at a particular venue and the concentration of our stores within a limited geographic area.

Over the last five years, we have invested approximately $20 million in infrastructure and systems to support our recent and long-term growth. We believe our distribution and allocation capabilities are unique within the industry and allow us to quickly sort and process merchandise and deliver it to our stores in a floor ready format for immediate display. In fiscal year 2012, we expect to open an additional distribution facility across the street from our existing facility to support our e-commerce fulfillment operations. We plan to fund the tenant improvements for this leased facility from cash on hand and cash flows from operations. We believe our current distribution infrastructure can support a national retail footprint of up to 500 stores without significant incremental capital investment.

We believe our business strategy will continue to offer significant opportunity, but it also presents risks and challenges. These risks and challenges include, but are not limited to, that we may not be able to effectively identify and respond to changing fashion trends and customer preferences, that we may not be able to find desirable locations for new stores and that we may not be able to effectively manage our future growth. In addition, our financial results can be expected to be directly impacted by trends in the general economy. A decline in consumer spending or a substantial increase in product costs due to commodity cost increases or general inflation could lead to a reduction in our sales as well as greater margin pressure as costs may not be able to be passed on to consumers and the competitive environment could become more highly promotional. See "Risk Factors" for other important factors that could adversely impact us and our results of operations. We strive to ensure that addressing these risks does not divert our attention from continuing to build on the strengths that we believe have driven the growth of our business.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. The key indicators of the financial condition and operating performance of our business are net sales, comparable store sales, gross profit, selling, general and administrative expenses and operating income.

Net Sales

Net sales reflect revenue from the sale of our merchandise at store locations as well as sales of merchandise through our e-commerce store, which is reflected in sales when the merchandise is received by the customer. Net sales also include shipping and handling fees for e-commerce shipments that have been delivered to the customer. Net sales are net of returns on sales during the period as well as an estimate of returns expected in the future stemming from current period sales. Revenue from the sale of gift cards is deferred and not included in net sales until the gift cards are used to purchase merchandise. However, over time, the redemption of some gift cards becomes remote (referred to as gift card breakage). Revenue from estimated gift card breakage is also included in net sales.

Our business is seasonal and as a result our revenues fluctuate from quarter to quarter. In addition, our revenues in any given quarter can be affected by a number of factors including the timing of holidays and weather patterns. The third and fourth quarters of the fiscal year, which include the back-to-school and holiday sales seasons, have historically produced stronger sales and disproportionately stronger operating results than have the first two quarters of the fiscal year.

Comparable Store Sales

Comparable store sales are net sales from stores that have been open at least 12 full fiscal months as of the end of the current reporting period. A remodeled or relocated store is included in comparable store sales, both during and after construction, if the square footage of the store was not changed by more than 20% and the store was not closed for more than five days in any fiscal month. Comparable store sales include sales through our e-commerce store, but exclude gift card breakage income and e-commerce shipping and handling fee revenue. Some of our competitors and other retailers may calculate comparable or "same store" sales differently than we do. As a result, data in this prospectus regarding our comparable store sales may not be comparable to similar data made available by other retailers.

Measuring the change in year-over-year comparable store sales allows us to evaluate how our store base is performing. Numerous factors affect our comparable store sales, including:

- overall economic trends;
- our ability to identify and respond effectively to consumer preferences and fashion trends;
- competition;
- the timing of our releases of new and seasonal styles;
- changes in our product mix;
- pricing;
- the level of customer service that we provide in stores;
- our ability to source and distribute products efficiently;
- calendar shifts of holiday or seasonal periods;
- the number and timing of store openings and the relative proportion of new stores to mature stores; and
- the timing and success of promotional and advertising efforts.

Opening new stores is an important part of our growth strategy and we expect a significant percentage of our net sales during this growth period to come from non-comparable store sales. Accordingly, comparable store sales are only one element we use to assess the success of our business.

Gross Profit

Gross profit is equal to our net sales less our cost of goods sold. Cost of goods sold reflects the direct cost of purchased merchandise as well as buying, distribution and occupancy costs. Buying costs include compensation expense for our internal buying organization. Distribution costs include inbound freight costs as well as costs for receiving, processing, warehousing and shipping of merchandise to or from our distribution center, to our e-commerce customers and between store locations. Occupancy costs include the rent, common area maintenance, utilities, property taxes, security, and depreciation costs of all store locations. These costs are significant and can be expected to continue to increase as our company grows. The components of our reported cost of goods sold may not be comparable to those of other retail companies.

We regularly analyze the components of gross profit as well as gross profit as a percentage of net sales. Specifically we look at the initial markup on purchases, markdowns and reserves, shrinkage, buying costs, distribution costs and occupancy costs. Any inability to obtain acceptable levels of initial markups, a significant increase in our use of markdowns or a significant increase in inventory shrinkage or inability to generate

sufficient sales leverage on the buying, distribution and occupancy components of cost of goods sold could have an adverse impact on our gross profit and results of operations.

Gross profit is also impacted by shifts in the proportion of sales of proprietary branded products compared to third-party branded products, as well as by sales mix shifts within and between brands and between major product categories such as guys' and juniors' apparel, footwear or accessories. A substantial shift in the mix of products could have a material impact on our results of operations. In addition, gross profit and gross profit as a percent of sales have historically been higher in the third and fourth quarters of the fiscal year, as these periods include the back-to-school and winter holiday selling seasons. This reflects that various costs, including occupancy costs, generally do not increase in proportion to the seasonal sales increase.

Selling, General and Administrative Expenses

Our selling, general and administrative, or SG&A, expenses are composed of store selling expenses and corporate-level general and administrative expenses. Store selling expenses include store and regional support costs, including personnel, advertising and debit and credit card processing costs, e-commerce processing costs and store supplies costs. General and administrative expenses include the payroll and support costs of corporate functions such as executive management, legal, accounting, information systems, human resources and other centralized services. Store selling expenses generally vary proportionately with net sales and store growth. In contrast, general and administrative expenses are generally not directly proportional to net sales and store growth, but will be expected to increase over time to support the needs of our growing company. SG&A expenses as a percentage of net sales are usually higher in lower volume periods and lower in higher volume periods.

The components of our SG&A expenses may not be comparable to those of other retailers. We expect that our SG&A expenses will increase in future periods due to our continuing store growth and in part due to additional legal, accounting, insurance and other expenses we expect to incur as a result of being a public company. Among other things, we expect that compliance with the Sarbanes-Oxley Act of 2002 and related rules and regulations could result in significant incremental legal, accounting and other overhead costs.

Our stock-based awards contain a performance condition whereby the company's common stock must be publicly traded in order to exercise vested options. Unrecognized cumulative stock-based compensation expense through July 30, 2011, before any related tax benefit, was $5.5 million. We will recognize this non-cash deferred compensation as an SG&A expense upon the consummation of our initial public offering.

Operating Income

Operating income equals gross profit less SG&A expenses. Operating income excludes interest income, interest expense and income taxes. Operating income percentage measures operating income as a percentage of our net sales.

Income Taxes

Historically, World of Jeans & Tops has elected to be taxed under the provisions of Subchapter "S" of the Internal Revenue Code of 1986, as amended, or the Code, for federal tax purposes. As a result, its income has not been subject to U.S. federal income taxes or state income taxes in those states where the "S" Corporation status is recognized. In general, the corporate income or loss of an "S" Corporation is allocated to its stockholders for inclusion in their personal federal income tax returns and personal state income tax returns in those states where the "S" Corporation status is recognized. No provision or liability for federal or state income tax has been provided in our financial statements except for those states where the "S" Corporation status is not recognized and for the 1.5% California franchise tax to which we are also subject as a California "S" Corporation. The provision for income tax in the current period consists of these taxes. World of Jeans & Tops has distributed funds to its shareholders in an amount necessary to satisfy the shareholders' estimated personal "S" Corporation income tax liabilities.

As a result of the Reorganization Transaction, World of Jeans & Tops' "S" Corporation status will terminate and World of Jeans & Tops will be treated as a "C" Corporation under Subchapter C of the Code. The revocation of World of Jeans & Tops' "S" Corporation election will have a material impact on our results of operations, financial condition and cash flows. Our effective income tax rate will increase and our net income will decrease since we will be subject to both federal and state taxes on our earnings.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of the change in tax rates resulting from our being a "C" Corporation will be recognized in income in the quarter such change takes place. This difference between the financial statement carrying amounts of assets and liabilities and their respective tax basis would have been recorded as a net deferred tax asset of $1.4 million if it had been recorded at the balance sheet date of January 29, 2011.

All pro forma provisions for income taxes and pro forma net income data reflect estimated adjustments for federal and state income taxes as if we had been taxed as a "C" Corporation, rather than an "S" Corporation, at an estimated 40% effective tax rate in all years presented.

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated, both in dollars and as a percentage of our net sales.

	Fiscal Year Ended			Twenty-Six Weeks Ended	
	January 31, 2009	January 30, 2010	January 29, 2011	July 31, 2010	July 30, 2011
			(in thousands)		
Statements of Income Data:					
Net sales	$254,983	$282,764	$ 332,604	$134,397	$170,391
Cost of goods sold	172,107	195,430	229,989	97,009	118,464
Gross profit	82,876	87,334	102,615	37,388	51,927
Selling, general and administrative expenses	59,043	65,912	77,668	34,964	43,401
Operating income	23,833	21,422	24,947	2,424	8,526
Interest income (expense), net	35	(284)	(249)	(138)	(101)
Income before provision for income taxes	23,868	21,138	24,698	2,286	8,425
Provision for income taxes	262	275	282	30	96
Net income	$ 23,606	$ 20,863	$ 24,416	$ 2,256	$ 8,329
Percentage of Net Sales:					
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	67.5%	69.1%	69.1%	72.2%	69.5%
Gross profit	32.5%	30.9%	30.9%	27.8%	30.5%
Selling, general and administrative expenses	23.2%	23.3%	23.4%	26.0%	25.5%
Operating income	9.3%	7.6%	7.5%	1.8%	5.0%
Interest income (expense), net	0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Income before provision for income taxes	9.4%	7.5%	7.4%	1.7%	4.9%
Provision for income taxes	0.1%	0.1%	0.1%	0.0%	0.0%
Net income	9.3%	7.4%	7.3%	1.7%	4.9%
Pro Forma Data (unaudited)(1):					
Income before provision for income taxes	$ 23,868	$ 21,138	$ 24,698	$ 2,286	$ 8,425
Pro forma provision for income taxes	9,547	8,455	9,879	914	3,370
Pro forma net income	$ 14,321	12,683	$ 14,819	$ 1,372	$ 5,055

(1) The unaudited pro forma income statement for all periods presented gives effect to an adjustment for income tax expense as if we had been a "C" Corporation at an assumed combined federal, state and local effective income tax rate of 40%.

The following table presents store operating data for the periods indicated.

	Fiscal Year Ended			Twenty-Six Weeks Ended	
	January 31, 2009	January 30, 2010	January 29, 2011	July 31, 2010	July 30, 2011
Store Operating Data:					
Stores operating at end of period	99	111	125	120	131
Comparable store sales change(1)	-12.5%	-3.1%	6.7%	-0.9%	16.7%
Total square feet at end of period	775,832	862,971	967,011	931,503	1,014,879
Average net sales per store (in thousands)(2)	$ 2,750	$ 2,479	$ 2,528	$ 1,074	$ 1,213
Average net sales per square foot(2)	$ 351	$ 318	$ 326	$ 138	$ 157
E-commerce revenues (in thousands)(3)	$ 15,434	$ 22,511	$ 32,804	$ 11,781	$ 16,386

(1) Comparable store sales are net sales from stores that have been open at least 12 full fiscal months as of the end of the current reporting period. A remodeled or relocated store is included in comparable store sales, both during and after construction, if the square footage of the store was not changed by more than 20% and the store was not closed for more than five days in any fiscal month. Comparable store sales include sales through our e-commerce store but exclude gift card breakage income and e-commerce shipping and handling fee revenue. E-commerce sales contributed 1.9%, 2.9% and 3.3% to the comparable store sales change for fiscal years 2008, 2009 and 2010, respectively, and 2.9% and 2.1% to the comparable store sales change for the twenty-six week periods ended July 31, 2010 and July 30, 2011, respectively.

(2) E-commerce sales, e-commerce shipping fee revenue and gift card breakage are excluded from net sales in deriving average net sales per store and average net sales per square foot.

(3) E-commerce revenues include e-commerce sales and e-commerce shipping fee revenue.

Twenty-Six Weeks Ended July 30, 2011 Compared to Twenty-Six Weeks Ended July 31, 2010

Net Sales

Net sales increased from $134.4 million in the twenty-six weeks ended July 31, 2010 to $170.4 million in the twenty-six weeks ended July 30, 2011, an increase of $36.0 million, or 27%. A portion of this increase was due to net sales of $14.3 million from stores open in the first twenty-six weeks of fiscal year 2011 that were not open during the same period last year, as well as fees charged to customers for shipping merchandise sold through our e-commerce store. Net sales also increased due to a comparable store net sales increase of 16.7%, or $21.7 million. The comparable store net sales increase reflected the general improvement in the economy, and stemmed mostly from increased net sales of accessories and guys' apparel and, to a lesser extent, footwear and juniors' and girls' apparel. These increases were partially offset by lower net sales of boys' apparel. There were 116 comparable brick-and-mortar stores and 15 non-comparable brick-and-mortar stores open at July 30, 2011.

Net sales, including shipping and handling fees, from our e-commerce store increased from $11.8 million in the twenty-six weeks ended July 31, 2010 to $16.4 million in the twenty-six weeks ended July 30, 2011, an increase of $4.6 million, or 39%. E-commerce sales, excluding shipping and handling fees, are included in our calculation of comparable store sales, as comparable store sales is intended to reflect revenue from the sale of merchandise only.

Gross Profit

Gross profit increased from $37.4 million in the twenty-six weeks ended July 31, 2010 to $51.9 million in the twenty-six weeks ended July 30, 2011, an increase of $14.5 million, or 39%. As a percentage of net sales, gross profit was 27.8% in the twenty-six weeks ended July 31, 2010 and 30.5% in the twenty-six weeks ended July 30, 2011. Of the 2.7% increase, 2.1% was caused by buying, distribution and occupancy costs increasing at a slower rate than our net sales. The remaining 0.6% of the increase in gross profit as a percentage of net sales was due to lower promotional markdowns.

Selling, General and Administrative Expenses

SG&A expenses increased from $35.0 million in the twenty-six weeks ended July 31, 2010 to $43.4 million in the twenty-six weeks ended July 30, 2011, an increase of $8.4 million, or 24%. As a percentage of net sales, SG&A expenses were 26.0% and 25.5% during the twenty-six weeks ended July 31, 2010 and July 30, 2011, respectively.

Store selling expenses increased from $23.7 million in the twenty-six weeks ended July 31, 2010 to $29.0 million in the twenty-six weeks ended July 30, 2011, an increase of $5.3 million, or 22%. As a percentage of net sales, store selling expenses were 17.6% and 17.0% during the twenty-six weeks ended July 31, 2010 and July 30, 2011, respectively.

The following contributed to the decrease in store selling expenses as a percentage of net sales:

- store and regional payroll, payroll benefits and related personnel costs increased $3.3 million, but decreased 0.8% as a percentage of net sales, reflecting cost leverage as these costs increased at a slower rate than the increase in net sales;
- marketing costs increased $1.6 million, or 0.4% as a percentage of net sales, which partially offset the decreases in store selling expenses as a percentage of net sales, reflecting growth in the size and number of marketing campaigns, including the frequency and distribution of catalog mailings as well as marketing costs incurred to support and drive the growth of our e-commerce business; and
- all other selling expenses increased a total of $0.4 million, but decreased 0.2% as a percentage of net sales.

General and administrative expenses increased from $11.3 million in the twenty-six weeks ended July 31, 2010 to $14.4 million in the twenty-six weeks ended July 30, 2011, an increase of $3.1 million, or 27%. As a percentage of net sales, general and administrative expenses were 8.4% and 8.5% during the twenty-six weeks ended July 31, 2010 and July 30, 2011, respectively.

The following contributed to the increase in general and administrative expenses as a percentage of net sales:

- payroll, payroll benefits and related costs for corporate office personnel increased $3.2 million, or 0.6% as a percentage of net sales, due to the addition of staff to support company growth, pay increases and an increase in incentive pay reflecting much stronger company-wide profit performance compared to the same period in the prior year; and
- partially offsetting the above increase was a decrease in depreciation and other office expenses of $0.1 million, or 0.5% as a percentage of net sales.

Operating Income

Operating income increased from $2.4 million in the twenty-six weeks ended July 31, 2010 to $8.5 million in the twenty-six weeks ended July 30, 2011, an increase of $6.1 million, or 254%. As a percentage of net sales, operating income was 1.8% and 5.0% during the twenty-six weeks ended July 31, 2010 and July 30, 2011, respectively. This increase in operating income as a percentage of net sales was mostly due to the cost leverage associated with the significant increase in comparable store sales.

Interest Income (Expense), Net

Net interest expense decreased from $138,000 in the twenty-six weeks ended July 31, 2010 to $101,000 in the twenty-six weeks ended July 30, 2011, a decrease of $37,000. Net interest expense reflects interest paid on a capitalized lease of our corporate office and distribution center as well as costs related to maintaining our unused line of credit, net of interest income earned on cash balances and on tenant construction allowances due from landlords.

Provision for Income Taxes

Income taxes increased from $30,000 in the twenty-six weeks ended July 31, 2010 to $96,000 in the twenty-six weeks ended July 30, 2011. This reflected the increase in operating income as discussed above.

Historically, World of Jeans & Tops has recognized income taxes as an "S" Corporation for federal and state income tax purposes and therefore, with the exception of a limited number of state and local jurisdictions, it has not been subject to income taxes. The shareholders of World of Jeans & Tops, and not World of Jeans & Tops itself, have been subject to income tax on their share of its earnings. In connection with the Reorganization Transaction, World of Jeans & Tops will convert to a "C" Corporation. On a pro forma basis, if World of Jeans & Tops had been taxed as a "C" Corporation at an estimated 40% effective tax rate, income taxes would have increased from $0.9 million in the twenty-six weeks ended July 31, 2010 to $3.4 million in the twenty-six weeks ended July 30, 2011, an increase proportional to the increase in income before provision for income taxes.

Net Income

Net income increased from $2.3 million in the twenty-six weeks ended July 31, 2010 to $8.3 million in the twenty-six weeks ended July 30, 2011, an increase of $6.0 million, or 261%, due to the factors discussed above. Applying a pro forma 40% "C" Corporation effective tax rate to both years, rather than the "S" Corporation tax rate that actually applied to us, pro forma net income increased from $1.4 million in the twenty-six weeks ended July 31, 2010 to $5.1 million in the twenty-six weeks ended July 30, 2011, an increase of $3.7 million, or 264%.

Fiscal Year 2010 Compared to Fiscal Year 2009

Net Sales

Net sales increased from $282.8 million in fiscal year 2009 to $332.6 million in fiscal year 2010, an increase of $49.8 million, or 18%. Much of this increase was due to net sales of $20.0 million from new stores opened in fiscal year 2010. Also, $11.4 million of the increase in net sales resulted from the additional portion of the year that stores opened during fiscal year 2009 were operating in fiscal year 2010, as well as fees charged to customers for shipping merchandise sold through our e-commerce store. Net sales also increased due to a comparable store net sales increase of 6.7%, or $18.4 million. The comparable store net sales increase stemmed from higher net sales of accessories and guys' apparel, which was partially offset by lower net sales of footwear and girls' apparel. There were 109 comparable stores and 16 non-comparable stores open at January 29, 2011.

Net sales, including shipping and handling fees, from our e-commerce store increased from $22.5 million in fiscal year 2009 to $32.8 million in fiscal year 2010, an increase of $10.3 million, or 46%. This increase reflects higher sales in all major product categories (guys' and juniors' apparel, footwear and accessories), which was attributable at least partially to the greater marketing efforts that directly supported the e-commerce business. E-commerce sales, excluding shipping and handling fees, are included in our calculation of comparable store sales, as comparable store sales is intended to reflect revenue from the sale of merchandise only.

Gross Profit

Gross profit increased from $87.3 million in fiscal year 2009 to $102.6 million in fiscal year 2010, an increase of $15.3 million, or 18%. As a percentage of net sales, gross profit was 30.9% in both years. A small decrease in both initial product costs and in promotional markdowns as a percentage of net sales was offset by a small increase in distribution costs as a percentage of net sales as we invested in distribution center infrastructure to support future store base expansion. Buying and occupancy costs were similar in both years as a percentage of net sales.

Selling, General and Administrative Expenses

SG&A expenses increased from $65.9 million in fiscal year 2009 to $77.7 million in fiscal year 2010, an increase of $11.8 million, or 18%. As a percentage of net sales, SG&A expenses were 23.3% and 23.4% during fiscal years 2009 and 2010, respectively.

Store selling expenses increased from $43.8 million in fiscal year 2009 to $53.7 million in fiscal year 2010, an increase of $9.9 million, or 23%. As a percentage of net sales, store selling expenses were 15.5% and 16.1% during fiscal years 2009 and 2010, respectively.

The following contributed to the increase in store selling expenses as a percentage of net sales:

- marketing costs increased $2.9 million, or 0.6% as a percentage of net sales, reflecting growth in the size and number of marketing campaigns, including the frequency and distribution of catalog mailings as well as marketing costs incurred to support and drive the growth of our e-commerce business;
- credit and debit card processing fees increased $0.9 million, or 0.1% as a percentage of net sales, and supplies and other support costs increased $0.8 million remaining constant as a percentage of net sales; and
- store and regional payroll, payroll benefits and related personnel costs increased $5.3 million, which represents a decrease of 0.1% as a percentage of net sales, reflecting slight cost leverage as these costs increased more slowly than sales.

General and administrative expenses increased from $22.1 million in fiscal year 2009 to $24.0 million in fiscal year 2010, an increase of $1.9 million, or 9%. As a percentage of net sales, general and administrative expenses were 7.8% and 7.2% during fiscal years 2009 and 2010, respectively.

The following contributed to the decrease in general and administrative expenses as a percentage of net sales:

- depreciation, legal and other office expenses decreased $1.1 million, a 0.7% decrease as a percentage of net sales;
- payroll, payroll benefits and related costs for corporate office personnel decreased 0.1% as a percentage of net sales. This decrease as a percentage of net sales reflects slight cost leverage as these costs increased more slowly than sales. In absolute amounts, payroll, payroll benefits and related corporate office personnel costs increased $2.2 million with the addition of staff to support company growth and to fund pay increases and an increase in incentive pay reflecting individual and company-wide performance; and
- a charge for the impairment of the fixed assets at one store location in fiscal year 2010 of $0.8 million, an increase of 0.2% of net sales, which partially offset the above decreases as a percentage of sales. There was no impairment charge in fiscal year 2009.

Operating Income

Operating income increased from $21.4 million in fiscal year 2009 to $24.9 million in fiscal year 2010, an increase of $3.5 million, or 16%. As a percentage of net sales, operating income was 7.6% and 7.5% during fiscal years 2009 and 2010, respectively. This decrease in operating income as a percentage of net sales was mostly due to the increase in marketing costs as discussed above.

Interest Income (Expense), Net

Net interest expense decreased slightly from $0.3 million in fiscal year 2009 to $0.2 million in fiscal year 2010, a decrease of $0.1 million. Net interest expense reflects interest paid on a capitalized lease of our corporate office and distribution center as well as costs related to maintaining our unused line of credit bank facility, net of interest income earned on cash balances and on tenant construction allowances due from landlords.

Provision for Income Taxes

Income taxes were $0.3 million in both fiscal years 2009 and 2010. This reflected a higher pre-tax income in fiscal year 2010, offset by a slight drop in the effective tax rate, from 1.30% of income before provision for income taxes in fiscal year 2009 to 1.14% of income before provision for income taxes in fiscal year 2010.

Historically, World of Jeans & Tops has recognized income taxes as an "S" Corporation for federal and state income tax purposes and therefore, with the exception of a limited number of state and local jurisdictions, it has not been subject to income taxes. The shareholders of World of Jeans & Tops, and not World of Jeans & Tops itself, have been subject to income tax on their distributive share of its earnings. In connection with the Reorganization Transaction, World of Jeans & Tops will convert to a "C" Corporation. On a pro forma basis, if World of Jeans & Tops had been taxed as a "C" Corporation at an estimated 40% effective tax rate, income taxes would have increased from $8.5 million in fiscal year 2009 to $9.9 million in fiscal year 2010, an increase proportional to the increase in income before provision for income taxes.

Net Income

Net income increased from $20.9 million in fiscal year 2009 to $24.4 million in fiscal year 2010, an increase of $3.5 million, or 17%, due to the factors discussed above. Applying a pro forma 40% "C" Corporation effective tax rate to both years, rather than the "S" Corporation tax rate that actually applied to us, pro forma net income increased from $12.7 million in fiscal year 2009 to $14.8 million in fiscal year 2010, an increase of $2.1 million, or 17%.

Fiscal Year 2009 Compared to Fiscal Year 2008

Net Sales

Net sales increased from $255.0 million in fiscal year 2008 to $282.8 million in fiscal year 2009, an increase of $27.8 million, or 10.9%. A significant portion of this increase was due to net sales of $14.5 million from new stores opened in fiscal year 2009. Also, $22.0 million of the increase in net sales resulted from the additional portion of the year that stores opened during fiscal year 2008 were operating in fiscal year 2009, as well as fees charged to customers for shipping merchandise sold through our e-commerce store. Partially offsetting these increases was a comparable store net sales decrease of 3.1%, or $7.7 million. The comparable store net sales decrease reflected deteriorating macro-economic conditions. This decrease was largely due to lower net sales of footwear, accessories and juniors' apparel. There were 98 comparable brick-and-mortar stores and 13 non-comparable brick-and-mortar stores open at January 30, 2010. Finally, there was $1.0 million less in gift card breakage revenue compared to fiscal year 2008.

Net sales, including shipping and handling fees, from our e-commerce store increased from $15.4 million in fiscal year 2008 to $22.5 million in fiscal year 2009, an increase of $7.1 million, or 46%. This reflects increases in all major product categories, which was attributable at least partially to the greater marketing efforts that directly supported the e-commerce business. E-commerce sales, excluding shipping and handling fees, are included in our calculation of comparable store sales, as comparable store sales is intended to reflect revenue from the sale of merchandise only.

Gross Profit

Gross profit increased from $82.9 million in fiscal year 2008 to $87.3 million in fiscal year 2009, an increase of $4.4 million, or 5%. The increase of $4.4 million was due largely to greater net sales. As a percentage of net sales, gross profit decreased from 32.5% in fiscal year 2008 to 30.9% in fiscal year 2009. Gross profit as a percentage of net sales decreased 1.9% due to the decline in net sales per store causing de-leverage of fixed buying, distribution and occupancy expenses. In addition, distribution costs increased due to investment in distribution center infrastructure to support additional store growth in the future. Partially offsetting the 1.9% decrease in gross profit as a percentage of net sales was a 0.3% reduction in product costs as a percentage of net sales.

Selling, General and Administrative Expenses

SG&A expenses increased from $59.0 million in fiscal year 2008 to $65.9 million in fiscal year 2009, an increase of $6.9 million, or 12%. As a percentage of net sales, SG&A expenses were 23.2% and 23.3% during fiscal years 2008 and 2009, respectively.

Store selling expenses increased from $38.1 million in fiscal year 2008 to $43.8 million in fiscal year 2009, an increase of $5.7 million, or 15%. As a percentage of net sales, store selling expenses were 14.9% and 15.5% during fiscal years 2008 and 2009, respectively.

The following contributed to the increase in store selling expenses as a percentage of net sales:

- store and regional payroll, payroll benefits and related personnel costs increased $4.3 million, or 0.4% as a percentage of net sales, reflecting cost de-leveraging resulting from average store sales decreasing faster than these costs decreased;
- marketing costs increased $1.3 million, or 0.3% as a percentage of net sales, with nearly all of this increase attributable to marketing efforts to enable and support the significant increase in e-commerce net sales; and
- store supplies and other costs increased $0.1 million, a decrease of 0.1% as a percentage of net sales, partially offsetting the increases noted above.

General and administrative expenses increased from $20.9 million in fiscal year 2008 to $22.1 million in fiscal year 2009, an increase of $1.2 million, or 6%. As a percentage of net sales, general and administrative expenses were 8.2% and 7.8% during fiscal years 2008 and 2009, respectively.

The following contributed to the decrease in general and administrative expenses as a percentage of net sales:

- corporate office support costs decreased $0.1 million, and 0.3% as a percentage of net sales; and
- payroll, payroll benefits and related costs for corporate office personnel increased $1.3 million, but decreased 0.1% as a percentage of net sales, reflecting cost leverage on the increase in total net sales.

Operating Income

Operating income decreased from $23.8 million in fiscal year 2008 to $21.4 million in fiscal year 2009, a decrease of $2.4 million, or 10%. As a percentage of net sales, operating income was 9.3% and 7.6% during fiscal years 2008 and 2009, respectively. The decline in operating income as a percentage of net sales was largely due to a 3.1% decrease in comparable store sales without a corresponding decrease in fixed costs as discussed above.

Interest Income (Expense), Net

Net interest expense increased, from $35,000 in net interest income in fiscal year 2008 to $0.3 million in net interest expense in fiscal year 2009. Net interest expense reflects interest paid on a capitalized lease of our corporate office and distribution center as well as minor costs related to maintaining our unused line of credit bank facility, net of interest income earned on cash balances. The increase in net interest expense from fiscal year 2008 to fiscal year 2009 reflects a decline in interest income earned on cash balances due to a decline in interest rates.

Provision for Income Taxes

Income taxes were unchanged between fiscal year 2008 and fiscal year 2009, at $0.3 million both years. The effective tax rate increased slightly, from 1.10% of income before provision for income taxes in fiscal year 2008 to 1.30% of income before provision for income taxes in fiscal year 2009.

On a pro forma basis, if we had been taxed as a “C” Corporation both years at an estimated 40% effective tax rate rather than being taxed as an “S” Corporation, income taxes would have decreased from $9.5 million in fiscal year 2008 to $8.5 million in fiscal year 2009. This decrease is proportional to the decrease in income before provision for income taxes.

Net Income

Net income decreased from $23.6 million in fiscal year 2008 to $20.9 million in fiscal year 2009, a decrease of $2.7 million, or 11%, due to the factors discussed above. Applying a pro forma 40% "C" Corporation effective tax rate to both years, rather than the "S" Corporation tax rate that actually applied to us, pro forma net income decreased from $14.3 million in fiscal year 2008 to $12.7 million in fiscal year 2009, a decrease of $1.6 million, or 11%.

Quarterly Operating Results and Seasonality

We have historically experienced and expect to continue experiencing seasonal and quarterly fluctuations in our net sales and operating results. Our net sales and operating income are typically lower in the first and second quarters of our fiscal year, while the third and fourth quarters contain the back-to-school and winter holiday periods that historically have accounted for a larger proportion of our annual net sales and a larger than proportionate share of annual operating income. Our full year net sales have generally split 40% to 45% in the first half and 55% to 60% in the second half of the fiscal year. Quarterly sales and operating income may also fluctuate significantly as a result of a variety of factors, including but not limited to the timing of store openings and the relative proportion of our new stores to mature stores, fashion trends and changes in consumer preferences, calendar shifts of holiday or seasonal periods, changes in merchandise mix, timing of promotional events, general economic conditions, competition and weather conditions.

The following table sets forth selected unaudited quarterly statements of operations data for the two most recent fiscal years and the current fiscal year. The unaudited quarterly information has been prepared on a basis consistent with the audited financial statements included elsewhere herein. This information should be read in conjunction with our audited consolidated financial statements and the accompanying notes included elsewhere in this prospectus. The operating results for any fiscal quarter are not indicative of the operating results for a full fiscal year or for any future period and there can be no assurance that any trend reflected in such results will continue in the future.

	Fiscal Year 2009				Fiscal Year 2010				Fiscal Year 2011	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter
	($ in thousands)									
Net sales	$57,425	$65,296	$ 74,754	$85,289	$ 64,344	$ 70,053	$ 91,498	$106,709	$ 83,131	$87,260
Gross profit	16,714	18,119	24,323	28,178	18,626	18,762	30,379	34,848	26,209	25,718
Operating income	2,114	2,430	7,511	9,367	1,759	665	10,823	11,700	4,965	3,561
Net income	2,038	2,333	7,352	9,140	1,659	597	10,625	11,535	4,860	3,469
Percentage of Annual Results:										
Net sales	20.3%	23.1%	26.4%	30.2%	19.3%	21.1%	27.5%	32.1%	n/a	n/a
Gross profit	19.1%	20.7%	27.9%	32.3%	18.2%	18.3%	29.6%	34.0%	n/a	n/a
Operating income	9.9%	11.3%	35.1%	43.7%	7.1%	2.7%	43.4%	46.9%	n/a	n/a
Net income	9.8%	11.2%	35.2%	43.8%	6.8%	2.4%	43.5%	47.2%	n/a	n/a
Percentage of Net Sales:										
Gross profit	29.1%	27.7%	32.5%	33.0%	28.9%	26.8%	33.2%	32.7%	31.5%	29.5%
Operating income	3.7%	3.7%	10.0%	11.0%	2.7%	0.9%	11.8%	11.0%	6.0%	4.1%
Net income	3.5%	3.6%	9.8%	10.7%	2.6%	0.9%	11.6%	10.8%	5.8%	4.0%
Store Data:										
Total stores open at end of quarter	100	106	107	111	112	120	121	125	126	131
Comparable store sales change(1)	-9.9%	-9.5%	3.7%	1.5%	2.2%	-3.6%	10.3%	14.6%	18.2%	15.2%

(1) Comparable store sales are net sales from stores that have been open at least 12 full fiscal months as of the end of the current reporting period. A remodeled or relocated store is included in comparable store sales, both during and after construction, if the square footage of the store was not changed by more than 20% and the store was not closed for more than five days in any fiscal month. Comparable store sales include sales through our e-commerce store but exclude gift card breakage income and e-commerce shipping and handling fee revenue. E-commerce sales contributed 2.2%, 2.8%, 2.9% and 3.6% to the comparable store sales change for first, second, third and fourth fiscal quarters of 2009, respectively. E-commerce sales contributed 3.1%, 2.7%, 2.2% and 4.4% to the comparable store sales change for the first, second, third and fourth fiscal quarters of 2010, respectively. E-commerce sales contributed 2.3% and 1.8% to the comparable store sales change for the first and second fiscal quarters of 2011, respectively.

Liquidity and Capital Resources

General

Our business relies on cash flows from operating activities as well as cash on hand as our primary sources of liquidity. In addition, we have had access to additional liquidity through a $15.0 million revolving credit facility with Wells Fargo Bank, NA. We have never drawn funds from or issued letters of credit financing from the revolving credit facility. The existing revolving credit facility will terminate at the time of the initial public offering. Upon consummation of our initial public offering, we plan to amend our existing facility with Wells Fargo Bank, NA to a

$25 million revolving credit facility. Historically, we have not drawn upon the existing credit facility and we do not expect to draw from the revolving credit facility over the next 12 months. We expect to finance company operations and store growth with existing cash on hand, which may include a portion of the proceeds from this offering, and cash flows from operations. Therefore, for the reasons stated above, we do not believe an inability to amend the credit facility would have a material adverse impact on our operations, liquidity or growth plans. There can be no assurance that we will be able to amend the revolving credit facility agreement consistent with management's expectations.

Historically our primary cash needs have been for merchandise inventories, payroll, store rent, capital expenditures associated with opening new stores, improvements to our distribution facilities, marketing and information technology expenditures and shareholder distributions. In addition to cash and cash equivalents, the most significant components of our working capital are merchandise inventories, accounts payable and other current liabilities. We believe that cash flows from operating activities, the availability of cash under our anticipated revolving credit facility and net proceeds from this offering will be sufficient to cover working capital requirements and anticipated capital expenditures for the next 12 months. If cash flows from operations, borrowings under our existing or anticipated revolving credit facility and net proceeds from this offering are not sufficient or available to meet our capital requirements, then we will be required to obtain additional equity or debt financing in the future. There can be no assurance that equity or debt financing will be available to us when we need it or, if available, that the terms will be satisfactory to us and not dilutive to our then-current stockholders.

A summary of operating, investing and financing activities is shown in the following table.

	Fiscal Year Ended			Twenty-Six Weeks Ended	
	January 31, 2009	January 30, 2010	January 29, 2011	July 31, 2010	July 30, 2011
	(in thousands)				
Cash Flows from Operating Activities:					
Net income	$ 23,606	$ 20,863	$ 24,416	$ 2,256	$ 8,329
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	10,923	13,915	14,292	7,177	7,491
(Gain) loss on disposal of assets	(2)	784	224	90	197
Impairment of long-lived assets	593	—	1,985	—	—
Changes in assets and liabilities	3,156	(306)	785	(1,065)	(587)
Net cash provided by operating activities	$ 38,276	$ 35,256	$ 41,702	$ 8,458	$ 15,430
Cash Flows from Investing Activities:					
Purchase of property and equipment	$ (23,406)	$ (17,514)	$ (15,674)	$ (9,015)	$ (8,742)
Insurance proceeds from casualty loss	—	—	375	—	—
Proceeds from disposal of property and equipment	17	3	41	—	18
Net cash used in investing activities	$ (23,389)	$ (17,511)	$ (15,258)	$ (9,015)	$ (8,724)
Cash Flows from Financing Activities:					
Payment of capital lease obligation	$ (521)	$ (555)	$ (591)	$ (291)	$ (309)
Distributions	(15,190)	(16,020)	(22,220)	(7,030)	(4,783)
Net cash used in financing activities	$ (15,711)	$ (16,575)	$ (22,811)	$ (7,321)	$ (5,092)
Change in cash and cash equivalents	$ (824)	$ 1,170	$ 3,633	$ (7,878)	$ 1,614
Cash and cash equivalents at beginning of Period	25,359	$ 24,535	$ 25,705	$25,705	$29,338
Cash and cash equivalents at end of period	$ 24,535	$ 25,705	$ 29,338	$17,827	$30,952

Net Cash Provided by Operating Activities

Operating activities consist primarily of net income adjusted for non-cash items that include depreciation and asset impairment write-downs, plus the effect on cash of changes during the year in our assets and liabilities.

We generated $15.4 million of net cash from operating activities for the twenty-six weeks ended July 30, 2011. The significant components of cash flows from operating activities were net income of $8.3 million and the add-back of non-cash depreciation and amortization expense of $7.5 million. In addition, accounts payable, accrued expenses and accrued compensation and benefits increased $14.8 million due to the timing of payments, and deferred rent increased by $1.0 million due to the opening of new stores. The above was offset by an increase in merchandise inventories of $11.7 million due to the seasonality of inventory purchases, an increase in receivables of $1.7 million due to growth of the business and an increase in prepaid expenses and other assets of $1.9 million due mainly to the capitalization of initial public offering transaction costs.

We generated $8.5 million of net cash from operating activities for the twenty-six weeks ended July 31, 2010. The significant components of cash flows from operating activities were net income of $2.3 million and the add-back of non-cash depreciation and amortization expense of $7.2 million. In addition, accounts payable and accrued expenses increased $17.3 million due to the timing of payments, and deferred rent increased by $1.8 million due to the opening of new stores. The above was offset by an increase in merchandise inventories of $15.9 million due to the seasonality of inventory purchases, and an increase in receivables of $2.2 million and prepaid expenses and other assets of $1.2 million due to the growth of the business.

We generated $41.7 million of net cash from operating activities in fiscal year 2010. The significant components for cash flows from operating activities were net income of $24.4 million and the add-back of non-cash depreciation and amortization expense of $14.3 million and non-cash impairment of long-lived assets of $2.0 million. In addition, accounts payable and accrued expenses increased by $9.4 million due to the timing of payments and growth in inventory and deferred rent increased by $3.1 million due to the opening of new stores. The above was offset by an increase in merchandise inventories of $9.6 million due to the opening of new stores and growth in sales, an increase in receivables of $2.2 million due to the growth of the business and a receivable on a casualty insurance claim and an increase in prepaid expenses and other current assets of $1.4 million due to the growth in the number of stores and the timing of payments.

We generated $35.3 million of net cash from operating activities in fiscal year 2009. The significant components for cash flows from operating activities were net income of $20.9 million and the add-back of non-cash depreciation and amortization expense of $13.9 million. In addition, deferred rent increased by $3.0 million due to the opening of new stores during the year. The above was offset by an increase in merchandise inventories of $3.9 million due to the opening of new stores and growth in sales.

We generated $38.3 million of net cash from operating activities in fiscal year 2008. The significant components for cash flows from operating activities were net income of $23.6 million and non-cash depreciation and amortization expense of $10.9 million. In addition, deferred rent increased by $6.7 million due to the opening of new stores and accounts receivable decreased by $1.6 million due to the timing of collections. The above was offset by an increase in merchandise inventories of $2.7 million due to the opening of new stores and growth in sales, an increase in deferred revenue of $1.3 million due to the recognition of breakage on gift cards and store credits and an increase in prepaid expenses and other current assets of $1.0 million due to growth in the number of stores and the timing of payments.

Net Cash Used in Investing Activities

Investing activities consist primarily of capital expenditures for growth related to new store openings as well as for remodels and changes in fixtures and equipment at existing stores, investments in information technology, distribution center enhancements, investments in assets at our corporate headquarters and the addition or replacement of company vehicles.

Capital expenditures related to stores represent the bulk of this spending. Spending on new stores and the remodeling and other improvements of existing stores were $7.6 million and $7.3 million in the twenty-six weeks ended July 31, 2010 and July 30, 2011, respectively. The remaining capital expenditures in each period were primarily for our investment in information technology systems and distribution and corporate facility enhancements.

Capital expenditures for the opening of 26, 13 and 16 new stores and the remodeling and other improvements of existing stores were $16.4 million, $11.1 million and $13.3 million in fiscal years 2008, 2009 and 2010, respectively. The remaining capital expenditures in each period were primarily for our investment in information technology systems and distribution and corporate facility enhancements.

Capital expenditures during fiscal year 2011 are expected to be between $21 million and $25 million, the substantial majority of which will be devoted to the opening of new stores, remodels and changes in fixtures and equipment at existing stores, and enhancements to the distribution center and information technology systems which will be funded from cash provided by operations.

Net Cash Used in Financing Activities

Financing activities consist of distributions to our shareholders and payments on our capital lease obligation.

Net cash used in financing activities was $7.3 million and $5.1 million in the twenty-six weeks ended July 31, 2010 and July 30, 2011, respectively. This included $7.0 million and $4.8 million, respectively, in distributions to our shareholders, and $0.3 million and $0.3 million, respectively, for payments on our capital lease obligation.

Net cash used in financing activities was $15.7 million, $16.6 million and $22.8 million in fiscal years 2008, 2009 and 2010, respectively. This included $15.2 million, $16.0 million and $22.2 million, respectively, in distributions to our shareholders, and $0.5 million, $0.6 million and $0.6 million, respectively, for payments on our capital lease obligation.

In addition, immediately before the termination of its “S” Corporation status, World of Jeans & Tops will establish notes payable, bearing a market rate of interest, due to its “S” Corporation shareholders which will reflect the amount of undistributed cumulative earnings remaining in the company from the date of its formation up to the date of termination of its “S” Corporation status. We will use a significant portion of the proceeds from this offering to pay such notes, representing the final distribution to the shareholders of World of Jeans & Tops, who are also our existing stockholders. We expect this distribution to be approximately $ million.

Line of Credit

We have been operating with a $15.0 million revolving credit facility with Wells Fargo Bank, NA that expires on the earlier of December 31, 2011 or the consummation of our initial public offering. Upon consummation of our initial public offering, we plan to amend our existing facility with Wells Fargo Bank, NA to a $25.0 million revolving credit facility. We anticipate that the interest charged on borrowings will either be at the London Interbank Offered Rate, or LIBOR, plus 1.75% or at the bank’s prime rate. We expect to have the ability to select between the prime or LIBOR-based rate at the time of a cash advance. Similar to the existing credit facility, we expect that advances will be secured by substantially all of our assets, and that as a sub-feature under the line of credit the bank may issue stand-by and commercial letters of credit up to $15.0 million. We would be required to maintain certain financial and nonfinancial covenants in accordance with the amended revolving credit facility. These covenants will include maintaining a minimum current ratio, not exceeding a maximum funded debt to earnings before interest, taxes, depreciation, amortization and annual rent expense (“EBITDAR”) ratio, capital expenditures not exceeding established limits and achieving a minimum pre-tax profit on a rolling four quarter basis. There can be no assurance that Tilly’s will be able to amend the revolving credit facility agreement consistent with management’s expectations.

Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, primarily non-cancellable capital and operating leases.

We lease approximately 172,000 square feet for our corporate headquarters and distribution center from a company that is owned by the co-founders of Tilly's. This lease expires on December 31, 2012, with three five-year renewal option periods. The land component of this lease is accounted for as an operating lease and the building component is accounted for as a capital lease. Because the company initially guaranteed the related-party lessor's debt obligation with respect to this leased property through December 31, 2017, the depreciation of the long-lived leasehold assets and the amortization of the capital lease liability were determined to be 15 years to correspond to the timing of the company's guarantee. As of March 9, 2011, the financial institution holding the mortgage guaranty cancelled the guaranty. The portion of the lease related to land represents an operating lease and is included in the contractual obligations schedule below. The initial obligation at inception under the capital lease was $9.2 million, with an outstanding balance of $5.0 million as of July 30, 2011. The value of the capital lease assets was $7.8 million as of July 30, 2011. The accumulated depreciation of the building under the capital lease was $4.5 million as of July 30, 2011.

We also lease approximately 24,000 square feet of office and warehouse space located at 15 Chrysler, Irvine, California from a company that is owned by one of our co-founders. This lease is accounted for as an operating lease. The lease began on November 1, 2010 and terminates on October 31, 2014. We sublease approximately 17,000 square feet of the building to an unrelated third party. The sublease began December 1, 2010 and terminates on May 31, 2014. The rental income paid to us with respect to the sublease, per square foot, is slightly above the rental expense paid by us with respect to the master lease.

With the exception of the corporate headquarters and distribution center and warehouse leases discussed above, our leases are generally non-cancelable operating leases expiring at various dates through 2022. Certain leases provide for additional rent based on a percentage of sales and annual rent increases based upon the Consumer Price Index. In addition, many of our store leases contain certain co-tenancy provisions that permit us to pay rent based on a pre-determined percentage of sales when the occupancy of the retail center falls below minimums established in such lease.

As of July 30, 2011, our contractual cash obligations over the next several periods are set forth below (in thousands).

	Payments Due by Period				
	Total	Less Than 1 Year	1 - 2 Years	3 - 5 Years	More Than 5 Years
Capital Lease Obligations(1)(3)	$ 6,030	$ 940	$ 1,880	$ 1,880	$ 1,330
Operating Lease Obligations(2)(3)	245,258	33,555	68,859	55,870	86,974
Purchase Obligations(4)	80,857	80,857	—	—	—
Total	$ 332,145	$115,352	$ 70,739	$57,750	$ 88,304

(1) The capital lease is for the building portion of our corporate headquarters and distribution center, including interest.

(2) Our store leases generally have initial lease terms of 10 years and include renewal options on substantially the same terms and conditions as the original lease. Also included in operating leases is the land portion of the corporate headquarters and distribution center lease, as well as the warehouse lease described above. The lease for our e-commerce distribution center was executed subsequent to July 30, 2011, and has therefore been excluded from the above table.

(3) Amounts represent commitments for minimum lease payments under non-cancellable leases.

(4) Purchase obligations consist primarily of inventory purchase orders for goods not yet received.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, except for the operating leases, purchase obligations and revolving credit facility as discussed above.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires the appropriate application of certain accounting policies, some of which require us to make estimates and assumptions about future events and their impact on amounts reported in our consolidated financial statements. Since future events and their impact cannot be determined with absolute certainty, the actual results will inevitably differ from our estimates.

We believe the application of our accounting policies, and the estimates inherently required therein, are reasonable. Our accounting policies and estimates are reevaluated on an ongoing basis and adjustments are made when facts and circumstances dictate a change.

The policies and estimates discussed below involve the selection or application of alternative accounting policies that are material to our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. However, our historical results for the periods presented in the consolidated financial statements have not been materially impacted by such variances. Our accounting policies are more fully described in Note 2 of the notes to the audited financial statements, “Summary of Significant Accounting Policies”. Management has discussed the development and selection of these critical accounting policies and estimates with our board of directors.

We have certain accounting policies that require more significant management judgment and estimates than others. These include our accounting policies with respect to revenue recognition, merchandise inventories, long-lived assets, stock-based compensation and accounting for income taxes, which are more fully described below.

Revenue Recognition

Sales are recognized at the time of purchase by customers at our retail store locations. Sales are recorded net of taxes collected from customers. For online sales, revenue is recognized at the estimated time goods are received by customers. On average, customers receive goods within three days of being shipped. The estimate of the transit times for these shipments is based on shipping terms and historical delivery times. Shipping and handling fees billed to customers for online sales are included in net sales and the related shipping and handling costs are classified as cost of goods sold in the Consolidated Statements of Operations. For fiscal years 2008, 2009 and 2010, shipping and handling fee revenue included in net sales was $1.3 million, $1.9 million and $2.6 million, respectively.

We reserve for projected merchandise returns based upon historical experience and various other assumptions that we believe to be reasonable. Customers can return merchandise within 30 days of the original purchase date. Merchandise returns are often resalable merchandise and are refunded by issuing the same tender as in the original purchase. Merchandise exchanges of the same product and price are not considered merchandise returns and, therefore, are not included in the population when calculating the sales returns reserve. The total reserve for returns was $0.4 million and $0.5 million at January 30, 2010 and January 29, 2011, respectively. Should the returns rate as a percentage of net sales significantly change in future periods, it could have a material impact on our results of operations.

We recognize the sales from gift cards as they are redeemed for merchandise. Prior to redemption, we maintain an unearned revenue liability for unredeemed gift card balances. Our gift cards do not have expiration

dates; however, over time, the redemption of some gift cards is remote and there is no obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). An assessment of the ultimate non-redemption rate of gift cards is performed when enough time has passed since the activation of the cards to enable a determination of the ultimate breakage rate based upon our historical redemption experience. This date of assessment has historically been two full fiscal years after the fiscal year in which the cards were activated. At the time of assessment a breakage estimate is calculated and recorded in net sales. Breakage revenue for gift cards was $1.5 million, $0.5 million and $0.4 million in fiscal years 2008, 2009 and 2010, respectively. If the gift card breakage experience were to change significantly in future periods, it could have a material impact on our results of operations.

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market. Market is determined based on the estimated net realizable value, which generally is the merchandise selling price. Cost is calculated using the retail inventory method. Under the retail inventory method, inventory is stated at its current retail selling value and then is converted to a cost basis by applying a cost-to-retail ratio based on beginning inventory and the fiscal year purchase activity. The retail inventory method inherently requires management judgments and estimates, such as the amount and timing of markdowns needed in order to sell through slow-moving inventories.

Markdowns are recorded when the sales value of the inventory has diminished. Factors considered in the determination of markdowns include current and anticipated demand, customer preferences, age of the merchandise and fashion trends. When a decision is made to mark down merchandise, the resulting gross margin reduction is recognized in the period in which the markdown is recorded. During each accounting period, we record adjustments to our inventories, which are reflected in cost of goods sold, if the cost of specific inventory items on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. This adjustment calculation requires us to make assumptions and estimates, which are based on factors such as merchandise seasonality, historical trends and estimated inventory levels, including sell-through of remaining units.

Total markdowns, including permanent and promotional markdowns, on a cost basis were $16.7 million, $20.8 million and $22.8 million and represented 6.5%, 7.4% and 6.9% of net sales in fiscal years 2008, 2009 and 2010, respectively. We accrued $0.4 million and $0.3 million for planned but unexecuted markdowns, including markdowns related to slow moving merchandise, as of January 30, 2010 and January 29, 2011, respectively.

To the extent that management's estimates differ from actual results, additional markdowns may be required that could reduce our gross margin, operating income and the carrying value of inventories. Our success is largely dependent upon our ability to anticipate the changing fashion tastes of our customers and to respond to those changing tastes in a timely manner. If we fail to anticipate, identify or react appropriately to changing styles, trends or brand preferences of our customers, we may experience lower sales, excessive inventories and more frequent and extensive markdowns, which would adversely affect our operating results.

We also record an inventory shrinkage reserve calculated as a percentage of net sales for estimated merchandise losses for the period between the last physical inventory count and the balance sheet date. These estimates are based on historical percentages and can be affected by changes in merchandise mix and changes in shrinkage trends. We perform physical inventory counts twice a year for the entire chain of stores and our distribution center and adjust the inventory shrinkage reserve accordingly. If actual physical inventory losses differ significantly from the estimate, our results of operations could be adversely impacted. The inventory shrinkage reserve reduces the value of total inventory and is a component of inventories on the consolidated balance sheets. The inventory shrinkage reserve at January 30, 2010 and January 29, 2011 was not material.

Long-Lived Assets

We evaluate the carrying value of our long-lived assets, consisting largely of leasehold improvements, furniture and fixtures and equipment at store, distribution center and corporate office locations, for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Factors that are considered important that could result in the necessity to perform an impairment review include a current-period operating or cash flow loss combined with a history of operating or cash flow losses and a projection or forecast that indicates continuing losses or insufficient income associated with the realization of a long-lived asset or asset group. Other factors include a significant change in the manner of the use of the asset or a significant negative industry or economic trend. This evaluation is performed based on estimated undiscounted future cash flows from operating activities compared with the carrying value of the related assets. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized, measured by the difference between the carrying value and the estimated fair value of the assets, based on discounted cash flows using our weighted-average cost of capital, with such estimated fair values determined using the best information available. Quarterly, we assess whether events or changes in circumstances have occurred that potentially indicate the carrying value of long-lived assets may not be recoverable.

During fiscal year 2008 the net book value of fixed assets at one store was impaired with a charge of $0.6 million. Similarly, in fiscal year 2010 the net book value of fixed assets at another store was impaired with a charge of $0.8 million. These charges were recorded as the assets were not projected to generate sufficient cash flows to recover the carrying values. In addition, we recorded an impairment charge of $1.2 million in fiscal year 2010 due to smoke damage to assets resulting from a fire in the mall where one of our stores is located. We have an insurance policy covering the assets that were destroyed. There were no impairment charges during fiscal year 2009.

The estimation of future cash flows from operating activities requires significant estimates of factors that include future sales and gross margin performance. Factors used in the valuation of long-lived assets with finite lives include, but are not limited to, discount rates, management's plans for future operations, recent operating results and projected future cash flows. If our net sales or gross profit performance or other estimated operating results are not achieved at or above our forecasted level, or inflation exceeds our forecast and we are unable to recover such costs through price increases, the carrying value of certain of our retail stores may prove to be unrecoverable and we may incur additional impairment charges in the future.

Stock-Based Compensation

In June 2007 our board of directors adopted the 2007 Stock Option Plan, or 2007 Plan, which authorized the issuance of options to purchase up to 1.6 million shares of common stock for employees, consultants and directors. These share-based awards are granted at an exercise price equal to the fair market value of our common stock at the date of grant. These awards vest in equal installments over a four year period (service period) and generally expire at the earlier of 30 days after employment or services are terminated or ten years from the date of grant. The awards also include a performance condition that prevents the awards from becoming exercisable until the consummation of an initial public offering by us. As the awards contain both a service requirement and a performance condition, compensation expense is not recognized in the financial statements until the later of the consummation of an initial public offering by us or completion of the requisite service period.

We account for stock-based compensation in accordance with the provisions of ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"), which establishes accounting for equity instruments exchanged for employee services. Under the provisions of this statement, stock-based compensation expense is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense on a straight-line basis over the employee's requisite service period (generally the vesting period of the equity grant). As required under this guidance, we estimate forfeitures for options granted which are not expected to vest. Changes in these inputs and assumptions can materially affect the measurement of the estimated fair value of our stock-based compensation expense.

Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes option-pricing model to determine the fair value of stock options. The determination of the grant date fair value of options using an option-pricing model is affected by a number of assumptions, such as our estimated common stock fair value, our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates, and expected dividends, which we estimate as follows:

- *Fair Value of Our Common Stock*. Because our common stock is not publicly traded, we must estimate the fair value of our common stock, as discussed in "Determination of the Fair Value of Common Stock on Grant Date" below.
- *Expected Term.* We have limited historical information regarding expected option term. Accordingly, we determined the expected stock option term of the awards using the latest historical data available from comparable public companies and our expectation of exercise behavior.
- *Volatility.* As we do not have a trading history for our common stock, the expected stock price volatility for each grant is measured using the average of historical daily price changes of comparable public companies' common stock over the most recent period equal to the expected term of our stock option awards. We intend to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available. However, if the circumstances change so the identified companies are no longer similar to us, we will select companies we believe are more suitable and use their publicly available share prices in the calculation.
- *Risk-Free Rate*. The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the stock options for each stock option group.
- *Dividend Yield.* We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation for future awards may differ materially compared with the awards granted previously.

The following table presents the weighted-average assumptions we used to estimate the fair value of stock options granted during the periods presented:

	Fiscal Year Ended			Twenty-Six Weeks Ended
	January 31, 2009	January 30, 2010	January 29, 2011	July 30, 2011
Expected option term	5.0 years	5.0 years	5.0 years	5.0 years
Expected volatility factor	42.3%	45.5%	61.0%	59.7%
Risk-free interest rate	3.0%	1.8%	1.0%	2.2%
Expected annual dividend yield	0.0%	0.0%	0.0%	0.0%

Our estimate of pre-vesting forfeitures, or forfeiture rate, was based on our internal analysis, which included the award recipients' positions within the company and the vesting period of the awards. The result of the Black-Scholes calculation was compensation expense, cumulative through July 30, 2011, for all options granted under the 2007 Plan and before any related tax benefit, of $5.5 million. This compensation expense has not been recognized in our financial statements as the stock options contain both a service requirement and a performance condition. Therefore, we will recognize this deferred compensation expense upon the consummation of the initial public offering.

Determination of the Fair Value of Common Stock on Grant Date

We have been a private company with no active public market for our common stock. The fair value of the common stock underlying our stock options was determined by our board of directors, which intended all stock

options granted to be exercisable at a price per share not less than the per share fair value of our common stock underlying those stock options on the date of grant. We have determined the estimated per share fair value of our common stock using a contemporaneous valuation consistent with the American Institute of Certified Public Accountants Practice Aid, "Valuation of Privately-Held Company Equity Securities Issued as Compensation", or the Practice Aid. In conducting this valuation, we considered all objective and subjective factors that we believed to be relevant, including our best estimate of our business condition, prospects and operating performance at the valuation date. Within this contemporaneous valuation performed by management, with the assistance of third-party valuation specialists hired by us, a range of factors, assumptions and methodologies were used. The significant factors included:

- the fact that we are a private retail company with illiquid securities;
- our historical operating results;
- our discounted future cash flows, based on our projected operating results;
- the hiring of key personnel;
- the likelihood of achieving a liquidity event for the shares of common stock underlying these stock options, such as an initial public offering or sale of our company, given prevailing market conditions;
- any adjustment necessary to recognize a lack of marketability for our common stock;
- valuation of comparable public companies at the time of grant;
- the U.S. and global capital market conditions; and
- outlook for our industry at the time of grant.

After review of the fair value analysis, our board of directors authorized the use of that fair value as the exercise price for options granted on the date of that valuation report.

Common Stock Valuation Methodologies

For the contemporaneous valuation of our common stock, management estimated, as of January 29, 2011, the latest valuation date, our enterprise value on a continuing operations basis primarily using the income and market approaches which are both acceptable valuation methods in accordance with the Practice Aid. The income approach utilized a discounted cash flow methodology based on our financial forecasts and projections, as detailed below. The market approach utilized both the guideline public company and the guideline merged and acquired methodologies based on data obtained on comparable public companies, as detailed below. Management considered both objective and subjective factors, including information provided by a third-party valuation firm, to determine its best estimate of the fair market value of our common stock.

For the discounted cash flow methodology, we prepared detailed annual forecasts of cash flows for future years, which we refer to as the "discrete forecast period". The value of the cash flows beyond the discrete forecast period was derived by applying a capitalized earnings approach, in which such cash flows are assumed to grow at a constant annual long-term growth rate and in which the terminal-year cash flow is capitalized at a rate equal to the estimated discount rate less the estimated constant annual long-term growth rate. Our forecasts of future cash flows were based on our estimated net debt-free cash flows and were discounted to the valuation date at an estimate of our weighted average cost of capital. We weighted the discounted cash flow method 50% in determining the total fair value of our equity as this approach was determined to represent the best indication of value because this method relied on a detailed financial forecast for the next five fiscal years as well as growth and profitability assumptions for subsequent years that are specific to Tilly's business model.

The guideline public company method of the market approach is based on the market prices of stock for comparable companies. Indications of value were estimated by deriving multiples of equity or invested capital to various measures of revenue, earnings or cash flow for the selected guideline companies and then applying such

multiples to the metrics of our business. When selecting comparable companies, consideration was given to industry similarity, their specific products offered, financial data availability and capital structure. We weighted the guideline public company method 40%. In selecting the revenue and EBITDA multiples from other companies to apply to Tilly's, we considered differences between Tilly's and eleven comparable companies in terms of size, profitability and growth, among other factors. Given the timely nature of the public company data and the quantity of the public companies in the group that were in the same or similar retail sector as Tilly's, the guideline public company method was given a weighting of 40%. We weighted the guideline public company method less than the discounted cash flow method due to the fact that the stock price and earnings estimates for the comparable public companies were relatively volatile as of the valuation date.

The guideline merged and acquired method of the market approach follows the same basic methodology as the guideline public company method. However, instead of deriving multiples based on stock prices of guideline companies, indications of value are estimated by deriving multiples of equity or invested capital from sales of entire companies. We weighted the guideline merged and acquired method only 10% as most of the observed industry transactions occurred in a different economic environment (none since December 2009) and we had higher EBITDA margins than many of the target companies.

We believe that the procedures employed in the discounted cash flow, guideline public company and guideline merged and acquired methodologies are reasonable and consistent with the Practice Aid.

We granted stock options with the following exercise prices between May 2, 2010 and the date of this prospectus:

Option Grant Date	Number of Shares Underlying Options	Exercise Price Per Share	Common Stock Fair Value Per Share at Grant Date	Fair Value of Stock Options Granted
October 2010(1)	762,500	$ 8.98	$ 8.98	$4.57 - $7.01
March 2011	578,000	16.26	16.26	8.52

(1) Includes 739,500 stock options that were re-priced on a one-for-one basis to $8.98 per share. See the section below titled "Stock Option Re-Pricing".

Based upon the assumed initial public offering price of $ per share, which is the mid-point of the price range set forth on the cover page of this prospectus, the aggregate intrinsic value of stock options outstanding as of was approximately $ million, of which approximately $ million related to vested stock options and approximately $ million related to unvested stock options.

Significant factors considered by our board of directors in determining the fair value of our common stock at these grant dates included:

October 2010

We performed a valuation of our common stock as of fiscal month ended August 28, 2010 which included the back-to-school shopping season that peaks in August. Although the United States economy had been recovering from recession in 2010, the recovery was weaker than in many past recovery periods. The financial results of many of our comparable companies reflected weak performance driven generally by either negative or only modestly positive year-to-date comparable store sales through August. Our comparable store sales trends for this same period were consistent with our comparable companies, with close to zero comparable store sales growth, lower income than the same year-to-date period in the prior year, and sales and income running well below the forecast for fiscal 2010 that was incorporated in the prior valuation of our common stock. As a result of these factors, we lowered our financial forecast and expectations for growth in fiscal 2010 and, because they were building upon 2010 expected results, the forecasted sales and income in fiscal 2011 and beyond. The marketability discount was 15%, based upon expectations that an initial public offering would not occur until at least early in 2012. This valuation

determined the value of our common stock to be $8.98 per share. Our board of directors granted stock options with exercise prices at $8.98 per share on October 8, 2010, the date the valuation was finalized, after determining that the fair value of our common stock would not have materially changed between the valuation date and the date of the grant. In addition, stock options previously granted with exercise prices greater than $8.98 per share were re-priced to $8.98 per share as of October 8, 2010 by our board of directors. See "Stock Option Re-Pricing" section below.

March 2011

We performed a valuation of our common stock as of the fiscal year end date of January 29, 2011. Over the previous quarter the national economy grew more quickly than earlier in fiscal 2010 and our comparable companies' results generally improved substantially in the fourth quarter of fiscal 2010. Our results, similarly, improved substantially, with a double-digit comparable store sales increase in the fourth quarter of fiscal 2010 compared to the fourth quarter of fiscal 2009 and profitability for the quarter well above the prior year's fourth quarter. Therefore, profitability for fiscal 2010 ended up being well above the revised forecast used in the August 2010 valuation. This greatly improved sales and profit trend continued into February and March of fiscal 2011. As a result, we increased the financial forecast and expectations for growth in fiscal 2011 and beyond. Concurrently, our comparable companies' financial results led to, in many cases, increased market prices for their common stock. The marketability discount was 10%, based upon expectations that an initial public offering would not occur until mid 2011 at the earliest. This valuation determined the value of our common stock to be $16.26 per share. Our board of directors granted stock options with exercise prices at $16.26 per share on March 31, 2011, the date the valuation was finalized, after determining that the fair value of our common stock would not have materially changed between the valuation date and the date of the grant.

Stock Option Re-Pricing

In October 2010, our board of directors approved a common stock option re-pricing whereby previously granted stock options held by current employees with exercise prices above $8.98 per share were re-priced on a one-for-one basis to $8.98 per share with no modification to any other terms of the previously issued stock options. As a result, 739,500 stock options originally granted to purchase common stock at prices ranging from $9.64 to $14.47 were re-priced in order to continue maintaining an equity incentive for our employees and reflect a significantly different economic environment.

We treated the re-pricing as a modification for accounting purposes of the original awards and calculated additional compensation costs for the difference between the fair value of the re-priced award and the fair value of the original award on the re-pricing date. The re-pricing affected 48 optionees and resulted in incremental unrecognized stock-based compensation expense of $0.6 million. Expense related to vested stock options will be recognized upon the consummation of our initial public offering, and expense related to unvested stock options will be amortized over the remaining vesting period of the stock options. Our assumptions used to estimate the fair value of the original awards immediately before the re-pricing and the fair value of the re-priced awards required significant judgment.

Accounting for Income Taxes

Historically, World of Jeans & Tops has recognized income taxes as an "S" Corporation for federal and state income tax purposes. As such, with the exception of a limited number of state and local jurisdictions, it has not been subject to income taxes. The shareholders of World of Jeans & Tops, and not World of Jeans & Tops itself, are subject to income tax on their distributive share of its earnings. World of Jeans & Tops paid distributions to the shareholders to fund their tax obligations attributable to taxable income of World of Jeans & Tops, in addition to any discretionary distributions paid to its shareholders. As a result of the Reorganization Transaction, World of Jeans & Tops' "S" Corporation status will terminate and World of Jeans & Tops will be treated as a "C" Corporation for federal and applicable state income tax purposes.

In July 2006, the FASB issued an interpretation which clarifies the accounting for uncertainty in income taxes recognized in the financial statements. This interpretation provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized, and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We adopted this interpretation effective February 4, 2007. As a result of the implementation of this interpretation, we did not recognize any change in liability for income taxes.

Recently Issued Accounting Pronouncements

In October 2009 the FASB issued Accounting Standards Update, or ASU, No. 2009-13, *Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force*. This ASU provides amendments to the criteria for separating consideration in multiple-deliverable arrangements. The amendments in this ASU replace the term "fair value" in the revenue allocation guidance with "selling price" to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant. The amendments in this ASU also establish a selling price hierarchy for determining the selling price of a deliverable. The amendments in this ASU eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The initial adoption of this ASU did not have a material impact on the Company's revenue recognition policies.

In January 2010 the FASB issued guidance and clarifications for improving disclosures about fair value measurements. This guidance requires enhanced disclosures regarding transfers in and out of the levels within the fair value hierarchy. Separate disclosures are required for transfers in and out of Level 1 and 2 fair value measurements, and the reasons for the transfers must be disclosed. In the reconciliation for Level 3 fair value measurements, separate disclosures are required for purchases, sales, issuances, and settlements on a gross basis. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for interim and annual reporting periods beginning after December 15, 2010. Effective January 31, 2010, the Company adopted the new and updated disclosure guidance, aside from that deferred to periods after December 15, 2010, and this did not significantly impact the Company's financial statements. The Company does not believe adoption of the remaining guidance on disclosures will have any material effect on its consolidated financial statements.

The FASB issues ASUs to amend the authoritative literature in the Accounting Standards Codification. There have been a number of ASUs to date that amend the original text of the Accounting Standards Codification. Except for the ASU listed above, those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to the Company or (iv) are not expected to have a significant impact on the Company.

Quantitative and Qualitative Disclosure of Market Risks

Interest Rate Risk

We are subject to interest rate risk in connection with borrowings, if any, under our line of credit, which bears interest at variable rates. As of January 30, 2010 and January 29, 2011, we had no outstanding borrowings under our line of credit.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial.

Foreign Exchange Rate Risk

We currently source all merchandise through domestic vendors and all purchases are denominated in U.S. dollars. We do not hedge using any derivative instruments and historically have not been impacted by changes in exchange rates.

BUSINESS

Overview

Tilly's is a fast-growing destination specialty retailer of West Coast inspired apparel, footwear and accessories. We believe we bring together an unparalleled selection of the most sought-after brands rooted in action sports, music, art and fashion. Our stores are designed to be a seamless extension of our teen and young adult consumers' lifestyles, with a balance of guys' and juniors' merchandise, in a stimulating environment. As we have grown, we believe our success across a variety of real estate venues and geographies in the United States has demonstrated Tilly's portability. We believe our distinctive store experience combined with our extensive selection of merchandise positions us to exceed our customers' expectations. Tilly's is a passionate lifestyle brand and our motto, "If it's not here…it's not happening" exemplifies our goal to serve as a destination for the latest, most relevant merchandise and brands important to our customers.

As of July 30, 2011, we operated 131 stores in 11 states, averaging approximately 7,700 square feet. We also sell our products through our e-commerce website, www.tillys.com. Our business is characterized by the following key elements:

- *Extensive assortment of relevant merchandise in a larger store format.* Our larger stores allow us to carry a more extensive selection of brands and products. Our stores feature third-party brands, including Billabong, Element, Hurley, Levi's, LRG, Neff, RVCA, Uggs, and Volcom, to name just a few, complemented by our proprietary brands, such as RSQ, Full Tilt, Blue Crown, and Infamous. Our larger stores also allow us to offer a greater assortment of apparel styles, sizes and price points across multiple categories as well as a strong assortment of footwear, backpacks, hats and other accessories. This broad selection focused on guys and juniors enhances our ability to rapidly identify and respond to trends and positions us as a destination for both proven fashion items and core styles. We strive to keep our merchandising mix current by introducing additional brands and styles in response to the ever-evolving desires of our customers.
- *The Tilly's experience.* Tilly's is a customer-driven lifestyle brand. We derive our energy and inspiration from our customers' individuality and passion for action sports, music, art, and fashion. Our stores bring these interests together in a vibrant, stimulating and authentic environment that is an extension of our customers' high velocity, multitasking lifestyle. We do this by blending the most relevant brands and styles with music videos, product-related visuals and a dedicated team of store associates. Our associates share the same passion as our customers for action sports, music, art and fashion, enabling them to easily engage with our customers and make shopping at Tilly's a fun, social experience. Outside of our stores, we connect with our consumers using the same authentic approach, including social media, community outreach and sponsorship of contests, demos and other events. We believe the Tilly's experience drives customer awareness, loyalty and repeat visits while generating a buzz and excitement for our brand.
- *Flexible real estate strategy across real estate venues and geographies*. We currently operate stores in 35 markets in 11 states across a variety of real estate venues including malls, power centers, neighborhood and lifestyle centers, outlet centers and street-front locations. Our geographic portability and real estate flexibility provide us with a wider scope of opportunities and enhance our ability to open new stores. As we continue our national store expansion, we focus on identifying the most attractive locations within relevant trade areas to ensure our stores are located where our customers want to shop.

Our West Coast heritage dates back to 1982 when Hezy Shaked and Tilly Levine opened our first store in Orange County, California, the center of the surf and skate lifestyle. Over the last 29 years, we have built and nurtured strong relationships with our customers, brand partners and vendors while expanding our business. We have also demonstrated an ability to grow rapidly, having more than doubled our store count while entering 26 new markets in the last five years. During this same period, we invested approximately $20 million in

infrastructure and systems to support our recent and long-term growth, and enhanced our senior management team while protecting the entrepreneurial culture that we believe makes Tilly's unique. We believe our corporate culture facilitates our ability to attract and retain high quality employees and is a critical driver of our performance. We believe our team's passion for the West Coast inspired and action sports lifestyle, sense of urgency and pursuit of excellence enables Tilly's to consistently deliver a superior customer experience and positions us to successfully execute our long-term growth strategy.

We increased net sales 27%, from $134.4 million in the twenty-six weeks ended July 31, 2010 to $170.4 million in the twenty-six weeks ended July 30, 2011. We increased operating income 254%, from $2.4 million in the twenty-six weeks ended July 31, 2010 to $8.5 million in the twenty-six weeks ended July 30, 2011. Our comparable store sales increased 16.7% in the twenty-six weeks ended July 30, 2011 as compared to the twenty-six weeks ended July 31, 2010.

Competitive Strengths

We believe that the following competitive strengths contribute to our success and distinguish us from our competitors:

- *Destination retailer with a broad, relevant assortment.* We believe the combined depth and breadth of apparel, footwear and accessories offered at our stores exceeds the selection offered at many other specialty retailers. We offer an extensive selection of third-party, West Coast inspired and action sports brands complemented by our proprietary brands. Our merchandise includes a wide assortment of brands, styles, colors, sizes and price points to ensure we have what our customers want every time they visit our stores. We offer a balanced mix of merchandise across the guys and juniors categories, with additional merchandise in the boys, girls, footwear and accessories categories. We believe that by combining proven fashion trends and core style products with a vibrant blend of carefully selected music and visuals, we provide an in-store experience that is authentic, fun, and engaging for our core customers. We believe that our differentiated in-store environment, evolving selection of relevant brands and broader and deeper assortment positions us as a retail destination that appeals to a larger demographic than many other specialty retailers and encourages customers to visit our stores more frequently and spend more on each trip.
- *Dynamic merchandise model.* We believe our extensive selection of third-party and proprietary merchandise allows us to identify and address trends more quickly, offer a greater range of price points and manage our inventories more dynamically. By closely monitoring trends and shipping product to our stores at least five times per week, we are able to adjust our merchandise mix based on store size and location. We also keep our merchandise mix relevant by introducing emerging brands not available at many other retailers. Our merchandising capabilities enable us to adjust our merchandise mix with a frequency that promotes a current look to our stores and encourages frequent visits.
- *Flexible real estate strategy across real estate venues and geographies.* Our stores have proven to be successful in different real estate venues and geographies. We operate profitable stores in malls, power centers, neighborhood and lifestyle centers, outlet centers and street-front locations across 35 markets in 11 states. We believe our success operating in these different retail venues and geographies demonstrates the portability of Tilly's and provides us with greater flexibility for future expansion.
- *Multi-pronged marketing approach*. We utilize a multi-pronged marketing strategy to connect with our customers and drive traffic to our stores and website. First, we distribute catalogs to potential and existing customers from our proprietary database to familiarize them with the Tilly's brand and our products and to drive sales to our stores and our website. Second, we partner and collaborate with our vendors on exclusive events and contests to build credibility with our target customers, actively involve them in our brands, and enhance the connection between Tilly's and the West Coast lifestyle. Third, we use social media to communicate directly with our customers while also encouraging customers to interact with one another and provide feedback on our events and products. Fourth, through our "We

Care Program", we support and participate in various academic, art, and athletic programs at local schools and other organizations in communities surrounding our stores. All of these programs are complemented by email marketing as well as traditional radio and print advertising to build customer awareness and loyalty, highlight key merchandise offerings, drive traffic to our stores and website and promote the Tilly's brand.

- *Sophisticated systems and distribution infrastructure to support growth.* Over the last five years, we have invested approximately $20 million in our highly automated distribution center and information systems to support our future growth. We believe our distribution and allocation capabilities are unique within the industry and allow us to operate at a higher level of efficiency than many of our competitors. Our distribution center allows us to quickly sort and process merchandise and deliver it to our stores in a floor-ready format for immediate display. Our systems enable us to respond to changing fashion trends, manage inventory in real time and provide a customized selection of merchandise at each location. We believe our distribution infrastructure can support a national retail footprint in excess of 500 stores with minimal incremental capital investment.
- *Experienced management team.* Our senior management team, led by Hezy Shaked and Daniel Griesemer, has extensive experience across a wide range of disciplines in the specialty retail and direct-to-consumer industries, including store operations, merchandising, distribution, real estate, and finance. Mr. Shaked, our Co-Founder, Chairman of the Board of Directors, and Chief Strategy Officer, plays an important role in developing our long-term growth initiatives and cultivating our unique culture. Mr. Griesemer, our President and Chief Executive Officer, joined Tilly's in February 2011 with 28 years of retail experience. He served in various roles with Coldwater Creek, Inc. from 2001 to 2009 including most recently as Chief Executive Officer. During his tenure, Coldwater Creek increased the store base from 13 to approximately 400 and increased revenues from approximately $340 million to approximately $1.1 billion. Mr. Griesemer also served in leadership positions at Gap, Inc. and Macy's, Inc.

Our Growth Strategy

We are pursuing several strategies to continue our profitable growth, including:

- *Expand Our Store Base.* We believe there is a significant opportunity to expand our store base from 131 locations as of July 30, 2011 to more than 500 stores across the United States over the next 10 years. We have a proven ability to expand the number of stores we operate, as we have more than doubled our store count over the last five years from 51 stores at the beginning of fiscal 2006 to 131 stores at July 30, 2011. We plan to add 15 net new stores in fiscal year 2011, approximately 20 net new stores in fiscal year 2012 and to continue opening new stores at an annual rate of approximately 15% for the next several years thereafter. Our plan includes new store openings in both existing and new markets, and in both mall and off-mall locations.

As of July 30, 2011, we operated stores in 11 states. Over the past five years we have grown our presence in existing markets and successfully expanded into 26 new markets. We have entered new markets by opening stores in high traffic malls relevant to our core customer in order to establish the Tilly's brand, as well as in off-mall locations that effectively cover trade areas where our customers want to shop. The opportunity exists to continue to significantly broaden our national footprint by entering new markets through both mall and non-mall locations. The following shows our store locations as of July 30, 2011:

Our new store model targets a store size averaging 7,500 to 8,000 square feet and a cash-on-cash payback period of about 18 months based on a target net investment to open new stores of $500,000 to $550,000. In the first 12 months after opening, we target net sales of approximately $2.2 million and cash flow of $300,000, growing to over $400,000 in cash flow in the second 12 month period as the store begins to mature.

- *Drive Comparable Store Sales.* We seek to maximize our comparable store sales by consistently offering new, on-trend and relevant merchandise across a broad assortment of categories, increasing our brand awareness through our multi-pronged marketing approach, providing an authentic store experience for our core customers and maintaining our high level of customer service. We believe our comparable store sales will benefit as stores opened in the last few years continue to mature and we continue to build brand awareness in new markets.
- *Grow Our e-Commerce Platform.* We believe our e-commerce platform is an extension of our brand and retail stores, providing our customers a seamless shopping experience. Our e-commerce platform allows us to provide an expanded product offering relative to our stores, reach new customers and build our brand in markets where we currently do not have stores. In fiscal 2010, our e-commerce net sales increased 46% relative to fiscal 2009 and represented approximately 10% of our net sales, up from 2% of net sales in fiscal 2006. We believe that our target customer regularly shops online and we see continued opportunity to grow our e-commerce business to approximately 15% of total net sales over time. Key factors driving growth include continuing our successful catalog and online marketing efforts, offering a wider selection of Internet-exclusive merchandise and expanding our online selection to ensure a broad and diverse offering of brands and products relative to our competition. We also believe we will see continued growth in our e-commerce sales as we open additional stores and build brand awareness in the communities surrounding those locations. To support this growth, we plan to open a new dedicated e-commerce fulfillment facility in 2012.
- *Increase Our Operating Margins.* We believe we have the opportunity to drive margin expansion through scale efficiencies and continued process improvements. We believe comparable store sales

increases combined with our planned store growth will permit us to take advantage of largely fixed occupancy costs, favorable buying costs from larger volume purchases, leverage of our costs for store management and corporate overhead as well as the fixed portion of shipping and handling costs over higher sales volumes. In addition, we expect to improve margins and support growth by leveraging ongoing investments in infrastructure, including the opening of a dedicated distribution center for our e-commerce store and continuing upgrades to our point-of-sale, merchandise allocation and merchandise planning systems, as well as related work processes. We also will continue to use established business processes to identify and execute initiatives focused on lowering our unit costs and improving operational efficiency throughout our organization.

About Tilly's

The Tilly's concept began in 1982 when our co-founders, Hezy Shaked and Tilly Levine, opened their first store in Orange County, California. Since 1984, the business has been conducted through World of Jeans & Tops, a California corporation formed by our co-founders, which operates under the name "Tilly's." In May 2011, Tilly's, Inc., a Delaware corporation, was formed solely for the purpose of reorganizing the corporate structure of World of Jeans & Tops and effecting this initial public offering. Pursuant to the Reorganization Transaction which we will effect prior to the completion of this offering, the shareholders of World of Jeans & Tops will contribute all of their equity interests in that corporation to Tilly's, Inc. in return for shares of Tilly's, Inc. Class B common stock on a one-for-one basis, which capitalization shall be adjusted prior to the offering. Following the Reorganization Transaction, World of Jeans & Tops will become the sole subsidiary of Tilly's, Inc. All of the business operations will continue to be conducted through World of Jeans & Tops, operating under the name "Tilly's," and Tilly's, Inc. will serve as a holding company. Prior to the completion of this Reorganization Transaction, Tilly's, Inc. has not conducted any activities other than those incidental to its formation and the preparation of this prospectus.

Our Market

Our core consumers include teens and young adults that participate in action sports, as well as those that identify with the West Coast and action sports lifestyle. We believe interest in and awareness of the action sports and West Coast lifestyle continues to grow and influence a broader consumer base that shop at our stores.

According to Euromonitor International's "Consumer and Countries 2011" report, U.S. retail sales of apparel, footwear and accessories totaled $334.2 billion in 2010, which represents an increase of 5.5% from $316.9 billion in 2009. According to Board-Trac's "2010 Size of Market Trend Report" on skateboarding and surfing, U.S. retail sales of skateboard and surf apparel, footwear and accessories alone were estimated to be approximately $7.1 billion in 2010. Our core customer demographic is 14 to 24 year old teens and young adults. According to the U.S. Census Bureau's National Population Projections released in 2008, this segment of the population grew approximately 10% from 2000 to 2010.

Merchandising, Purchasing, and Planning and Allocation

Merchandising

We seek to be viewed by our customers as the destination for West Coast inspired and action sports related apparel, footwear and accessories. We believe we offer an unparalleled selection of relevant brands, styles, colors, sizes and price points to ensure we have what our customers want every time they visit our stores. Our extensive selection of third-party and proprietary merchandise allows us to identify and address trends more quickly, offer a greater range of price points and manage our inventories more dynamically. We offer a balanced mix of merchandise across the guys and juniors categories, with additional merchandise in the boys, girls, footwear and accessories categories. We believe this category mix contributes to our broad demographic appeal. Our apparel merchandise includes branded, fashion and core styles for tops, outerwear, bottoms, and dresses.

Accessories merchandise includes backpacks, hats, sunglasses, headphones, handbags, watches, jewelry and more. We focus on our merchandise presentation and vary the visual displays in our stores and windows multiple times per month, presenting new looks and fashion combinations to our customers.

Our ability to maintain an image consistent with the West Coast inspired and action sports lifestyle is important to our branded vendors and provides us better access to a wide assortment of products and styles. Our third-party branded merchandise features established and emerging brands. We strive to keep our merchandise mix current by continuously introducing emerging brands and styles not available at many other specialty retailers in order to identify and respond to the evolving desires of our customers. Within our diversified portfolio of hundreds of third-party brands, which represented a little more than 70% of our net sales in 2010, our largest brand accounted for approximately 5% of our net sales in each of the last two fiscal years.

Selected third-party brands include, in alphabetical order:

- Billabong
- DC Shoes
- Element
- Etnies
- Fox
- Hurley
- Levi's
- LRG
- Metal Mulisha
- Neff
- Nike
- O'Neill
- Quiksilver
- Roxy
- RVCA
- Skullcandy
- UGG
- Volcom

…and many more

We supplement our third-party merchandise assortment with our own proprietary brands across many of our apparel and accessory product categories. We utilize our own branded merchandise to expand our price point range, identify and respond to changing fashion trends quickly, fill merchandise gaps and provide a deeper selection of styles and colors for proven fashion items. Our own brands represented approximately 25% and 29% of our net sales for fiscal years 2009 and 2010, respectively.

Our proprietary branded merchandise includes:

Brand	Category
RSQ JEANS	Guys', boys' and juniors' denim apparel and cologne
full tilt	Juniors' and girls' apparel, footwear and accessories
blue crown	Guys' and boys' apparel
Infamous	Guys', boys' and juniors' apparel and cologne

We believe that our extensive selection of merchandise, from both established and emerging brands as well as our proprietary brands, caters to a wide demographic of core customers and enhances our store image as a destination that carries the most sought-after apparel, footwear and accessories.

Merchandise Purchasing

Our merchandise purchasing staff is organized by category and product type and consists of a Vice President/General Merchandise Manager, divisional merchandise managers, buyers, associate buyers and assistant buyers. We believe a key element of our success is our team's ability to identify and source the latest proven fashion trends and core styles that are most relevant to our customers.

Our purchasing approach focuses on product relevance, availability, cost and speed of production in order to provide timely frequent delivery of merchandise to our stores. Our purchasing group and planning and allocation team are highly coordinated and maintain a disciplined buying strategy.

To ensure a relevant assortment, our teams:

- perform comprehensive analysis of sales trends from our stores and e-commerce site;
- gather feedback from our customers and our staff;
- maintain regular dialogue with our existing vendor network and potential new vendors;
- utilize trend and color forecasting services;
- participate in trade shows and action sport related events;
- review trade publications; and
- evaluate merchandise assortments offered by other retail and online merchants.

We have developed and maintain strong, and in many cases long-standing, relationships with our third-party vendors and we have a history of identifying and growing with emerging brands. We believe the Tilly's brand, shopping experience and core customer lifestyle is highly consistent with the image and philosophy of our key vendors. This, in addition to our customer connectivity, facilitates a partnership culture with our key vendors and provides us access to an extensive variety of products and styles, as well as certain merchandise that is exclusive to our stores and website. Our merchandise purchasing group also works closely with independent third parties who design and procure merchandise for our proprietary brands. Our proprietary brand capabilities enhance our ability to rapidly identify and respond to trends and consistently offer our customers proven fashion items. We work with more than 100 vendors based in the United States to supply us with our proprietary branded product. These vendors source from both domestic and international markets and either have their own factories or contract with owners of factories to source finished product. By sourcing merchandise for our proprietary brands both domestically and internationally, we have the flexibility to benefit from shorter lead times associated with domestic manufacturing and lower costs associated with international manufacturing.

Planning and Allocation

Our merchandise planning and allocation team consists of a Vice President, directors, managers, planners and analysts. We have developed an inventory planning and allocation process to support our merchandise strategy. Working closely with our merchandise purchasing team, the planning and allocation team utilizes a disciplined approach to buying, forecasting, inventory control and allocation processes. Our planning and analysis team continually analyzes information from our management information system, including inventory levels and sell-through data, to regularly adjust the assortment at each store and the inventory levels for our company as a whole. Our broad third-party vendor base allows us to shift merchandise purchases to react quickly to changing consumer preferences and market conditions. Furthermore, the vendor base for our proprietary products provides us flexibility to develop our own branded products to quickly address emerging fashion trends and provide a deeper selection of styles, colors, and price points for proven fashion items. We modify our merchandising mix based upon store size, the season, and consumer preferences in different parts of the country. We are also able to react quickly to changing customer needs due to our shipment of merchandise to our stores at least five days per week. Finally, we coordinate closely with our visual merchandise managers and marketing group in order to manage inventory levels in connection with our promotions and seasonality.

Stores

As of July 30, 2011, we operated 131 stores throughout the United States. Our stores are located in mall and off-mall locations. Our stores averaged approximately 7,700 square feet and generated average net sales per store of $2.5 million and net sales per square foot of $326 for fiscal year 2010.

The table below indicates certain historical information regarding our stores by type of retail center as of fiscal year end for each of the years indicated below:

	2006	2007	2008	2009	2010
Mall	23	28	42	55	62
Off-Mall(1)	38	45	57	56	63
	61	73	99	111	125

(1) Includes power centers, neighborhood and lifestyle centers, outlet centers and street-front locations.

During the twenty-six weeks ended July 30, 2011, seven additional stores were opened and one store was closed, bringing the total number of stores open as of July 30, 2011 to 131.

The following table shows the number of stores in each of the 11 states we operated in as of July 30, 2011:

State	Number of Stores
Arizona	17
California	73
Colorado	3
Delaware	1
Florida	16
Maryland	2
Nevada	6
New Jersey	7
New York	2
Pennsylvania	1
Virginia	3
	131

Distinctive Store Experience

Tilly's is a customer-driven lifestyle brand. We are energized and inspired by our customers' individuality and passion for action sports, music, art, and fashion. Our stores bring these interests together in a vibrant, stimulating and authentic environment that is an extension of our customers' high velocity, multitasking lifestyle. We do this by blending the most relevant brands and styles with music videos, product-related visuals and a dedicated team of store associates. Our associates share the same passion as our customers for action sports, music, art and fashion, enabling them to easily engage with our customers and make shopping at Tilly's a fun, social experience. Outside of our stores, we connect with our consumers using the same authentic approach, including social media, community outreach and sponsorship of contests, demos, and other events. We believe the Tilly's experience drives customer awareness, loyalty and repeat visits while generating a buzz and excitement for our brand.

Expansion Opportunities and Site Selection

As of January 29, 2011, the end date of our most recently completed fiscal year, over 60% of our stores had been opened within the previous five years. The following table shows the number of stores opened and closed in each of our last five fiscal years:

Fiscal Year	Stores Opened	Stores Closed	Total Number of Stores at End of Period
2006	10	—	61
2007	13	1	73
2008	26	—	99
2009	13	1	111
2010	16	2	125
	78	4	

We plan to open approximately 15 net new stores in fiscal year 2011. In fiscal year 2012 we expect to open approximately 20 net new stores and to continue to open stores at an annual rate of approximately 15% for the next several years thereafter. Our new store openings are planned in both existing and new markets, for both mall and off-mall locations. We focus on locations that have above average incomes and an ability to draw from a sufficient population with attractive demographics. We have entered new markets by opening stores in high traffic malls relevant to our core customer in order to establish the Tilly's brand, as well as opening stores in off-mall locations that effectively cover trade areas where our customers want to shop.

In selecting a location for a new mall store, we typically target high productivity malls that dominate their respective trade areas. In most cases, these malls are located in suburban areas. We use landlord provided information to assess our sales potential, while also considering the number of other teen-oriented retailers located in the mall. We prefer to position our stores in areas with the highest visibility and mall traffic.

In selecting a location for a new off-mall store, we typically target power and neighborhood centers consisting of nationally recognized large box apparel and non-apparel retailers. In most instances, the centers are located in suburban or high growth areas. We prefer to position our stores in-line among the mid-size to large-size boxes. We also consider proximity to other destinations such as restaurants, movie theaters or other attractions for our core customer. We will also target street-front locations in prominent well-known cities, outlet centers and lifestyle centers provided there is a strong teen-oriented component.

Our unit growth is supported by our new store economics, which we believe to be compelling. Our store model assumes a target store size averaging 7,500 to 8,000 square feet. In the first 12 months after opening, our new store model targets net sales of approximately $2.2 million and cash flow of $300,000, with cash flows rising to over $400,000 in the second 12 months as the store begins to mature. The target net investment to open our stores is between $500,000 and $550,000, reflecting a mild inflationary increase to the range of historical average costs incurred to open stores since the beginning of 2005. This results in an average pre-tax cash-on-cash payback period on our investment of about 18 months.

The sales and cash flow targets as well as the range of net investment targets are based on historical results, including store openings in fiscal 2010 and year-to-date fiscal 2011. The average store net investment range reflects the initial store build-out costs net of landlord allowances, preopening expenses and the investment in initial inventories, net of payables. The expected net investment range relies in part on a continuation of the historical levels of landlord allowances. Based on past real estate industry practices and our experience leasing and opening new locations in a variety of real estate environments and markets, we expect the average net investment, including the amount of landlord allowances, to be generally consistent over the next several years. However, if the amount of landlord allowances drop significantly, the amount of net investment to open new

stores could rise, as could the expected cash-on-cash payback period. Furthermore, the Company's anticipated net investment may increase over time depending on a number of factors beyond our control, such as the cost of construction materials, competition for new retail locations and changes in the commercial real estate environment. In addition, the Company's anticipated yearly cash flows may be impacted by several factors, such as the level of competition and the specific store location at a particular venue and the concentration of our stores within a limited geographic area.

e-Commerce

Our e-commerce platform was established in 2004 and has grown significantly in every year of operation. In the twenty-six week period ended July 30, 2011, our e-commerce net sales increased 39% relative to the twenty-six week period ended July 31, 2010. In fiscal 2010, our e-commerce net sales increased 46% relative to fiscal 2009 while traffic at www.tillys.com increased 33% and page views increased 37%. We grew our e-commerce business to approximately 10% of our total net sales in fiscal 2010 from 2% of net sales in fiscal 2006. We believe that our target customer regularly shops online and we see continued opportunity to grow our e-commerce business to approximately 15% of total net sales over time. In fiscal 2010 we sold merchandise to customers in all 50 states and approximately one-third of our e-commerce net sales were to customers in states without brick-and-mortar stores. Our website serves both as a sales channel and a marketing tool to our extended customer base, including those customers in markets where we do not currently have stores. We also believe our website reinforces the Tilly's brand image and serves as an effective advertising vehicle for our retail stores. Our website provides an expanded product offering relative to our stores and includes web exclusive merchandise. Similar to the merchandising approach in our stores, we frequently change the look of our website to highlight new brands and products and to encourage frequent visits. We utilize multiple channels to drive traffic to our website, including our catalog, marketing materials in our retail stores, search engine marketing, internet ad placement, shopping site partnerships, third-party affiliations, email marketing, mobile marketing and direct mail. In addition, we utilize the website to offer current information on our upcoming events, promotions and store locations.

Our current e-commerce fulfillment is operated out of our distribution center in Irvine, California. To accommodate our growth, in 2012 we plan to transition to a new e-commerce dedicated fulfillment facility located across the street from our current headquarters and distribution center.

Store Management, Culture and Training

We believe that a key to our success is our ability to attract, train, retain and motivate qualified employees at all levels of our organization. Each of our stores typically operates with a three to five member store management team. In addition, each store has 10 or more full time equivalent store associates who represent the West Coast lifestyle and promote the Tilly's brand not only inside the store, but also in their schools and communities. The number of store associates we employ generally increases during peak selling seasons, particularly the back-to-school and the winter holiday seasons, and will increase to the extent that we open new stores.

We have developed a corporate culture that we believe empowers the individual store managers to make store-level business decisions and we reward them when they exceed sales targets. We are committed to improving the skills and careers of our workforce and providing advancement opportunities for employees. We evaluate our store associates weekly on measures such as sales per hour, units per transaction and dollars per transaction to ensure productivity, to recognize top performers and to identify potential training opportunities. We endeavor to design incentive programs for store associates that promote a competitive, yet fun, culture that is consistent with our image.

We provide our managers with the knowledge and tools to succeed through comprehensive training programs, focusing on both operational expertise and supervisory skills. Our training programs and workshops are offered at the store, district and regional levels, allowing managers from multiple locations to interact with each other and exchange ideas to better operate stores. Store associates receive training from their managers to improve their product expertise and selling skills.

Marketing and Advertising

Our marketing approach is designed to create an authentic connection with our customers by consistently generating a buzz and excitement for our brand while staying true to our West Coast inspired, action sports heritage. We utilize a multi-pronged marketing strategy to connect with our customers and drive traffic to our stores and website, comprised of the following:

- *Catalog.* We view our catalog primarily as a sales and marketing tool to drive online and store traffic from both existing and new customers. We also believe our catalog reinforces the Tilly's brand and showcases our comprehensive selection of products in settings designed to reflect our brand's lifestyle image. In fiscal 2010, we mailed approximately 4.1 million catalogs to addresses included in our growing proprietary database, which currently includes key information on over 1.7 million customers. We send these catalogs, which include coupons that can be redeemed at stores or online, to the customers in our database several times a year, primarily around key shopping periods such as spring break, back-to-school, and the winter holidays.
- *Brand Partnerships.* We partner and collaborate with our vendors for exclusive events such as autograph signings, in-store performances, contests, demos, giveaways, shopping sprees and VIP trips. In fiscal year 2010, we organized over 75 events, many involving musicians, celebrities and athletes in the entertainment, music and action sports industries. For example, we partnered with Hurley and Alternative Press Magazine to host a nationwide autograph signing tour that included live music performances at 10 stores from coast to coast. Through these partnerships, we are able to connect with and engage our customers in an exciting, authentic experience.
- *Social Media.* We believe our core customers rely heavily on the opinions of their peers, often expressed through social media. Therefore we use our website blog as well as Facebook and Twitter posts as a viral marketing platform to communicate directly with our customers while also allowing customers to interact with one another and provide feedback on our events and products.
- *Community Outreach.* Through our "We Care Program" and in partnership with our vendors, we support and participate in various academic, art, and athletic programs at local schools and other organizations in communities surrounding our stores.
- *Radio, Print and Email Marketing.* We utilize traditional radio and print advertising as well as email marketing to build awareness, drive traffic to our stores and website and to promote local in-store promotions and events. We periodically send emails to the customers in our proprietary database to introduce new brands and products, offer promotions on select merchandise, highlight key events and announce new store openings. We believe there is an opportunity to use national print advertising to drive new traffic among potential customers.

Distribution

We centrally distribute all of our merchandise through a 126,000 square foot distribution facility co-located with our headquarters in Irvine, California. Our lease expires in December 2012 and we have three five-year renewal option periods. We moved to our current location in January 2003 and have invested nearly $30 million in our highly automated distribution center and information systems. We designed this state-of-the-art facility to allow us to manage our distribution operations in an efficient, cost-effective manner and to provide support for our growth initiatives. Extensive investments as recently as this past year have been made to the distribution-center infrastructure, focused around systems automation, material-handling equipment, RF technologies, and automated sortation in order to further enhance our processing speed and long term scalability. We believe the automation systems we utilize in our facility allow us to operate at a higher level of efficiency and accuracy than many of our competitors.

We ship merchandise to our stores at least five times per week, providing them with a steady flow of both new and replenishment products. Merchandise is shipped in a floor-ready format (carrying price tickets, sensor

tags and with hangers where appropriate) which allows store employees to spend less time processing the merchandise and more time with our customers. We use our own fleet of trucks to ship merchandise to our local (Southern California) stores and third-party distributors to ship merchandise to stores outside our local area.

In fiscal year 2012 we expect to open an additional distribution facility across the street from our existing facility to support our e-commerce fulfillment operations. We believe our distribution infrastructure can support a national retail footprint in excess of 500 stores with minimal incremental capital investment.

Management Information Systems

Our management information systems provide a full range of business process support and information to our store, merchandising, financial, real estate and other business teams. We selected, customized and integrated our information systems to enable and support our dynamic merchandise model. We believe our systems provide us with improved operational efficiencies, scalability, management control and timely reporting that allow us to identify and quickly respond to trends in our business. We believe that our information systems are scalable, flexible and have the capacity to accommodate our current growth plans.

We have made significant investments in our management information systems over the last several years and believe we are utilizing “best of breed” technology. We use software licensed from JDA Software Group, Inc. for merchandise planning and allocation, business intelligence, SKU classification, inventory tracking, purchase order management and sales audit functions. We utilize Manhattan Associates Inc.’s warehouse management systems to handle merchandise distribution. In addition, we utilize technology from Strategic Distribution, Inc. in our distribution center enabling us to automate our merchandise sortation process, allowing us greater flexibility in scaling our operations for new store expansions and peak season operations. Our financial systems are licensed from Lawson and our payroll system uses a third-party platform provided by Automatic Data Processing, Inc.

We update our sales daily in our merchandising reporting systems by collecting sales information from each store’s point-of-sale, or POS, terminals utilizing software from Micros Systems, Inc. Our POS system consists of registers providing processing of retail transactions, price look-up, time and attendance and e-mail. Sales information, inventory tracking and payroll hours are uploaded to our central host system. The host system downloads price changes, performs system maintenance and provides software updates to the stores through automated nightly two-way electronic communication with each store. We evaluate information obtained through nightly polling to implement merchandising decisions, including product purchasing/reorders, markdowns and allocation of merchandise on a daily basis.

Competition

The teenage and young adult retail apparel, accessories and footwear industry is highly competitive. We compete with other retailers for customers, store locations, store associates and management personnel. We currently compete with other teenage-focused retailers such as, but not limited to, Abercrombie & Fitch Co., Aeropostale, Inc., American Eagle Outfitters, Inc., The Buckle, Inc., Forever 21, Inc., Hot Topic, Inc., Pacific Sunwear of California, Inc., The Wet Seal, Inc., Urban Outfitters, Inc. and Zumiez, Inc. In addition, we compete with independent specialty shops, department stores and direct marketers that sell similar lines of merchandise and target customers through catalogs and e-commerce. Further, we may face new competitors and increased competition from existing competitors as we expand into new markets and increase our presence in existing markets. Given the extensive number and types of retailers with which Tilly’s competes for customers, we believe that our target market is highly fragmented and we do not believe we have a significant share of this market.

Competition in our sector is based, among other things, upon merchandise offerings, store location, price and the ability to identify with the customer. We believe that we compete favorably with many of our competitors based on our differentiated merchandising strategy, store environment, flexible real estate strategy

and company culture. However, many of our competitors are larger, have significantly more stores, and have substantially greater financial, marketing and other resources than we do. Moreover, we recognize that we do not possess exclusive rights to many of the elements that comprise our in-store experience and product offerings. Our competitors can emulate facets of our business strategy and in-store experience, which could result in a reduction of any competitive advantage or special appeal that we might possess. See "Risk Factors—We face intense competition in our industry and we may not be able to compete effectively".

Properties

We lease approximately 172,000 square feet for our corporate headquarters and retail support and distribution center located at 10 Whatney and 12 Whatney, Irvine, California. Our lease began January 1, 2003 and terminates December 31, 2012, with three five-year renewal option periods.

We lease approximately 24,000 square feet of office and warehouse space located at 15 Chrysler, Irvine, California. Our lease began November 1, 2010 and terminates October 31, 2014. Approximately 17,000 square feet of this building is subleased to a third party and we use the remaining space.

On September 2, 2011, we entered into a lease for approximately 26,000 square feet of office and warehouse space located at 11 Whatney, Irvine, California. This property is currently being constructed by the landlord, and construction is expected to be completed during the first half of fiscal year 2012. We intend to use this property as our e-commerce distribution center. Our lease terminates ten years from the earlier of (i) the date the building is substantially completed or (ii) the date we can access the building and begin tenant improvements.

We believe that our existing properties and facilities are adequate to meet current and anticipated future requirements and that additional or substitute space will be available as needed to accommodate any expansions our operations require. In addition, we believe our distribution infrastructure can support a national retail footprint in excess of 500 stores with minimal incremental capital investment.

All of our stores, encompassing approximately 1,015,000 total square feet as of July 30, 2011, are occupied under operating leases. The store leases generally have a base lease term of 10 years and many have renewal option periods, and we are generally responsible for payment of property taxes and utilities, common area maintenance and mall marketing fees.

Trademarks

"Ambitious", "Blue Crown", "Division 7", "Eldon", "Full Tilt", "If it's not here…it's not happening", "Infamous", "RSQ", "Tilly's", "Vindicated", and logos related to some of these names, are among our trademarks registered with the U.S. Patent and Trademark Office. We regard our trademarks as valuable and intend to maintain such marks and any related registrations. We are not aware of any claims of infringement or other challenges to our right to use our marks in the U.S. We vigorously protect our trademarks.

Employees

As of July 30, 2011, we employed approximately 1,000 full-time and approximately 3,800 part-time employees, of which approximately 400 were employed at our corporate office and distribution facility and over 4,400 were employed at our store locations. However, the number of employees, especially part-time employees, fluctuates depending upon our seasonal needs and, in fiscal year 2010, varied between approximately 2,600 and 4,400 employees. None of our employees are represented by a labor union and we consider our relationship with our employees to be good.

Legal Proceedings

From time to time, we become involved in litigation relating to claims arising from our ordinary course of business. Management believes, after considering a number of factors and the nature of legal proceedings to which we are subject, that the outcome of current litigation will not have a material adverse effect upon our results of operations or financial condition. However, see “Risk Factors—Litigation costs and the outcome of litigation could have a material adverse effect on our business”.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information about the executive officers, directors and other key employees as of August 31, 2011. Each of the directors and officers of Tilly's, Inc. were appointed on August 8, 2011. Prior to that time, they were the directors and officers of our operating subsidiary, World of Jeans & Tops. Accordingly, the references to "us" with respect to service as a director and officer include services to World of Jeans & Tops.

Name	Age	Position
Hezy Shaked	56	Co-Founder, Chief Strategy Officer and Chairman of the Board of Directors
Daniel Griesemer	52	President, Chief Executive Officer and Director
William Langsdorf	54	Senior Vice President and Chief Financial Officer
Listed in alphabetical order:		
Debbie Anker-Boetes	52	Vice President and General Merchandising Manager
John Burgess	58	Vice President of Real Estate
Craig DeMerit	41	Vice President, Chief Information Officer and Chief Operating Officer
Patrick Grosso	39	Vice President, General Counsel and Secretary
Shelly Johnson	41	Vice President of Stores
Tilly Levine	56	Vice President of Vendor Relations
Carolyn McNamara	47	Vice President of Merchandise Planning and Allocation
Rochelle Myers	44	Vice President of Finance and Controller
Cheryl Rudich	50	Vice President of Marketing
Non-employee directors:		
Seth Johnson(1)(2)(3)	57	Director
Janet Kerr(1)(2)(3)	57	Director
Bernard Zeichner(1)(2)(3)	68	Director

(1) Member of the Tilly's, Inc. Audit Committee
(2) Member of the Tilly's, Inc. Compensation Committee
(3) Member of the Tilly's, Inc. Nominating and Corporate Governance Committee

Hezy Shaked co-founded the Tilly's concept in 1982 and formed our company in 1984. He has served as Chairman of the Board of Directors since our inception and has served as our Chief Strategy Officer since February 2011. Mr. Shaked will continue to serve as Chairman of our Board of Directors following completion of this offering. From September 2008 to February 2011, Mr. Shaked served as our President and Chief Executive Officer. From September 2006 to September 2008, Mr. Shaked served as our Co-Chief Executive Officer. From our inception to September 2006, Mr. Shaked served as our President and Chief Executive Officer. As our Co-Founder and former President and Chief Executive Officer, Mr. Shaked has an in-depth knowledge and understanding of all facets of our business and has developed extensive professional relationships during his 29 years of experience in the retail industry. Through his experience and knowledge of our operations and the industry in which we compete, Mr. Shaked is well-suited to serve as Chairman of our board of directors.

Daniel Griesemer has served as our President and Chief Executive Officer since February 2011, and has served on our board of directors since April 2011. Mr. Griesemer previously served as President, Chief Executive Officer and Director at Coldwater Creek, Inc., a publicly traded national specialty retailer, from October 2007 through September 2009. Prior to that, Mr. Griesemer served as Coldwater Creek, Inc.'s President and Chief Operating Officer from March 2007 through October 2007, its Executive Vice President of Sales and Marketing

from January 2005 through March 2007, its Executive Vice President of Retail from April 2004 through January 2005 and its Senior Vice President of Retail from October 2001 through April 2004. From 1989 through 2000, Mr. Griesemer held a number of progressively more responsible positions with Gap, Inc., and ultimately served as Divisional Merchandise Manager for Gap, Inc. From 1983 to 1989, Mr. Griesemer worked in a variety of positions at Macy's, Inc. Mr. Griesemer holds a Bachelor of Science degree in Business Administration from the University of Dayton. Mr. Griesemer brings to the board of directors extensive experience and demonstrated leadership capabilities, including leadership of a public company in the retail industry. Serving as a director and our President and Chief Executive Officer will allow Mr. Griesemer to act as a bridge between management and the board of directors to help ensure that both groups act with a common purpose.

William Langsdorf has served as our Senior Vice President and Chief Financial Officer since February 2007. From 2004 to February 2007, Mr. Langsdorf served as the Senior Vice President and Chief Financial Officer of Anchor Blue Retail Group, Inc., or Anchor Blue, a specialty retailer. From 2002 to 2004 Mr. Langsdorf served as the Senior Vice President and Chief Financial Officer of The Wet Seal, Inc., or The Wet Seal, a specialty retailer. From 1986 to 2002, Mr. Langsdorf served in various management positions at House2Home, Inc. (formerly Home Base, Inc.), which filed for bankruptcy in November 2001, with the last position held of Executive Vice President and Chief Financial Officer. Prior to joining Home Base in 1986, Mr. Langsdorf was a Manager in the consulting practice of Ernst & Young LLP (formerly Arthur Young & Co.). Mr. Langsdorf holds a Bachelor of Arts in Business Administration from California State University, Fullerton and a Masters of Business Administration from the Kellogg Graduate School of Management at Northwestern University. Mr. Langsdorf is a Certified Public Accountant (inactive).

Debbie Anker-Boetes has served as our Vice President and General Merchandising Manager since May 2004. Prior to that, she held various senior management positions with Anchor Blue (1998-2004), Petrie Stores (1992-1997) and Charming Shoppes (1988-1991). Ms. Anker-Boetes graduated from the Fashion Institute of Technology with a degree in Fashion Buying and Merchandising and has over 30 years of experience in the retail industry.

John Burgess has served as our Vice President of Real Estate since May 2007. From June 2004 to March 2007, Mr. Burgess served as Vice President of Real Estate at Pacific Sunwear of California, Inc., or Pacific Sunwear, a specialty retailer. Prior to that, Mr. Burgess worked in various positions over 29 years at Anchor Blue, with the last position held of Senior Vice President of Real Estate and Construction from 1996 to 2003. Mr. Burgess has a Bachelor of Science in Architecture from the University of Southern California.

Craig DeMerit has served as our Vice President of Information Systems since April 2004, our Chief Information Officer since 2008, and our Chief Information Officer and Chief Operating Officer since February 2011. From 1998 to 2004, Mr. DeMerit held various senior executive positions for Guess?, Inc., or Guess, an apparel company, the most recent of which was Vice President and Chief Information Officer. Prior to 1998, Mr. DeMerit was employed by Ticketmaster where he managed corporate technology. Mr. DeMerit has over 20 years of experience in the management of information systems, including 14 years of retail experience encompassing supply chain, technology and e-commerce.

Patrick Grosso has served as our Vice President and General Counsel since March 2008 and as Secretary since April 2010. From 2007 to 2008, Mr. Grosso served as General Counsel to ECC Capital Corporation, a mortgage real estate investment trust. From 2005 to 2007, Mr. Grosso served as General Counsel to a former mortgage lending company. From 2001 to 2005, Mr. Grosso served in various positions with Aames Investment Corporation, a mortgage real estate investment trust, with the last position held of Vice President and Senior Counsel. Prior to that, Mr. Grosso was an associate with the international law firm of Latham & Watkins LLP and an attorney with the U.S. Securities and Exchange Commission, Division of Corporation Finance. Mr. Grosso holds a Juris Doctorate from Pepperdine University and a Bachelor of Science in Economics from California State Polytechnic University, Pomona. Mr. Grosso is licensed to practice law in California, Texas and Washington, D.C. and is a Certified Public Accountant (inactive).

Shelly Johnson has served as our Vice President of Stores since November 2006. Prior to that, Ms. Johnson served as our Director of Stores since April 2006 and our Director of Training and Development since January 2004. Prior to that, Ms. Johnson served in multiple management capacities at The Wet Seal from 1989 to 2003, with the last position held of Director of Training and Development.

Tilly Levine co-founded the Tilly's concept in 1982 and formed our company in 1984. She has served as a Vice President and Director since our inception. Ms. Levine will no longer serve as a Director upon completion of this offering. Ms. Levine currently serves as our Vice President of Vendor Relations and has served in that capacity since 2007. From 2004 to 2007, Ms. Levine was responsible for the buying of guys' and boys' apparel. Ms. Levine has over 29 years of experience in the retail industry.

Carolyn S. McNamara has served as our Vice President of Merchandise Planning and Allocation since September 2006. From September 2005 to September 2006, Ms. McNamara was with Pacific Sunwear as the Senior Manager overseeing the company's Merchandise Planning team. From September 1996 to August 2005, Ms. McNamara held various management roles at the Limited Brands Inc. in Project Management, Change Management, Training Design, and in Merchandise Planning and Allocation. Ms. McNamara holds a Bachelor of Science from California State Polytechnic University, Pomona.

Rochelle Myers has served as our Vice President of Finance and Controller since October 2006. From February 2002 to October 2006, Ms. Myers served as our Controller. From 1994 to 2002, Ms. Myers was with The Wet Seal in various capacities including Assistant Controller, Director of Special Projects and Director of Financial Reporting. From 1991 to 1994 Ms. Myers was an Internal Auditor for Canon USA, and from 1989 to 1991 she was a Staff Auditor with Ernst & Young LLP. Ms. Myers holds a Bachelor of Arts in Economics and Finance from the University of California, Los Angeles and is a Certified Public Accountant (inactive).

Cheryl A. Rudich has served as our Vice President of Marketing since October 2006. From 1994 to 2003, Ms. Rudich served as the Director of Marketing and Vice President of Marketing for The Wet Seal. From 1985 to 1994, Ms. Rudich was a Co-Creative Director at The Mednick Group, a design and advertising firm in Los Angeles. Ms. Rudich holds a Bachelor of Arts in Design from the University of California, Los Angeles, and a Bachelor of Fine Arts from the Art Center College of Design. Ms. Rudich has over 25 years experience in branding, creative direction and retail marketing.

Seth Johnson has served on our board of directors and as Chairperson of our Audit Committee since August 2011. Prior to that, Mr. Johnson served as a member of the advisory committee to our board of directors from July 2008 through 2011. Mr. Johnson has recently been an instructor in business strategy at Chapman University's Argyros School of Business and Economics. From 2005 to 2006, Mr. Johnson served as the Chief Executive Officer of Pacific Sunwear. From 1999 to 2004, Mr. Johnson was the Chief Operating Officer of Abercrombie & Fitch, a specialty retailer, and was its Chief Financial Officer from 1992 to 1998. During that time period, Mr. Johnson led Abercrombie & Fitch's initial public offering and participated in business growth from sales of $85 million to over $2 billion. Mr. Johnson is currently a member of the board of directors of True Religion Apparel, Inc., a publicly traded company. With over 30 years of apparel retail experience, including significant executive experience, Mr. Johnson will provide our board of directors with operational, financial and strategic planning insights.

Janet E. Kerr has served on our board of directors and as Chairperson of our Nominating and Corporate Governance Committee since April 2011. Prior to that, Ms. Kerr served as a member of the advisory committee to our board of directors from July 2008 through 2011. She is the founder and currently a professor of law and the Executive Director of the Geoffrey H. Palmer Center for Entrepreneurship and the Law at Pepperdine University School of Law in Malibu, California. Ms. Kerr has served as a consultant to various companies regarding Sarbanes-Oxley Act compliance and corporate governance. She has founded several technology companies and is a well-known author in the areas of securities, corporate law and corporate governance, having published several articles and a book on the subjects. Ms. Kerr was a co-founder of X-Labs, a technology

company co-founded with HRL Laboratories. Ms. Kerr is currently a member of the board of directors of La-Z-Boy, Inc., a publicly traded furniture retailer and manufacturer, where she serves as the Chairperson to the Nominating and Corporate Governance Committee. Additionally, she is a member of the board of directors of TCW Funds and TCW Strategic Income Fund, Inc., a NYSE listed closed-end registered investment company. From 2004 to 2010, Ms. Kerr served as a director to CKE Restaurants, Inc., a quick service restaurant company. Ms. Kerr is licensed to practice law in California and New York and occupies The Laure Sudreau-Rippe Endowed Chair at Pepperdine University School of Law. With over 30 years of corporate governance experience, Ms. Kerr contributes to our board significant expertise in the regulatory, governance and legal matters of public companies.

Bernard Zeichner has served on our board of directors since April 2011 and as Chairperson of our Compensation Committee since August 2011. Mr. Zeichner served as Chairman of the Board of Directors of Charlotte Russe Holdings, Inc., or Charlotte Russe, a specialty retailer, from 1996 until May 2008, and was its President from May 1996 to June 2001 and its Chief Executive Officer from September 1996 to July 2003. Prior to joining Charlotte Russe, Mr. Zeichner was President of the retail division of Guess from 1993 to 1995. Prior to that, Mr. Zeichner was employed by Contempo Casuals, serving as President from 1982 to 1993 and as Chief Executive Officer from 1989 to 1993. From 1977 to 1982, Mr. Zeichner was Executive Vice President of Joske's of Texas, a department store chain. With over 30 years of apparel retail experience, including significant executive and board experience, Mr. Zeichner provides our board of directors with operational, financial and strategic planning insights.

Composition of the Board of Directors of Tilly's, Inc.

Our bylaws provide that our board of directors shall consist of at least one member, with the exact number of directors to be determined by resolution of our board of directors. Our board of directors consists of five members. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, with us, our senior management and our independent registered public accounting firm, our board of directors has determined that all but two of our directors, Messrs. Shaked and Griesemer, are independent directors under the applicable listing standards of the NYSE and the rules of the SEC. We expect that our independent directors will hold at least two executive sessions per year.

Until the date all shares of our Class B common stock are converted to Class A common stock or otherwise cease to be outstanding, referred to as the Full Conversion Date, the members of our board of directors will be elected at annual meetings of the stockholders and hold office until the next annual meeting of the stockholders. Our certificate of incorporation provides that on the Full Conversion Date, our board of directors will be divided into three classes to be comprised of the directors in office, with each class serving for a staggered three-year term. From the Full Conversion Date, Class I directors will serve an initial one-year term expiring at the first annual meeting of stockholders following the Full Conversion Date. Class II directors will serve an initial two-year term expiring at the second annual meeting of stockholders following the Full Conversion Date. Class III directors will serve an initial three-year term expiring at the third annual meeting of stockholders following the Full Conversion Date. Upon the expiration of the initial term of each class of directors, the directors in that class will be eligible to be elected for a new three-year term. Our directors will hold office until their successors have been elected and qualified or until their earlier death, resignation, disqualification or removal. Executive officers are appointed by and serve at the direction of our board of directors.

Committees of the Board of Directors

We currently have three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. We intend to make the charters of all three of our standing board committees available on our website, www.tillys.com, under the Investor Relations section, upon the effective date of this offering. The inclusion of our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

Audit Committee

Our Audit Committee consists of Mr. Johnson (Chairperson), Ms. Kerr and Mr. Zeichner. Our board of directors has determined that each of these directors is independent as defined by the applicable rules of the NYSE and the SEC, and that each member of the Audit Committee meets the financial literacy and experience requirements of the applicable SEC and NYSE rules. In addition, our board of directors has determined that Mr. Johnson qualifies as an "audit committee financial expert" under the rules and regulations of the SEC. Our independent auditors and our internal finance personnel regularly meet privately with, and have unrestricted access to, our Audit Committee. We will adopt an Audit Committee charter intended to satisfy applicable SEC and NYSE rules, to be effective upon the consummation of this offering.

Our Audit Committee charter requires that the Audit Committee oversee our corporate accounting and financial reporting processes. The primary duties of our Audit Committee are to, among other things:

- evaluate our independent registered accounting firm's qualifications, independence and performance;
- determine the engagement and compensation of our independent registered accounting firm;
- approve the retention of our independent registered accounting firm to perform any proposed, permissible non-audit services;
- monitor the rotation of partners and managers of the independent registered accounting firm on our engagement team as required;
- review our consolidated financial statements;
- review our critical accounting policies and estimates;
- meet periodically with our management and internal audit team to consider the adequacy of our internal controls and the objectivity of our financial reporting;
- establish procedures for the receipt, retention and treatment of complaints regarding internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- review on an ongoing basis and approve related party transactions, as defined in SEC and NYSE rules;
- prepare the reports required by the rules of the SEC to be included in our annual proxy statement; and
- discuss with our management and our independent registered accounting firm the results of our annual audit and the review of our quarterly consolidated financial statements.

Compensation Committee

Our Compensation Committee consists of Mr. Zeichner (Chairperson), Ms. Kerr and Mr. Johnson. Our board of directors has determined that each of these directors is independent under NYSE rules and qualifies as a non-employee director and an outsider director for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and Section 162(m) of the Code, respectively. We will adopt a

Compensation Committee charter intended to satisfy applicable SEC and NYSE rules, to be effective upon the consummation of this offering. The primary duties of the Compensation Committee are to, among other things:

- establish overall employee compensation policies and recommend to our board of directors major compensation programs;
- review and approve the compensation of our corporate officers and directors, including salary and bonus awards;
- administer our various employee benefit, pension and equity incentive programs;
- manage and review any employee loans; and
- prepare an annual report on executive compensation for inclusion in our proxy statement.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance committee consists of Ms. Kerr (Chairperson), Mr. Johnson and Mr. Zeichner. Our board of directors has determined that each of these directors is independent under NYSE rules. We will adopt a Nominating and Corporate Governance Committee charter to be effective upon the consummation of this offering. The primary duties of the Nominating and Corporate Governance Committee are to, among other things:

- establish standards for service on our board of directors and nominating guidelines and principles;
- identify individuals qualified to become members of our board of directors and recommend director candidates for election to our board of directors;
- consider and make recommendations to our board of directors regarding its size and composition, committee composition and structure and procedures affecting directors;
- establish policies regarding the consideration of any director candidates recommended by our stockholders, and the procedures to be followed by the stockholders in submitting such recommendations;
- evaluate and review the performance of existing directors;
- review executive officer and director indemnification and insurance matters;
- evaluate and review the company's enterprise risk management policy and risk exposure; and
- monitor our corporate governance principles and practices and make recommendations to our board of directors regarding governance matters, including our certificate of incorporation, bylaws and charters of our committees.

Other Committees

Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

Risk Considerations in our Compensation Program

Prior to the completion of this offering, we intend to analyze our compensation programs and policies to determine whether those programs and policies are reasonably likely to have a material adverse effect on us.

Code of Ethics and Business Conduct

Our board of directors will adopt a code of ethics and business conduct, to be effective upon consummation of this offering, which will apply to all of our employees, executive officers and directors. Upon consummation of this offering, the full text of our code of ethics and business conduct will be posted on our website, www.tillys.com, under the Investor Relations section. We intend to disclose future amendments to certain provisions of our code of ethics and business conduct, or waivers of such provisions, applicable to our directors and executive officers, at the same location on our website identified above. The inclusion of our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

Compensation Committee Interlocks and Insider Participation

Prior to April 2011, we did not have a formal compensation committee or other board committee performing equivalent functions. During our 2010 fiscal year, management compensation was determined by our President and Chief Executive Officer. None of the members of our Compensation Committee has at any time been one of our executive officers or employees or an executive officer or employee of our subsidiary. None of our executive officers has ever served as a member of the board of directors or compensation committee of any other entity that has or had one or more executive officers serving on our board of directors or our Compensation Committee.

Director Compensation

In fiscal year 2010, we did not pay our directors any compensation for their service as directors.

In April 2011, we adopted a non-employee director compensation program in which each non-employee director, consisting of Messrs. Johnson and Zeichner and Ms. Kerr, will receive an annual retainer of $40,000. In addition, they will each receive an annual restricted stock award grant under our 2011 Equity Incentive Plan having a fair value at the time of grant equal to $80,000, which will vest in two equal installments on each of the succeeding two anniversaries of the grant date. The first grant will be made upon consummation of this offering. An annual retainer is paid to the Chairperson of each of our respective standing committees of the board of directors as follows: $15,000 to the Audit Committee Chairperson; $12,000 to the Compensation Committee Chairperson; and $12,000 to the Nominating and Governance Committee Chairperson. All members of our respective standing committees of the board of directors are paid an annual retainer for their committee service as follows: $8,000 to each member of the Audit Committee; $5,000 to each member of the Compensation Committee; and $5,000 to each member of the Nominating and Corporate Governance Committee. Annual service for retainer purposes relates to the approximate 12-month period between annual meetings of our stockholders and all retainers are paid in quarterly installments. A prorated annual retainer will be paid to any person who becomes a member of our board of directors, a committee chair or a member of any committee on a date other than the date of the annual meeting of our stockholders. Additionally, we will reimburse directors for reasonable expenses incurred in connection with their duties.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis section discusses the material elements of the compensation programs and policies in place for our named executive officers, or NEOs, during 2010. For fiscal year 2010, we had three NEOs, as follows:

- Hezy Shaked, our Co-Founder, Chairman of the Board of Directors, Chief Strategy Officer and former President and Chief Executive Officer(1);
- Bill Langsdorf, our Senior Vice President and Chief Financial Officer; and
- Craig DeMerit, our Vice President, Chief Information Officer and Chief Operating Officer(2).

Specifically, this section provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program and each compensation component that we provide. Each of the key elements of our executive compensation program is discussed in more detail below. Our compensation programs are designed to be flexible and complementary and to collectively serve the principles and objectives of our executive compensation and benefits program.

Historical Compensation Decisions and Changes Going Forward

Historical Compensation Decisions as a Private Company

Our historical compensation approach has been reflective of our stage of development. Prior to this offering, we were a privately held company and our controlling shareholders and, until April 2011, our entire board of directors consisted of our two co-founders, Hezy Shaked and Tilly Levine. As a result, we have not been subject to any listing exchange or SEC rules requiring a majority of our board of directors to be independent or relating to the formation and functioning of board committees, such as the compensation committee. Accordingly, our board of directors historically has not maintained a compensation committee, and most, if not all, of our compensation policies and determinations, including those made for fiscal year 2010, have been discretionary decisions made by our Co-Founder and former President and Chief Executive Officer, Mr. Shaked, as approved by our board of directors.

Such historical compensation decisions have been based on Mr. Shaked's informal review process considering factors such as our financial condition and available resources, our need for a particular position to be filled, the compensation levels of our other executive officers, and Mr. Shaked's general knowledge regarding compensation paid to certain executive officers of other companies in our industry. Thus, historically, we have not formally benchmarked executive compensation against a particular set of comparable companies or used a formula to set the compensation for our executives in relation to survey data.

(1) Mr. Shaked served as our President and Chief Executive Officer during all of fiscal year 2010, and he was succeeded in such role upon our hiring of Daniel Griesemer as our President and Chief Executive Officer effective February 21, 2011. Mr. Shaked was appointed as Chief Strategy Officer, a newly created position, effective on February 21, 2011, and he continues to serve as Chairman of our board of directors. The terms of Mr. Griesemer's employment are set forth in an offer letter dated January 15, 2011 as described further below at " *Employment Agreements and Severance Benefits —Offer Letter with Daniel Griesemer*".

(2) During fiscal year 2010, Mr. DeMerit served as our Vice President and Chief Information Officer. On February 21, 2011, in addition to maintaining these titles, Mr. DeMerit was appointed as our Chief Operating Officer.

Role of our Compensation Committee and President and Chief Executive Officer in Compensation Decisions Going Forward

In connection with this initial public offering, we established a compensation committee to review and approve the compensation of our NEOs and oversee and administer our executive compensation programs and policies. As we gain experience as a public company, we expect that the specific direction, emphasis and components of our executive compensation program will continue to evolve. Accordingly, the compensation paid to our NEOs for fiscal year 2010 is not necessarily indicative of how we will compensate our NEOs following this offering.

The Compensation Committee will review annually and meet outside the presence of all of our executive officers, including our NEOs, to consider appropriate compensation for our President and Chief Executive Officer. Our President and Chief Executive Officer will review annually each other NEO's performance with the compensation committee and recommend appropriate compensation levels, which the Compensation Committee will take into account as one factor in its determinations regarding executive compensation. In addition, we anticipate that Mr. Shaked, given his tenure with the company and his role in shaping compensation historically, will have a purely advisory role in discussions with the Compensation Committee with respect to NEO compensation. In the context of such annual reviews and further periodic reviews as deemed necessary, in addition to a review of other factors discussed below, the Compensation Committee will assess the proper mix of base salary, cash incentive awards and grants of long-term equity incentive awards, levels of compensation and appropriate individual and corporate performance metrics in furtherance of the objectives and principles described below.

We anticipate that our Compensation Committee will consider additional factors in determining executive compensation, including, potentially, more formally benchmarking executive compensation against a peer group of comparable companies. In furtherance of this objective, we have engaged J. Richard & Co., an executive compensation and consulting firm, to advise management in its efforts to construct, from publicly available data, a peer group of companies to be used for compensation purposes in preparation for an initial public offering and to provide market compensation data on such peer group companies, supplemented by survey data, as appropriate, and general market trends and developments. Management intends to use the information provided by J. Richard & Co. and other resources and tools to develop recommendations to be presented and approved by our compensation committee. J. Richard & Co. has not yet recommended specific compensation amounts or the form of payment for our NEOs moving forward, and management's review and analysis of its executive compensation program is ongoing.

Compensation Philosophy and Objectives

Going forward, our compensation committee will strive to create an executive compensation program that balances short-term versus long-term payments and awards, cash payments versus equity awards and fixed versus contingent payments and awards in ways that we believe are most appropriate to motivate our executive officers. Our philosophy is that executive compensation should be competitive in the marketplace in which we compete for executive talent, and structured to emphasize incentive-based compensation as determined by the achievement of both company and individual performance objectives. The retail industry is extremely competitive and in order to continue to succeed we believe we need a highly talented and seasoned team of sales, marketing, buying, financial and other business professionals. We recognize that our ability to attract and retain these professionals, as well as to grow our organization, largely depends on how we compensate and reward our employees.

The goals of our executive compensation program will be to:

- attract and retain talented and experienced executives in our industry;
- motivate and reward executives whose knowledge, skills and performance are critical to our success;
- align compensation incentives with our business and financial objectives and the long-term interests of our stockholders;
- foster a shared commitment among executives by aligning their individual goals with the goals of the executive management team and our company; and
- ensure that our total compensation is fair, reasonable and competitive.

Elements of 2010 Compensation

During fiscal year 2010, our NEOs' total direct compensation, which was determined by Mr. Shaked and approved by the board of directors, included both fixed components (base salary, other executive benefits and perquisites) and variable components (discretionary annual cash bonuses and stock option grants). The following describes each component of compensation, the rationale for that component and how the compensation amounts were determined.

Base Salary

Base salaries historically have been the most heavily weighted component of compensation for our executive officers as a percentage of total compensation, and this remained true in fiscal year 2010. Base salary levels are designed to be competitive in order to induce talented executives to join our company. In addition, base salaries support our retention objective by providing our executive officers with steady cash flow during the course of the fiscal year that is not contingent on short-term variations in our corporate performance.

The base salary established for each of our NEOs is intended to reflect each individual's professional responsibilities, the skills and experience required for the job, their individual performance, the performance of our business, labor market conditions and competitive market salary levels. In past years, including fiscal year 2010, Mr. Shaked conducted an annual review of executive compensation to set the base salary level for each executive officer, including himself, for that fiscal year, which levels were approved by the board of directors. This annual review process typically occurred near the beginning of the fiscal year. Base salaries were also occasionally established or reviewed at other times during the year in the case of new hires, promotions, extraordinary events or other significant changes in responsibilities. In each case, Mr. Shaked made a determination of the competitive market level for base salaries based on his experience in the retail apparel industry and knowledge of base salaries of similarly situated executives in other companies of similar size and stage of development operating in our industry. This determination was informal and based primarily on the general knowledge of Mr. Shaked. Upon completion of this offering, and as described above, the compensation committee will determine the base salaries of our executive officers.

Base salary levels for our NEOs in fiscal year 2010 were determined by Mr. Shaked as part of his annual review process, and were set as follows:

- Mr. Shaked: $640,000, which was the same base salary as he received in fiscal year 2009;
- Mr. Langsdorf: $357,000, which was 2% higher than the base salary he received in fiscal year 2009; and
- Mr. DeMerit: $260,000, which was approximately 11% higher than the base salary he received in fiscal year 2009.

The base salary increases for Messrs. Langsdorf and DeMerit were, in part, designed to reward these executives for their management activities during the 2009 fiscal year, to maintain their level of income with respect to cost of living increases and, with respect to Mr. DeMerit, to reflect the growth of our e-commerce business.

For fiscal year 2011, Mr. Griesemer, who was hired as our President and Chief Executive Officer effective as of February 21, 2011, will earn an annual base salary of $700,000, pursuant to the terms of his offer letter with us dated January 15, 2011.

Annual Cash Bonus

Historically, we have not had a formal written bonus plan, and the overall bonus pool and amounts to be awarded to our NEOs and other employees have been determined at the discretion of Mr. Shaked based upon his subjective consideration of individual and company performance and other factors. In fiscal year 2010, Messrs.

Langsdorf and DeMerit each were awarded a discretionary annual bonus of $100,000 for fiscal year 2009, which was determined by means of a subjective analysis by Mr. Shaked. Mr. Shaked determined that the bonus awarded to Mr. Langsdorf was merited in part due to Mr. Langsdorf's management of our company's finances during a growth period, and that the bonus awarded to Mr. DeMerit was merited in part due to the continued growth of our e-commerce business.

Upon completion of this offering, we intend for our compensation committee to take a significant role in developing an annual bonus plan that will establish bonus target levels. We anticipate that the target bonus levels will be based on the achievement of corporate objectives, such as operating income and other company or individual performance metrics. We believe that establishing cash bonus opportunities will help us attract and retain qualified and highly skilled executives, and tying such bonuses to the achievement of corporate performance goals will further our pay-for-performance philosophy moving forward as a public company. The compensation committee may also determine that from time to time it is in the best interests of the company and its stockholders to provide additional discretionary bonuses outside of the annual bonus program based on individual performance or any other performance factors it deems relevant.

For fiscal year 2011, our board of directors has adopted an annual incentive cash bonus plan for selected corporate office personnel, including certain NEOs, based upon achievement of operating income and comparable store sales targets. The specific target corporate performance levels are determined by our compensation committee at the beginning of the fiscal year based on our current year financial performance objectives consistent with our long-term financial goals. The bonus amounts are based upon a percentage of each participant's base salary in effect at the end of the given fiscal year. The terms of Mr. Griesemer's 2011 incentive bonus were separately set forth in his offer letter dated January 15, 2011.

Depending upon corporate performance, at target, our Chief Strategy Officer may receive 100% of his base salary, our Chief Financial Officer may receive 50% of his base salary and our Chief Operating Officer may receive 40% of his base salary. The Company must meet minimum financial performance objectives established by the board of directors prior to participants receiving their annual incentive bonus. The actual bonuses awarded in any year, if any, may be more or less than the target, depending on the achievement of the corporate objectives. For 2011, the corporate objectives are operating income and comparable store sales, weighted 75% and 25%, respectively. The minimum financial performance established by the Compensation Committee in order for the Chief Strategy Officer and Chief Financial Officer to be eligible for a bonus is 85% of target for each of these corporate objectives. The annual performance bonus amount increases in a linear manner between the minimum financial performance threshold of 85% of target, and 100% of target. The annual performance bonus amount then increases again in a linear manner between 100% of target and the maximum financial performance threshold of 130% of target.

For fiscal year 2011, Mr. Griesemer's offer letter makes him eligible to receive a target cash bonus, expressed as a percentage of base salary. Mr. Griesemer's target bonus amount is set at 100% of his base salary, with the ability to receive up to a maximum of 200% of his base salary. Payment of Mr. Griesemer's bonus for fiscal year 2011 will be based on the company's actual operating income for fiscal year 2011 as a percentage of the budgeted operating income set at the beginning of fiscal year 2011. Mr. Griesemer's bonus payout will be calculated in linear interpolations between 80% and 130% of achievement of the target operating income level.

Long-Term Equity-Based Compensation

We believe that long-term equity-based compensation is an important component of our executive compensation program. In addition, providing a portion of our NEOs' total compensation package in long-term equity-based compensation aligns the incentives of our executives with the interests of our stockholders and with our long-term corporate success. To that end, we have awarded long-term equity-based compensation in the form of options to purchase shares of our common stock under the Tilly's 2007 Stock Option Plan, or the 2007 Plan. The grants awarded under the 2007 Plan have had no public market and no certain opportunity for liquidity,

making them inherently long-term compensation. The awards have been used to motivate executives and employees to individually and collectively build long-term stockholder value that might in the future create a liquid market opportunity.

Historically, Mr. Shaked recommended the amount of all stock option grants with respect to our executive officers, and such recommendations were approved by our board of directors. Stock option grants under the 2007 Plan historically have been timed to coincide with the completion of third-party valuation reports, which the board has considered in setting the exercise price for such options. In deciding the amount of options to be awarded, Mr. Shaked engaged in an informal review process and considered the executive officer's position with our company, the size of his or her total compensation package and the amount of existing vested and unvested stock options, if any, then held by the executive officer.

We made only one grant of stock options to an NEO in fiscal year 2010, which was a grant of non-qualified stock options on April 13, 2010 to Mr. DeMerit to purchase 50,000 shares of our common stock. Like all options granted to our NEOs under the 2007 Plan, these grants vest over the course of four years, with shares vesting in equal annual installments. We believe that the four-year vesting schedule aligns our executive officers with our stockholders in achieving our long-term objectives and facilitating executive retention. In addition, options granted under our 2007 Plan are not exercisable until we complete our initial public offering.

In addition, on March 31, 2011, Mr. Griesemer received a grant of non-qualified stock options under the 2007 Plan to purchase 400,000 shares of our common stock at an exercise price of $16.26 per share. The stock options were granted in accordance with our 2007 Plan pursuant to Mr. Griesemer's offer letter. This grant will vest annually in four equal installments with the first installment vesting on February 21, 2012, the first anniversary of his employment with the company.

In connection with this offering, the board of directors intends to adopt a 2011 Equity and Incentive Award Plan, or the 2011 Plan. For further information regarding our 2011 Plan, see the discussion below under the heading " *Equity Incentive Plans—2011 Equity and Incentive Award Plan*".

Other Executive Benefits and Perquisites

We provide the following benefits to our executive officers on the same basis as other eligible employees:

- health insurance;
- holidays and sick days; and
- a 401(k) plan with matching contributions.

The vacation benefit for executive officers is determined on an individual basis. We believe these benefits are generally consistent with those offered by other companies in our industry.

In addition, during fiscal year 2010, Mr. Shaked received benefits in the form of automobile expenses and tax services paid by us. For the 2011 fiscal year, Mr. Griesemer will receive an annual automobile allowance of $18,000 and will be reimbursed for all reasonable moving expenses incurred as a result of his and his family's relocation to California pursuant to the terms of his offer letter.

Retirement Savings

We have established a 401(k) retirement savings plan for our employees, including the NEOs, who satisfy certain eligibility requirements. Under the 401(k) plan, eligible employees may elect to contribute pre-tax amounts, up to a statutorily prescribed limit, to the 401(k) plan. For 2010, the prescribed annual limit was $16,500. In addition, the company matches pre-tax contributions on behalf of eligible employees, up to a certain percentage of the individual's contribution. We believe that providing a vehicle for tax-preferred retirement savings through our 401(k) plan adds to the overall desirability of our executive compensation package and further incents our employees, including our NEOs, in accordance with our compensation policies.

2010 Option Re-Pricing

In connection with a stock option grant during fiscal year 2010, the company performed a valuation with the assistance of a third-party valuation specialist and determined that its current stock price was $8.98 per share. Concurrently with this valuation and stock option grant, our board re-priced 739,500 stock options, some of which were held by certain of our NEOs, in order to continue maintaining an equity incentive for its employees. For further information regarding the re-pricing of such stock options, see note 11 to our audited financial statements included elsewhere in this prospectus.

Employment Agreements and Severance Benefits

The employment of our NEOs historically has been at will, and we did not have any employment agreements or other severance arrangements with our NEOs for fiscal year 2010. Certain of our senior executives, including Mr. Langsdorf, are party to a Stock Option Grant Agreement in connection with option grants under our 2007 Plan that provides for certain severance benefits in the form of accelerated vesting of outstanding stock options, as described in further detail under the heading "*Potential Payments Upon Termination and Change in Control*".

Offer Letter With Daniel Griesemer

In January 2011, we entered into an offer letter with Daniel Griesemer related to our hiring of him as our President and Chief Executive Officer effective February 21, 2011, which includes certain provisions related to his compensation including severance benefits and change-in-control provisions. The compensation amounts and other terms of Mr. Griesemer's offer letter were highly individualized and resulted from arm's length negotiations and consideration of numerous factors as well as input from an independent third-party compensation consultant. Under the offer letter, Mr. Griesemer's annual base salary was set at $700,000. The offer letter further provides that Mr. Griesemer is eligible to receive an annual cash bonus for 2011 based upon our achievement of certain levels of operating income, as more fully discussed under "*Elements of 2010 Compensation—Annual Cash Bonuses*". Pursuant to the offer letter, Mr. Griesemer was granted stock options covering an aggregate of 400,000 shares of Class A common stock, as more fully discussed under "*Elements of 2010 Compensation—Long-Term Equity-Based Compensation*". The offer letter also provides for participation in our existing employee benefit programs, plus an annual automobile allowance of $18,000, a temporary housing allowance and the reimbursement of certain of his and his family's reasonable travel and moving expenses to relocate to the Orange County, California area during 2011. Pursuant to the offer letter, Mr. Griesemer may not solicit any of our employees during the term of his employment and for one year following his date of termination.

In addition, under the terms of his offer letter, Mr. Griesemer is entitled to the following severance and change in control benefits:

- Severance if his employment is terminated by us without "Cause" or by him for "Good Reason", equal to:
  - accrued but unpaid base salary, including accrued but unused vacation time;
  - 12 months of his base salary in effect at termination;
  - his annual incentive bonus for the most recently completed fiscal year, or if that year's bonus has already been paid, then the current year's annual incentive bonus based on the company's performance, pro-rated for the number of days employed during the year of termination;
  - one year acceleration of vesting of any outstanding unvested stock option or other equity awards;
  - to the extent permitted, continuation of employee benefits for the earlier of 12 months following termination or until re-employed, or at the option of the company, one lump sum payment; and
  - 90 days to exercise any unexercised and exercisable stock options, but in no event later than the expiration date of the stock options.

- Severance, if his employment is terminated because of death or disability, equal to:
  - accrued but unpaid base salary, including accrued but unused vacation time;
  - 12 months of his base salary in effect at termination;
  - his annual incentive bonus for the most recently completed fiscal year, or if that year's bonus has already been paid, then the current year's annual incentive bonus based on the company's performance, pro-rated for the number of days employed during the year of termination; and
  - to the extent permitted, continuation of employee benefits for 12 months following termination, to the extent permitted, or at the option of the company, one lump sum payment.
- Severance, if his employment is terminated because of a Change in Control, equal to:
  - accrued but unpaid base salary, including accrued but unused vacation time;
  - 18 months of his base salary in effect at termination;
  - one and a half times his annual incentive bonus for the most recently completed fiscal year, or if that year's bonus has already been paid, then one and half times the annual incentive bonus for the current year at the target rate;
  - full acceleration of vesting of any stock option or other equity grants; and
  - to the extent permitted, continuation of employee benefits for the earlier of 12 months following termination or until re-employed, or at the option of the company, one lump sum payment.

For purposes of the offer letter, "Cause" is defined as having:

- been determined by a court of law to have committed any felony;
- been convicted, or entered a plea of no contest, for violation of any criminal statute constituting a felony, provided that our board of directors reasonably determines that the continuation of his employment after such event would have an adverse impact on the operation or reputation of the company or its affiliates;
- engaged in an act of fraud, theft, embezzlement, or misappropriation against the company;
- committed one or more acts of gross negligence or willful misconduct, either within or outside the scope of his employment that has the effect of materially impairing the goodwill or business of the company or causing material damage to its property, goodwill or business, or would, if known, subject the company to public ridicule;
- failed to materially perform the duties commonly associated with the position of President and Chief Executive Officer (continuing without cure for 10 days after receipt of written notice by him from our board of directors of the need to cure);
- allowed the company's performance to be materially weaker than its competitors and the retail industry generally (as determined by our board of directors);
- materially breached the company's Code of Ethics and Business Conduct or other written company policies;
- breached the terms of his employment agreement, after we have provided him notice and given him a reasonable opportunity to cure; or
- failed to use reasonable efforts to relocate himself and his family to the Orange County, California area by September 15, 2011.

For purposes of the offer letter, "Good Reason" is defined as:

- a material diminution in his duties, responsibilities or authority as President and Chief Executive Officer of the company; or

- the company failed to pay him material compensation or benefits that are required to be provided under his employment agreement.

For purposes of the offer letter, "Change in Control" is defined as an event or series of related events where a person or group of persons acting in concert acquire direct or indirect beneficial ownership of more than 50% of the total combined voting power of the outstanding voting stock of the company or the corporation or corporations to which the assets of the company were transferred, as the case may be.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code

Generally, Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, disallows a tax deduction to any publicly held corporation for any individual remuneration in excess of $1.0 million paid in any taxable year to its chief executive officer and each of its other named executive officers, other than its chief financial officer. However, remuneration in excess of $1.0 million may be deducted if, among other things, it qualifies as "performance-based compensation" within the meaning of the Code.

As we are not currently publicly-traded, we have not previously taken the deductibility limit imposed by Section 162(m) of the Code into consideration in setting compensation. Following this offering, and at such time as Section 162(m) applies to us, we expect that, where reasonably practicable, the compensation committee may seek to qualify the compensation paid to our NEOs for the "performance-based compensation" exemption under Section 162(m) of the Code. As such, in approving the amount and form of compensation for our NEOs in the future, the compensation committee will consider all elements of the cost to us of providing such compensation, including the potential impact of Section 162(m) of the Code. The compensation committee may, in its judgment, authorize compensation payments that do not comply with the exemption from the deductibility limit in Section 162(m) of the Code when it believes that such payments are appropriate to attract and retain executive talent.

Furthermore, we do not expect Section 162(m) of the Code to apply to awards under our 2011 Plan until the earliest to occur of our annual stockholders' meeting in 2015, a material modification of the 2011 Incentive Award Plan or exhaustion of the share supply under the 2011 Plan. However, qualified performance-based compensation performance criteria may be used with respect to performance awards that are not intended to constitute qualified performance-based compensation under Section 162(m) of the Code.

Section 280G of the Internal Revenue Code

Section 280G of the Code disallows a tax deduction with respect to excess parachute payments to certain executives of companies which undergo a change in control. In addition, Section 4999 of the Code imposes a 20% excise tax on the individual with respect to the excess parachute payment. Parachute payments are compensation linked to or triggered by a change in control and may include, but are not limited to, bonus payments, severance payments, certain fringe benefits, and payments and acceleration of vesting from long-term incentive plans including stock options and other equity-based compensation. Excess parachute payments are parachute payments that exceed a threshold determined under Section 280G of the Code based on the executive's prior compensation. In approving the compensation arrangements for our NEOs in the future, our compensation committee will consider all elements of the cost to us of providing such compensation, including the potential impact of Section 280G of the Code. However, our compensation committee may, in its judgment, authorize compensation arrangements that could give rise to loss of deductibility under Section 280G of the Code and the imposition of excise taxes under Section 4999 of the Code when it believes that such arrangements are appropriate to attract and retain executive talent.

Section 409A of the Internal Revenue Code

Section 409A of the Code requires that "nonqualified deferred compensation" be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections,

timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities, penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, it is our intention to design and administer our compensation and benefits plans and arrangements for all of our employees and other service providers, including our named executive officers, so that they are either exempt from, or satisfy the requirements of, Section 409A.

2010 Summary Compensation Table

The following table sets forth certain information with respect to compensation for the year ended January 29, 2011 earned by, awarded to or paid to our NEOs.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)	Stock Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(3)	Total ($)
Hezy Shaked Chairman of the Board, Chief Strategy Officer(4)	2010	640,000	—	—	—	—	25,141	665,141
Bill Langsdorf Senior Vice President, Chief Financial Officer	2010	357,000	100,000	—	153,600	—	4,900	615,500
Craig DeMerit Vice President, Chief Operating Officer, Chief Information Officer(5)	2010	260,000	100,000	—	289,125	—	4,900	654,025

(1) Amounts represent discretionary bonus payments subjectively determined by Mr. Shaked based on factors including individual and company performance.

(2) Amounts represent the aggregate grant date fair value of option awards granted during 2010, as well as any incremental fair value of previously granted options that were re-priced on October 8, 2010, computed in accordance with ASC Topic 718. Mr. Langsdorf did not receive any stock option awards during fiscal 2010, and the entire amount reported in this column with respect to Mr. Langsdorf represents the incremental fair value of stock options initially granted on August 27, 2007, which were re-priced on October 8, 2010 along with all other outstanding stock option awards with an exercise price in excess of $8.98 per share. With respect to Mr. DeMerit, the amount reported in this column represents the full grant date fair value of an award granted on April 13, 2010 with an exercise price of $9.64, as well as the incremental fair value of that award and a stock option award initially granted on August 27, 2007, due to the re-pricing of both of those stock option awards on October 8, 2010. For further discussion of the fiscal 2010 option re-pricing, see “Compensation Discussion and Analysis—2010 Option Re-Pricing”, and note 11 to our audited financial statements included elsewhere in this prospectus. For a discussion of valuation assumptions for the fiscal 2010 grants, see note 11 to our audited financial statements included elsewhere in this prospectus.

(3) Amounts represent the company’s 401(k) employee match contributions paid with respect to each NEO. With respect to Mr. Shaked, in addition to $4,900 for the company’s 401(k) match, all other compensation includes automobile expenses paid by the company of $12,481 and tax preparation services of $7,760.

(4) Mr. Shaked served as our President and Chief Executive Officer for all of fiscal year 2010 and up until he was succeeded in such role upon our hiring of Mr. Griesemer effective February 21, 2011. Mr. Shaked was appointed as Chief Strategy Officer, a newly created position, effective on February 21, 2011, and he continues to serve as Chairman of our board of directors.

(5) During fiscal year 2010, Mr. DeMerit served as our Vice President and Chief Information Officer. In addition to maintaining these titles, Mr. DeMerit currently serves as our Chief Operating Officer, a position which he has held since February 21, 2011.

Grants of Plan-Based Awards Table

The following table sets forth certain information with respect to grants of plan-based awards during fiscal year 2010 to our NEOs, as applicable, as well as information regarding certain stock options granted to our NEOs in prior years that were re-priced in October 2010. A separate line item is provided for each grant of an award made to, and each re-priced option held by, an NEO:

Name	Grant Date	Vesting Commencement Date	All Other Stock Option Awards: Number of Securities Underlying Options(1)	Exercise or Base Price of Stock Option Awards(2)	Grant Date Fair Value of Stock Option Awards(3)
Craig DeMerit	4/13/2010	4/13/2010	50,000	$ 9.64(4)	$252,140
	10/8/2010(5)	4/13/2010	50,000(6)	$ 8.98(7)	8,185
	10/8/2010(5)	8/1/2007	30,000(8)	$ 8.98(7)	28,800
Bill Langsdorf	10/8/2010(5)	8/1/2007	160,000(8)	$ 8.98(7)	153,600

(1) The only stock option award actually granted to an NEO during fiscal year 2010 was the 50,000 stock option award granted to Mr. DeMerit on April 13, 2010. All other stock option awards included in this column are included due to the re-pricing of stock options on October 8, 2010 that were previously granted with exercise prices in excess of $8.98 per share. For further information regarding the re-pricing of such stock options, see note 11 to our audited financial statements included in this prospectus.

(2) On October 8, 2010, our board of directors re-priced all stock options granted prior to October 8, 2010 that had an exercise price greater than $8.98 per share, to $8.98 per share. Our board of directors did not modify any other terms of the re-priced stock options.

(3) The amounts included in the "Grant Date Fair Value of Stock Option Awards" column represent the full grant date fair value of stock options granted on April 13, 2010, or the incremental fair value of stock options re-priced on October 8, 2010 (including stock options granted on April 13, 2010), calculated in accordance with ASC Topic 718. The valuation assumptions used in determining such amounts are described in note 11 to our audited financial statements included in this prospectus.

(4) Represents the initial exercise price of these stock options on the date of grant. These stock options were re-priced on October 8, 2010 to an exercise price of $8.98 per share.

(5) Date the stock options were re-priced. Other than the exercise price, no other terms of the re-priced stock options were modified and these re-priced stock options will continue to vest according to their original vesting schedules and will retain their original expiration dates.

(6) The stock options included in this line item are the same stock options underlying the award included in the line item immediately above. The stock options included in this line item are presented as a separate line item due to the re-pricing of those awards on October 8, 2010, to an exercise price of $8.98 per share.

(7) Exercise price of the stock options that were re-priced on October 8, 2010.

(8) Stock options initially granted to the NEO on August 27, 2007, which were re-priced on October 8, 2010.

Outstanding Equity Awards at July 30, 2011

The following table sets forth information with respect to outstanding equity awards held by our NEOs as of July 30, 2011.

	Stock Option Awards(1)				
Name	Number of Securities Underlying Unexercised Stock Options Exercisable	Number of Securities Underlying Unexercised Stock Options Unexercisable (2)(3)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Bill Langsdorf	—	160,000	—	$8.98	8/27/2017
	—	50,000	—	$6.45	4/20/2019
Craig DeMerit	—	30,000	—	$8.98	8/27/2017
	—	10,000	—	$6.45	4/20/2019
	—	50,000	—	$8.98	4/13/2020

(1) These stock option awards vest over the course of four years with shares vesting in equal annual installments, subject to continued employment with us. The table below shows on a grant-by-grant basis the vesting schedules relating to the option awards which are represented in the above table in the aggregate.

	Option Awards Vesting Schedule	
Name	Grant Date	Vesting Schedule
Bill Langsdorf	4/20/2009	12,500 shares vested on 4/20/2010
		12,500 shares vested on 4/20/2011
		12,500 shares vest on 4/20/2012
		12,500 shares vest on 4/20/2013
	8/27/2007	40,000 shares vested on 8/1/2008
		40,000 shares vested on 8/1/2009
		40,000 shares vested on 8/1/2010
		40,000 shares vest on 8/1/2011
Craig DeMerit	4/13/2010	12,500 shares vested on 4/13/2011
		12,500 shares vest on 4/13/2012
		12,500 shares vest on 4/13/2013
		12,500 shares vest on 4/14/2014
	4/20/2009	2,500 shares vested on 4/20/2010
		2,500 shares vested on 4/20/2011
		2,500 shares vest on 4/20/2012
		2,500 shares vest on 4/20/2013
	8/27/2007	7,500 shares vested on 8/1/2008
		7,500 shares vested on 8/1/2009
		7,500 shares vested on 8/1/2010
		7,500 shares vest on 8/1/2011

(2) The vested stock options included in this column will not become exercisable until we consummate our initial public offering.

(3) On October 8, 2010, our board of directors re-priced all stock options granted prior to October 8, 2010 that had an exercise price greater than $8.98 per share, to $8.98 per share, as further described in note 11 to our audited financial statements included in this prospectus. In connection with the re-pricing of the stock

options, the holder entered into a Re-priced Option Agreement with us. The Re-priced Option Agreement amended only the exercise price of the prior stock option grant, and all other terms of the prior stock option grant remained unchanged.

Options Exercised and Stock Vested

None of the stock options granted by the company were exercised during fiscal year 2010 or at any time prior to such fiscal year. Pursuant to option agreements entered into by our NEOs under the 2007 Plan, the stock options are not exercisable until the company completes its initial public offering.

Pension Benefits

Our NEOs did not participate in or have account balances in qualified or nonqualified defined benefit plans sponsored by us during fiscal year 2010. Our board of directors or compensation committee may elect to adopt qualified or nonqualified benefit plans in the future if it determines that doing so is in our best interest.

Nonqualified Deferred Compensation

Our NEOs did not participate in or have account balances in nonqualified defined contribution plans or other nonqualified deferred compensation plans maintained by us during fiscal year 2010. Our board of directors or compensation committee may elect to provide our executive officers and other employees with nonqualified defined contribution or other nonqualified deferred compensation benefits in the future if it determines that doing so is in our best interest.

Potential Payments Upon Termination or Change in Control

Mr. Langsdorf's Stock Option Grants

Under our 2007 Plan, the board of directors has discretion to provide for accelerated vesting of options upon a "change in control" as defined therein. For further information regarding what constitutes a change in control for purposes of our 2007 Plan, see " *Equity Incentive Plans—2007 Stock Option Plan —Effect on Awards of Certain Corporate Transactions*". The board of directors has exercised this discretion with respect to a form Stock Option Agreement entered into with certain senior executives, or the Senior Executive Option Agreement. Mr. Langsdorf is party to the Senior Executive Option Agreement, which provides, in relevant part, that the right to exercise 50% of the unvested portion of the options granted thereunder will accelerate automatically and vest in full effective as of immediately prior to the consummation of a change in control. Other executives and employees, including Mr. DeMerit, are party to a form Stock Option Agreement that does not provide for such acceleration of vesting.

As of July 29, 2011, the last business day of the twenty-six weeks ended July 30, 2011, Mr. Langsdorf held 32,500 options that are subject to vesting upon a change in control. We estimate the value attributable to such accelerated vesting to be $, based on the difference between the weighted average exercise price of the options, $8.01, and the mid-point of the range of initial public offering prices of our Class A common stock listed on the cover page of this prospectus, $.

Mr. Griesemer's Offer Letter

As of July 29, 2011, the last business day of the twenty-six weeks ended July 30, 2011, Mr. Griesemer held 400,000 options that are subject to vesting upon a change in control. We estimate the value attributable to such accelerated vesting to be $, based on the difference between the weighted average exercise price of the options, $16.26, and the mid-point of the price range set forth on the cover page of this prospectus, $. For

further information regarding the severance benefits payable to Mr. Griesemer pursuant to the terms of his offer letter with us, see the disclosure above under the heading "*Employment Agreements and Severance Benefits—Offer Letter With Daniel Griesemer*".

Equity Incentive Plans

2007 Stock Option Plan

Our board of directors adopted our 2007 Plan effective June 20, 2007, which had an aggregate 1,600,000 shares available under the plan. No shares of common stock have been issued upon exercise of any options granted under the 2007 Plan because the options do not become exercisable until after our initial public offering. In connection with the holding company formation described elsewhere in this prospectus, all stock options granted under the 2007 Plan will be converted into options to purchase shares of our Class A common stock and such options will continue to be governed by the terms of the 2007 Plan. Upon consummation of this offering, no further grants will be made under our 2007 Plan.

Administration

The 2007 Plan is administered by our board of directors. Our board of directors has the authority to determine the exercise price of the awards, the recipients of awards granted under the 2007 Plan and the terms, conditions and restrictions applicable to all awards granted under the 2007 Plan. Our board of directors approved the form of award agreement and has authority to accelerate, continue, extend or defer the exercisability of any award issued under the 2007 Plan.

Eligibility

The 2007 Plan permits us to grant awards to our officers, employees, non-employee directors and consultants or advisors.

Awards

The 2007 Plan provides for the grant of incentive stock options and non-qualified stock options or a combination of the foregoing, but only non-qualified stock options have been issued under the 2007 Plan as of January 29, 2011.

Stock Options and Option Agreements

Non-qualified stock options have been granted pursuant to non-qualified stock option agreements adopted and approved by our board of directors. Our board of directors determines the exercise price for a stock option, within the terms and conditions of the 2007 Plan, which for each grant has been equal to 100% of the fair value of our common stock on the date of such grant as determined by our board of directors based on objective and subjective factors including valuation reports prepared by a third-party valuation firm setting forth its best estimate of the fair market value of our common stock as of each valuation date. Options granted under the 2007 Plan vest over the course of four years with shares vesting in equal annual installments.

The term of stock options granted under the 2007 Plan is ten years, except in cases of termination. Unless the terms of an option holder's stock option agreement provided otherwise, if an option holder's relationship with us ceases for any reason other than for cause, resignation with the consent of our board of directors or disability, death or retirement, the option holder may exercise any vested options for a period of 30 days following the cessation of service, provided we have completed our initial public offering. With respect to Mr. Griesemer, his offer letter provides that such rights to exercise any vested options will last for a period of 90 days following cessation of his employment with us, provided we have completed our initial public offering. If an option holder's service relationship with us is terminated for cause, then the option terminates immediately. Unless the

terms of an option holder's stock option agreement provided otherwise, if an option holder's service relationship ceases due to disability or death the option holder or a beneficiary of such option holder may exercise any vested options for a period of 12 months following the date of such termination due to disability or death.

No option may be assigned or transferred by the option holder except, in the event of the death of such option holder, by will or the laws of descent and distribution. In addition, our board of directors may amend, modify, extend, cancel or renew any outstanding option or may waive any restrictions or conditions applicable to any outstanding option. Each option is evidenced by a written agreement, which contains the terms and conditions of such option.

Effect on Awards of Certain Corporate Transactions

The 2007 Plan provides the board of directors with discretion to enter into agreements providing terms and conditions related to the vesting of options in the event of a "change in control." Under the 2007 Plan a change in control is defined as the occurrence of one of the following events:

- the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the company of more than 50% of the voting stock of the company;
- a merger or consolidation in which the company is a party (excluding a merger for purposes of reincorporating the company's jurisdiction of incorporation);
- the sale, exchange or transfer of all or substantially all of the assets of the company; or
- a liquidation or dissolution of the company.

Pursuant to stock option agreements entered into with Mr. Langsdorf and the offer letter entered into with Mr. Griesemer, if we experience a change in control, 100% of the unvested options outstanding for Mr. Griesemer and 50% of the unvested options outstanding for Mr. Langsdorf will immediately vest or become exercisable. For Mr. Langsdorf, the acquiring or surviving corporation may either assume or continue outstanding awards, or substitute equivalent awards for such awards. Alternatively, the acquiring or surviving corporation may instead terminate and cancel outstanding awards in exchange for a payment equal to the excess of the value of the shares that the recipient would have received upon the exercise of the awards over the exercise price or amount otherwise payable.

2011 Equity and Incentive Award Plan

We intend to adopt the 2011 Plan upon consummation of this offering. The principal purpose of the 2011 Plan is to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards. The 2011 Plan is also designed to permit us to make cash-based awards and equity-based awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

Share Reserve

Under the 2011 Plan, shares of our Class A common stock will be initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, or SARs, restricted stock awards, restricted stock unit awards, deferred stock awards, deferred stock unit awards, dividend equivalent awards, stock payment awards and performance awards and other stock-based awards.

The following counting provisions will be in effect for the share reserve under the 2011 Plan:

- to the extent that an award terminates, expires or lapses for any reason or an award is settled in cash without the delivery of shares, any shares subject to the award at such time will be available for future grants under the 2011 Plan;

- to the extent shares are tendered or withheld to satisfy the grant, exercise price or tax withholding obligation with respect to any award under the 2011 Plan, such tendered or withheld shares will be available for future grants under the 2011 Plan;
- to the extent that shares of our Class A common stock are repurchased by us prior to vesting so that shares are returned to us, such shares will be available for future grants under the 2011 Plan;
- the payment of dividend equivalents in cash in conjunction with any outstanding awards will not be counted against the shares available for issuance under the 2011 Plan; and
- to the extent permitted by applicable law or any exchange rule, shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by us or any of our subsidiaries will not be counted against the shares available for issuance under the 2011 Plan.

Administration

The compensation committee of our board of directors will administer the 2011 Plan unless our board of directors assumes authority for administration. The compensation committee must consist of at least two members of our board of directors, each of whom is intended to qualify as an "outside director" within the meaning of Section 162(m) of the Code, a "non-employee director" for purposes of Rule 16b-3 under the Exchange Act and an "independent director" within the meaning of the rules of the NYSE, or other principal securities market on which shares of our common stock are traded. The 2011 Plan provides that the compensation committee may delegate its authority to grant awards to employees other than executive officers and certain senior executives of the company to a committee consisting of one or more members of our board of directors or one or more of our officers.

Subject to the terms and conditions of the 2011 Plan, the administrator has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject to awards and the terms and conditions of awards, and to make all other determinations and to take all other actions necessary or advisable for the administration of the 2011 Plan. The administrator is also authorized to adopt, amend or rescind rules relating to administration of the 2011 Plan. Our board of directors may at any time remove the compensation committee as the administrator and reinstate in itself the authority to administer the 2011 Plan. Our full board of directors will administer the 2011 Plan with respect to awards to non-employee directors.

Eligibility

Options, SARs, restricted stock and all other stock-based and cash-based awards under the 2011 Plan may be granted to individuals who are then our officers, employees or consultants or are the officers, employees or consultants of certain of our subsidiaries. Such awards also may be granted to our directors. Only employees of our company or certain of our subsidiaries may be granted incentive stock options, or ISOs.

Awards

The 2011 Plan provides that the administrator may grant or issue stock options, SARs, restricted stock, restricted stock units, or RSUs, deferred stock, deferred stock units, dividend equivalents, performance awards, stock payments and other stock-based and cash-based awards, or any combination thereof. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

- **Nonqualified Stock Options**, or NQSOs, will provide for the right to purchase shares of our Class A common stock at a specified price which may not be less than fair market value on the date of grant, and usually will become exercisable (at the discretion of the administrator) in one or more installments after the grant date, subject to the participant's continued employment or service with us and/or subject

to the satisfaction of corporate performance targets and individual performance targets established by the administrator. NQSOs may be granted for any term specified by the administrator that does not exceed ten years.

- **Incentive Stock Options** will be designed in a manner intended to comply with the provisions of Section 422 of the Code and will be subject to specified restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price of not less than the fair market value of a share of Class A common stock on the date of grant, may only be granted to employees, and must not be exercisable after a period of ten years measured from the date of grant. In the case of an ISO granted to an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of our capital stock, the 2011 Plan provides that the exercise price must be at least 110% of the fair market value of a share of Class A common stock on the date of grant and the ISO must not be exercisable after a period of five years measured from the date of grant.
- **Restricted Stock**, which shall be Class A common stock, may be granted to any eligible individual and made subject to such restrictions as may be determined by the administrator. Restricted stock, typically, may be forfeited for no consideration or repurchased by us at the original purchase price if the conditions or restrictions on vesting are not met. In general, restricted stock may not be sold or otherwise transferred until restrictions are removed or expire. Recipients of restricted stock, unlike recipients of options, generally will have voting rights and will have the right to receive dividends, if any, prior to the time when the restrictions lapse; however, extraordinary dividends will generally be placed in escrow, and will not be released until restrictions are removed or expire.
- **Restricted Stock Units** may be awarded to any eligible individual, typically without payment of consideration, but subject to vesting conditions based on continued employment or service or on performance criteria established by the administrator. Like restricted stock, RSUs may not be sold, or otherwise transferred or hypothecated, until vesting conditions are removed or expire. Unlike restricted stock, stock underlying RSUs will not be issued until the RSUs have vested, and recipients of RSUs generally will have no voting or dividend rights prior to the time when vesting conditions are satisfied.
- **Deferred Stock Awards and Deferred Stock Unit Awards** represent the right to receive shares of our Class A common stock on a future date. Deferred stock may not be sold or otherwise hypothecated or transferred until issued. Deferred stock will not be issued until the deferred stock award has vested, and recipients of deferred stock generally will have no voting or dividend rights prior to the time when the vesting conditions are satisfied and the shares are issued. Deferred stock awards generally will be forfeited, and the underlying shares of deferred stock will not be issued, if the applicable vesting conditions and other restrictions are not met.
- **Stock Appreciation Rights** may be granted in connection with stock options or other awards, or separately. SARs granted in connection with stock options or other awards typically will provide for payments to the holder based upon increases in the price of our Class A common stock over a set exercise price. The exercise price of any SAR granted under the 2011 Plan must be at least 100% of the fair market value of a share of our Class A common stock on the date of grant. Except as required by Section 162(m) of the Code with respect to a SAR intended to qualify as performance-based compensation as described in Section 162(m) of the Code, there are no restrictions specified in the 2011 Plan on the exercise of SARs or the amount of gain realizable therefrom, although restrictions may be imposed by the administrator in individual SAR agreements. SARs under the 2011 Plan will be settled in cash or shares of our common stock, or in a combination of both, at the election of the administrator.
- **Dividend Equivalents** represent the value of the dividends, if any, per share paid by us, calculated with reference to the number of shares covered by the award. Dividend equivalents may be settled in cash or shares and at such times as determined by the compensation committee or board of directors, as applicable.

- **Performance Awards** may be granted by the administrator on an individual or group basis. Generally, these awards will be based upon specific performance targets and may be paid in cash or in Class A common stock or in a combination of both. Performance awards may also include bonuses that may be granted by the administrator on an individual or group basis and which may be payable in cash or in common stock or in a combination of both.
- **Stock Payments** may be authorized by the administrator in the form of Class A common stock or an option or other right to purchase Class A common stock as part of a deferred compensation or other arrangement in lieu of all or any part of compensation, including bonuses, that would otherwise be payable in cash to the employee, consultant or non-employee director.

Change in Control

In the event of a change in control where the acquirer does not assume or replace awards granted under the 2011 Plan, awards issued under the 2011 Plan will be subject to accelerated vesting such that 100% of such awards will become vested and exercisable or payable, as applicable, prior to the consummation of such transaction. If not exercised or paid the awards will terminate upon consummation of the transaction. In addition, the administrator will also have complete discretion to structure one or more awards under the 2011 Plan to provide that such awards will become vested and exercisable or payable on an accelerated basis in the event such awards are assumed or replaced with equivalent awards but the individual's service with us or the acquiring entity is subsequently terminated within a designated period following the event resulting in a change in control. The administrator may also make appropriate adjustments to awards under the 2011 Plan and is authorized to provide for the acceleration, cash-out, termination, assumption, substitution or conversion of such awards in the event of a change in control or certain other unusual or nonrecurring events or transactions. Under the 2011 Plan, a change in control is generally defined as:

- the transfer or exchange in a single or series of related transactions by our stockholders of more than 50% of our voting stock to a person or group;
- a change in the composition of our board of directors over a two-year period such that 50% or more of the members of the board of directors were elected through one or more contested elections;
- a merger, consolidation, reorganization or business combination in which we are involved, directly or indirectly, other than a merger, consolidation, reorganization or business combination which results in our outstanding voting securities immediately before the transaction continuing to represent a majority of the voting power of the acquiring company's outstanding voting securities and after which no person or group beneficially owns 50% or more of the outstanding voting securities of the surviving entity immediately after the transaction;
- the sale, exchange, or transfer of all or substantially all of our assets; or
- stockholder approval of our liquidation or dissolution.

Adjustments of Awards

In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization, distribution of our assets to stockholders (other than normal cash dividends) or any other corporate event affecting the number of outstanding shares of our common stock or the share price of our common stock that would require adjustments to the 2011 Plan or any awards under the 2011 Plan in order to prevent the dilution or enlargement of the potential benefits intended to be made available thereunder, the administrator shall make appropriate, proportionate adjustments to:

- the aggregate number and type of shares subject to the 2011 Plan;
- the number and kind of shares subject to outstanding awards;
- the terms and conditions of outstanding awards (including, without limitation, any applicable performance targets or criteria with respect to such awards); and/or

- the grant or exercise price per share of any outstanding awards under the 2011 Plan.

Amendment and Termination

Our board of directors or the committee (with board of directors approval) may terminate, amend or modify the 2011 Plan at any time and from time to time. However, we must generally obtain stockholder approval:

- to increase the number of shares available under the 2011 Plan (other than in connection with certain corporate events, as described above); or
- to the extent required by applicable law, rule or regulation (including any applicable stock exchange rule).

Notwithstanding the foregoing, the per share exercise price of an option may be reduced below the per share exercise price of such option as of such option's grant date, and options may be granted in exchange for, or in connection with, the cancellation or surrender of options having a higher per share exercise price without receiving additional stockholder approval.

Expiration Date

No option or other award may be granted pursuant to the 2011 Plan after the tenth anniversary of the effective date of the 2011 Plan. Any award that is outstanding on the expiration date of the 2011 Plan will remain in force according to the terms of the 2011 Plan and the applicable award agreement.

Effective Date

The 2011 Plan will become effective prior to the completion of this offering.

RELATED PARTY TRANSACTIONS

We describe below transactions and series of similar transactions that have occurred this year or during our last three fiscal years to which we were a party or will be a party in which:

- the amounts involved exceeded or will exceed $120,000; and
- a director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

The following persons and entities that participated in the transactions listed in this section were related persons at the time of the transaction:

Hezy Shaked, Tilly Levine, Shaked Holdings, LLC and Amnet Holdings, LLC . Mr. Shaked is our Co-Founder, Chairman of the Board of Directors, one of our executive officers and a holder of more than 5% of our common stock. Ms. Levine is our Co-Founder and a holder of more than 5% of our common stock. Mr. Shaked and Ms. Levine are the sole members of Shaked Holdings, LLC, or Shaked Holdings, and own 63.0% and 37.0% of Shaked Holdings, respectively. Mr. Shaked is the sole member and owner of Amnet Holdings, LLC, or Amnet Holdings.

Amy Shaked, Netta Schroer-Shaked, GRAT Trust #1 and GRAT Trust #2. Amy Shaked and Netta Schroer-Shaked are the daughters of Mr. Shaked and Ms. Levine. Ms. Shaked and Ms. Schroer-Shaked are also co-trustees of each of the HS Annuity Trust Established August 6, 2010, or the GRAT Trust #1, and the TL Annuity Trust Established August 6, 2010, or the GRAT Trust #2. Each of the GRAT Trust #1 and the GRAT Trust #2 hold more than 5% of our common stock.

Daniel Griesemer. Mr. Griesemer is our President and Chief Executive Officer and a member of our board of directors.

Seth Johnson and Janet Kerr. Mr. Johnson and Ms. Kerr are members of our board of directors.

"S" Corporation Distribution

Prior to the completion of this offering, World of Jeans & Tops, our wholly owned operating subsidiary upon completion of this offering, will terminate its "S" Corporation status and it will become a "C" Corporation for U.S. federal and state income tax purposes. Prior to the termination of the "S" Corporation status of World of Jeans & Tops, it will distribute to its existing shareholders, in proportion to their ownership of shares, notes in an aggregate principal amount equal to approximately $ million, or 100% of World of Jeans & Tops' undistributed taxable income from the date of its formation up to the date of termination of its "S" Corporation status. Upon the completion of this offering, we will use approximately $ million from the net proceeds from this offering to pay in full the principal amount of these undistributed earnings notes as described under "Use of Proceeds". The shareholders and the amounts payable to each shareholder and their respective related trusts are as follows:

Shareholder	Distribution
Hezy Shaked	$
Tilly Levine	$
GRAT Trust #1	$
GRAT Trust #2	$

Tax Indemnification Agreements

Prior to or upon the completion of this offering, we will enter into certain tax indemnification agreements with each of our existing stockholders who were also the shareholders of World of Jeans & Tops prior to termination of its "S" Corporation status: the Hezy Shaked Living Trust, the Tilly Levine Separate Property Trust, the GRAT Trust #1 and the GRAT Trust #2. Pursuant to such tax indemnification agreements, we will agree to indemnify, defend and hold harmless each such shareholder on an after-tax basis against additional income taxes, plus interest and penalties resulting from adjustments made, as a result of a final determination made by a competent tax authority, to the taxable income World of Jeans & Tops reported as an "S" Corporation. Such agreement will also provide that we defend and hold harmless such shareholders against any losses, costs or expenses, including reasonable attorneys' fees, arising out of a claim for such tax liability.

Certain Employees of the Company

We employ Ms. Levine as our Vice President of Vendor Relations. In fiscal year 2010, Ms. Levine received base compensation of $220,000 and other compensation in the amount of $29,605, which included personal travel expenses, use of a company car and insurance payments, tax services and 401(k) matching contributions. Ms. Levine also participated in our health and wellness program available to all other employees.

We employ Amy Shaked as our Fashion Coordinator in the Merchandising Department. In fiscal year 2010, Ms. Shaked received base compensation of $137,900, a one-time cash bonus of $150,000 and other compensation in the amount of $7,115 which included use of a company car and insurance payments, tax services and 401(k) matching contributions. Ms. Shaked also participated in our health and wellness program available to all other employees.

We employ Netta Schroer-Shaked as an e-Commerce Assistant. In fiscal year 2010, Ms. Schroer-Shaked received base compensation of $41,600, a one-time cash bonus of $30,000 and other compensation in the amount of $1,193, which included tax services and 401(k) matching contributions. Ms. Schroer-Shaked also participated in our health and wellness program available to all other employees.

Leasing Arrangements

We lease approximately 172,000 square feet for our corporate headquarters and distribution center located at 10 Whatney and 12 Whatney, Irvine, California, from Shaked Holdings, the sole owners of which are Mr. Shaked and Ms. Levine. This lease began January 1, 2003 and expires December 31, 2012, with multiple options to renew thereafter. The lease provides for an initial base monthly lease payment of $120,627, which is adjusted annually based upon the Los Angeles/Anaheim/Riverside Urban Consumer Price Index, not to exceed 7% in any one annual increase. As of July 30, 2011, our monthly lease payment was $150,145. Prior to signing the lease, we received an independent market analysis regarding these properties and, therefore, we believe the terms of this lease are reasonable and are not materially different than terms we would have obtained from an unaffiliated third party.

On September 2, 2011, we entered into a lease for approximately 26,000 square feet of office and warehouse space located at 11 Whatney, Irvine, California with Amnet Holdings, LLC. Mr. Shaked is the sole member of Amnet Holdings. This property is currently being constructed by the landlord, and construction is expected to be completed during the first half of fiscal year 2012. We intend to use this property as our e-commerce distribution center. Our lease terminates ten years from the earlier of (i) the date the building is substantially completed or (ii) the date we can access the building and begin tenant improvements. The lease provides for base monthly payments of $27,037 which adjust annually based upon the Los Angeles/Anaheim/Riverside Urban Consumer Price Index, not to exceed 7%, but a minimum of 3%, in any one annual increase. We are not required to make lease payments until access to the property has been granted to begin tenant improvements. Prior to signing the lease, we received an independent market analysis regarding this property and

therefore we believe the terms of this lease are reasonable and are not materially different than terms we would have obtained from an unaffiliated third party.

We also lease approximately 24,000 square feet of office and warehouse space located at 15 Chrysler, Irvine, California, from Amnet Holdings. This lease began November 1, 2010 and expires October 31, 2014. The lease provides for an initial base monthly lease payment of $15,562, which increases every 12 months at $0.03 per square foot. As of July 30, 2011, our monthly lease payment was $15,562. We sublease approximately 17,000 square feet of this space to an unrelated third party. The sublease began on December 1, 2010 and terminates on May 31, 2014. The sublease provides for an initial base monthly lease payment of $11,223, which increases annually at a rate of $0.03 per square foot. Prior to signing the lease, we received an independent market analysis regarding this property and, therefore, we believe the terms of this lease are reasonable and are not materially different than terms we would have obtained from an unaffiliated third party.

The lease for the property at 15 Chrysler is accounted for as an operating lease. With respect to the lease for the properties at 10 Whatney and 12 Whatney, the land component is accounted for as an operating lease and the building component is accounted for as a capital lease. As of July 30, 2011, future minimum rental commitments under the portion of these related party leases accounted for as operating leases were approximately $6,192,000 in the aggregate. As of July 30, 2011, future minimum lease payments under the portion of the related party lease for 10 and 12 Whatney accounted for as a capital lease were approximately $6,030,000 in the aggregate.

Consulting Fees

We entered into independent contractor agreements with each of Ms. Kerr and Mr. Johnson in July 2008 to serve as a consultant to our management and board of directors. In connection with these agreements, these individuals received the following compensation:

	Janet Kerr	Seth Johnson
2008	$ 3,000	$ 3,000
2009	$ 6,000	$ 7,000
2010	$ 6,500	$ 6,500

These independent contractor agreements with Ms. Kerr and Mr. Johnson were terminated prior to their appointment to our board of directors.

In addition, Ms. Kerr and Mr. Johnson were each granted stock options in April 2009 to purchase 7,500 shares of the company's common stock at a price of $6.45 per share. These options vest in four equal annual installments with the first vesting date having occurred on July 3, 2009 for Ms. Kerr and July 9, 2009 for Mr. Johnson. We must complete an initial public offering before any vested stock options become exercisable.

Loan Guaranty

The company provided a guaranty of the loan obtained by Shaked Holdings for its purchase of the properties at 10 Whatney and 12 Whatney. The initial principal amount of the loan was $9.2 million. As of January 29, 2011, the outstanding balance of the loan was $5.3 million. As of March 9, 2011, the financial institution holding the mortgage guaranty cancelled the guaranty.

Offer Letter with Daniel Griesemer

Pursuant to the offer letter entered into between us and Mr. Griesemer dated January 15, 2011, Mr. Griesemer will be nominated to serve as a member of our board of directors, subject to any legal limitations, upon consummation of our initial public offering. For more information regarding the terms of our offer letter with Mr. Griesemer, including compensation payable pursuant thereto, see the discussion included in "Executive Compensation—Employment Agreements and Severance Benefits".

Indemnification Agreements

We expect to enter into indemnification agreements with each of our directors and executive officers. Each indemnification agreement will provide that, subject to limited exceptions, and among other things, we will indemnify the director or executive officer to the fullest extent permitted by law for claims arising in his or her capacity as our director or officer. See "Description of Capital Stock—Limitations on Liability and Indemnification Matters" for a general description of these agreements.

Review, Approval or Ratification of Transactions with Related Persons

Prior to the completion of this offering, our board of directors will adopt a written statement of policy for the evaluation of and the approval, disapproval and monitoring of transactions involving us and "related persons." For the purposes of the policy, "related persons" will include our executive officers, directors and director nominees or their immediate family members, or stockholders owning five percent or more of our outstanding common stock.

Our related person transactions policy will require:

- that any transaction in which a related person has a material direct or indirect interest and which exceeds $120,000, such transaction referred to as a "related person transaction," and any material amendment or modification to a related person transaction, be evaluated and approved or ratified by our audit committee or by the disinterested members of the audit committee; and
- that any employment relationship or transaction involving an executive officer and any related compensation solely resulting from that employment relationship or transaction must be approved by the compensation committee of our board of directors or recommended by the compensation committee to the board of directors for its approval.

In connection with the review and approval or ratification of a related person transaction:

- management must disclose to the audit committee or the disinterested members of the audit committee, as applicable, the material terms of the related person transaction, including the approximate dollar value of the amount involved in the transaction, and all the material facts as to the related person's direct or indirect interest in, or relationship to, the related person transaction;
- management must advise the audit committee or the disinterested members of the audit committee, as applicable, as to whether the related person transaction complies with the terms of our agreements governing our material outstanding indebtedness;
- management must advise the audit committee or the disinterested members of the audit committee, as applicable, as to whether the related person transaction will be required to be disclosed in our SEC filings. To the extent it is required to be disclosed, management must ensure that the related person transaction is disclosed in accordance with SEC rules; and
- management must advise the audit committee or the disinterested members of the audit committee, as applicable, as to whether the related person transaction constitutes a "personal loan" for purposes of Section 402 of Sarbanes-Oxley.

In addition, the related person transaction policy will provide that the audit committee, in connection with any approval or ratification of a related person transaction involving a non-employee director or director nominee, should consider whether such transaction would compromise the director or director nominee's status as an "independent", "outside" or "non-employee" director, as applicable, under the rules and regulations of the SEC, the NYSE and the Code.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of and as adjusted to reflect the sale of our Class A common stock offering by this prospectus for:

- each person known to us to own beneficially more than 5% of our outstanding common stock;
- each of our executive officers named in the summary compensation table;
- each of our directors; and
- all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the shares. Except as indicated by footnote, each stockholder identified in the table possesses sole voting and investment power with respect to the shares shown as beneficially owned by such stockholder.

The table below assumes the completion of the Reorganization Transaction and the -for- stock split of our Class A common stock and Class B common stock. Assuming the issuance of shares of our Class A common stock in this offering, there will be shares of Class A common stock and shares of Class B common stock outstanding after this offering. Percentage of ownership is based on shares of common stock outstanding on and shares of common stock outstanding after completion of this offering.

Unless otherwise indicated in the footnotes, the address of each of the individuals named below is: c/o Tilly's, Inc., 10 Whatney, Irvine, California, 92618.

Name of Beneficial Owner	Shares of common stock beneficially owned immediately prior to this offering				Shares of common stock beneficially owned after this offering, with no over-allotment				Voting power with no over-allotment option	Shares of common stock beneficially owned after this offering with over-allotment option				Voting power with over-allotment option
	Shares(4)	Options(5)	Total	Percent	Shares	Options	Total	Percent		Shares	Options	Total	%	
5% Stockholders not listed below:														
Hezy Shaked Trust(1)	10,000,000	0	10,000,000	48%										
Tilly Levine Trust(2)	6,000,000	0	6,000,000	29%										
HS Annuity Trust(3)	2,000,000	0	2,000,000	10%										
TL Annuity Trust(3)	2,000,000	0	2,000,000	10%										
Directors:														
Hezy Shaked	(1)(2)	0	(1)(2)	%										
Daniel Griesemer	0	0	0	—										
Seth Johnson	0	5,625	5,625	*										
Janet Kerr	0	5,625	5,625	*										
Bernard Zeichner	0	0	0	—										
Named Executive Officers														
Bill Langsdorf	0	185,000	185,000	1%										
Craig DeMerit	0	47,500	47,500	*										
All executive officers and directors as a group (7 persons)	16,000,000	243,750	16,243,750	78%										

* Represents less than 1%.

(1) Hezy Shaked is the trustee of the Hezy Shaked Living Trust established May 18, 1999 and controls the voting rights of these shares of common stock.

(2) Tilly Levine is the trustee of the Tilly Levine Separate Property Trust established March 31, 2004. Ms. Levine has entered into a voting trust agreement granting Mr. Shaked the rights to vote these shares of common stock.

(3) Amy Shaked and Netta Schroer-Shaked are co-trustees of the HS Annuity Trust established August 6, 2010 and the TL Annuity Trust established August 6, 2010, and have the ability to vote these shares of common stock.

(4) All shares identified in this column are shares of our Class B common stock.

(5) Represents vested options that will not become exercisable for Class A common stock until consummation of an initial public offering and unvested options that will vest within 60 days of the date above.

DESCRIPTION OF CAPITAL STOCK

The following is a description of our capital stock and the material provisions of our certificate of incorporation and bylaws. The following is only a summary and is qualified by applicable law and by the provisions of the certificate of incorporation and bylaws, copies of which are available as set forth under the caption entitled "Where You Can Find Additional Information".

Upon consummation of this offering, our authorized capital stock will consist of 145,000,000 shares, 100,000,000 of which are designated Class A common stock with a par value of $0.001 per share, 35,000,000 of which are designated Class B common stock with a par value of $0.001 per share and 10,000,000 of which are designated as preferred stock with a par value of $0.001 per share. Upon completion of this offering, shares of Class A common stock and shares of Class B common stock, or shares of Class A common stock and shares of Class B common stock if the underwriters fully exercise their option to purchase additional shares, and no shares of preferred stock, will be issued and outstanding.

Reorganization Transaction

Tilly's, Inc. is a newly formed Delaware corporation that has not, prior to the completion of the Reorganization Transaction, conducted any activities other than those incident to its formation and the preparation of this prospectus. Tilly's, Inc. was formed solely for the purpose of becoming the parent corporation to World of Jeans & Tops and completing this offering.

On , all four shareholders of World of Jeans & Tops exchanged all of their equity interests in World of Jeans & Tops for shares of Tilly's, Inc. Class B common stock on a one-for-one basis, and existing options to purchase World of Jeans & Tops common stock were exchanged for options to purchase Tilly's, Inc. Class A common stock. As part of the Reorganization Transaction and prior to the consummation of this initial public offering, we effectuated a -for- stock split of our Class B common stock and our Class A common stock. In connection with the Reorganization Transaction, World of Jeans & Tops distributed to its existing shareholders, in proportion to their ownership, notes in an aggregate principal amount equal to approximately $ million, or 100% of its undistributed taxable income from the date of its formation up to the date of termination of its "S" Corporation status. This was a final distribution to its "S" Corporation shareholders resulting from the termination of its "S" Corporation status. Upon the completion of this offering, we will use approximately $ million of the net proceeds from this offering, to pay in full the principal amount of these undistributed earnings notes as described under "Use of Proceeds". Upon completion of the Reorganization Transaction, World of Jeans & Tops will become our wholly owned subsidiary, its "S" Corporation status will terminate automatically, and it will be treated as a "C" Corporation.

Common Stock

Our certificate of incorporation divides our common stock into two classes of common stock, Class A common stock and Class B common stock. Holders of Class A common stock and Class B common stock have identical rights, except with respect to voting and conversion as further described below. The holders of Class A common stock are entitled to one vote per share held of record and holders of Class B common stock are entitled to 10 votes per share held of record on all matters submitted to a vote of stockholders, including the election of directors. Except as may be provided with respect to shares of preferred stock, the holders of our common stock will possess the exclusive voting power.

Holders of our common stock will have no preference, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities.

Voting Rights

On all matters on which the holders of our common stock are entitled to vote, the holders of the Class A common stock and the Class B common stock vote together as a single class. Holders of Class A common stock are entitled to one vote for each share held of record and holders of Class B common stock are entitled to 10 votes for each share held of record on all matters submitted to a vote of stockholders. See "Risk Factors—Risks Related to this Offering and Ownership of Our Class A Common Stock—Our founders control a majority of the voting power of our common stock, which may prevent other stockholders from influencing corporate decisions and may result in conflicts of interest that cause the price of our Class A common stock to decline." Holders of our common stock will not have cumulative voting rights, which means that in the election of directors, the holders of shares of common stock representing a plurality of the votes cast can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors. Our stockholders cannot amend, alter or repeal any provision of our bylaws without the affirmative vote of two thirds of all stockholders voting together as a single class.

Conversion

Shares of Class B common stock will convert automatically into a like number of shares of Class A common stock as follows:

- The number of shares of Class A common stock and Class B common stock beneficially owned by Hezy Shaked and any Hezy Shaked Entity, in the aggregate, represents less than 15.0% of the total aggregate number of shares of Class A common stock and Class B common stock outstanding; and
- The death of Hezy Shaked or Mr. Shaked's ceasing to be affiliated with us in any capacity as a result of a permanent disability.

In addition, shares of Class B common stock that are transferred after this offering will automatically convert into a like number of shares of Class A common stock, other than transfers to a Hezy Shaked Entity.

For purposes of our certificate of incorporation, a "Hezy Shaked Entity" is:

- any not-for-profit corporation controlled by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine, or any combination thereof;
- any other corporation if at least 66% of the value and voting power of its outstanding equity is owned by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine, or any combination thereof;
- any partnership if at least 66% of the value and voting power of its partnership interests are owned by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine, or any combination thereof;
- any limited liability or similar company if at least 66% of the value and voting power of the company and its membership interests are owned by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine; or
- any trust the primary beneficiaries of which are Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine and/or charitable organizations, which if the trust is a wholly charitable trust, at least 66% of the trustees of such trust are appointed by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine.

Dividend Rights

The holders of our common stock are entitled to receive pro rata such lawful dividends when, if and as may be declared from time to time by our board of directors out of funds legally available for payment. However, such dividends would be subject to preferences that may be applicable to the holders of any outstanding shares of our preferred stock. See "Dividend Policy".

Liquidation

In the event of a liquidation, dissolution or winding up of the affairs of our company, whether voluntary or involuntary, the holders of our common stock will be entitled to receive pro rata all of our remaining assets available for distribution to our stockholders. Any such pro rata distribution would be subject to the rights of the holders of any outstanding shares of our preferred stock.

Rights and Preferences

The shares of our common stock have no preemptive rights, no redemption or sinking fund provisions and are not liable for further call or assessment. The rights, powers, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future. The outstanding shares of our common stock are, and all shares of common stock to be issued in this offering will be, non-assessable.

Preferred Stock

As of August 31, 2011, we had no shares of preferred stock outstanding. Our board of directors has the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges, and relative participating, optional, or special rights as well as the qualifications, limitations, or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the common stock. Accordingly, our board of directors, without stockholder approval, may issue preferred stock with voting, conversion, or other rights that could adversely affect the voting power and other rights of the holders of common stock. Preferred stock could be issued quickly with terms calculated to delay or prevent a change of control or make removal of management more difficult. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our Class A common stock, may adversely affect the voting and other rights of the holders of our common stock, and could have the effect of delaying, deferring or preventing a change of control of our company or other corporate action. See “Anti-takeover Effects of Certain Provisions of Delaware Law and Charter Provisions”. At present, we have no plans to issue any shares of preferred stock following this offering.

Anti-takeover Effects of Certain Provisions of Delaware Law and Charter Provisions

Section 203 of the General Corporation Law of the State of Delaware

We will be subject to the provisions of Section 203 of the Delaware General Corporation Law, or DGCL. In general, Section 203 of the DGCL prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that such stockholder became an interested stockholder unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in such stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding those shares owned by persons who are directors and also officers, and employee stock plans in which employee participants do not have the right to determine confidentially whether shares held under the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

Certificate of Incorporation and Bylaw Provisions

Our certificate of incorporation and our bylaws include a number of provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of our management team, including the following:

- *Board of Director Vacancies.* Our certificate of incorporation and bylaws authorize only our board of directors to fill vacant directorships. In addition, the number of directors constituting our board of directors may be set only by resolution adopted by a majority vote of our entire board of directors. These provisions prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with their own nominees.
- *Classified Board.* Our certificate of incorporation provides that our board of directors will consist of a single class with each director serving a one-year term until such time as all shares of our Class B common stock are converted to Class A common stock or otherwise cease to be outstanding. At that time, our board of directors will be divided into three classes in the manner provided by our certificate of incorporation. After the directors in each class serve for the initial terms as provided for in our certificate of incorporation, each class will serve for a staggered three-year term.
- *Stockholder Action; Special Meeting of Stockholders.* Our certificate of incorporation provides that our stockholders will not be permitted to cumulate their votes for the election of directors. Further, special meetings of our stockholders may be called only by a majority of our board of directors, the chairman of our board of directors or our President and Chief Executive Officer.
- *Advance Notice Requirements for Stockholder Proposals and Director Nominations.* Our bylaws provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders, or to nominate candidates for election as directors at our annual meeting of stockholders. Our bylaws also specify certain requirements as to the form and content of a stockholder's notice. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders.
- *Issuance of Undesignated Preferred Stock.* Our certificate of incorporation provides that our board of directors have the authority, without further action by the stockholders, to issue up to 10,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

- *Bylaw Amendments*. Stockholders will be permitted to amend our bylaws only upon receiving at least 66 2/3% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class. Our certificate of incorporation authorizes our board of directors to modify, alter or repeal our bylaws.

These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may suppress fluctuations in the market price of our stock that could result from actual or rumored takeover attempts.

Limitation on Liability and Indemnification Matters

As permitted by the DGCL, our certificate of incorporation limits the personal liability of our directors. Consequently, directors will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability due to:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or involving intentional misconduct or a knowing violation of law;
- any transaction from which the director derived an improper personal benefit; or
- any unlawful payments related to dividends or unlawful stock repurchases, redemptions or other distributions.

In addition, our bylaws provide that:

- our board of directors is authorized to indemnify our directors, officers, employees and agents, to the fullest extent permitted by the DGCL, subject to limited exceptions; and
- we will advance expenses, including attorneys' fees, to our directors and, in the discretion of our board of directors, certain officers, employees and agents, in connection with legal proceedings, subject to limited exceptions.

In addition, we intend to enter into agreements with each of our directors and executive officers to provide that, subject to limited exceptions and among other things, we will indemnify our directors and executive officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by us arising out of such person's services as our director or executive officer. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers. Currently, there is no pending litigation or proceeding involving any of our directors or executive officers for which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification. We also currently have directors' and officers' liability insurance.

These provisions may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. We believe that these provisions and the indemnification agreements are necessary to attract and retain talented and experienced directors and officers.

National Market Listing

We intend to apply to list our Class A common stock for quotation on the NYSE under the symbol “TLYS”.

Transfer Agent and Registrar

We have retained the services of Continental Stock Transfer & Trust Company to act as our transfer agent and registrar immediately following the completion of this offering.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our Class A common stock. Future sales of substantial amounts of our Class A common stock in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our Class A common stock. No prediction can be made as to the effect, if any, future sales of shares, or the availability of shares for future sales, will have on the market price of our Class A common stock prevailing from time to time. The sale of substantial amounts of our Class A common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of our Class A common stock. Although we intend to apply to have our Class A common stock quoted on the NYSE, we cannot assure you that there will be an active market for our Class A common stock.

Sale of Restricted Shares

Upon completion of this offering, we will have outstanding an aggregate of shares of common stock, including shares of Class A common stock and shares of Class B common stock, assuming no exercise of outstanding options. All of the shares being sold in this offering will be freely tradable without restriction under the Securities Act, except for any such shares which may be held or acquired by an "affiliate" of ours, as that term is defined in Rule 144 promulgated under the Securities Act, which shares will be subject to the volume limitations and other restrictions of Rule 144 described below. The remaining shares of our common stock that are outstanding upon completion of this offering will be "restricted securities" as that phrase is defined in Rule 144, and may be resold only after registration under the Securities Act or pursuant to an exemption from such registration, including, among others, the exemptions provided by Rules 144 and 701 under the Securities Act, which rules are summarized below. These remaining shares of common stock upon completion of this offering will be available for sale in the public market after the expiration of the lock-up agreements described in "Underwriting", taking into account the provisions of Rules 144 and 701 under the Securities Act.

Each share of Class B common stock will be convertible at any time, at the option of the holder, into one share of Class A common stock. Each share of Class B common stock shall convert automatically into one share of Class A common stock upon transfer, with limited exceptions.

Rule 144

Pursuant to Rule 144, persons who became the beneficial owner of shares of our common stock prior to the completion of this offering may not sell their shares until the earlier of (i) the expiration of a six-month holding period, if we have been subject to the reporting requirements of the Exchange Act and have filed all required reports for at least 90 days prior to the date of the sale, or (ii) a one-year holding period.

At the expiration of the six-month holding period, a person who was not one of our affiliates at any time during the three months preceding a sale would be entitled to sell an unlimited number of shares of our common stock provided current public information about us is available, and a person who was one of our affiliates at any time during the three months preceding a sale would be entitled to sell within any three-month period only a number of shares of common stock that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our Class A common stock on the NYSE during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

At the expiration of the one-year holding period, a person who was not one of our affiliates at any time during the three months preceding a sale would be entitled to sell an unlimited number of shares of our common stock without restriction (whether or not current public information about us is available). A person who was one of our affiliates at any time during the three months preceding a sale would remain subject to the volume restrictions described above.

Sales under Rule 144 by our affiliates of shares acquired after this offering will also be subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchased shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering, or who purchased shares from us after that date upon the exercise of options granted before that date, are eligible to resell such shares in reliance upon Rule 144 beginning 90 days after the date of this prospectus. If such person is not an affiliate, the sale may be made subject only to the manner of sale restrictions of Rule 144. If such a person is an affiliate, the sale may be made under Rule 144 without compliance with its one-year minimum holding period, but subject to the other Rule 144 restrictions.

Stock Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register shares of our Class A common stock issued or reserved for issuance under our 2011 Plan or 2007 Plan. The first such registration statement is expected to be filed shortly after the date of this prospectus and will automatically become effective upon filing with the SEC. Accordingly, shares registered under such registration statement will be available for sale in the open market following the effective date, unless such shares are subject to vesting restrictions with us, Rule 144 restrictions applicable to our affiliates or the lock-up restrictions described below.

Lock-Up Agreements

Each of our executive officers and directors and the Shaked and Levine family entities have agreed, subject to certain exceptions, with the underwriters not to dispose of or hedge any of the shares of common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except, in our case, for the issuance of common stock upon exercise of options under existing option plans. Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated may, in their sole discretion, release any of these shares from these restrictions at any time without notice. See “Underwriting”.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK

The following is a summary of the material United States federal income tax consequences to non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our Class A common stock. This discussion is not a complete analysis of all of the potential U.S. federal income tax consequences relating thereto, nor does it address any estate and gift tax consequences or any tax consequences arising under any state, local or non-U.S. tax laws, or any other U.S. federal tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service, or IRS, all as in effect as of the date of this offering. These authorities may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. No ruling has been or will be sought from the IRS with respect to the matters discussed below, and there can be no assurance the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of our common stock, or that any such contrary position would not be sustained by a court.

This discussion is limited to non-U.S. holders who purchase our Class A common stock issued pursuant to this offering and who hold such common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a particular holder in light of such holder's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including, without limitation:

- financial institutions, banks and thrifts;
- insurance companies;
- tax-exempt organizations;
- partnerships or other pass-through entities;
- real estate investment trusts;
- traders in securities that elect to mark to market;
- broker-dealers or dealers in securities or currencies;
- U.S. expatriates;
- "controlled foreign corporations," "passive foreign investment companies" or corporations that accumulate earnings to avoid U.S. federal income tax;
- persons that own, or are deemed to own, more than five percent (5%) of our outstanding common stock (except to the extent specifically set forth below);
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons subject to the alternative minimum tax; or
- persons that hold our common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction.

THIS DISCUSSION IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE

PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR NON-U.S. TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS.

Definition of Non-U.S. Holder

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not a "U.S. person" or a partnership for U.S. federal income tax purposes. A U.S. person is any of the following:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (1) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust, or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership holds the common stock, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the common stock should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the common stock.

Distributions on Our Common Stock

We do not anticipate paying dividends on our common stock after the completion of this offering. However, if we make cash or other property distributions on our common stock, such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a non-U.S. holder's tax basis in the common stock, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a non-U.S. holder's tax basis in its shares will be taxable as capital gain realized on the sale or other disposition of the common stock and will be treated as described under "Dispositions of Our Common Stock" below.

Dividends paid to a non-U.S. holder of our common stock generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8BEN (or applicable successor form, or in the case of payments made outside the United States to an offshore account, other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury Regulations) certifying such holder's qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Dividends paid on our common stock that are effectively connected with a non-U.S. holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States) will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must generally furnish to us or our paying agent a properly executed IRS Form W-8ECI (or applicable successor form).

Any dividends paid on our common stock that are effectively connected with a non-U.S. holder's U.S. trade or business (and if required by an applicable income tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the U.S.) generally will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in much the same manner as if such holder were a resident of the United States. A non-U.S. holder that is a corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

Dispositions of Our Common Stock

Subject to the discussion below regarding backup withholding, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock, unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, and if required by an applicable income tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the U.S.;
- the non-U.S. holder is a nonresident alien individual present in the U.S. for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or
- our common stock constitutes a "U.S. real property interest" by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our common stock.

Gain described in the first bullet point above will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in much the same manner as if such holder were a resident of the U.S. A non-U.S. holder that is a corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by U.S. source capital losses (even though the individual is not considered a resident of the U.S.), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we are not currently and do not anticipate becoming a USRPHC for United States federal income tax purposes. However, because the determination of whether we are a USRPHC depends on the fair market value of our United States real property interests relative to the fair market value of our other trade or business assets and our non-United States real property interests, there can be no assurance that we are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a non-U.S. holder of our common stock will not be subject to tax if such class of stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such non-U.S. holder owned, actually or constructively, 5% or less of such class of our stock throughout the shorter of the five-year period ending on the date of the sale or exchange or the non-U.S. holder's holding period for such stock. We expect our common stock to be "regularly traded" on an established securities market, although we cannot guarantee it will be so traded. If gain on the sale or other taxable disposition of our stock were subject to taxation under the third bullet point above, the non-U.S. holder would be subject to regular United States federal income tax with respect to such gain in generally the same manner as a United States person.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of distributions on our common stock paid to such holder and the amount, if any, of tax withheld with respect to those distributions. These information reporting requirements will apply in certain circumstances even if no withholding is required, such as where the distributions are effectively connected with the holder's conduct of a U.S. trade or business or withholding is reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. Backup withholding, however, generally will not apply to distributions to a non-U.S. holder of our common stock provided the non-U.S. holder furnishes to us or our paying agent the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or IRS Form W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Unless a non-U.S. holder complies with certification procedures to establish that it is not a U.S. person, information returns may be filed with the IRS in connection with, and the non-U.S. holder may be subject to backup withholding on the proceeds from, a sale or other disposition of our common stock. The certification procedures described in the above paragraph will satisfy these certification requirements as well.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax Relating to Foreign Accounts

An additional withholding tax will apply to certain types of payments made after December 31, 2012 to certain "foreign financial institutions" (as specially defined under these rules) and certain other non-U.S. entities. Specifically, a 30% withholding tax will be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a foreign financial institution or to a foreign non-financial entity after such date, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. If the payee is a foreign financial institution, unless it meets certain requirements, it generally must enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. Prospective investors should consult their tax advisors regarding these rules.

UNDERWRITING

Tilly's and the underwriters named below have entered into an underwriting agreement with respect to the shares of Class A common stock being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares of Class A common stock indicated in the following table. Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Merrill Lynch, Pierce, Fenner & Smith, Incorporated	
Piper Jaffray	
William Blair & Company, L.L.C.	
Stifel Nicolaus & Company, Incorporated	
Total	

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financial and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various other financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of Tilly's. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Miller Buckfire & Co., LLC, a FINRA member, has acted as our financial advisor in connection with our preparation for this offering. Miller Buckfire's services have included, among other things, (i) analyzing our business, condition and financial position, (ii) advising us on the structure of the offering, (iii) preparing and implementing a plan for identifying and selecting appropriate participants in the underwriting syndicate, (iv) advising us on the preparation of financial and other information for potential underwriters, (v) evaluating proposals that were received from potential underwriters and (vi) determining various offering logistics. Miller Buckfire is not acting as an underwriter and will not sell or offer to sell any securities and will not identify, solicit or engage directly with potential investors. In addition, Miller Buckfire will not underwrite or purchase any of the offered securities or otherwise participate in any such undertaking. We have agreed to pay Miller Buckfire a fee of $ for their services, or $ if the underwriters fully exercise their option to purchase additional shares (based on the mid-point of the price range set forth on the cover page of this prospectus).

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares of Class A common stock than the total number set forth in the table above, the underwriters have an option to buy up to an additional shares of Class A common stock from Tilly's to cover such sales. They may exercise that option for 30 days. If any shares of Class A common stock are purchased pursuant to this option, the underwriters will severally purchase shares of Class A common stock in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts to be paid to the underwriters by Tilly's. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of Class A common stock.

	No Exercise	Full Exercise
Per share	$	$
Total by us		

Shares of Class A common stock sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares of Class A common stock sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. If all the shares of Class A common stock are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. The offering of the shares of Class A common stock by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

Tilly's and its officers, directors and holders of substantially all of its common stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. This agreement does not apply to any existing employee benefit plans and the issuance of common stock in connection with the Reorganization Transaction. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

The 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period Tilly's issues an earnings release or announces material news or a material event; or (2) prior to the expiration of the 180-day restricted period, Tilly's announces that it will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event.

Prior to the offering, there has been no public market for the Class A common stock. The initial public offering price for the Class A common stock has been negotiated among Tilly's and the representatives. Among the factors considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, were Tilly's historical performance, estimates of the business potential and earnings prospects of Tilly's, an assessment of Tilly's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We intend to apply to list our Class A common stock for quotation on the NYSE under the symbol "TLYS". In order to meet one of the requirements for listing the Class A common stock on the NYSE, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 400 beneficial holders.

In connection with the offering, the underwriters may purchase and sell shares of Class A common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Shorts sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from Tilly's in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them.

"Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the Class A common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorized person, apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Notice to Prospective Investors in Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, or the Financial Instruments and Exchange Law, and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Issuer, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority, or FINMA, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The securities to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

We estimate that our share of the total expenses of the offering, excluding the underwriting discount, will be approximately $ million. The underwriters have agreed to reimburse us for a portion of our out-of-pocket expenses in connection with this offering in an amount equal to $ or $ if the underwriters fully exercise their option to purchase additional shares (based on the mid-point of the price range set forth on the cover page of this prospectus).

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the shares of Class A common stock offered hereby will be passed upon for us by Latham & Watkins LLP, Costa Mesa, California. The validity of shares of Class A common stock offered hereby will be passed upon for the underwriters by Sullivan & Cromwell LLP, Los Angeles, California.

EXPERTS

The financial statements of World of Jeans & Tops dba Tilly's as of January 30, 2010 and January 29, 2011, and for each of the three fiscal years in the period ended January 29, 2011 included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statement of Tilly's, Inc. as of May 4, 2011 (date of inception), included in this prospectus has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statement is included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act relating to the Class A common stock offered by this prospectus. This prospectus, which constitutes part of that registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance we refer you to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. For further information with respect to our company and the Class A common stock offered by this prospectus, we refer you to the registration statement, exhibits and schedules.

Anyone may inspect a copy of the registration statement without charge at the public reference facility maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of all or any part of the registration statement may be obtained from that facility upon payment of the prescribed fees. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

Upon the completion of this offering, we will be subject to the information and periodic reporting requirements of the Exchange Act applicable to a company with securities registered pursuant to Section 12 of the Exchange Act. In accordance therewith, we will file proxy statements and other information with the SEC. All documents filed with the SEC are available for inspection and copying at the public reference facilities and website of the SEC referred to above. We maintain a website at www.tillys.com. Upon the completion of this offering, you may access our reports, proxy statements and other information free of charge at this website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information on our website does not constitute part of, and is not incorporated by reference into, this prospectus.

INDEX TO FINANCIAL STATEMENTS

World of Jeans & Tops dba Tilly's

Tilly's, Inc.

Tilly's, Inc. is a newly formed entity and its only asset is its investment in World of Jeans & Tops dba Tilly's. For additional information regarding the reorganization of World of Jeans & Tops, refer to the "Reorganization" sections on pages F-7 and F-33.

WORLD OF JEANS & TOPS dba TILLY'S

BALANCE SHEETS

(In thousands, except per share data)
(Unaudited)

	January 29, 2011	July 30, 2011	Pro Forma Shareholders' Equity July 30, 2011 (Note 1)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 29,338	$ 30,952	
Receivables	4,301	5,964	
Merchandise inventories	33,503	45,239	
Prepaid expenses and other current assets	4,257	5,192	
Total current assets	71,399	87,347	
Property and equipment, net	58,185	60,141	
Other assets	1,390	2,318	
Total assets	$130,974	$149,806	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 14,717	$ 27,977	
Deferred revenue	4,125	3,030	
Accrued compensation and benefits	4,174	5,632	
Accrued expenses	11,168	12,168	
Current portion of deferred rent	2,680	3,188	
Current portion of capital lease obligation/related party	628	648	
Total current liabilities	37,492	52,643	
Long-term portion of deferred rent	26,752	27,216	
Long-term portion of capital lease obligation/related party	4,638	4,309	
Total long-term liabilities	31,390	31,525	
Total liabilities	68,882	84,168	
Commitments and contingencies (Note 7)			
Shareholders' equity:			
Common stock, $0.001 par value; 21,600 shares authorized, 20,000 shares issued and outstanding	20	20	
Additional paid-in capital	150	150	
Retained earnings	61,922	65,468	
Total shareholders' equity	62,092	65,638	
Total liabilities and shareholders' equity	$130,974	$149,806	

The accompanying notes are an integral part of these financial statements.

WORLD OF JEANS & TOPS dba TILLY'S

STATEMENTS OF OPERATIONS

(In thousands, except per share data)
(Unaudited)

	Twenty-Six Weeks Ended	
	July 31, 2010	July 30, 2011
Net sales	$134,397	$170,391
Cost of goods sold (includes buying, distribution, and occupancy costs)	97,009	118,464
Gross profit	37,388	51,927
Selling, general and administrative expenses	34,964	43,401
Operating income	2,424	8,526
Interest expense, net	138	101
Income before provision for income taxes	2,286	8,425
Provision for income taxes	30	96
Net income	$ 2,256	$ 8,329
Basic income per common share	$ 0.11	$ 0.42
Diluted income per common share	$ 0.11	$ 0.41
Weighted average basic common shares outstanding	20,000	20,000
Weighted average diluted common shares outstanding	20,049	20,433
Pro forma income information (Note 1):		
Historical income before provision for income taxes	$ 2,286	$ 8,425
Pro forma provision for income taxes	914	3,370
Pro forma net income	$ 1,372	$ 5,055
Pro forma basic income per common share	$ 0.07	$ 0.25
Pro forma diluted income per common share	$ 0.07	$ 0.25

The accompanying notes are an integral part of these financial statements.

WORLD OF JEANS & TOPS dba TILLY'S

STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance January 29, 2011	20,000	$ 20	$ 150	$61,922	$62,092
Net income	—	—	—	8,329	8,329
Distributions	—	—	—	(4,783)	(4,783)
Balance July 30, 2011	20,000	$ 20	$ 150	$65,468	$65,638

The accompanying notes are an integral part of these financial statements.

WORLD OF JEANS & TOPS dba TILLY'S

STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Twenty-Six Weeks Ended	
	July 31, 2010	July 30, 2011
Cash flows from operating activities		
Net income	$ 2,256	$ 8,329
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,177	7,491
Loss on disposal of equipment	90	197
Changes in operating assets and liabilities:		
Receivables	(2,159)	(1,664)
Merchandise inventories	(15,895)	(11,736)
Prepaid expenses and other assets	(1,195)	(1,862)
Accounts payable	13,122	13,260
Accrued expenses	4,206	80
Accrued compensation and benefits	(8)	1,458
Deferred rent	1,788	973
Deferred revenue	(924)	(1,096)
Net cash provided by operating activities	8,458	15,430
Cash flows from investing activities		
Purchase of property and equipment	(9,015)	(8,742)
Proceeds from disposal of property and equipment	—	18
Net cash used in investing activities	(9,015)	(8,724)
Cash flows from financing activities		
Payment of capital lease obligation	(291)	(309)
Distributions	(7,030)	(4,783)
Net cash used in financing activities	(7,321)	(5,092)
Change in cash and cash equivalents	(7,878)	1,614
Cash and cash equivalents, beginning of period	25,705	29,338
Cash and cash equivalents, end of period	$ 17,827	$ 30,952
Supplemental disclosures of cash flow information		
Interest paid	$ 8	$ 8
Income taxes paid	$ 96	$ 71
Supplemental disclosure of non-cash activities		
Unpaid purchases of property and equipment	$ 234	$ 1,517

The accompanying notes are an integral part of these financial statements.

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Nature of Business and Summary of Significant Accounting Policies

World of Jeans & Tops dba Tilly's ("Tilly's" or the "Company") operates a chain of specialty retail stores featuring casual clothing, footwear and accessories for teens and young adults. The Company operated a total of 125 and 131 stores as of January 29, 2011 and July 30, 2011, respectively. The stores are located in malls, power, neighborhood and lifestyle centers, outlets and street-front locations in Arizona, California, Colorado, Delaware, Florida, Maryland, Nevada, New Jersey, New York, Pennsylvania and Virginia. Tilly's customers may also shop online at www.tillys.com, where the Company features a similar assortment of product as is carried in Tilly's stores.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31.

Comprehensive Income

The Statement of Comprehensive Income has been excluded from these financial statements as comprehensive income equals net income.

Segment Reporting

Accounting principles generally accepted in the U.S. ("GAAP") has established guidance for reporting information about a company's operating segments, including disclosures related to a company's products and services, geographic areas and major customers. The Company has aggregated its net sales generated from its retail stores and e-commerce store into one operating segment. The operating segment is aggregated as it has a similar class of customer, nature of products and production processes, as well as similar economic characteristics. All of the Company's identifiable assets are in the U.S.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Unaudited Pro Forma Balance Sheet Information

The unaudited pro forma balance sheet information gives effect to (i) the Company's issuance of the undistributed taxable earnings notes to its existing shareholders in the aggregate principal amount equal to 100% of the undistributed taxable income from the date of formation up to the date of termination of its "S" Corporation status, as a final distribution resulting from the termination of the "S" Corporation status, equal to $, and (ii) a change in net deferred tax assets of approximately $ assuming the "S" Corporation status terminated on .

Unaudited Pro Forma Income Information

The unaudited pro forma income information gives effect to the anticipated conversion of the Company to a "C" Corporation. Prior to such anticipated conversion, the Company was an "S" Corporation and generally not

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS—(continued)

(Unaudited)

subject to income taxes. The pro forma net income, therefore, includes an adjustment for income tax expense as if the Company had been a "C" Corporation as of the beginning of the twenty-six weeks ended July 31, 2010 at an assumed combined federal, state and local effective income tax rate of 40%, which approximates the calculated effective tax rate for each period.

The unaudited pro forma basic and diluted net income per share is computed using unaudited pro forma net income, as discussed above, and unaudited pro forma weighted average number of common shares (basic and diluted). The unaudited pro forma weighted average number of common shares (basic and diluted) gives effect to the increase in the number of shares which would be sufficient to replace the capital in excess of current year earnings being withdrawn from the anticipated conversion. The pro forma adjustment to weighted average basic common shares for the twenty-six weeks ended July 31, 2010 and July 30, 2011 is and , respectively. The pro forma adjustment to weighted average diluted common shares for the thirty-six weeks ended July 31, 2010 and July 30, 2011 is and , respectively.

Reorganization

Prior to the consummation of the Company's initial public offering, the shareholders of World of Jeans & Tops will contribute all of their equity interests in World of Jeans & Tops to Tilly's, Inc. in return for shares of Tilly's, Inc. common stock on a one-for-one basis (collectively referred to as the "Reorganization"). As a result of the Reorganization, World of Jeans & Tops will become a wholly owned subsidiary of Tilly's, Inc. Upon completion of the Reorganization, the only asset of Tilly's, Inc. will be its investment in World of Jeans & Tops and all of its operations will be conducted through World of Jeans & Tops.

Subsequent to the Reorganization, the Company will also effect a -for- stock split of the Class A common stock and Class B common stock. In addition, the Company expects a final "S" Corporation distribution to the Company's shareholders of undistributed taxable earnings. This is expected to be completed subsequent to the Reorganization.

2. Basis of Presentation and Organization

The accompanying unaudited financial statements include the assets, liabilities, revenues and expenses of the Company. These financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from this report as is permitted by SEC rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. This report should be read in conjunction with the audited financial statements and notes thereto.

In the opinion of management, the accompanying unaudited financial statements contain all normal and recurring adjustments necessary to present fairly the financial condition, results of operations and cash flows of the Company for the interim periods presented. The results of operations for the twenty-six weeks ended July 31, 2010 and July 30, 2011 are not necessarily indicative of results to be expected for the full fiscal year.

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS—(continued)

(Unaudited)

3. Accrued Expenses

At January 29, 2011 and July 30, 2011, accrued expenses consisted of the following (in thousands):

	January 29, 2011	July 30, 2011
Sales and use taxes payable	$ 4,886	$ 3,683
Minimum rent and common area maintenance	731	749
Accrued construction	596	1,517
Accrued merchandise returns	510	1,155
Other	4,445	5,064
Total accrued expenses	$11,168	$12,168

4. Financial Instruments

Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures*, ("ASC 820") defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined under ASC 820 as the exit price associated with the sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date. ASC 820 established the following three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value:

- *Level 1*—Quoted prices in active markets for identical assets and liabilities. The Company had money market securities within cash and cash equivalents totaling $29.3 million and $27.0 million at January 29, 2011 and July 30, 2011, respectively. These money market securities are reported at fair value utilizing Level 1 inputs, as quoted current market prices are readily available.
- *Level 2*—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3*—Unobservable inputs (i.e. projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company has no other financial instruments that would be considered significant for fair value measurement purposes.

5. Income Taxes

The Company has elected to be taxed under the provisions of subchapter "S" of the Internal Revenue Code for federal and state income tax purposes. Under these provisions, the Company is generally not subject to corporate level income taxes on its taxable income. However, the Company is subject to a 1.5% California franchise tax. As an "S" Corporation, the shareholders are liable for federal and state income taxes on their share of the Company's taxable income. The provision for income tax in the current period consists primarily of the California franchise tax. The Company generally distributes funds necessary to satisfy the shareholders' personal income tax liabilities associated with their share of the Company's taxable income.

The Company recognizes income tax liabilities related to unrecognized tax benefits in accordance with ASC Topic 740, *Income Taxes*, guidance related to uncertain tax positions and adjusts these liabilities when its

judgment changes as the result of the evaluation of new information. As of July 30, 2011, there were no material unrecognized tax benefits and the Company does not anticipate that there will be a material change in the balance of the unrecognized tax benefits within the next 12 months. The Company recognizes penalties and interest related to unrecognized tax benefits as income tax expense.

6. Stock-Based Compensation

The Company granted options to purchase 83,500 and 578,000 shares of common stock under the Tilly's 2007 Stock Option Plan (the "2007 Plan") during the twenty-six weeks ended July 31, 2010 and July 30, 2011, respectively, at a weighted average grant-date fair value of $5.20 and $8.52 per share, respectively. The Company calculated the unrecognized compensation expense for these stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes option pricing model. The following table summarizes the weighted average Black-Scholes fair value assumptions used in the valuation of stock options granted during the twenty-six weeks ended July 31, 2010 and July 30, 2011:

	July 31, 2010	July 30, 2011
Expected option term(1)	5.0 years	5.0 years
Expected volatility factor(2)	61.3%	59.7%
Risk-free interest rate(3)	1.0%	2.2%
Expected annual dividend yield	0.0%	0.0%

(1) The Company has limited historical information regarding expected option term. Accordingly, the Company determined the expected option term of the awards using the latest historical data available from comparable public companies and management's expectation of exercise behavior.

(2) Stock volatility for each grant is measured using the weighted average of historical daily stock price changes of the Company's competitors' common stock over the most recent period equal to the expected option term of the Company's awards.

(3) The risk-free interest rate is determined using the rate on treasury securities with the same term as the expected option life of the stock option as of the grant date.

All stock options granted under the 2007 Plan contain a performance condition wherein, if they are vested, they only become exercisable upon the consummation of an initial public offering of the Company's common stock. If the Company had consummated an initial public offering as of July 30, 2011, the Company would have recognized $5.5 million, before any related tax benefit, of cumulative compensation expense, adjusted for estimated forfeitures and related to all outstanding stock options granted to date. An additional $4.2 million of compensation expense relating to all non-vested outstanding stock options granted to date as of July 30, 2011 would then be recognized over the remaining service period of the awards.

7. Commitments and Contingencies

The Company is subject to various claims and contingencies arising in the normal course of business, including those relating to product liability, legal, employee benefit, environmental and other matters. Management believes that the likelihood is remote that any of these claims will have a material effect on the Company's financial condition as of July 30, 2011 or its results of operations or cash flows for the periods presented.

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS—(continued)

(Unaudited)

8. Net Income Per Share

Net income per share is computed under the provisions of ASC Topic 260, *Earnings Per Share*. Basic net income per share is based on the weighted average number of common shares outstanding for the period. Diluted net income per share is based on the weighted average number of common shares and potentially dilutive common share equivalents outstanding for the period. Dilutive common share equivalents include shares issuable upon an assumed exercise of outstanding stock options using the "treasury stock" method, whereby proceeds from such exercise and unamortized compensation on share-based awards are assumed to be used by the Company to purchase the common shares at the average market price during the period. Total stock options of 741,500 and 578,000 as of July 31, 2010 and July 30, 2011, respectively, have been excluded from the calculation of diluted earnings per share as the effect of including these options would have been anti-dilutive.

9. Related Parties

The Company leases warehouse space under a noncancellable lease agreement dated November 1, 2010 with a company that is owned by one of the co-founders of Tilly's. The lease expires on October 31, 2014. The Company incurred rent expense of $0.1 million for the twenty-six weeks ended July 30, 2011 related to this lease.

The Company leases its corporate headquarters and distribution center under a noncancellable lease agreement dated September 21, 2007 with a company that is owned by the co-founders of Tilly's. This lease expires on December 31, 2012, with multiple options to renew thereafter. The land component of this lease is accounted for as an operating lease and the building component is accounted for as a capital lease. The Company incurred rent expense of $0.4 million during both of the twenty-six week periods ended July 31, 2010 and July 30, 2011 related to this lease.

The Company entered into a noncancellable lease agreement dated September 2, 2011 with a company that is owned by one of the co-founders of Tilly's. This property is currently being constructed by the landlord, and construction is expected to be completed during the first half of fiscal year 2012. The Company intends to use this property as its e-commerce distribution center. The lease terminates ten years from the earlier of (i) the date the building is substantially completed or (ii) the date the Company can access the building and begin tenant improvements.

10. Line of Credit

The Company has a $15.0 million line of credit with Wells Fargo Bank, NA. Interest is charged either at the bank's prime rate or at the London Interbank Offered Rate (LIBOR) plus 2.0%, which Tilly's has the ability to select at the time of the advance. Advances are secured by substantially all of the assets of the Company. As a sub-feature under the line of credit, the bank may issue stand-by and commercial letters of credit up to $10.0 million. As of January 29, 2011 and July 30, 2011 there were no outstanding balances or letters of credit. Tilly's is required to maintain certain financial and nonfinancial covenants in accordance with the line of credit agreement. These covenants include a number of affirmative and negative covenants, such as restrictions on liens, annual capital expenditures, additional indebtedness, dispositions, dividends or stock repurchases, and changes in the nature of the Company's business, as well as requirements for certain levels of tangible net worth, liquidity and profitability. At July 30, 2011, the Company was in compliance with all of its covenants and had no outstanding borrowings under the line of credit.

On June 3, 2011, the Company entered into an agreement with Wells Fargo Bank, NA to extend the line of credit through December 31, 2011. All other terms of the agreement were unchanged.

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS—(continued)
(Unaudited)

11. Subsequent Events

As discussed in Note 9, the Company entered into a lease on September 2, 2011 for the future site of its e-commerce distribution center.

The Company evaluated subsequent events through September 7, 2011, the date which the financial statements were issued.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
World of Jeans & Tops dba Tilly's
Irvine, California

We have audited the accompanying balance sheets of World of Jeans & Tops dba Tilly's (the "Company") as of January 30, 2010 and January 29, 2011, and the related statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended January 29, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of World of Jeans & Tops dba Tilly's as of January 30, 2010 and January 29, 2011, and the results of its operations and its cash flows for each of the three years in the period ended January 29, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Costa Mesa, CA
April 13, 2011

WORLD OF JEANS & TOPS dba TILLY'S

BALANCE SHEETS

(In thousands, except per share data)

	January 30, 2010	January 29, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,705	29,338
Receivables	2,648	4,301
Merchandise inventories	24,031	33,503
Prepaid expenses and other current assets	3,750	4,257
Total current assets	56,134	71,399
Property and equipment, net	58,779	58,185
Other assets	541	1,390
Total assets	$115,454	$130,974
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,658	$ 14,717
Deferred revenue	3,639	4,125
Accrued compensation and benefits	3,216	4,174
Accrued expenses	5,841	11,168
Current portion of deferred rent	2,551	2,680
Current portion of capital lease obligation/Related party	590	628
Total current liabilities	26,495	37,492
Long-term portion of deferred rent	23,796	26,752
Long-term portion of capital lease obligation/Related party	5,267	4,638
Total long-term liabilities	29,063	31,390
Total liabilities	55,558	68,882
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Common stock, $0.001 par value; 21,600 shares authorized, 20,000 shares issued and outstanding	20	20
Additional paid-in capital	150	150
Retained earnings	59,726	61,922
Total shareholders' equity	59,896	62,092
Total liabilities and shareholders' equity	$115,454	$130,974

The accompanying notes are an integral part of these financial statements.

WORLD OF JEANS & TOPS dba TILLY'S

STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	For the Years Ended		
	January 31, 2009	January 30, 2010	January 29, 2011
Net sales	$254,983	$282,764	$ 332,604
Cost of goods sold (includes buying, distribution, and occupancy costs)	172,107	195,430	229,989
Gross profit	82,876	87,334	102,615
Selling, general and administrative expenses	59,043	65,912	77,668
Operating income	23,833	21,422	24,947
Interest income (expense), net	35	(284)	(249)
Income before provision for income taxes	23,868	21,138	24,698
Provision for income taxes	262	275	282
Net income	$ 23,606	$ 20,863	$ 24,416
Basic income per common share	$ 1.18	$ 1.04	$ 1.22
Diluted income per common share	$ 1.18	$ 1.04	$ 1.21
Weighted average basic common shares outstanding	20,000	20,000	20,000
Weighted average diluted common shares outstanding	20,000	20,014	20,098
Pro forma income information (Note 1):			
Historical income before provision for income taxes	$ 23,868	$ 21,138	$ 24,698
Pro forma provision for income taxes (unaudited)	9,547	8,455	9,879
Pro forma net income (unaudited)	$ 14,321	$ 12,683	$ 14,819
Pro forma basic income per common share (unaudited)	$ 0.72	$ 0.63	$ 0.74
Pro forma diluted income per common share (unaudited)	$ 0.72	$ 0.63	$ 0.74

The accompanying notes are an integral part of these financial statements.

WORLD OF JEANS & TOPS dba TILLY'S

STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)

	Common stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance February 2, 2008	20,000	$ 20	$ 150	$ 46,467	$ 46,637
Net income	—	—	—	23,606	23,606
Distributions	—	—	—	(15,190)	(15,190)
Balance January 31, 2009	20,000	20	150	54,883	55,053
Net income	—	—	—	20,863	20,863
Distributions	—	—	—	(16,020)	(16,020)
Balance January 30, 2010	20,000	20	150	59,726	59,896
Net income	—	—	—	24,416	24,416
Distributions	—	—	—	(22,220)	(22,220)
Balance January 29, 2011	20,000	$ 20	$ 150	$ 61,922	$ 62,092

The accompanying notes are an integral part of these financial statements.

WORLD OF JEANS & TOPS dba TILLY'S

STATEMENTS OF CASH FLOWS

(In thousands)

	For the Years Ended		
	January 31, 2009	January 30, 2010	January 29, 2011
Cash flows from operating activities			
Net income	$ 23,606	$ 20,863	$ 24,416
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,923	13,915	14,292
(Gain) loss on disposal of equipment	(2)	784	224
Impairment of long-lived assets	593	—	1,985
Changes in operating assets and liabilities:			
Receivables	1,561	662	(2,153)
Merchandise inventories	(2,733)	(3,938)	(9,621)
Prepaid expenses and other assets	(1,042)	(684)	(1,356)
Accounts payable	(4,023)	2,168	4,059
Accrued expenses	4,431	(2,490)	5,327
Accrued compensation and benefits	(475)	788	958
Deferred rent	6,737	3,021	3,085
Deferred revenue	(1,300)	167	486
Net cash provided by operating activities	38,276	35,256	41,702
Cash flows from investing activities			
Purchase of property and equipment	(23,406)	(17,514)	(15,674)
Insurance proceeds from casualty loss	—	—	375
Proceeds from disposal of property and equipment	17	3	41
Net cash used in investing activities	(23,389)	(17,511)	(15,258)
Cash flows from financing activities			
Payment of capital lease obligation	(521)	(555)	(591)
Distributions	(15,190)	(16,020)	(22,220)
Net cash used in financing activities	(15,711)	(16,575)	(22,811)
Change in cash and cash equivalents	(824)	1,170	3,633
Cash and cash equivalents, beginning of period	25,359	24,535	25,705
Cash and cash equivalents, end of period	$ 24,535	$ 25,705	$ 29,338
Supplemental disclosures of cash flow information			
Interest paid	$ 431	$ 397	$ 363
Income taxes paid	$ 350	$ 206	$ 516
Supplemental disclosure of non-cash activities			
Unpaid purchases of property and equipment	$ 3,428	$ 797	$ 596

The accompanying notes are an integral part of these financial statements.

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS

1. Description of Company

World of Jeans & Tops dba Tilly's ("Tilly's" or the "Company") operates a chain of specialty retail stores featuring casual clothing, footwear and accessories for teens and young adults. The Company operated a total of 111 and 125 stores as of January 30, 2010, and January 29, 2011, respectively. The stores are located in malls, lifestyle centers, 'power' centers, community centers, outlet centers and street-front locations in Arizona, California, Colorado, Delaware, Florida, Maryland, Nevada, New Jersey, New York, Pennsylvania and Virginia. Tilly's customers may also shop online at www.tillys.com, where the Company features a similar assortment of product as is carried in Tilly's stores.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years 2008, 2009 and 2010 ended on January 31, 2009, January 30, 2010 and January 29, 2011, respectively. Fiscal years 2008, 2009 and 2010 each included 52 weeks.

Unaudited Pro Forma Income Information

The unaudited pro forma income information gives effect to the anticipated conversion of the Company to a "C" Corporation. Prior to such anticipated conversion, the Company was an "S" Corporation and generally not subject to income taxes. The pro forma net income, therefore, includes an adjustment for income tax expense as if the Company had been a "C" Corporation as of February 3, 2008 at an assumed combined federal, state and local effective income tax rate of 40%.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all short-term investments with an initial maturity of 90 days or less when purchased to be cash equivalents.

Merchandise Inventories

Merchandise inventories are comprised of finished goods offered for sale at the Company's retail stores and online. Inventories are stated at the lower of cost or market using the retail inventory method. An initial markup is applied to inventory at cost in order to establish a cost-to-retail ratio. The Company believes that the retail inventory method approximates cost. Shipping and handling costs for merchandise shipped to customers of $2.0 million, $2.5 million and $3.4 million for the fiscal years ended January 31, 2009, January 30, 2010 and January 29, 2011, respectively, are included in cost of goods sold in the statements of operations.

The Company reviews its inventory levels to identify slow-moving merchandise and generally uses markdowns to clear this merchandise. At any given time, merchandise inventories include items that have been marked down to management's best estimate of their fair market value at retail price, with a proportionate write-down to the cost of the inventory. Management bases the decision to mark down merchandise primarily upon its current sell-through rate and the age of the item, among other factors. These markdowns may have an adverse impact on earnings, depending on the extent and amount of inventory affected. Markdowns are recorded as an increase to cost of goods sold in the statements of operations. Total markdowns, including permanent and promotional markdowns, on a cost basis were $16.7 million, $20.8 million and $22.8 million in fiscal years 2008, 2009 and 2010, respectively. In addition, the Company accrued $0.4 million and $0.3 million for planned but unexecuted markdowns, including markdowns related to slow moving merchandise, as of January 30, 2010 and January 29, 2011, respectively.

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS—(continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Furniture, fixtures and equipment are depreciated over five to seven years. Computer software is depreciated over three years. Leasehold improvements and the cost of acquiring leasehold rights are amortized over the lesser of the term of the lease or the estimated useful life of the improvement. The cost of assets sold or retired and the related accumulated depreciation or amortization is removed from the accounts with any resulting gain or loss included in net income.

Repairs and maintenance costs are charged directly to expense as incurred. Major renewals, replacements and improvements that substantially extend the useful life of an asset are capitalized and depreciated.

Impairment of Long-Lived Assets

Impairments are recorded on long-lived assets used in operations whenever events or changes in circumstances indicate that the net carrying amounts may not be recoverable. Factors considered important that could result in an impairment review include, but are not limited to, significant underperformance relative to historical or planned operating results, significant changes in the manner of use of the assets or significant changes in the Company's business strategies. An evaluation is performed using estimated undiscounted future cash flows from operating activities compared to the carrying value of related assets for the individual stores. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized for the difference between the carrying value and the estimated fair value of the assets based on the discounted cash flows of the assets using a rate that approximates the Company's weighted average cost of capital.

At least quarterly, the Company assesses whether events or changes in circumstances have occurred that potentially indicate the carrying value of long-lived assets may not be recoverable. The Company's evaluations during fiscal years 2008 and 2010 indicated that operating losses or insufficient operating income existed at certain retail stores, with a projection that the operating losses or insufficient operating income for these locations would continue. As such, the Company recorded noncash charges of $0.6 million and $0.8 million in selling, general and administrative expenses in fiscal years 2008 and 2010, respectively, to write down the carrying value of these stores' long-lived assets to their estimated fair values. In addition, the Company recorded an impairment charge of $1.2 million in fiscal year 2010 due to smoke damage to assets resulting from a fire in the mall where one of the Company's stores is located. The Company has an insurance policy covering the assets that were destroyed. The Company did not record any impairment charges in fiscal year 2009.

Operating Leases

The Company leases its retail stores under noncancelable operating leases. Most store leases include tenant allowances from landlords, rent escalation clauses and/or contingent rent provisions. Tilly's recognizes rent expense on a straight-line basis over the lease term, excluding contingent rent, and records the difference between the amount charged to expense and the rent paid as a deferred rent liability. Contingent rent, determined based on a percentage of sales in excess of specified levels, is recognized as rent expense when the achievement of the specified sales that triggers the contingent rent is probable.

Deferred Rent and Tenant Allowances

Deferred rent is recognized when a lease contains fixed rent escalations. The Company recognizes the related rent expense on a straight-line basis starting from the date of possession and records the difference between the recognized rental expense and cash rent payable as deferred rent. Deferred rent also includes tenant

allowances received from landlords in accordance with negotiated lease terms. The tenant allowances are amortized as a reduction to rent expense on a straight-line basis over the term of the lease starting at the date of possession.

Accrued Expenses

The major components of accrued expenses at January 30, 2010 and January 29, 2011 included sales and use taxes payable, rent-related liabilities, accrued construction, accrued merchandise returns and accruals for various other administrative expenses.

Revenue Recognition

Revenue is recognized for store sales when the customer receives and pays for the merchandise at the register. Taxes collected from the Company's customers are recorded on a net basis. For e-commerce sales, Tilly's recognizes revenue, net of sales taxes and estimated sales returns, and the related cost of goods sold at the time the merchandise is received by the customer. The Company defers e-commerce revenue and the associated product and shipping costs for shipments that are in-transit to the customer. Customers typically receive goods within a few days of shipment. Deferred revenue and the associated product costs relating to e-commerce sales were immaterial as of January 30, 2010 and January 29, 2011. Amounts related to shipping and handling that are billed to customers are reflected in net sales, and the related costs are reflected in cost of goods sold.

The Company recognizes revenue from gift cards as they are redeemed for merchandise. Prior to redemption, the Company maintains a current liability for unredeemed gift card balances. The customer liability balance was $3.6 million and $4.1 million as of January 30, 2010 and January 29, 2011, respectively, and is included in deferred revenue on the balance sheets. Tilly's gift cards do not have expiration dates; however, over time, the redemption of some gift cards is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card "breakage"). An assessment of the ultimate non-redemption rate of gift cards is performed when enough time has passed since the activation of the cards, to enable a determination of the ultimate breakage rate based upon historical redemption experience. This date of assessment has historically been two full fiscal years after the fiscal year the cards were activated. At the time of assessment a breakage estimate is calculated and recorded in net sales. Breakage revenue for gift cards was $1.5 million, $0.5 million and $0.4 million in fiscal years 2008, 2009 and 2010, respectively.

Cost of Goods Sold and Selling, General and Administrative Expenses

The following illustrates the primary costs classified in each major expense category:

Cost of Goods Sold

- Total cost of products sold include:
  - Freight expenses associated with moving merchandise inventories from our vendors to our distribution center;
  - Vendor allowances;
  - Cash discounts on payments to merchandise vendors;
  - Physical inventory losses; and
  - Markdowns.

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NOTES TO FINANCIAL STATEMENTS—(continued)

- Costs of buying and distribution of merchandise include:
  - Payroll costs and incentive compensation for merchandise purchasing personnel;
  - Customer shipping and handling expenses;
  - Costs associated with operating our distribution center, including payroll and benefit costs, occupancy costs, and depreciation; and
  - Freight expenses associated with moving merchandise inventories from our distribution center to our stores and e-commerce customers.
- Store occupancy costs including rent, maintenance, utilities, property taxes, business licenses, security costs and depreciation.

Selling, General and Administrative Expenses

- Payroll, benefit costs and incentive compensation for store, regional and corporate employees;
- Occupancy and maintenance costs of corporate office facilities;
- Depreciation and amortization related to corporate office assets;
- Advertising and marketing costs, net of reimbursement from vendors;
- Tender costs, including costs associated with credit and debit card interchange fees;
- Long-lived asset impairment charges;
- Other administrative costs such as supplies, consulting, audit and tax preparation fees, and travel and lodging; and
- Charitable contributions.

Store Opening Costs

Store opening costs consist primarily of occupancy costs, which are included in cost of goods sold, and payroll expenses, which are included in selling, general and administrative expenses, in the statements of operations.

Advertising

The Company expenses advertising costs as incurred, except for direct-mail advertising expenses which are recognized at the time of mailing. Advertising costs include such things as production and distribution of catalogs, print advertising costs, radio advertisements and grand opening events. Advertising expense, which is classified in selling, general and administrative expenses in the accompanying statements of operations, was $3.0 million, $2.9 million and $4.5 million for the fiscal years ended January 31, 2009, January 30, 2010 and January 29, 2011, respectively.

Stock-Based Compensation

The Company has adopted the provisions of Accounting Standards Codification ("ASC") Topic 718, *Compensation-Stock Compensation* ("ASC 718"), which establishes accounting for equity instruments exchanged for employee services. Under the provisions of this statement, stock-based compensation expense is

measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense on a straight-line basis over the employee's requisite service period (generally the vesting period of the equity grant). As required under this guidance, the Company estimates forfeitures for options granted which are not expected to vest. Changes in these inputs and assumptions can materially affect the measurement of the estimated fair value of the Company's stock-based compensation expense.

The Company's stock options contain a performance condition wherein, if they are vested, they only become exercisable upon the consummation of an initial public offering of Tilly's common stock. Unrecognized stock-based compensation expense, cumulative through January 29, 2011, for all stock options granted under the Tilly's 2007 Stock Option Plan (the "2007 Plan") and before any related tax benefit, was $3.8 million.

Income Taxes

Historically, Tilly's has elected to be taxed under the provisions of subchapter "S" of the Internal Revenue Code for federal tax purposes. As a result, the Company's income has not been subject to U.S. federal income taxes or state income taxes in those states where the "S" Corporation status is recognized. In general, the corporate income or loss of an "S" Corporation is allocated to its shareholders for inclusion in their personal federal income tax returns and personal state income tax returns in those states where the "S" Corporation status is recognized. No provision or liability for federal or state income tax has been provided in the Company's financial statements except for those states where the "S" Corporation status is not recognized and for the 1.5% California franchise tax to which the Company is also subject as a California "S" Corporation. The provision for income tax in the current period consists of these taxes. Tilly's distributes funds to the shareholders necessary to satisfy the shareholders' estimated personal "S" Corporation income tax liabilities.

In July 2006, the Financial Accounting Standards Board ("FASB") issued an interpretation which clarifies the accounting for uncertainty in income taxes recognized in the financial statements. This interpretation provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized, and in subsequent periods. This interpretation also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Tilly's adopted this interpretation effective February 1, 2007. The adoption of this interpretation did not have a material impact on the Company's financial statements.

Net Income per Share

Basic net income per common share is computed using the weighted average number of shares outstanding. Diluted net income per common share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options to purchase common stock. Incremental shares of 14,000 and 98,000 for the fiscal years ended January 30, 2010 and January 29, 2011, respectively, were used in the calculation of diluted net income per common share. There were no incremental shares for the fiscal year ended January 31, 2009 as all outstanding stock options were anti-dilutive.

Fair Value of Certain Financial Assets and Liabilities

The Company follows Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures*, ("ASC 820") which requires disclosure of the estimated fair value of certain assets and liabilities defined by the guidance as financial instruments. As of January 29, 2011, management believes that the carrying amounts of cash and cash equivalents, receivables, and payables approximate their respective fair value because of their short maturities.

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NOTES TO FINANCIAL STATEMENTS—(continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents. At January 29, 2011, and at various times throughout the year, the Company had cash in financial institutions in excess of the $250,000 amount insured by the Federal Deposit Insurance Corporation. The Company typically invests its cash in highly rated, interest-bearing, short-term commercial paper or in money market funds.

Comprehensive Income

The Statements of Comprehensive Income has been excluded from these financial statements as comprehensive income equals net income.

Segment Reporting

GAAP has established guidance for reporting information about a company's operating segments, including disclosures related to a company's products and services, geographic areas and major customers. The Company has aggregated its net sales generated from its retail stores and e-commerce store into one operating segment. The operating segment is aggregated as it has a similar class of customer, nature of products and production processes, as well as similar economic characteristics. All of the Company's identifiable assets are in the U.S.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Recent Accounting Pronouncements

In October 2009 the FASB issued Accounting Standards Update ("ASU") No. 2009-13, *Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force*. This ASU provides amendments to the criteria for separating consideration in multiple-deliverable arrangements. The amendments in this ASU replace the term "fair value" in the revenue allocation guidance with "selling price" to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant. The amendments in this ASU also establish a selling price hierarchy for determining the selling price of a deliverable. The amendments in this ASU eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The initial adoption of this ASU did not have an impact on the Company's revenue recognition policies.

In January 2010 the FASB issued guidance and clarifications for improving disclosures about fair value measurements. This guidance requires enhanced disclosures regarding transfers in and out of the levels within the fair value hierarchy. Separate disclosures are required for transfers in and out of Level 1 and 2 fair value measurements, and the reasons for the transfers must be disclosed. In the reconciliation for Level 3 fair value

measurements, separate disclosures are required for purchases, sales, issuances, and settlements on a gross basis. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for interim and annual reporting periods beginning after December 15, 2010. Effective January 31, 2010, the Company adopted the new and updated disclosure guidance, aside from that deferred to periods after December 15, 2010, and this did not significantly impact the Company's financial statements. The Company does not believe adoption of the remaining guidance on disclosures will have any material effect on its financial statements.

The FASB issues ASUs to amend the authoritative literature in the Accounting Standards Codification. There have been a number of ASUs to date that amend the original text of the Accounting Standards Codification. Except for the ASU listed above, those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to the Company or (iv) are not expected to have a significant impact on the Company.

3. Receivables

At January 30, 2010 and January 29, 2011, receivables consisted of the following (in thousands):

	January 30, 2010	January 29, 2011
Credit and debit card receivables	$ 1,350	$ 1,890
Tenant allowances due from landlords	862	1,214
Other	436	1,197
	$ 2,648	$ 4,301

4. Prepaid Expenses and Other Current Assets

At January 30, 2010 and January 29, 2011, prepaid expenses and other current assets consisted of the following (in thousands):

	January 30, 2010	January 29, 2011
Prepaid rent	$ 3,191	$ 3,635
Prepaid maintenance agreements	302	340
Other	257	282
	$ 3,750	$ 4,257

5. Property and Equipment

At January 30, 2010 and January 29, 2011, property and equipment consisted of the following (in thousands):

	January 30, 2010	January 29, 2011
Leasehold improvements	$ 48,203	$55,787
Furniture and fixtures	20,025	22,951
Machinery and equipment	21,707	22,338

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NOTES TO FINANCIAL STATEMENTS—(continued)

	January 30, 2010	January 29, 2011
Building under capital lease	$ 7,840	$ 7,840
Computer hardware and software	8,093	9,147
Construction in progress	721	494
Vehicles	1,689	1,759
	108,278	120,316
Accumulated depreciation and amortization	(49,499)	(62,131)
Property and equipment, net	$ 58,779	$ 58,185

Depreciation and amortization expense related to property and equipment was $10.9 million, $13.9 million and $14.3 million for the fiscal years ended January 31, 2009, January 30, 2010 and January 29, 2011, respectively.

The Company incurred costs of $26.8 million, $14.9 million and $15.7 million for capital expenditures for the fiscal years ended January 31, 2009, January 30, 2010 and January 29, 2011, respectively.

6. Line of Credit

The Company has a $15.0 million line of credit with Wells Fargo Bank, NA that expires on August 1, 2011. Interest is charged either at the bank's prime rate or at the London Interbank Offered Rate (LIBOR) plus 2.0%, which Tilly's has the ability to select at the time of the advance. Advances are secured by substantially all of the assets of the Company. As a sub-feature under the line of credit, the bank may issue stand-by and commercial letters of credit up to $10.0 million. As of January 30, 2010 and January 29, 2011 there were no outstanding balances or letters of credit. Tilly's is required to maintain certain financial and nonfinancial covenants in accordance with the line of credit agreement. These covenants include a number of affirmative and negative covenants, such as restrictions on liens, annual capital expenditures, additional indebtedness, dispositions, dividends or stock repurchases, and changes in the nature of the Company's business, as well as requirements for certain levels of tangible net worth, liquidity and profitability. At January 29, 2011, the Company was in compliance with all of its covenants and had no outstanding borrowings under the line of credit.

7. Accrued Expenses

At January 30, 2010 and January 29, 2011, accrued expenses consisted of the following (in thousands):

	January 30, 2010	January 29, 2011
Sales and use taxes payable	$ 1,132	$ 4,886
Minimum rent and common area maintenance	730	731
Accrued construction	797	596
Accrued merchandise returns	368	510
Other	2,814	4,445
Total accrued expenses	$ 5,841	$11,168

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NOTES TO FINANCIAL STATEMENTS—(continued)

8. Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures*, ("ASC 820") defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined under ASC 820 as the exit price associated with the sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date. ASC 820 established the following three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value:

- Level 1—Quoted prices in active markets for identical assets and liabilities. The Company had money market securities within cash and cash equivalents totaling $25.7 million and $29.3 million at January 30, 2010 and January 29, 2011, respectively. These money market securities are reported at fair value utilizing Level 1 inputs, as quoted current market prices are readily available.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs (i.e. projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. During fiscal year 2010, certain long-lived assets with a carrying value of $2.0 million were determined to be unable to recover their respective carrying values and, therefore, were written down to their fair value, resulting in a loss on impairment of assets of $2.0 million. The fair value of the long-lived assets was determined using Level 3 inputs and the valuation techniques are described in Note 2 of the Notes to Financial Statements.

The Company has no other financial instruments that would be considered significant for fair value measurement purposes.

9. Leases

The Company conducts all of its retail sales and corporate operations in leased facilities. Lease terms generally range up to ten years and provide for escalations in base rents. The Company is generally not obligated to renew leases. Certain leases provide for additional rent based on a percentage of sales and annual rent increases generally based upon the Consumer Price Index. In addition, many of the store leases contain certain co-tenancy provisions that permit the Company to pay rent based on a pre-determined percentage of sales when the occupancy of the retail center falls below minimums established in the lease.

The Company leases warehouse space that is owned by one of the co-founders of Tilly's. This lease expires on October 31, 2014 and is being accounted for as an operating lease. The lease provides for base monthly payments of $16,118 which increase every 12 months at $0.03 per square foot per month. As of January 29, 2011, the Company's monthly lease payment was $16,118. The Company incurred rent expense of $56,075 for fiscal year 2010 related to this lease. The Company subleases part of the building to an unrelated third party. The sublease began on December 1, 2010 and terminates on May 31, 2014. The sublease provides for base monthly payments of $11,223, which increases annually at a rate of $0.03 per square foot.

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NOTES TO FINANCIAL STATEMENTS—(continued)

Future minimum rental commitments, by year and in the aggregate, under noncancellable operating leases as of January 29, 2011, are as follows (in thousands):

Fiscal Year	Related Party	Other	Total
2011	$ 1,058	$ 28,628	$ 29,686
2012	1,084	32,226	$ 33,310
2013	1,077	28,739	$ 29,816
2014	1,009	24,943	$ 25,952
2015	862	24,906	$ 25,768
Thereafter	1,804	85,160	$ 86,964
Total	$6,894	$224,602	$231,496

Rent expense under noncancellable operating leases for fiscal years 2008, 2009 and 2010 was as follows (in thousands):

	Fiscal Years Ended		
	January 31, 2009	January 30, 2010	January 29, 2011
Minimum rentals	$ 18,113	$22,386	$26,312
Contingent rentals	83	48	15
Total rent expense	$18,196	$ 22,434	$26,327

The Company leases its corporate headquarters and distribution center from a company that is owned by the co-founders of Tilly's. This lease expires on December 31, 2012, with multiple options to renew thereafter. The land component of this lease is accounted for as an operating lease (included in the operating lease commitments schedule above) and the building component is accounted for as a capital lease. The monthly payments under the operating portion of the lease were approximately $71,800 as of January 29, 2011. The initial obligation at inception under the capital lease was $9.2 million, with an outstanding balance of $5.3 million as of January 29, 2011. The gross amount of the building under capital lease was $7.8 million as of January 30, 2010 and January 29, 2011. The gross amount of the accumulated depreciation of the building under capital lease was $3.7 million and $4.2 million as of January 30, 2010 and January 29, 2011, respectively. The Company incurred rent expense of $0.8 million in each of the fiscal years ended January 31, 2009, January 30, 2010 and January 29, 2011 related to this lease.

Future commitments under the Company's related party capital lease obligation as of January 29, 2011 are as follows (in thousands):

Fiscal Year	
2011	$ 940
2012	940
2013	940
2014	940
2015	940
Thereafter	1,800
Total minimum lease payments	6,500
Less amount representing interest	1,234
Present value of net minimum lease payments	5,266
Less current portion	628
Long-term portion	$ 4,638

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NOTES TO FINANCIAL STATEMENTS—(continued)

10. Income Taxes

The Company has elected to be taxed under the provisions of subchapter "S" of the Internal Revenue Code for federal and state income tax purposes. Under these provisions, the Company is generally not subject to corporate level income taxes on its taxable income. However, the company is subject to a 1.5% California franchise tax. As an "S" Corporation, the shareholders are liable for federal and state income taxes on their share of the Company's taxable income. The provision for income tax in the current period consists primarily of the California franchise tax. The Company generally distributes funds necessary to satisfy the shareholders' personal income tax liabilities associated with their share of the company's taxable income.

The Company recognizes income tax liabilities related to unrecognized tax benefits in accordance with ASC 740, *Income Taxes*, guidance related to uncertain tax positions and adjusts these liabilities when its judgment changes as the result of the evaluation of new information. As of January 29, 2011, there were no material unrecognized tax benefits and the Company does not anticipate that there will be a material change in the balance of the unrecognized tax benefits within the next 12 months. The Company recognizes penalties and interest related to unrecognized tax benefits as income tax expense.

11. Stock-Based Compensation

The 2007 Plan authorizes the Company to issue options to employees, consultants and directors to purchase up to a total of 1,600,000 shares of common stock. The 2007 Plan provides for awards in the form of incentive stock options or nonqualified stock options. As of January 29, 2011, all awards granted by the Company have been nonqualified stock options. Under the 2007 Plan, stock options are generally granted at an exercise price equal to the fair value of the Company's common stock at the date of grant. The stock options have graded vesting over a four-year period and generally expire at the earlier of 30 days after employment or services are terminated, or ten years from the date of the grant. There were 624,500 shares available for issuance pursuant to the 2007 Plan as of January 29, 2011.

The stock options also contain a performance condition wherein, if they are vested, they only become exercisable upon the consummation of an initial public offering of the Company's common stock. If Tilly's had consummated an initial public offering as of January 29, 2011, the Company would have recognized $3.8 million, before any related tax benefit, of cumulative compensation expense, adjusted for estimated forfeitures and related to all outstanding stock options granted to date. An additional $0.5 million of compensation expense relating to all non-vested outstanding stock options granted to date as of January 29, 2011 would then be recognized over the remaining service period of the awards.

In the absence of a public trading market for its stock, the Company considered both objective and subjective factors including information provided by a third party valuation firm to determine its best estimate of the fair market value of its common stock as of each valuation date. The awards to purchase the Company's common stock granted under the 2007 Plan were measured at fair value on each of the grant dates using the Black-Scholes option valuation model.

Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term and the Company's expected annual dividend yield, if any. The Company's estimate of pre-vesting forfeitures, or forfeiture rate, was based on its internal analysis, which included the award recipients' positions within the company and the vesting period of the awards. The Company will issue shares when the options are exercised.

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NOTES TO FINANCIAL STATEMENTS—(continued)

The fair value of stock options granted during fiscal years 2008, 2009 and 2010 was estimated on the grant date using the following assumptions:

	January 31, 2009	January 30, 2010	January 29, 2011
Expected option term(1)	5.0 years	5.0 years	5.0 years
Expected volatility factor(2)	42.3%	45.5%	61.0%
Risk-free interest rate(3)	3.0%	1.8%	1.0%
Expected annual dividend yield	0.0%	0.0%	0.0%

(1) The Company has limited historical information regarding expected option term. Accordingly, the Company determined the expected option term of the awards using the latest historical data available from comparable public companies and management's expectation of exercise behavior.

(2) Stock volatility for each grant is measured using the weighted average of historical daily price changes of the Company's competitors' common stock over the most recent period equal to the expected option term of the Company's awards.

(3) The risk-free interest rate is determined using the rate on treasury securities with the same term as the expected life of the stock option as of the grant date.

A summary of stock option information for the fiscal year ended January 29, 2011 is as follows (aggregate intrinsic value in thousands):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 30, 2010	888,000	$ 8.36		
Granted	106,500	$ 9.00		
Forfeited or expired	(19,000)	$ 9.51		
Outstanding at January 29, 2011	975,500	$ 8.41	7.2 years	$7,662
Vested and expected to vest in the future at January 29, 2011	851,519	$ 8.45	7.2 years	$6,648

No stock options were exercisable as of January 29, 2011 as the performance condition of Tilly's consummating an initial public offering had not been met as of that date.

In connection with a stock option grant during fiscal year 2010, the Company performed a valuation with the assistance of a third-party valuation specialist and determined that its current stock price was $8.98 per share. Concurrently with this valuation and stock option grant, the Company re-priced 739,500 out-of-the-money stock options with exercise prices ranging from $9.64 to $14.47 in order to continue maintaining an equity incentive for its employees. Most of these out-of-the-money stock options had been granted with prices based upon Company valuations performed prior to and during the recent economic instability, which reflected values greater than $8.98 per share. As a result of the re-pricing, all such stock options now have an exercise price of $8.98, with no modification to the vesting schedule of the previously granted options. Stock options granted on April 20, 2009 retained their original exercise price of $6.45 per share. The Company accounted for the re-pricing as a modification of the stock options. The re-pricing affected 48 optionees and resulted in incremental unrecognized stock-based compensation expense of $0.6 million.

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NOTES TO FINANCIAL STATEMENTS—(continued)

A summary of the status of non-vested stock options as of January 29, 2011 and changes during the fiscal years ended January 31, 2009, January 30, 2010 and January 29, 2011 are presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at February 2, 2008	648,000	$ 6.37
Granted	39,500	6.65
Vested	(162,000)	6.37
Forfeited or expired	(18,250)	5.65
Nonvested at January 31, 2009	507,250	$ 6.42
Granted	225,500	2.64
Vested	(170,375)	6.33
Forfeited or expired	(2,000)	5.44
Nonvested at January 30, 2010	560,375	$ 4.93
Granted	106,500	5.06
Vested	(222,000)	5.46
Forfeited or expired	(15,500)	4.69
Nonvested at January 29, 2011	429,375	$ 4.70

12. Commitments and Contingencies

Employment Contracts

The Company did not have any employment agreements as of January 29, 2011. On February 21, 2011, Daniel Griesemer joined Tilly's as its new President and Chief Executive Officer. The Company is subject to an employment agreement with Mr. Griesemer, which provides for compensation and other certain benefits. The agreement also provides for severance payments under certain circumstances.

Litigation

The Company is involved in various routine legal proceedings incidental to the conduct of its business. In the opinion of management, the lawsuits and claims pending are not likely to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Indemnifications, Commitments, and Guarantees

During the normal course of business, the Company has made certain indemnifications, commitments, and guarantees under which Tilly's may be required to make payments for certain transactions. These indemnifications include those given to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnifications to directors and officers of the Company to the maximum extent permitted under the laws of the state of California. The majority of these indemnifications, commitments, and guarantees do not provide for any limitation of the maximum potential future payments we could be obligated to make, and their duration may be indefinite. The Company has not recorded any liability for these indemnifications, commitments, and guarantees in the accompanying balance sheets as the impact is expected to be immaterial.

As of January 29, 2011, the Company was a secondary guarantor on a debt obligation associated with its leased corporate headquarters and distribution center owned by the Company's major shareholder and founder.

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS—(continued)

This loan guarantee extended through 2017, and was issued to the lender that holds the debt obligation. As of January 29, 2011, the Company does not believe the fair value of this guarantee is material to its financial position or results of operations. As of March 9, 2011, the financial institution holding the mortgage guaranty cancelled the guaranty.

13. Retirement Savings Plan

The Tilly's 401(k) Plan (the "401(k) Plan") is a qualified plan under Section 401(k) of the Internal Revenue Code. The 401(k) Plan covers all full-time employees that have attained age 21 and completed at least three months of employment tenure. Company matching contributions to the 401(k) Plan are at the discretion of the Board of Directors. Total employer contributions to the 401(k) Plan totaled $0.3 million, $0.4 million and $0.5 million for the fiscal years ended January 31, 2009, January 30, 2010 and January 29, 2011, respectively.

14. Net Income Per Share

Basic net income per share is based on the weighted average number of common shares outstanding for the period. Diluted net income per share is based on the weighted average number of common shares and potentially dilutive common share equivalents outstanding for the period. Dilutive common share equivalents include shares issuable upon an assumed exercise of outstanding stock options using the "treasury stock" method, whereby proceeds from such exercise and unamortized compensation on share-based awards are assumed to be used by the Company to purchase the common shares at the average market price during the period. Total stock options of 666,500, 662,500 and 22,000 as of January 31, 2009, January 30, 2010 and January 29, 2011, respectively, have been excluded from the calculation of diluted earnings per share as the effect of including these options would have been anti-dilutive.

15. Related Parties

As discussed in Note 9 to the Financial Statements, the Company leases corporate headquarters, distribution center and warehouse space from companies that are owned by the co-founders of Tilly's.

There were no other related party transactions during fiscal years 2008, 2009 and 2010.

16. Subsequent Events

As discussed in Note 12 to the Financial Statements, the Company initially guaranteed the loan for a company owned by one of the co-founders of Tilly's for its purchase of the land and building where the Company's corporate headquarters and distribution center resides. As of March 9, 2011, the financial institution holding the mortgage guaranty cancelled the guaranty.

The Company evaluated subsequent events through April 13, 2011, the date the financial statements were issued.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Tilly's, Inc.
Irvine, California

We have audited the accompanying statement of financial position of Tilly's, Inc. (the "Company") as of May 4, 2011 (date of inception). This statement of financial position is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial position based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial position presents fairly, in all material respects, the financial position of Tilly's, Inc. and subsidiaries as of May 4, 2011 (date of inception), in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Costa Mesa, CA
July 1, 2011

TILLY'S, INC.

STATEMENT OF FINANCIAL POSITION

	May 4, 2011
ASSETS	
Cash	$ 1
Total assets	$ 1
STOCKHOLDERS' EQUITY	
Class A Common stock, $0.001 par value; 100,000,000 shares authorized, 1,000 shares issued and outstanding	$ 1
Class B Common Stock, $0.001 par value; 35,000,000 shares authorized, no shares issued and outstanding	—
Preferred stock, $0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding	—
Total stockholders' equity	$ 1

The accompanying notes are an integral part of this financial statement.

TILLY'S, INC.

NOTES TO FINANCIAL STATEMENT

1. Description of Company

Tilly's, Inc. (the "Company") was formed as a Delaware corporation on May 4, 2011 and has no material assets or operations.

Reorganization

The Company expects its shareholders will contribute their equity interests in World of Jeans & Tops to Tilly's, Inc. in return for shares of Tilly's, Inc. common stock on a one-for-one basis (collectively referred to as the "Reorganization"). As a result of the Reorganization, World of Jeans & Tops will become a wholly owned subsidiary of Tilly's, Inc. Upon completion of the Reorganization, the only assets of Tilly's, Inc. will be its investment in World of Jeans & Tops and all of its operations will be conducted through World of Jeans & Tops.

2. Basis of Presentation and Organization

The Company's statement of financial position has been prepared in accordance with accounting principles generally accepted in the United States of America. Separate statements of operations and comprehensive income, changes in stockholders' equity and of cash flows have not been presented because the Company has had no activity.

3. Stockholders' Equity

The Company had 100,000,000 shares authorized and 1,000 shares issued and outstanding of Class A common stock with a par value of $0.001 as of May 4, 2011 to one stockholder. The Company had 35,000,000 shares authorized and no shares issued of Class B common stock with a par value of $0.001 as of May 4, 2011. The Company had 10,000,000 shares authorized and no shares issued of preferred stock with a par value of $0.001 as of May 4, 2011.

4. Subsequent Events

We have evaluated subsequent events through July 1, 2011, the date the financial statement was issued. No subsequent event occurred after the date of this financial statement and prior to its issuance, which would require its disclosure in this financial statement.

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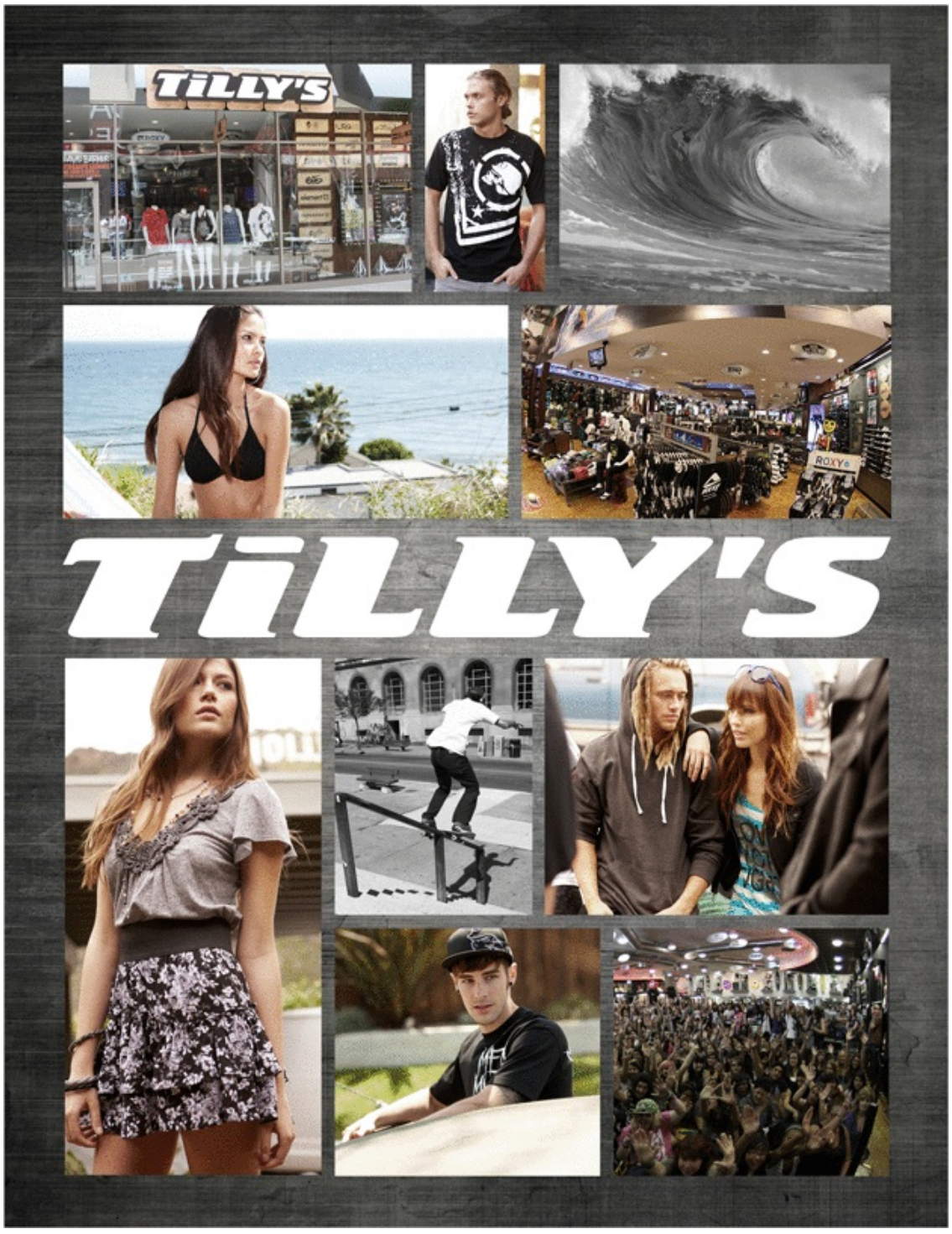

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The actual and estimated expenses in connection with this offering, all of which will be borne by us, are as follows:

SEC Registration Fee	$ 11,610
FINRA Filing Fee	10,500
New York Stock Exchange Listing Fee	*
Advisory Fees Payable to Miller Buckfire & Co., LLC(1)	*
Accounting Fees and Expenses	*
Legal Fees and Expenses	*
Printing and Engraving Expenses	*
Miscellaneous	*
Total	$

* To be updated by amendment

(1) Assumes an initial public offering price of $, which is the mid-point of the price range set forth on the cover page of the prospectus.

Item 14. Indemnification of Directors and Officers

Section 102(b)(7) of the DGCL provides that a corporation may, in its original certificate of incorporation or an amendment thereto, eliminate or limit the personal liability of a director for violations of the director's fiduciary duty, except (1) for any breach of the director's duty of loyalty to the corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) pursuant to Section 174 of the DGCL, which provides for liability of directors for unlawful payments of dividends or unlawful stock purchases or redemptions or (4) for any transaction from which a director derived an improper personal benefit.

Section 145 of the DGCL provides that a corporation may indemnify any person, including an officer or director, who is, or is threatened to be made, party to any threatened, pending or completed legal action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of such corporation, by reason of the fact that such person was an officer, director, employee or agent of such corporation or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such officer, director, employee or agent acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the corporation's best interest and, for criminal proceedings, had no reasonable cause to believe that his conduct was unlawful. A Delaware corporation may indemnify any officer or director in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses that such officer or director actually and reasonably incurred.

Our bylaws provide for indemnification of the officers and directors to the full extent permitted by the DGCL.

The proposed form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the underwriters of the registrant and its directors and certain officers for certain liabilities arising under the Securities Act.

Item 15. Recent Sale of Unregistered Securities

Set forth below is information regarding securities sold by us within the past three years that were not registered under the Securities Act:

(1) In the past three years, we have granted options to employees, directors and consultants to purchase an aggregate of 1,546,000 shares of our common stock under our 2007 Stock Option Plan at exercise prices ranging from $6.45 to $16.26. However, in October 2010, our board of directors re-priced all options granted under the 2007 Stock Option Plan with exercise prices greater than $8.98 to $8.98 as of January 29, 2011. During this period, none of the shares were exercised.

(2) The registrant was incorporated in Delaware on May 4, 2011. The registrant's business was in the past and currently is conducted through World of Jeans & Tops. Prior to the closing of this offering, World of Jeans & Tops will effect a corporate reorganization, which is sometimes referred to as the Reorganization Transaction, pursuant to which World of Jeans & Tops will become a wholly owned subsidiary of the registrant. In connection with the Reorganization Transaction, the outstanding shares of World of Jeans & Tops' common stock will be converted into shares of the registrant's common stock and outstanding options to purchase World of Jeans & Tops' common stock will become options to purchase shares of the registrant's common stock.

(3) Tilly's, Inc. is a newly-formed Delaware corporation that has not, to date, conducted any activities other than those incidental to our formation and the preparation of this prospectus. We were formed solely for the purpose of reorganizing the corporate structure of World of Jeans & Tops. In connection with the formation and initial capitalization of Tilly's, Inc., the registrant issued a total of 1,000 shares of Class A common stock to Hezy Shaked in exchange for $0.001 per share.

The issuances of options, the issuance of common stock in connection with the Reorganization Transaction and the issuance of Class A common stock in connection with the formation of Tilly's, Inc., each as described above, were deemed exempt from registration under Section 4(2) or Regulation D of the Securities Act, and in certain circumstances, in reliance on Rule 701 promulgated under the Securities Act as transactions pursuant to compensatory benefit plans and contracts relating to compensation. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act. The recipients of securities in the transactions exempt under Section 4(2) or Regulation D of the Securities Act represented their intention to acquire the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the stock certificates and instruments issued in such transactions.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
*1.1	Form of Underwriting Agreement
3.1	Amended and Restated Certificate of Incorporation of Tilly's, Inc.
**3.2	Bylaws of Tilly's, Inc.
*4.1	Form of Stock Certificate
*5.1	Opinion of Latham & Watkins LLP
10.1	Form of indemnification agreement between Tilly's and each of its directors and officers
**10.2	Form of Amended and Restated Credit Agreement between World of Jeans & Tops and Wells Fargo Bank, NA dated as of , 2011
**10.3	Form of General Pledge Agreement between Tillys, Inc. and Wells Fargo Bank, NA dated as of , 2011
**10.4	Form of Amended and Restated Security Agreement-Equipment, between World of Jeans & Tops and Wells Fargo Bank, NA dated as of , 2011
**10.5	Form of Amended and Restated Security Agreement-Rights to Payment and Inventory, between World of Jeans & Tops and Wells Fargo Bank, NA dated as of , 2011
**10.6	Form of Continuing Guaranty of Tillys, Inc. with Wells Fargo Bank, NA dated as of , 2011
**10.7	Form of Revolving Credit Agreement Note from World of Jeans & Tops dated as of , 2011
**10.8	Amended and Restated Office and Warehouse Lease between Shaked Holdings, LLC and World of Jeans & Tops, dated as of September 21, 2007 (10 and 12 Whatney, Irvine, California)
**10.9	Office and Warehouse Lease between Amnet Holdings, LLC and World of Jeans & Tops, dated as of November 1, 2010 (15 Chrysler, Irvine, California)
**10.10	Amendment #1 to Office and Warehouse Lease between Amnet Holdings, LLC and World of Jeans & Tops, dated February 21, 2011 (15 Chrysler, Irvine California)
10.11	Form of Amended and Restated Tilly's 2007 Stock Option Plan
10.12	Form of Stock Option Agreement Pursuant to 2007 Plan (Senior Executive Form)
10.13	Form of Stock Option Agreement Pursuant to 2007 Plan (Non-Executive Form)
10.14	Form of re-priced stock option grant agreement pursuant to the 2007 Plan
10.15	Form of Tilly's 2011 Equity and Incentive Award Plan
10.16	Form of Stock Option Award Agreement Pursuant to 2011 Plan
10.17	Form of Restricted Stock Award Agreement Pursuant to 2011 Plan
**10.18	Offer Letter, dated as of January 15, 2011, by and between Daniel Griesemer and World of Jeans & Tops, d/b/a Tilly's
10.19	Form of S Corporation Termination, Tax Allocation and Indemnification Agreement among Tilly's, Inc., World of Jeans & Tops and the shareholders of World of Jeans & Tops dated , 2011 (including Form of Promissory Note as Exhibit A thereto)
10.20	Form of Share Exchange Agreement among Tilly's, Inc., World of Jeans & Tops and the shareholders of World of Jeans & Tops dated , 2011
**10.21	Cancellation of Loan Guaranty for World of Jeans & Tops dated March 9, 2011 from Union Bank
10.22	Office and Warehouse Lease between Amnet Holdings, LLC and World of Jeans & Tops, dated September 2, 2011 (11 Whatney, Irvine, California)

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
**21.1	List of Subsidiaries
*23.1	Consent of Latham & Watkins LLP (included in Exhibit 5.1)
23.2	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
23.3	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
24.1	Powers of Attorney (included in the signature pages to this registration statement)

* To be filed by amendment.
** Previously filed.

(B) Financial Statement Schedules

None.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer, or controlling person of us in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, we will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

We hereby undertake that:

(i) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) for purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Irvine, state of California, on September 7, 2011.

TILLY'S, INC.

By: /s/ DANIEL GRIESEMER
Daniel Griesemer
President and Chief Executive Officer

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and as of the dates indicated.

SIGNATURE	TITLE	DATE
/s/ DANIEL GRIESEMER Daniel Griesemer	President Chief Executive Officer and Director (Principal Executive Officer)	September 7, 2011
/s/ WILLIAM LANGSDORF William Langsdorf	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	September 7, 2011
* Hezy Shaked	Chairman of the Board	September 7, 2011
* Seth Johnson	Director	September 7, 2011
* Janet Kerr	Director	September 7, 2011
* Bernard Zeichner	Director	September 7, 2011

*/s/ DANIEL GRIESEMER
Daniel Griesemer
Attorney-in-Fact

Exhibit 3.1

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION
OF
TILLY'S, INC.

This Restated Certificate of Incorporation of the corporation, which restates and integrates and also further amends the provisions of the corporation's Certificate of Incorporation, was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware and by the written consent of its stockholders in accordance with Section 228 of the General Corporation Law of the State of Delaware. The Certificate of Incorporation of the corporation is hereby amended, integrated and restated to read in its entirety as follows:

ARTICLE I

The name of the corporation is Tilly's, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 160 Greentree Drive, Suite 101, City of Dover, County of Kent, Delaware 19904. The name of its registered agent at such address is National Registered Agents, Inc.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law").

ARTICLE IV

A. The Corporation is authorized to issue three classes of stock to be designated, respectively, "Class A Common Stock," "Class B Common Stock" and "Preferred Stock." The total number of shares of capital stock that the Corporation is authorized to issue is one hundred and forty five million (145,000,000), one hundred million (100,000,000) shares of which shall be designated as Class A Common Stock with a par value of $0.001 per share (the "Class A Common Stock"), thirty five million (35,000,000) shares of which shall be designated as Class B Common Stock with a par value of $0.001 per share (the "Class B Common Stock," and together with the Class A Common Stock, the "Common Stock"), and ten million (10,000,000) shares of which shall be designated as Preferred Stock with a par value of $0.001 per share (the "Preferred Stock").

B. A description of each class of Common Stock of the Corporation, including any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption, is as follows:

(1) Ranking. Except as otherwise expressly provided in this Certificate of Incorporation, the powers, preferences and rights of the holders of Class A Common Stock and holders of Class B Common Stock, and the qualifications, limitations and restrictions thereof, shall be in all respects identical.

(2) Voting. Except as otherwise provided by (i) the Delaware General Corporation Law, (ii) Section C of this Article IV, or (iii) resolutions, if any, of the Board of Directors of the Corporation (the "Board of Directors") fixing the powers, designations, preferences and the relative, participating, optional or other rights of the Preferred Stock, or the qualifications, limitations or restrictions thereof, the entire voting power of the shares of the Corporation for the election of directors and for all other matters that may properly be brought before a meeting of stockholders shall be vested exclusively in the Common Stock, voting together as a single class. Each share of Class A Common Stock shall have one (1) vote upon all matters to be voted on by the holders of the Common Stock and each share of Class B Common Stock shall have ten (10) votes upon all matters to be voted on by the holders of the Common Stock. Neither the holders of shares of Class A Common Stock nor the holders of shares of Class B Common Stock shall have cumulative voting rights.

(3) Dividends; Stock Splits. Except as otherwise provided by (i) the Delaware General Corporation Law, (ii) Section C of this Article IV, or (iii) resolutions, if any, of the Board of Directors fixing the powers, designations, preferences and the relative, participating, optional or other rights of the Preferred Stock, or the qualifications, limitations or restrictions thereof, holders of shares of Class A Common Stock and shares of Class B Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(a) If, at any time, a dividend or other distribution in cash or other property (other than dividends or other distributions payable in shares of Common Stock or other voting securities of the Corporation, or rights, options or warrants to purchase shares of Common Stock or other voting securities of the Corporation or securities convertible into or exchangeable for shares of Common Stock or other voting securities of the Corporation ("Voting Securities")) is declared or paid on the shares of Class A Common Stock or shares of Class B Common Stock, a like dividend or other distribution in cash or other property shall also be declared or paid, on the shares of Class B Common Stock or shares of Class A Common Stock, as the case may be, in an equal amount per share.

(b) If, at any time, a dividend or other distribution payable in Voting Securities is paid or declared on shares of Class A Common Stock or Class B Common Stock, a like dividend or other distribution shall also be paid or declared, on the shares of Class B Common Stock or Class A Common Stock, as the case may be, in an equal amount per share; *provided that*, for this

purpose, if a dividend consisting of shares of Class A Common Stock or other voting securities of the Corporation, or rights, options or warrants to purchase shares of Class A Common Stock or other voting securities of the Corporation or securities convertible into or exchangeable for shares of Class A Common Stock or other voting securities of the Corporation is paid on shares of Class A Common Stock, and a dividend consisting of shares of Class B Common Stock or voting securities identical to the other voting securities paid on the shares of Class A Common Stock or rights, options or warrants to purchase shares of Class B Common Stock or such other voting securities or securities convertible into or exchangeable for shares of Class B Common Stock or such other voting securities is paid on shares of Class B Common Stock, in an equal amount per share of Class A Common Stock and Class B Common Stock, such dividend or other distribution shall be deemed to be a like dividend or other distribution.

(c) The Corporation shall not have the power to issue shares of Class B Common Stock as a dividend or other distribution paid on shares of Class A Common Stock, and the Corporation shall not have the power to issue shares of Class A Common Stock as a dividend or other distribution paid on shares of Class B Common Stock.

(d) In the case of any split, subdivision, combination or reclassification of shares of Class A Common Stock or Class B Common Stock, the shares of Class A Common Stock or Class B Common Stock, as the case may be, shall also be split, subdivided, combined or reclassified so that the respective numbers of shares of Class A Common Stock and Class B Common Stock outstanding immediately following such split, subdivision, combination or reclassification shall bear the same relationship to each other as did the respective numbers of shares of Class A Common Stock and Class B Common Stock outstanding immediately prior to such split, subdivision, combination or reclassification, such that the relative voting rights of the shares of Class A Common Stock and Class B Common Stock remain the same.

(4) Liquidation, Dissolution, etc. Except as otherwise provided by (i) the Delaware General Corporation Law, (ii) Section C of this Article IV, or (iii) resolutions, if any, of the Board of Directors fixing the powers, designations, preferences and the relative, participating, optional or other rights of the Preferred Stock, or the qualifications, limitations or restrictions thereof, in the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Corporation, the holders of shares of Class A Common Stock and the holders of shares of Class B Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution after payments to creditors of the Corporation, in proportion to the number of shares held by them, respectively, without regard to class.

(5) Merger, etc. In the event of a merger or consolidation of the Corporation with or into another entity (whether or not the Corporation is the surviving entity), the holders of each share of Class A Common Stock and Class B Common Stock shall be entitled to receive the same consideration on a per share basis.

(6) Rights of Class B Common Stock.

(a) (i) The Class B Common Stock shall be owned only by Hezy Shaked or a Hezy Shaked Entity (as defined herein) and their respective successors. A "Hezy Shaked Entity" means (i) any not-for-profit corporation controlled by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine, or any combination thereof, (ii) any other corporation if at least 66% of the value and voting power of its outstanding equity is owned by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine, or any combination thereof; (iii) any partnership if at least 66% of the value and voting power of its partnership interests are owned by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine, or any combination thereof; (iv) any limited liability or similar company if at least 66% of the value and voting power of the company and its membership interests are owned by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine; or (v) any trust the primary beneficiaries of which are Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine and/or charitable organizations, which if the trust is a wholly charitable trust, at least 66% of the trustees of such trust are appointed by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine.

(ii) A share of Class B Common Stock shall be automatically converted into one share of Class A Common Stock effective immediately upon (A) any purported sale, pledge, transfer, assignment, transfer of voting rights or disposition of such share of Class B Common Stock to any person or legal entity other than to Hezy Shaked or a Hezy Shaked Entity; *provided, however*, that a pledge of Class B Common Stock, prior to default thereunder, which does not grant to the pledgee the power to vote or direct the vote of the pledged share or the power to vote or direct the disposition of the pledged share prior to a default, without any foreclosure or transfer of ownership shall not trigger the conversion of such share of Class B Common Stock, or (B) the holder of such share of Class B Common Stock ceasing to be either Hezy Shaked or a Hezy Shaked Entity.

(iii) Each share of Class B Common Stock shall be automatically converted into one share of Class A Common Stock effective immediately upon (A) the record date for any meeting of the Corporation's stockholders, if the aggregate number of shares of Class A Common Stock and Class B Common Stock beneficially owned on such record date by Hezy Shaked and each Hezy Shaked Entity, when taken together, is less than 15.0% of the total aggregate number of shares of Class A Common Stock and Class B Common Stock outstanding on that record date, (B) the death of Hezy Shaked, or (C) Hezy Shaked's ceasing to be affiliated with the Corporation in any capacity as a result of a permanent disability.

(iv) Shares of Class B Common Stock may be voluntarily converted into an equal number of shares of Class A Common Stock by the submission by the holder of such shares of a notice of election to the Corporation that sets forth the number of shares of Class B Common Stock to be so converted.

(v) In the event of any conversion of Class B Common Stock pursuant to Article IV, Section B(6)(a)(i)-(iv), certificates formerly representing outstanding shares of Class B Common Stock will thereafter be deemed to represent an equal number of shares of Class A Common Stock until the certificates representing such shares of Class B Common Stock are promptly exchanged for new certificates representing an equal number of shares of Class A Common Stock, as contemplated by Article IV, Section B(6)(e) below.

(b) Upon any conversion of shares of Class B Common Stock into shares of Class A Common Stock pursuant to Article IV, Section B(6)(a)(i)-(iv), no adjustment with respect to dividends shall be made; only those dividends shall be payable on the shares so converted as have been declared and are payable to holders of record of shares of Class B Common Stock as of a record date prior to the conversion date with respect to the shares so converted; and only those dividends shall be payable on shares of Class A Common Stock issued upon such conversion as have been declared and are payable to holders of record of shares of Class A Common Stock as of a record date on or after such conversion date.

(c) Shares of Class B Common Stock converted into shares of Class A Common Stock pursuant to Article IV, Section B(6)(a)(i)-(iv) shall be retired and the Corporation shall not be authorized to reissue such shares of Class B Common Stock.

(d) Such number of shares of Class A Common Stock as may from time to time be required for issuance upon conversion of outstanding shares of Class B Common Stock pursuant to Article IV, Section B(6)(a)(i)-(iv), shall be at all times reserved by the Corporation for such purpose.

(e) As promptly as practicable after the presentation and surrender for conversion, during usual business hours at any office or agency of the Corporation, of any certificate representing shares (or fractions of shares) of Class B Common Stock that have been converted into shares of Class A Common Stock pursuant to Article IV, Section B(6)(a)(i)-(iv) hereof, the Corporation shall issue and deliver at such office or agency, to or upon the written order of the holder thereof, a certificate representing an equal number of shares of Class A Common Stock issuable upon such conversion. The issuance of certificates for shares of Class A Common Stock issuable upon the conversion of shares of Class B Common Stock held by the registered holder thereof shall be made without charge to the converting holder for any tax imposed on the Corporation in respect to the issue thereof. The Corporation shall not, however, be required to pay any tax which may be payable with respect to any transfer involved in the issuance and delivery of any certificate in a name other than that of the registered holder of the shares being converted, and the Corporation shall not be required to issue or deliver any such certificate unless and until the person requesting the issuance thereof shall have paid to the Corporation the amount of such tax or has established to the satisfaction of the Corporation that such tax has been paid.

C. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby expressly authorized to provide for the issuance of shares of Preferred Stock in one or more series and, by filing a certificate (a "Certificate of Designation") pursuant to the Delaware General Corporation Law, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, including, but not limited to, the number of shares constituting any such series and the designation of such series, and the voting powers (whether full, limited or no voting powers) of the shares of such series. The Board of Directors may increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in

accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. (1) The management of the business and the conduct of the affairs of the Corporation shall be vested in the Board of Directors. Subject to the rights of holders of any series of Preferred Stock, the number of directors which shall constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted from time to time by the Board of Directors.

(2) Subject to Section A(3) of this Article V, the directors (other than those directors elected by any series of Preferred Stock) shall be elected at annual meetings of the stockholders and shall hold office until the next annual meeting of the stockholders and until his or her respective successor shall have been duly elected and qualified, subject to the earlier resignation, death, disqualification or removal of such director.

(3) Upon and after such date as all shares of Class B Common Stock have been converted to Class A Common Stock or otherwise cease to be outstanding pursuant to this Certificate of Incorporation (the "Full Conversion Date") (including, without limitation, at any annual or special meeting of the stockholders immediately following the Full Conversion Date), the directors (other than those directors elected by any series of Preferred Stock) shall be divided into three classes, designated as Class I, Class II and Class III, as nearly equal in number as possible. The Board of Directors may assign directors, including those already in office, to each class in accordance with a resolution or resolutions adopted by the Board of Directors as of the Full Conversion Date. At the first annual meeting of stockholders following the Full Conversion Date, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Full Conversion Date, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Full Conversion Date, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders after the third annual meeting of stockholders following the Full Conversion Date, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting. In case of any increase or decrease, from time to time, in the number of directors (other than those directors elected by any series of Preferred Stock), the number of directors in each class shall be apportioned among the classes as nearly equal as possible.

Notwithstanding the foregoing provisions of this Article V, Section A, each director shall serve until his successor is duly elected and qualified or until such director's earlier death,

resignation, disqualification or removal. No decrease in the number of directors constituting the whole Board of Directors shall shorten the term of any incumbent director.

(4) Subject to the rights of holders of any series or series of Preferred Stock, the Board of Directors or any individual director may, from and after the Full Conversion Date, be removed from office only for cause and by the affirmative vote of the holders of a majority of the voting power of all the then outstanding shares of capital stock of the Corporation entitled to vote generally on the election of directors, voting as a single class.

(5) Subject to the rights of holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Prior to the Full Conversion Date, any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been duly elected and qualified or until such director's earlier death, resignation or removal. From and after the Full Conversion Date, any director elected in accordance with this paragraph shall hold office for a term expiring at the annual meeting of stockholders at which the term of the office of the class to which such director has been elected expires and until such director's successor shall have been duly elected or qualified or until such director's earlier death, resignation, disqualification or removal.

B. (1) In furtherance and not in limitation of the powers conferred by applicable law, the Board of Directors is expressly authorized to make, amend, alter or repeal the Bylaws of the Corporation. Notwithstanding the foregoing, the Bylaws of the Corporation may be rescinded, altered, amended or repealed in any respect by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) in voting power of all the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting as a single class.

(2) The directors of the Corporation need not be elected by written ballot unless the Bylaws of the Corporation so provide.

(3) Subject to the rights of the holders of any series of Preferred Stock or any other class of stock or series thereof having a preference over the Common Stock as to dividends or upon liquidation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation, and the taking of any action by written consent of the stockholders in lieu of a meeting of the stockholders is specifically denied.

(4) Special meetings of the stockholders of the Corporation may be called, for any purpose or purposes, by the Board of Directors, chairperson of the Board of Directors, chief executive officer or president (in the absence of a chief executive officer), but such special meetings may not be called by any other person or persons.

(5) Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

ARTICLE VI

A. To the maximum extent permitted by the Delaware General Corporation Law, as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article VI to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.

B. The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer, employee or agent of the Corporation or any predecessor of the Corporation, or serves or served at any other enterprise as a director, officer, employee or agent at the request of the Corporation or any predecessor to the Corporation.

C. Neither any amendment nor repeal of this Article VI, nor the adoption of any provision of the Corporation's certificate of incorporation inconsistent with this Article VI, shall eliminate or reduce the effect of this Article VI in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VI, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

D. The rights conferred on any person by this Article VI shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, the Bylaws of the Corporation, agreement, vote of stockholders or disinterested directors or otherwise.

ARTICLE VII

Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law or this Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI and VII, or to adopt any provision inconsistent therewith.

ARTICLE VIII

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative

action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or bylaws, or (iv) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article VIII.

* * * *

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be signed by Daniel Griesemer, its President and Chief Executive Officer this 1st day of September, 2011.

By: /s/ Daniel Griesemer
Daniel Griesemer
President and Chief Executive Officer

[Signature Page to Tilly's, Inc. Certificate of Incorporation]

Exhibit 10.1

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of , 2011 by and between Tilly's, Inc., a Delaware corporation (the "Company"), and ("Indemnitee"). This Agreement supersedes and replaces any and all previous agreements between the Company and Indemnitee covering the subject matter of this Agreement.

RECITALS

WHEREAS, directors, officers, and other persons in service to corporations and other business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the corporation or business enterprise itself;

WHEREAS, highly competent persons have become more reluctant to serve corporations as directors or in other capacities unless they are provided with adequate protection through insurance and indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals to serve the Company, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liability; however, the Board recognizes that although the furnishing of such insurance has been a customary and widespread practice among U.S. corporations and other business enterprises, given current market conditions and trends, such insurance may be available in the future only at higher premiums and with more exclusions;

WHEREAS, the General Corporation Law of the State of Delaware (the "DGCL") and the Certificate of Incorporation of the Company permit, and the Bylaws of the Company require, indemnification of the officers and directors of the Company; each expressly provides that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification;

WHEREAS, in light of uncertainties relating to such insurance and to indemnification and the resulting difficulty of attracting and retaining persons to serve the Company, the Board has determined that the best interests of the Company and its stockholders would be served by assuring such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company to obligate itself contractually to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, although this Agreement is a supplement to and in furtherance of the Bylaws of the Company (and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder), Indemnitee does not regard the protection available under the Company's Bylaws and insurance as adequate in the present circumstances, and may not be willing to serve (or continue to serve) as an officer or director without adequate protection, and the Company desires Indemnitee to serve

and continue to serve in such capacity. Indemnitee is willing to serve, continue to serve and take on additional service for or on behalf of the Company on the condition that he be so indemnified.

NOW, THEREFORE, in consideration of the promises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve, or continue to serve, as a **[director] [officer]** of the Company and/or, as applicable, its subsidiaries and any Enterprise. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any such subsidiary or Enterprise), other applicable formal severance policies duly adopted by the Board, or, with respect to service as a director or officer of the Company, by the Company's Certificate of Incorporation, the Company's Bylaws and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a **[director] [officer]** of the Company or any of its subsidiaries or other Enterprise as provided in Section 16 hereof.

Section 2. Certain Definitions. As used in this Agreement:

(a) References to "agent" shall mean any person who is or was a director, officer or employee of the Company or other person authorized by the Company to act for the Company, to include any person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan (including any deemed fiduciary thereto) or other Enterprise (including any subsidiary of the Company) at the request of, for the convenience of, or to represent the interests of the Company.

(b) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. *Acquisition of Stock by Third Party*. Any Person (as defined below), is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities, other than by a Hezy Shaked Entity and their respective successors (A "Hezy Shaked Entity" means (1) any not-for-profit corporation controlled by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine, or any combination thereof, (2) any other corporation if at least 66% of the value and voting power of its outstanding equity is owned by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine, or any combination thereof; (3) any partnership if at least 66% of the value and voting power of its partnership interests are owned by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine, or any combination thereof; (4) any limited liability or similar company if at least 66% of the value and voting power of the company and its membership interests are owned by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine; or (5) any trust the primary beneficiaries of which are Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine and/or charitable organizations, which if the trust is a wholly charitable trust, at least 66% of the trustees of such trust are appointed by Hezy Shaked, Tilly Levine or the children of Hezy Shaked and Tilly Levine other than Hezy Shaked, Tilly Levine) or;

ii. *Change in Board of Directors*. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. *Corporate Transactions*. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

iv. *Liquidation*. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

v. *Other Events*. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(B) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; *provided*, *however*, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; *provided*, *however*, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(c) "Corporate Status" describes the status of a person who is or was a director, officer, employee or agent of the Company or of any other corporation, limited liability company, partnership or joint venture, trust, or other Enterprise, in which capacity such person is or was serving at the request of, for the convenience of, or to represent the interests of the Company.

(d) "Disinterested Director" shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan (including any deemed fiduciary thereto) or other enterprise (including any subsidiary of the Company) of which Indemnitee is or was serving as a director, officer, employee or agent at the request of, for the convenience of, or to represent the interests of the Company.

(f) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include, without limitation: (i) expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 14(d), expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement, by litigation or otherwise. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporate law and neither presently is, nor in the past five (5) years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee's right to indemnification under this Agreement, or of other indemnitees under similar indemnification agreements with the Company), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any law firm or member of a law firm who, under the applicable standards of professional conduct, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to indemnify such counsel fully against any and all expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(h) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, mediation, alternate dispute resolution process, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company, its Board of Directors, governmental authority or other party), and whether of a civil, criminal, administrative, regulatory, legislative or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company and/or any other Enterprise, by reason of any action taken by him or of any action on his part while acting as a director, officer, employee or agent of the Company and/or such other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall be considered a Proceeding under this paragraph.

(i) References to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company that imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 3. Indemnity in Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company and, in the case of a criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Company's Certificate of Incorporation, its By-Laws, vote of its stockholders or Disinterested Directors (or any committee thereof), or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company; *provided, however*, that no indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court of Chancery or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such Expenses that the Delaware Court of Chancery or such other court deems proper.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partially Successful. To the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all applicable claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section 5 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. To the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of his Corporate Status, a witness or

otherwise asked to participate in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5 hereof, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(b) For purposes of Section 8(a), the meaning of the phrase "to the fullest extent permitted by applicable law" shall include, but not be limited to, the following:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a Delaware corporation may indemnify its directors or officers.

Section 9. Exclusions. Notwithstanding any other provision in this Agreement, the Company shall not be obligated to indemnify Indemnitee in connection with any claim against Indemnitee:

(a) to the extent that payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law, or (ii) any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (as amended, the " Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act); or

(c) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or such part of such Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law; *provided, however*, that this provision shall not apply to any claims related to the interpretation,

enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise, including as provided in Sections 10 and 14(d) hereof.

Section 10. Advances of Expenses. In furtherance and not in limitation of the provisions of Section 9.3 of the Bylaws of the Company, and notwithstanding any other provision of this Agreement to the contrary, the Company shall advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding, and such advancement shall be made within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking by Indemnitee to repay (without interest) the amounts advanced to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company, and no other form of undertaking shall be required from Indemnitee other than the execution of this Agreement. Indemnitee's right to such advancement shall not be subject to the satisfaction of any standard of conduct. The Company shall not initiate any proceeding seeking repayment of any advanced expenses pursuant to the foregoing undertaking other than (a) in connection with the final, non-appealable adjudication of the underlying and operative proceeding for which Indemnitee has received such advanced expenses or (b) by a proceeding initiated in Delaware Chancery Court following a final judgment, not subject to appeal, by a court of competent jurisdiction of such underlying and operative proceeding for which Indemnitee received such advanced expenses.

Section 11. The Company shall be permitted to settle any action except that it shall not settle any action or claim in any manner which would impose any penalty or limitation on the Indemnitee without Indemnitee's written consent, which may be given or withheld in Indemnitee's sole discretion.

Section 12. Order of Payments. If Indemnitee was or is serving in his or her capacity as a director, officer, employee or agent of the Company in connection with his or her employment or other relationship with another investor in this Company, and such other investor provides for indemnification or advancement of expenses for the benefit of Indemnitee for the matters covered by the Company's obligations under this Agreement, the Company's obligations, if any, pursuant to this Agreement to indemnify or advance expenses to Indemnitee shall be superior to and not pari passu or junior to investor.

Section 13. Information Sharing. If the Indemnitee is subject of or is implicated in any way during an investigation, whether formal or informal, the Company shall notify Indemnitee of such investigation and shall share with Indemnitee any information it has furnished to any third parties concerning the investigation, provided, however, that if Indemnitee was never a director of the Company, the rights described in this section shall terminate when Indemnitee is no longer an employee of the Company.

Section 14. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof or Indemnitee's becoming aware thereof (the "Indemnification Notice"). The Indemnification Notice shall include a description of the nature of the Proceeding and the facts underlying the Proceeding, in each case to the

extent known to Indemnitee. To obtain indemnification under this Agreement, Indemnitee shall also submit to the Company such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. The omission by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee under this Agreement or otherwise, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company shall, promptly upon receipt of the Indemnification Notice, advise the Board in writing that Indemnitee has requested indemnification and/or advancement of Expenses.

(b) The Company will be entitled to participate in the Proceeding at its own expense, but Indemnitee will have the ability to select his or her own legal counsel.

Section 15. Procedure Upon Application for Indemnification.

(a) Upon delivery of the Indemnification Notice by Indemnitee under Section 11(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made with respect to such request as follows: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (ii) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (iii) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (iv) if so directed by the Board, by the stockholders of the Company; *provided, however,* that, notwithstanding the foregoing, in all cases, Indemnitee shall have the option, but not the obligation, to require, by delivery of a written request to the Company, that the determination with respect to Indemnitee's entitlement to indemnification hereunder be made by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee (in which case such request shall be made prior to any determination by the Disinterested Directors (or any committee thereof) or prior to the submission of such matter to a vote by the stockholders of the Company).

(b) If it is determined pursuant to Section 15(a) hereof that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance written request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to such determination. Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(c) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 15(a) hereof, the Independent Counsel shall be selected as provided in this Section 15(c). If a Change in Control shall have occurred or if Indemnitee otherwise elects to require determination with respect to Indemnitee's entitlement to indemnification hereunder to be made by Independent Counsel, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the following sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. If a Change in Control shall not have occurred and the determination with respect to Indemnitee's entitlement to indemnification hereunder is to be made by Independent Counsel pursuant to Section 15(a)(iii), or if Indemnitee shall otherwise request, the Independent Counsel

shall be selected by the Board, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; *provided*, *however*, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2(g) of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within twenty (20) days after the later of (i) submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and (ii) the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 16. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination (including, without limitation, any Independent Counsel) shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted an Indemnification Notice in accordance with Section 11(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination, at any time prior to the commencement of any action pursuant to this Agreement, as to whether indemnification is proper in the circumstances because Indemnitee has or has not met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 17(e) (which section allows determination regarding Indemnitee's entitlement to indemnification under this Agreement to be deferred until following the final disposition of the Proceeding), if the person, persons or entity empowered or selected under Section 15 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the Indemnification Notice from Indemnitee therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; *provided*, *however*, that such sixty (60)-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of

documentation and/or information relating thereto; *provided*, *further*, that the foregoing provisions of this Section 13(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not (except as otherwise expressly provided in this Agreement) in and of itself adversely affect the right of Indemnitee to indemnification or create a presumption (i) that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, or (ii) that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise, or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any other director, officer, agent or employee of the Company or any other Enterprise shall not be imputed to Indemnitee for purposes of determining Indemnitee's right to indemnification under this Agreement.

Section 17. Remedies of Indemnitee.

(a) Subject to Section 17(e) (which section allows determination regarding Indemnitee's entitlement to indemnification under this Agreement to be deferred until following the final disposition of the Proceeding), in the event that:

i. a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement;

ii. advancement of Expenses is not timely made pursuant to Section 10 of this Agreement;

iii. no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within ninety (90) days after receipt by the Company of the Indemnification Notice, as provided in Section 13(b);

iv. payment of indemnification is not made pursuant to Section 5, 6 or 7, or the last sentence of Section 12(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor;

v. payment of indemnification pursuant to Section 3, 4 or 8 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification; or

vi. the Company or any other person or Enterprise takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder,

then, in any such event, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 14(a); *provided*, *however*, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 5 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 15(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 17 shall be conducted in all respects as a *de novo* trial or arbitration on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 15(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 17, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 17 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors'

and officers' liability insurance policies maintained by the Company, if Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification and advancement shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be made prior to the final disposition of the Proceeding.

Section 18. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by virtue of this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains any insurance policy providing liability insurance for directors, officers, employees, or agents of the Company or any other Enterprise, Indemnitee shall be covered by such policy in accordance with its terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy. If, at the time of the receipt of an Indemnification Notice pursuant to the terms hereof, the Company has director and officer liability or similar insurance ("D&O Insurance") in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the applicable insurers in accordance with the procedures set forth in the applicable policy. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of each such policy.

(c) In the event (i) that the Company determines to reduce materially or not to renew its D&O Insurance coverage, the Company will purchase six (6) year tail coverage D&O Insurance, on terms and conditions substantially similar to the existing D&O Insurance (" Comparable Coverage"), for the benefit of the directors, officers, employees or agents of the Company or any other Enterprise who had served in such capacity prior to the reduction, termination or expiration of the coverage (the "Prior Directors and Officers"); or (ii) of a Change in Control, the Company will either (A) purchase six (6) year tail coverage D&O Insurance with Comparable Coverage for the benefit of the directors, officers, employees or agents of the Company or any other Enterprise who had served in such capacity prior to the closing of the transaction or the occurrence of the event constituting the Change in Control. Notwithstanding the foregoing, if the annual premium for any year of such tail coverage or other continuing D&O Insurance coverage would exceed 200% of the annual premium the Company paid for D&O Insurance in its last full fiscal year prior to the reduction, termination or expiration of the D&O Insurance or such Change in Control event, the Company (or the acquiror or successor, as the case may

be) will be deemed to have satisfied its obligations under this Section 15(c) by purchasing as much D&O Insurance for such year as can be obtained for a premium equal to 200% such annual premium the Company paid for D&O Insurance in its last full fiscal year.

(d) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(e) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (including Expenses for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(f) The Company's obligation to indemnify or to advance Expenses hereunder to Indemnitee in connection with any claim related to Indemnitee's service as a director, officer, employee or agent of any Enterprise other than the Company shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other Enterprise.

Section 19. Duration of Agreement. This Agreement shall continue in full force and effect until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or any other Enterprise, and (b) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 14 of this Agreement relating thereto. This Agreement shall be binding upon the Company and its successors and assigns, and shall inure to the benefit of Indemnitee and his heirs, representatives, executors and administrators, upon the Company's receipt of a writing evidencing the Indemnitee's heirs, representatives, executors and administrators assumption of this Agreement.

Section 20. Amendments to Bylaws. Any amendments to the Bylaws of the Company that purport to reduce or eliminate indemnification rights of Indemnitee thereunder shall have no effect with respect to this Agreement, and Indemnitee shall continue to have all of the rights and benefits of this Agreement despite any such amendments to the Bylaws. However, if the Bylaws of the Company are amended to provide for greater indemnification rights or privileges, this Agreement shall not be construed so as to limit Indemnitee's rights and privileges to the terms hereof, and Indemnitee shall be entitled to the full benefit of any such additional rights and privileges.

Section 21. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 22. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company and/or one or more other Enterprises, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company and/or any of such other Enterprises.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; *provided*, *however*, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation of the Company, the Bylaws of the Company, any D&O Insurance policy maintained by the Company and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 23. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 24. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter that is or may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise.

Section 25. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed, or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

If to Indemnitee:

at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company in writing.

If to the Company to:

Tilly's, Inc.
10 Whatney
Irvine, CA 92618
Attention: General Counsel

or to any other address as may have been furnished to Indemnitee by the Company in writing.

Section 26. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or Expenses, in connection with any Proceeding or other claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding or other claim in order to reflect (a) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (b) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s). The Company hereby agrees to fully indemnify and hold harmless Indemnitee from any claims for contribution which may be brought by officers, directors or employees of the Company (other than Indemnitee) who may be jointly liable with Indemnitee.

Section 27. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (a) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the " Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (b) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (c) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (d) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (e) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 28. Coverage. This Agreement shall apply with respect to Indemnitee's service as a director or officer of the Company, and any predecessor entity to the Company, prior to the date of this Agreement.

Section 29. Monetary. Damages Insufficient/ Specific Performance. The Company and Indemnitee agree that a monetary remedy for breach of this Agreement may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he may be entitled. The Company and Indemnitee further agree that Indemnitee shall be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertaking in connection therewith. The Company acknowledges that in the absence of a waiver, a bond or undertaking may be required of Indemnitee by the Court, and the Company hereby waives any such requirement of a bond or undertaking.

Section 30. Construction

(a) The section and subsection headings contained in this Agreement are solely for the purpose of reference and convenience, are not part of the agreement of the parties, and shall not in any way limit, modify or otherwise affect the meaning or interpretation of this Agreement.

(b) References to "Sections" or "Articles" refer to corresponding Sections or Articles of this Agreement unless otherwise specified.

(c) Unless the context requires otherwise, the words "include," "including" and variations thereof mean without limitation, the words "hereof," "hereby," "herein," "hereunder" and similar terms refer to this Agreement as a whole and not any particular section or article in which such words appear, and any reference to a law shall include any amendment thereof or any successor thereto and any rules and regulations promulgated thereunder.

(d) Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

(e) Unless the context requires otherwise, words in the singular include the plural, words in the plural include the singular, and words importing any gender shall be applicable to all genders.

Section 31. Counterparts; Facsimile Signatures. This Agreement may be executed in two or more counterparts, each of which shall for all purposes be deemed to be an original but all of which, taken together, shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement. This Agreement may be executed and delivered by facsimile or email transmission of a file in "*.pdf*" or similar format and upon such delivery, each signature shall be deemed to have the same effect as if the original signature had been delivered to the other party.

Signature page follows.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

TILLY'S, INC.

By:

Name:
Title:

INDEMNITEE

Printed Name:

Address:

Exhibit 10.11

TILLY'S
2007 STOCK OPTION PLAN, AS AMENDED AND RESTATED

WHEREAS, on , 2011, World of Jeans & Tops, a California corporation, became a wholly owned Subsidiary Company of Tilly's, Inc., a Delaware corporation, whereby the shareholders of World of Jeans & Tops contributed all of their equity interests in World of Jeans & Tops to Tilly's, Inc. in return for shares of Tilly's, Inc. Class B common stock on a one-for-one basis;

WHEREAS, on , 2011, the Board of Directors of Tilly's, Inc. adopted this Plan as a Participating Company; and

WHEREAS, on , 2011, the Board of Directors of World of Jeans & Tops amended and restated this Plan to provide that (1) the "Company" as defined in the Plan shall refer to Tilly's, Inc., and World of Jeans & Tops shall be a Participating Company under the Plan, and (2) in connection with the initial public offering of Tilly's, Inc. Class A common stock, par value $0.001 per share (the "**Common Stock**"), "Stock" under the Plan shall refer to the Common Stock of Tilly's Inc., subject to any adjustment required under Section 4.2 of the Plan.

1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1. **Establishment**. This Tilly's 2007 Stock Option Plan (the "**Plan**") is hereby established effective as of June 20, 2007, as amended from time to time.

1.2. **Purpose**. The purpose of the Plan is to advance the interests of the Participating Companies and their stockholders by providing incentive to attract, retain and reward persons performing services for the Participating Companies and by motivating such persons to contribute to the growth and profitability of the Participating Companies.

1.3. **Term of Plan**. The Plan shall continue in effect until the earlier of its termination by the Board or at midnight, Pacific time, on June 20, 2017.

1.4. **Legal Compliance**. It is the intent of the Plan that all Options granted under it shall be either Incentive Stock Options or Nonqualified Stock Options; provided, however, Incentive Stock Options shall be granted only to Employees of the Company. An Option shall be identified as an Incentive Stock Option or a Nonqualified Stock Option in writing in the document or documents evidencing the grant of the Option. All Options that are not so identified as Incentive Stock Options are intended to be Nonqualified Stock Options. It is the further intent of the Plan that it conform in all respects with the requirements of Rule 16b-3, if applicable. To the extent that any aspect of the Plan or its administration is at any time viewed as inconsistent with the requirements of Rule 16b-3 or, in connection with Incentive Stock Options, the Code (defined below), that aspect shall be deemed to be modified, deleted or otherwise changed as necessary to ensure continued compliance with the requirements of Rule 16b-3 or the Code.

2. DEFINITIONS AND CONSTRUCTION.

2.1. **Definitions**. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "**Board**" means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "Board" also means such Committee(s).

(b) "**Cause**" may include, without limitation, any illegal or improper conduct such as any of the following: (i) the Optionee's theft or falsification of any Participating Company documents or records; (ii) the Optionee's improper use or disclosure of a Participating Company's confidential or proprietary information; (iii) any action by the Optionee which has a detrimental effect on a Participating Company's reputation or business; (iv) the Optionee's failure or inability to perform any reasonably assigned duties after written notice from a Participating Company officer, and a reasonable opportunity to cure such failure or inability; (v) any material breach by the Optionee of any agreement between the Optionee and a Participating Company, which breach is not cured pursuant to the terms of any such agreement; (vi) the Optionee's conviction (including any plea of guilty or nolo contendere) of a felony or criminal act involving moral turpitude; or (vii) any resignation in anticipation of a discharge for cause or a resignation accepted by the Company in lieu of a formal discharge for cause.

(c) "**Code**" means the Internal Revenue Service Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(d) "**Committee**" means the committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(e) "**Company**" means Tilly's, Inc., a Delaware corporation, or any successor corporation or predecessor corporation thereto and, where applicable, a Participating Company.

(f) "**Consultant**" means any natural person, including an advisor, engaged by a Participating Company to render services other than as an Employee or Director.

(g) "**Director**" means a member of the Board or the board of directors of any other Participating Company.

(h) "**Disability**" is defined in Section 22(e)(3) of the Code and is subject to such proof of disability as the Board may require.

(i) "**Employee**" means any person treated as an employee (including an officer or Director who is also treated as an employee) in the records of the Participating Company and, with respect to an Incentive Stock Option granted to such person who is an employee for purposes of Section 422 of the Code; provided however that neither service as a Director nor payment of a Director's fee shall be sufficient to constitute employment for purposes of the Plan.

(j) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(k) "**Fair Market Value**" means, as of any date, the value of a share of Stock or other property as determined by the Board, in its discretion, subject to the following:

(i) If, on such date, the Stock is listed on a national or regional securities exchange or market system or quoted on the over-the-counter bulletin board, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock (or the mean of the closing bid and asked prices of a share of Stock if the Stock is so quoted instead) as quoted on The Nasdaq Global Market, The Nasdaq Capital Market or such other national or regional exchange or market system constituting the primary market for the Stock, as reported in the Wall Street Journal or such other source as the Board deems reliable. If the relevant date does not fall on a date on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was traded prior to the relevant date.

(ii) If, on such date, there is no public market for the Stock (which shall include the circumstance where the Stock is quoted by a service but if trading is minimal, in the discretion of the Board), the Fair Market Value of a share of Stock shall be as determined by the Board in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse. In addition, with respect to any Incentive Stock Option, the Fair Market Value on any given date shall be determined in a manner consistent with any regulations issued by the Secretary of the Treasury for the purpose of determining fair market value of securities subject to an Incentive Stock Option Plan under the Code.

(l) "**Incentive Stock Option**" means an Option intended to be (as set forth in the Option Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(m) "**Insider**" means an officer or a Director of the Company or any other person whose transaction in Stock is subject to Section 16 of the Exchange Act.

(n) "**Nonqualified Stock Option**" means an Option not intended to be (as set forth in the Option Agreement) or which does not qualify as an Incentive Stock Option.

(o) "**Option**" means the right to purchase Stock (subject to adjustment as provided in Section 4.2) pursuant to the terms and conditions of the Plan. An Option may either be an Incentive Stock Option or a Nonqualified Stock Option.

(p) **"Option Agreement"** means a written agreement, including any related form of stock option grant agreement, between the Company and an Optionee setting forth the terms, conditions and restrictions of the Option granted to the Optionee and any shares acquired upon the exercise thereof.

(q) "**Optionee**" means a person who has been granted one or more Options.

(r) "**Parent Company**" means any present or future "parent company" of the Company as defined in Section 424(e) of the Code.

(s) "**Participating Company**" means the Company or any Parent Company or any Subsidiary Company.

(t) "**Rule 16b-3**" means Rule 16b-3 under the Exchange Act, as may be amended from time to time, or any successor rule or regulation.

(u) **"Securities Act**" means the Securities Act of 1933, as amended.

(v) "**Service**" means an Optionee's employment or service with a Participating Company, whether in the capacity of an Employee, a Director or a Consultant. The Optionee's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Optionee renders Service to the Participating Company or a change in the Participating Company for which the Optionee renders such Services, provided that there is no interruption or termination of the Optionee's Service. Furthermore, an Optionee's Service with a Participating Company shall not be deemed to have terminated if the Optionee takes military leave, sick leave or other bona fide leave of absence approved by the Company, provided, however, that if any such leave exceeds ninety (90) days, on the ninety first (91st) day of such leave the Optionee's Service shall be deemed to have terminated unless the Optionee's right to return to Service with the Participating Company is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, a leave of absence shall not be treated as Services for purposes of determining vesting under the Optionee's Option Agreement. The Optionee's Service shall be deemed to have terminated either upon an actual termination of Service or upon the corporation for which Optionee performs Services ceasing to be a Participating Company. Subject to the foregoing, the Company, it its discretion, shall determine whether the Optionee's Service has terminated and the effective date of such termination.

(w) "**Stock**" means the Class A common stock of the Company, par value $0.001 per share, as adjusted from time to time in accordance with Section 4.2.

(x) **"Subsidiary Company**" means any present or future subsidiary corporation, as defined in Section 424(f) of the Code.

(y) **"Ten Percent Owner Optionee**" means an Optionee who, at the time an Option is granted to the Optionee, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company within the meaning of Section 422(b)(6) of the Code.

2.2. **Construction**. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1. **Administration by the Board.** The Plan shall be administered by the Board. All questions of interpretation of the Plan shall be determined by the Board, and such

determination shall be final and binding upon all persons having an interest in the Plan or such Option.

3.2. **Authority of Officers.** Any officer of a Participating Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3. **Administration with Respect to Insiders.** With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

3.4. **Powers of the Board.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Board shall have full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Options shall be granted and the number of shares of Stock to be subject to each Option;

(b) to designate Options as Incentive Stock Option or Nonqualified Stock Options;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Option (which need not be identical) and any shares acquired upon the exercise thereof, including, without limitation, (i) the exercise price of the Option, (ii) the method of payment for shares purchased upon the exercise of the Option, (iii) the method for satisfaction of any tax withholding obligation arising in connection with the Option or such shares, including by the withholding or the delivery of shares of stock, (iv) the timing, terms and conditions of the exercisability of the Option or the vesting of any shares acquired upon the exercise thereof, (v) the time of the expiration of the Option, (vi) the effect of the Optionee's termination of Service with a Participating Company on any of the foregoing, and (vii) all other terms, conditions and restrictions applicable to the Option or such shares not inconsistent with the terms of the Plan;

(e) to approve one or more forms of Option Agreement;

(f) to amend, modify, extend, cancel, renew, reprice or otherwise adjust the exercise price of, or grant a new Option in substitution for, any Option or to waive any restrictions or conditions applicable to any Option or any shares acquired upon the exercise thereof;

(g) to accelerate, continue, extend or defer the exercisability of any Option or the vesting of any shares acquired upon the exercise thereof, including with respect to the period following an Optionee's termination of Service with a Participating Company;

(h) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt supplements to, or alternative versions of, the Plan, including, without limitation, as the Board deems necessary or desirable to comply with the laws of, or to

accommodate the tax policy or custom of, foreign jurisdictions whose citizens may be granted Options; and

(i) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Option Agreement and to make all other determinations and take such other actions with respect to the Plan or any Option as the Board may deem advisable to the extent consistent with the Plan and applicable law.

4. SHARES SUBJECT TO THE PLAN.

4.1. **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be one million six hundred thousand (1,600,000) and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. This maximum aggregate number may consist solely of Incentive Stock Options. If an outstanding Option for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of such Option shall again be available for issuance under the Plan. Notwithstanding the foregoing, at any such time as the offer and sale of securities pursuant to the Plan is subject to compliance with Section 260.140.45 of Title 10 of the California Code of Regulations ("**Section 260.140.45**"), the total number of shares of Stock issuable upon the exercise of all outstanding Options (together with options outstanding under any of stock option plan of the Company) and the total number of shares provided for under any stock bonus or similar plan of the Company shall not exceed the lesser of: (a) thirty percent (30%) of the then outstanding securities of the Company (convertible preferred or convertible senior common shares will be counted on an as-converted basis), (or such higher percentage limitation as may be approved by the stockholders of the Company pursuant to Section 260.140.45) of the then outstanding shares of the Company as calculated in accordance with the conditions and exclusions of Section 260.140.45; or (b) the amount provided in Rule 701(d) of the Securities Act.

4.2. **Adjustments for Change in Capital Structure.** In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, appropriate adjustments shall be made in the number and class of shares subject to the Plan and to any outstanding Options and to the exercise price per share of any outstanding Options. If the majority of the shares which are the same class as the shares that are subject to outstanding Options are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event, as defined in Section 8.1) shares of another corporation (the " **New Shares**"), the Board may unilaterally amend the outstanding Options to provide that such Options are exercisable for the New Shares. In the event of any such adjustment, the number of shares subject to, and the exercise price per share of, the outstanding Options shall be adjusted in a fair and equitable manner, as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event, may the exercise price of any Option be decreased to an amount less than the par value, if any, of the stock subject to the Option. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

5. ELIGIBILITY AND OPTION LIMITATIONS.

5.1. **Persons Eligible for Options.** Options may be granted only to Employees, Consultants and Directors. For purposes of the foregoing sentence, "Employees,"

"Consultants" and "Directors" shall include prospective Employees, prospective Consultants and prospective Directors to whom Options are granted in connection with written offers of employment or other service relationships with a Participating Company. Eligible persons may be granted more than one (1) Option.

5.2. **Option Grant Restrictions.** Any person who is not an Employee on the effective date of the grant of an Option to such person may be granted only a Nonqualified Stock Option. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences Service with a Participating Company, with an exercise price determined as of such date in accordance with Section 6.1.

5.3. **Fair Market Value Limitation.** To the extent options designated as Incentive Stock Options (granted under all stock option plans of a Participating Company, including the Plan) become exercisable by an Optionee for the first time during any calendar year for Stock having a fair market value greater than one hundred thousand dollars ($100,000), the portions of such options which exceed such amount shall be treated as Nonqualified Stock Options. For purposes of this Section 5.3, Options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of Stock shall be determined as of the time the Option with respect to such Stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 5.3, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonqualified Stock Option in part by reason of the limitation set forth in this Section 5.3, the Optionee may designate which portion of the Option the Optionee is exercising. In the absence of such designation, the Optionee shall be deemed to have exercised the Incentive Stock Option portion first. Separate certificates representing each such portion shall be issued upon exercise of the Option.

6. TERMS AND CONDITIONS OF OPTIONS.

Options shall be evidenced by Option Agreements specifying the number of shares of Stock covered thereby, in such form as the Board shall from time to time establish. No Option or purported Option shall be a valid and binding obligation of the Company unless evidenced by a fully executed Option Agreement. Option Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1. **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Board; provided, however, that (a) the exercise price per share for an Incentive Stock Option shall not be less than Fair Market Value of a share of Stock on the effective date of grant of the Option, (b) the exercise price per share for a Nonqualified Stock Option shall be not less than the minimum allowed by applicable federal and state laws and regulations and (c) no Option granted to a Ten Percent Owner Optionee shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or Nonqualified Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

6.2. **Exercise Period.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Board and set forth in the Option Agreement evidencing such Option; provided, however, that (a) no option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner Optionee shall be exercisable after the expiration of five (5) years after the effective date of grant of the Option and (c) no Option granted to a prospective Employee, prospective Consultant or prospective Director may become exercisable prior to the date on which such person commences Service with a Participating Company. Subject to the foregoing, unless otherwise specified by the Board in the grant of an Option, any Option granted hereunder shall have a term of ten (10) years from the effective date of grant of the Option.

6.3. **Payment of Exercise Price.**

(a) ***Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Optionee (including shares of Stock to be acquired upon exercise of any Option) having a Fair Market Value (as determined by the Board without regard to any restrictions on transferability applicable to such Stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the exercise price, (iii) after such time as the Company's Stock is listed on a national or regional securities exchange or market system, by execution through a third-party broker of a net Stock transaction whereby the number of shares of Stock tendered for payment of the exercise price have a market value not less than the exercise price, or (iv) by any combination thereof. The Board may at any time, or from time to time, by adoption of or by amendment to the standard forms of Option Agreement described in Section 7, or by other means, grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) ***Limitations on Forms of Consideration.*** Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. Unless otherwise provided by the Board, an Option may not be exercised by tender to the Company, or attestation to ownership, of shares of Stock unless such shares have either been owned by the Optionee for more than six (6) months or were not acquired, directly or indirectly, from the Company.

6.4. **Tax Withholding.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock assumable upon exercise of an Option, or to accept from the Optionee the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the federal, state, local and foreign taxes, if any, required by law to be withheld by a Participating Company with respect to such Option or the shares acquired upon exercise thereof. Alternatively, or in addition, in its discretion, the Company shall have the right to require the Optionee, through payroll withholding, cash payment or otherwise, to make adequate provision for any such tax withholding obligations of a Participating Company arising in connection with the Option or the shares acquired upon the exercise thereof. The Company shall have no obligation to issue shares of Stock or to release shares of Stock in escrow established

pursuant to the Option Agreement until a Participating Company's tax withholding obligations have been satisfied by the Optionee.

6.5. **Effect of Termination of Service.**

(a) ***Option Exercisability.*** Subject to earlier termination of the Option as otherwise provided herein, an Option shall be exercisable after an Optionee's termination of Service as follows:

(i) **Disability.** If the Optionee's Service with a Participating Company is terminated because of the Disability of the Optionee, the Option to the extent unexercised and exercisable on the date on which the Optionee's Service is terminated, may be exercised by the Optionee (or the Optionee's guardian or legal representative) at any time prior to the expiration of one (1) year (or such longer period of time as determined by the Board, in its discretion) after the date on which the Optionee's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Option Agreement evidencing such Option (the "**Option Expiration Date**").

(ii) **Death.** If the Optionee's Service with a Participating Company is terminated because of the death of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service is terminated, may be exercised by the Optionee's legal representative or other person who acquired the right to exercise the Option by reason of the Optionee's death at any time prior to the expiration of one (1) year (or such longer period of time as determined by the Board, in its discretion) after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date. The Optionee's Service shall be deemed to have terminated on account of death if the Optionee dies within thirty (30) days (or such longer period of time as determined by the Board, in its discretion) after the date on which the Optionee's Service terminated (other than for Cause).

(iii) **Cause.** If the Optionee's Service with a Participating Company is terminated for Cause, the Option shall terminate and cease to be exercisable immediately upon such termination of Service.

(iv) **Other Termination of Service.** If the Optionee's Service with a Participating Company is terminated for any reason except Disability, death, or for Cause, the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee's Service is terminated, may be exercised by the Optionee at any time prior to the expiration of thirty (30) days (or such longer period of time as determined by the Board, in its discretion) after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date.

(b) ***Extension if Exercise Prevented by Law.*** Notwithstanding the foregoing, if the exercise of an Option within the applicable time periods set forth in Section 6.6(a) is prevented by the provisions of Section 11 below, the Option shall remain exercisable until thirty (30) days (or such longer period of time as determined by the Board, in its discretion) after the date on which the Optionee is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

(c) ***Extension if Optionee Subject to Section 16(b).*** Notwithstanding the foregoing, if a sale within the applicable time periods set forth in Section 6.6(a) of shares acquired upon the exercise of the Option would subject the Optionee to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Optionee would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Optionee's termination of Service, or (iii) the Option Expiration Date.

7. STANDARD FORMS OF OPTION AGREEMENT.

7.1. **General.** Unless otherwise provided by the Board at the time the Option is granted, an Option shall comply with and be subject to the terms and conditions set forth in the appropriate standard form of Option Agreement adopted by the Board concurrently with its adoption of the Plan and as amended from time to time.

7.2. **Authority to Vary the Terms.** The Board shall have the authority from time to time to vary the terms of any of the standard forms of Option Agreement described in this Section 7 either in connection with the grant or amendment of an individual Option or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Option Agreement are consistent with the terms of the Plan.

8. CHANGE IN CONTROL.

8.1. **Definitions.**

(a) An "**Ownership Change Event"** shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company, (ii) a merger or consolidation in which the Company is a party (excluding a merger for purposes of reincorporating the Company's jurisdiction of incorporation), (iii) the sale, exchange or transfer of all or substantially all of the assets of the Company, or (iv) a liquidation or dissolution of the Company.

(b) A "**Change in Control**" shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, a "**Transaction**") wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or the corporation or corporations to which the assets of the Company were transferred (the **"Transferee Companies**"), as the case may be. For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting stock of one or more corporations which, as a result of the Transaction, own the Company or the Transferee Companies, as the case may be, either directly or through one or more subsidiary corporations. To clarify, a transaction such as an initial public offering, followed in time by some other transaction, would not be considered a series of related change events, and therefore would be separate Ownership Change Events. The Board shall have the right to determine whether multiple

sales or exchanges of voting stock of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

8.2. **Effect of Change in Control on Options.** In order to preserve an Optionee's rights in the event of a Change in Control of the Company:

(a) The Board shall have the discretion to provide in each Option Agreement the terms and conditions that relate to (i) vesting of such Option in the event of a Change in Control, and (ii) assumption of such Options or issuance of comparable securities under an incentive program in the event of a Change in Control. The aforementioned terms and conditions may vary in each Option.

(b) If the terms of an outstanding Option Agreement provide for accelerated vesting in the event of a Change in Control, or to the extent that an Option is vested and not yet exercised, the Administrator in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option had the Option been exercised immediately prior to the Change in Control, and (y) the exercise price of the Option.

(c) Outstanding Options shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options are assumed by the successor entity (or parent thereof) pursuant to the terms of the Change in Control transaction.

(d) The Board shall cause written notice of a proposed Change in Control transaction to be given to Optionees not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

9. PROVISION OF INFORMATION.

At least annually, copies of the Company's balance sheet and income statement for the just completed fiscal year shall be provided to each Optionee. The Company shall not be required to provide such information to key employees whose duties in connection with the Company assure them access to equivalent information. The foregoing provisions of this Section shall not apply to this Plan if this Plan complies with all conditions of Rule 701(e) (" **Rule 701(e)**") of the Securities Act. Rule 701(e) provides that if the aggregate sales price or amount of securities sold (as such terms are defined therein) during any consecutive 12-month period exceeds $5 million, the Company must deliver the information specified in Rule 701(e) within a reasonable time before the issuance of the Options, and at all times a copy of the Plan must be provided.

10. NONTRANSFERABILITY OF OPTIONS.

During the lifetime of the Optionee, an Option shall be exercisable only by the Optionee or the Optionee's guardian or legal representative. No Option shall be assignable or transferable by the Optionee, except by will or by the laws of descent and distribution.

11. COMPLIANCE WITH SECURITIES LAW.

The grant of Options and the issuance of shares of Stock upon exercise of Options shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. Options may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system or bulletin board upon which the Stock may then be listed or quoted. In addition, no Option may be exercised unless (a) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares assumable upon exercise of the Option or (b) in the opinion of legal counsel to the Company, the shares assumable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of any Option, the Company may require the Optionee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

12. INDEMNIFICATION.

In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of a Participating Company, members of the Board and any officers or employees of a Participating Company to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

13. TERMINATION, SUSPENSION OR AMENDMENT OF PLAN.

The Board may terminate, suspend or amend the Plan at any time. However, subject to changes in applicable law, regulations or rules that would permit otherwise, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.2), (b) no change in the class of persons eligible to receive Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule. In any event, no termination or amendment of the Plan may adversely affect any then outstanding Option or any unexercised portion thereof, without the consent of the Optionee, unless such termination or amendment is required to enable an Option designated as

an Incentive Stock Option to qualify as an Incentive Stock Option or is necessary to comply with any applicable law, regulation or rule.

14. STOCKHOLDER APPROVAL.

The Plan or any increase in the maximum aggregate number of shares of Stock assumable thereunder as provided in Section 4.1 (the "**Authorized Shares**") shall be approved by the stockholders of the Company within twelve (12) months of the date of adoption thereof by the Board. Options granted prior to stockholder approval of the Plan or in excess of the Authorized Shares previously approved by the stockholders shall become exercisable no earlier than the date of stockholder approval of the Plan or such increase in the Authorized Shares, as the case may be.

15. NON-EXCLUSIVITY OF PLAN.

Nothing contained in the Plan is intended to amend, modify, or rescind any previously approved compensation plans, programs or options entered into by the Company. This Plan shall be construed to be in addition to and independent of any and all other arrangements. Neither the adoption of the Plan by the Board nor the submission of the Plan to the shareholders of a Participating Company for approval shall be construed as creating any limitations on the power or authority of the Board to adopt, with or without shareholder approval, such additional or other compensation arrangements as the Board may from time to time deem desirable.

16. GOVERNING LAW.

The Plan and all rights and obligations under it shall be construed and enforced in accordance with the laws of the State of California, without regard to choice of law principles. In any action, dispute, litigation or other proceeding concerning the Plan (including arbitration), exclusive jurisdiction shall be with the courts of California, with the County of Orange being the sole venue for the bringing of the action or proceeding.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing 2007 Stock Option Plan was duly adopted on June 20, 2007, and amended and restated on , 2011.

COMPANY:
TILLY'S, INC.

_____
Secretary

_____,

PLAN HISTORY

June 20, 2007	Board of Directors of World of Jeans & Tops adopts Plan, with an initial reserve of 1,600,000 shares.
June 20, 2007	A majority of the shareholders of World of Jeans & Tops approve Plan, with an initial reserve of 1,600,000 shares.
, 2011	Board of Directors of World of Jeans & Tops adopts amendment and restatement of the Plan
, 2011	A majority of the shareholders of World of Jeans & Tops adopts amendment and restatement of the Plan
, 2011	Board of Directors of Tilly's, Inc. adopts Plan, as amended and restated
, 2011	A majority of the shareholders of Tilly's, Inc. adopts Plan, as amended and restated

Exhibit 10.12

TILLY'S
STOCK OPTION AGREEMENT
PURSUANT TO 2007 PLAN
(Senior Executive Form)

The Company has granted to the Optionee, pursuant to the Stock Option Grant Agreement (the " **Grant Agreement**") and the Company's 2007 Stock Option Plan (the "**Plan**"), an Option to purchase certain shares of Stock, upon the terms and conditions set forth in this Agreement. The Option shall in all respects be subject to the terms and conditions of the Grant Agreement and the Plan, the provisions of which are incorporated herein by reference.

1. **DEFINITIONS AND CONSTRUCTION**.

1.1. **Definitions**. Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Agreement or the Plan.

1.2. **Construction**. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. **TAX CONSEQUENCES**.

2.1. **Tax Status of Option**. As indicated in the Grant Agreement, this Option is intended to be either an Incentive Stock Option within the meaning of Section 422(b) of the Code or a Nonqualified Stock Option, which is not intended to qualify as an Incentive Stock Option. The Optionee should consult with the Optionee's own tax advisor regarding the tax effects of this Option (and any requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements).

2.2. **Fair Market Value Limitation**. If this Option is designated an Incentive Stock Option in the Grant Agreement to the extent that the Option (together with all Incentive Stock Options granted to the Optionee under all stock option plans of all Participating Companies, including the Plan) becomes exercisable for the first time during any calendar year for shares having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portion of such options which exceeds such amount will be treated as Nonqualified Stock Options. For purposes of this Section 2.2, options designated as Incentive Stock Options are taken into account in the order in which they were granted, and the Fair Market Value of stock is determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 2.2, such different limitation shall be deemed incorporated herein effective as of the date required or permitted by such amendment to the Code. If the Option is treated as an Incentive Stock Option in part and as a Nonqualified Stock Option in part by reason of the limitation set forth in this Section 2.2, the Optionee may designate which portion of such Option the Optionee is exercising. In the absence of such designation, the Optionee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion shall be issued upon the exercise of the Option. (NOTE TO OPTIONEE: If the aggregate Exercise Price of the Option (that is, the Exercise Price multiplied by

the Number of Option Shares) plus the aggregate exercise price of any other Incentive Stock Options you hold (whether granted pursuant to the Plan or any other stock option plan of a Participating Company) is greater than $100,000, you should contact the President of the Company to ascertain whether the entire Option qualifies as an Incentive Stock Option.

3. **EXERCISE OF THE OPTION**.

3.1. **Right to Exercise**. Except as otherwise provided herein, the Option shall become exercisable on the date of the consummation of the closing of the Company's initial public offering ("**IPO**," as defined in this Section below), after the Initial Vesting Date and prior to the termination of the Option (as provided in Section 5) in an amount not to exceed the Number of Option Shares multiplied by the Vested Ratio (" **Right to Exercise**"). "**IPO**" means the Company's sale of its common stock in a bona fide, firm commitment underwriting pursuant to a registration under the Securities Act.

3.2. **Method of Exercise**. Exercise of the Option shall be by written notice to the Company which must state the election to exercise the Option, the number of whole shares of Stock for which the Option is being exercised and such other representations and agreements as to the Optionee's investment intent with respect to such shares as may be required pursuant to the provisions of this Agreement. The written notice must be signed by the Optionee and must be delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the President of the Company, or other authorized representative of a Participating Company, prior to the termination of the Option as set forth in Section 5, accompanied by full payment of the aggregate Exercise Price for the number of shares of Stock being purchased. The Option shall be deemed to be exercised upon receipt by the Company of such written notice and the aggregate Exercise Price.

3.3. **Payment of Exercise Price**.

(a) ***Forms of Consideration Authorized***. Except as otherwise provided below, payment of the aggregate Exercise Price for the number of shares of Stock for which the Option is being exercised shall be made (i) in cash, by check or cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of whole shares of Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the aggregate Exercise Price, (iii) after such time as the Company's Stock is listed on a national or regional securities exchange or market system, by execution through a third-party broker of a net Stock transaction whereby the number of shares of Stock tendered for payment of the exercise price have a market value not less than the exercise price, or (iv) by any combination of the foregoing.

(b) ***Limitations on Forms of Consideration***. Notwithstanding the foregoing, the Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender, or attestation to the ownership, of Stock would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. The Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Optionee for more than six (6) months or were not acquired, directly or indirectly, from the Company.

3.4. **Tax Withholding**. At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by the Company, the Optionee hereby authorizes withholding from payroll and any other amounts payable to the Optionee, and otherwise agrees to make adequate provision for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of a Participating Company, if any, which arise in connection with the Option, including, without limitation, obligations arising upon (i) the exercise, in whole or in part, of the Option, (ii) the transfer, in whole or in part, of any shares acquired upon exercise of the Option, (iii) the operation of any law or regulation providing for the imputation of interest, or (iv) the lapsing of any restriction with respect to any shares acquired upon exercise of the Option. The Optionee is cautioned that the Option is not exercisable unless the tax withholding obligations of the Participating Company are satisfied. Accordingly, the Optionee may not be able to exercise the Option when desired even though the Option is vested, and the Company shall have no obligation to issue a certificate for such shares.

3.5. **Certificate Registration**. The certificate for the shares as to which the Option is exercised shall be registered in the name of the Optionee, or, if applicable, the Optionee's heirs.

3.6. **Restrictions on Grant of the Option and Issuance of Shares** . The grant of the Option and the issuance of shares of Stock upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. THE OPTIONEE IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE OPTIONEE MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Optionee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

3.7. **Fractional Shares**. The Company shall not be required to issue fractional shares upon the exercise of the Option.

4. **NONTRANSFERABILITY OF THE OPTION**.

The Option may be exercised during the lifetime of the Optionee only by the Optionee or the Optionee's guardian or legal representative and may not be assigned or transferred in any manner except by will or by the laws of descent and distribution. Following the death of the

Optionee, the Option, to the extent provided in Section 6, may be exercised by the Optionee's legal representative or by any person empowered to do so under the deceased Optionee's will or under the then applicable laws of descent and distribution.

5. **TERMINATION OF THE OPTION**.

The Option shall terminate and may no longer be exercised on the first to occur of (a) the Option Expiration Date, (b) the last date for exercising the Option following termination of the Optionee's Service as described in Section 6, or (c) pursuant to a Change in Control, to the extent provided in the Plan.

6. **EFFECT OF TERMINATION OF SERVICE**.

6.1. **Option Exercisability**.

(a) ***Disability***. If the Optionee's Service with a Participating Company is terminated because of the Disability of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee (or the Optionee's guardian or legal representative) at any time prior to the expiration of one (1) year after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date. (NOTE: If an Incentive Stock Option is exercised more than three (3) months after the date on which the Optionee's Service as an Employee terminated as a result of a Disability other than a permanent and total disability as defined in Section 22(e)(3) of the Code, the Option will be treated as a Nonqualified Stock Option and not as an Incentive Stock Option to the extent required by Section 422 of the Code.)

(b) ***Death***. If the Optionee's Service with a Participating Company is terminated because of the death of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee's legal representative or other person who acquired the right to exercise the Option by reason of the Optionee's death at any time prior to the expiration of one (1) year after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date. The Optionee's Service shall be deemed to have terminated on account of death if the Optionee dies within thirty (30) days after the Optionee's termination of Service (other than for Cause).

(c) ***Cause***. If the Optionee's Service with a Participating Company is terminated for Cause, the Option shall terminate and cease to be exercisable immediately upon such termination of Service.

(d) ***Other Termination of Service***. If the Optionee's Service with a Participating Company terminates for any reason, except Disability, death or for Cause, the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee's Service terminated, may be exercised by the Optionee within thirty (30) days (or such other longer period of time as determined by the Board, in its sole discretion) after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date.

6.2. **Extension if Exercise Prevented by Law**. Notwithstanding the foregoing, if the exercise of the Option within the applicable time periods set forth in Section 6.1 is prevented by the provisions of Section 3.6, the Option shall remain exercisable until thirty (30) days

after the date the Optionee is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date. The Company makes no representation as to the tax consequences of any such delayed exercise. The Optionee should consult with the Optionee's own tax advisor as to the tax consequences of any such delayed exercise.

6.3. **Extension if Optionee Subject to Section 16(b)** . Notwithstanding the foregoing, if a sale within the applicable time periods set forth in Section 6.1 of shares acquired upon the exercise of the Option would subject the Optionee to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Optionee would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Optionee's termination of Service, or (iii) the Option Expiration Date. The Company makes no representation as to the tax consequences of any such delayed exercise. The Optionee should consult with the Optionee's own tax advisor as to the tax consequences of any such delayed exercise.

7. **RIGHTS AS A STOCKHOLDER, EMPLOYEE OR CONSULTANT** .

The Optionee shall have no rights as a stockholder with respect to any shares covered by the Option until the date of the issuance of a certificate for the shares for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 4.2 of the Plan. If the Optionee is an Employee, the Optionee understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Optionee, the Optionee's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Optionee any right to continue in the Service of a Participating Company or interfere in any way with any right of a Participating Company to terminate the Optionee's Service as an Employee or Consultant, as the case may be, at any time.

8. **NOTICE OF SALES UPON DISQUALIFYING DISPOSITION** .

If the Option is designated as an Incentive Stock Option in the Grant Agreement , the Optionee shall comply with the provisions of this Section. The Optionee shall promptly notify the President of the Company if the Optionee disposes of any of the shares acquired pursuant to the Option within one (1) year after the date of the Optionee exercises all or part of the Option or within two (2) years after the Date of Grant. Until such time as the Optionee disposes of such shares in a manner consistent with the provisions of this Agreement, unless otherwise expressly authorized by the Company, the Optionee shall hold all shares acquired pursuant to the Option in the Optionee's name (and not in the name of any nominee) for the one-year period immediately after the exercise of the Option and the two-year period immediately after Date of Grant. At any time during the one-year or two-year periods set forth above, the Company may place a legend on any certificate representing shares acquired pursuant to the Option requesting the transfer agent for the Company's stock to notify the Company of any such transfers. The obligation of the Optionee to notify the Company of any such transfer shall continue notwithstanding that a legend has been placed on the certificate pursuant to the preceding sentence.

9. **LEGENDS**.

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock subject to the provisions of this Agreement. The Optionee shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to the Option in the possession of the Optionee in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

9.1. "THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 OR RULE 701 UNDER THE ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SECURITIES REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT."

9.2. If this Option is designated an Incentive Stock Option in the Grant Agreement : "THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE COMPANY TO THE REGISTERED HOLDER UPON EXERCISE OF AN INCENTIVE STOCK OPTION AS DEFINED IN SECTION 422 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED ("ISO"). IN ORDER TO OBTAIN THE PREFERENTIAL TAX TREATMENT AFFORDED TO ISOs, THE SHARES SHOULD NOT BE TRANSFERRED PRIOR TO [NOT APPLICABLE —THIS IS A NON-QUALIFIED STOCK OPTION GRANT]. SHOULD THE REGISTERED HOLDER ELECT TO TRANSFER ANY OF THE SHARES PRIOR TO THIS DATE AND FOREGO ISO TAX TREATMENT, THE TRANSFER AGENT FOR THE SHARES SHALL NOTIFY THE COMPANY IMMEDIATELY. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE INCENTIVE STOCK OPTION IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE) PRIOR TO THIS DATE OR UNTIL TRANSFERRED AS DESCRIBED ABOVE."

10. **PUBLIC OFFERING**.

The Optionee hereby agrees that in the event of any underwritten public offering of stock, including an initial public offering of stock, made by the Company pursuant to an effective registration statement filed under the Securities Act, the Optionee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any shares of stock of the Company or any rights to acquire stock of the Company for such period of time from and after the effective date of such registration statement as may be established by the underwriter (as defined in the Securities Act) for such public offering; provided, however, that such period of time shall not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such public offering. The foregoing limitation shall not apply to shares registered in the public offering under the Securities

Act. The Optionee shall be subject to this Section provided and only if the officers and directors of the Company are also subject to similar arrangements.

11. **INVESTMENT REPRESENTATION**.

Optionee is acquiring the Options and the Stock for investment for such Optionee's own account and not with the view to, or for resale in connection with, any distribution thereof. Such Optionee understands that the Options and the Stock have not been registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent as expressed herein. Such Optionee further represents that it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to any third person with respect to any of the Options or the Stock other than a transfer not involving a change of beneficial ownership. Such Optionee understands and acknowledges that neither the Options nor the Stock will be registered under the Securities Act on the ground that the sale provided for in this Agreement is exempt from the registration requirements of the Securities Act.

12. **RESTRICTIONS ON TRANSFER OF SHARES**.

No shares acquired upon exercise of the Option may be sold, exchanged, transferred (including, without limitation, any transfer to a nominee or agent of the Optionee), assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Agreement, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any shares which will have been transferred in violation of any of the provisions set forth in this Option Agreement or (b) to treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares will have been so transferred.

13. **BINDING EFFECT**.

Subject to the restrictions on transfer set forth herein, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

14. **TERMINATION OR AMENDMENT**.

The Board may terminate or amend the Plan or the Option at any time; provided, however, that except in connection with a Change in Control, no such termination or amendment may adversely affect the Option or any unexercised portion hereof without the consent of the Optionee unless such termination or amendment is permitted under the terms of the Option or is necessary to comply with any applicable law or government regulation or is required to enable the Option designated as an Incentive Stock Option in the Grant Agreement to qualify as an Incentive Stock Option. No amendment or addition to this Agreement shall be effective unless in writing.

15. **CHANGE IN CONTROL**. In the event of a Change in Control (as defined in the Plan):

15.1. The right to exercise fifty percent (50%) of the unvested portion of this Option on the date of such Change in Control shall accelerate automatically and vest in full

effective as of immediately prior to the consummation of the Change in Control unless this Option is to be assumed by the acquiring or successor entity (or parent thereof) or a new option or New Incentives are to be issued in exchange therefor, as provided in subsection (b) below. If vesting of this Option will accelerate pursuant to the preceding sentence, the Board in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of this Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and (y) the aggregate exercise price for such shares. If the vesting of this Option will accelerate pursuant to this subsection (a), then the Board shall cause written notice of the Change in Control transaction to be given to the Optionee not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

15.2. The vesting of this Option shall not accelerate if and to the extent that: (i) this Option (including the unvested portion thereof) is to be assumed by the acquiring or successor entity (or parent thereof) or a new option of comparable value is to be issued in exchange therefor pursuant to the terms of the Change in Control transaction, or (ii) this Option (including the unvested portion thereof) is to be replaced by the acquiring or successor entity (or parent thereof) with other incentives of comparable value under a new incentive program ("New Incentives") containing such terms and provisions as the Board in its discretion may consider equitable. If this Option is assumed, or if a new option of comparable value is issued in exchange therefor, then this Option or the new option shall be appropriately adjusted, concurrently with the Change in Control, to apply to the number and class of securities or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and appropriate adjustment also shall be made to the exercise price such that the aggregate exercise price of this Option or the new option shall remain the same as nearly as practicable.

15.3. If the provisions of subsection 15.2 above apply, then this Option, the new option or the New Incentives shall continue to vest in accordance with the provisions of this Option hereof and shall continue in effect for the remainder of the term of this Option in accordance with the terms hereof. However, in the event of an Involuntary Termination (as defined below) of Optionee's Continuous Service within twelve (12) months following such Change in Control, then vesting of this Option, the new option or the New Incentives shall accelerate in full automatically effective upon such Involuntary Termination.

15.4. For purposes of this Section 15, the following terms shall have the meanings set forth below:

(a) "Involuntary Termination" shall mean the termination of Optionee's Continuous Service by reason of:

(i) Optionee's involuntary dismissal or discharge by the Company, or by the acquiring or successor entity (or parent or any subsidiary thereof employing the Optionee) for reasons other than Misconduct (as defined below), or

(ii) Optionee's voluntary resignation following (x) a change in Optionee's position with the Company, the acquiring or successor entity (or parent or any

subsidiary thereof) which materially reduces Optionee's duties and responsibilities or the level of management to which Optionee reports, (y) a reduction in Optionee's level of compensation (including base salary, fringe benefits and target bonus under any performance based bonus or incentive programs) by more than ten percent (10%), or (z) a relocation of Optionee's principal place of employment by more than thirty (30) miles, provided and only if such change, reduction or relocation is effected without Optionee's written consent.

(b) "Misconduct" shall mean (A) the commission of any act of fraud, embezzlement or dishonesty by Optionee which materially and adversely affects the business of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (B) any unauthorized use or disclosure by Optionee of confidential information or trade secrets of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (C) the continued refusal or omission by the Optionee to perform any material duties required of him if such duties are consistent with duties customary for the position held with the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (D) any material act or omission by the Optionee involving malfeasance or gross negligence in the performance of Optionee's duties to, or material deviation from any of the policies or directives of, the Company or the acquiring or successor entity (or parent or any subsidiary thereof), (E) conduct on the part of Optionee which constitutes the breach of any statutory or common law duty of loyalty to the Company, the acquiring or successor entity (or parent or any subsidiary thereof), or (F) any illegal act by Optionee which materially and adversely affects the business of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), or any felony committed by Optionee, as evidenced by conviction thereof. The provisions of this Section shall not limit the grounds for the dismissal or discharge of Optionee or any other individual in the service of the Company, the acquiring or successor entity (or parent or any subsidiary thereof).

16. **NOTICES**.

Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, with postage and fees prepaid, addressed to the other party at the address shown on the Notice or at such other address as such party may designate in writing from time to time to the other party.

17. **INTEGRATED AGREEMENT**.

The Grant Agreement, this Agreement and the Plan constitute the entire understanding and agreement of the Optionee and the Participating Company with respect to the subject matter contained herein and therein and there are no agreements, understandings, restrictions, representations, or warranties among the Optionee and the Participating Companies with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Agreement and this Agreement shall survive any exercise of the Option and shall remain in full force and effect.

18. **APPLICABLE LAW**.

This Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed

entirely within the State of California. To the extent any provision of this Agreement or the Grant Agreement are inconsistent with the terms and provisions of the Plan, the terms and provisions of the Plan shall control.

COMPANY:
WORLD OF JEANS & TOPS

Signature of Optionee

By: _____
Hezy Shaked
President and Chief Executive Officer

Print Name of Optionee

Exhibit 10.13

TILLY'S
STOCK OPTION AGREEMENT
PURSUANT TO 2007 PLAN
(Non-Executive Form)

The Company has granted to the Optionee, pursuant to the Stock Option Grant Agreement (the " **Grant Agreement**") and the Company's 2007 Stock Option Plan (the "**Plan**"), an Option to purchase certain shares of Stock, upon the terms and conditions set forth in this Agreement. The Option shall in all respects be subject to the terms and conditions of the Grant Agreement and the Plan, the provisions of which are incorporated herein by reference.

1. **DEFINITIONS AND CONSTRUCTION**.

1.1. **Definitions**. Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Agreement or the Plan.

1.2. **Construction**. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. **TAX CONSEQUENCES**.

2.1. **Tax Status of Option**. As indicated in the Grant Agreement, this Option is intended to be either an Incentive Stock Option within the meaning of Section 422(b) of the Code or a Nonqualified Stock Option, which is not intended to qualify as an Incentive Stock Option. The Optionee should consult with the Optionee's own tax advisor regarding the tax effects of this Option (and any requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements).

2.2. **Fair Market Value Limitation**. If this Option is designated an Incentive Stock Option in the Grant Agreement to the extent that the Option (together with all Incentive Stock Options granted to the Optionee under all stock option plans of all Participating Companies, including the Plan) becomes exercisable for the first time during any calendar year for shares having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portion of such options which exceeds such amount will be treated as Nonqualified Stock Options. For purposes of this Section 2.2, options designated as Incentive Stock Options are taken into account in the order in which they were granted, and the Fair Market Value of stock is determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 2.2, such different limitation shall be deemed incorporated herein effective as of the date required or permitted by such amendment to the Code. If the Option is treated as an Incentive Stock Option in part and as a Nonqualified Stock Option in part by reason of the limitation set forth in this Section 2.2, the Optionee may designate which portion of such Option the Optionee is exercising. In the absence of such designation, the Optionee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion shall be issued upon the exercise of the Option. (NOTE TO OPTIONEE: If the aggregate Exercise Price of the Option (that is, the Exercise Price multiplied by the Number of Option Shares) plus the aggregate exercise price of any other Incentive Stock Options you hold (whether granted pursuant to the Plan or any other stock option plan of a Participating

Company) is greater than $100,000, you should contact the President of the Company to ascertain whether the entire Option qualifies as an Incentive Stock Option.

3. **EXERCISE OF THE OPTION**.

3.1. **Right to Exercise**. Except as otherwise provided herein, the Option shall become exercisable on the date of the consummation of the closing of the Company's initial public offering ("**IPO**," as defined in this Section below), after the Initial Vesting Date and prior to the termination of the Option (as provided in Section 5) in an amount not to exceed the Number of Option Shares multiplied by the Vested Ratio (" **Right to Exercise**"). "**IPO**" means the Company's sale of its common stock in a bona fide, firm commitment underwriting pursuant to a registration under the Securities Act.

3.2. **Method of Exercise**. Exercise of the Option shall be by written notice to the Company which must state the election to exercise the Option, the number of whole shares of Stock for which the Option is being exercised and such other representations and agreements as to the Optionee's investment intent with respect to such shares as may be required pursuant to the provisions of this Agreement. The written notice must be signed by the Optionee and must be delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the President of the Company, or other authorized representative of a Participating Company, prior to the termination of the Option as set forth in Section 5, accompanied by full payment of the aggregate Exercise Price for the number of shares of Stock being purchased. The Option shall be deemed to be exercised upon receipt by the Company of such written notice and the aggregate Exercise Price.

3.3. **Payment of Exercise Price**.

(a) ***Forms of Consideration Authorized***. Except as otherwise provided below, payment of the aggregate Exercise Price for the number of shares of Stock for which the Option is being exercised shall be made (i) in cash, by check or cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of whole shares of Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the aggregate Exercise Price, (iii) after such time as the Company's Stock is listed on a national or regional securities exchange or market system, by execution through a third-party broker of a net Stock transaction whereby the number of shares of Stock tendered for payment of the exercise price have a market value not less than the exercise price, or (iv) by any combination of the foregoing.

(b) ***Limitations on Forms of Consideration***. Notwithstanding the foregoing, the Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender, or attestation to the ownership, of Stock would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. The Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Optionee for more than six (6) months or were not acquired, directly or indirectly, from the Company.

3.4. **Tax Withholding**. At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by the Company, the Optionee hereby authorizes

withholding from payroll and any other amounts payable to the Optionee, and otherwise agrees to make adequate provision for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of a Participating Company, if any, which arise in connection with the Option, including, without limitation, obligations arising upon (i) the exercise, in whole or in part, of the Option, (ii) the transfer, in whole or in part, of any shares acquired upon exercise of the Option, (iii) the operation of any law or regulation providing for the imputation of interest, or (iv) the lapsing of any restriction with respect to any shares acquired upon exercise of the Option. The Optionee is cautioned that the Option is not exercisable unless the tax withholding obligations of the Participating Company are satisfied. Accordingly, the Optionee may not be able to exercise the Option when desired even though the Option is vested, and the Company shall have no obligation to issue a certificate for such shares.

3.5. **Certificate Registration**. The certificate for the shares as to which the Option is exercised shall be registered in the name of the Optionee, or, if applicable, the Optionee's heirs.

3.6. **Restrictions on Grant of the Option and Issuance of Shares** . The grant of the Option and the issuance of shares of Stock upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. THE OPTIONEE IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE OPTIONEE MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Optionee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

3.7. **Fractional Shares**. The Company shall not be required to issue fractional shares upon the exercise of the Option.

4. **NONTRANSFERABILITY OF THE OPTION**.

The Option may be exercised during the lifetime of the Optionee only by the Optionee or the Optionee's guardian or legal representative and may not be assigned or transferred in any manner except by will or by the laws of descent and distribution. Following the death of the Optionee, the Option, to the extent provided in Section 6, may be exercised by the Optionee's legal representative or by any person empowered to do so under the deceased Optionee's will or under the then applicable laws of descent and distribution.

5. **TERMINATION OF THE OPTION**.

The Option shall terminate and may no longer be exercised on the first to occur of (a) the Option Expiration Date, (b) the last date for exercising the Option following termination of the Optionee's Service as described in Section 6, or (c) pursuant to a Change in Control, to the extent provided in the Plan.

6. **EFFECT OF TERMINATION OF SERVICE**.

6.1. **Option Exercisability**.

(a) ***Disability***. If the Optionee's Service with a Participating Company is terminated because of the Disability of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee (or the Optionee's guardian or legal representative) at any time prior to the expiration of one (1) year after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date. (NOTE: If an Incentive Stock Option is exercised more than three (3) months after the date on which the Optionee's Service as an Employee terminated as a result of a Disability other than a permanent and total disability as defined in Section 22(e)(3) of the Code, the Option will be treated as a Nonqualified Stock Option and not as an Incentive Stock Option to the extent required by Section 422 of the Code.)

(b) ***Death***. If the Optionee's Service with a Participating Company is terminated because of the death of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee's legal representative or other person who acquired the right to exercise the Option by reason of the Optionee' s death at any time prior to the expiration of one (1) year after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date. The Optionee's Service shall be deemed to have terminated on account of death if the Optionee dies within thirty (30) days after the Optionee's termination of Service (other than for Cause).

(c) ***Cause***. If the Optionee's Service with a Participating Company is terminated for Cause, the Option shall terminate and cease to be exercisable immediately upon such termination of Service.

(d) ***Other Termination of Service***. If the Optionee's Service with a Participating Company terminates for any reason, except Disability, death or for Cause, the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee's Service terminated, may be exercised by the Optionee within thirty (30) days (or such other longer period of time as determined by the Board, in its sole discretion) after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date.

6.2. **Extension if Exercise Prevented by Law**. Notwithstanding the foregoing, if the exercise of the Option within the applicable time periods set forth in Section 6.1 is prevented by the provisions of Section 3.6, the Option shall remain exercisable until thirty (30) days after the date the Optionee is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date. The Company makes no representation as to the tax consequences of any such delayed exercise. The Optionee should consult with the Optionee's own tax advisor as to the tax consequences of any such delayed exercise.

6.3. **Extension if Optionee Subject to Section 16(b)** . Notwithstanding the foregoing, if a sale within the applicable time periods set forth in Section 6.1 of shares acquired upon the exercise of the Option would subject the Optionee to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Optionee would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Optionee's termination of Service, or (iii) the Option Expiration Date. The Company makes no representation as to the tax consequences of any such delayed exercise. The Optionee should consult with the Optionee's own tax advisor as to the tax consequences of any such delayed exercise.

7. **RIGHTS AS A STOCKHOLDER, EMPLOYEE OR CONSULTANT** .

The Optionee shall have no rights as a stockholder with respect to any shares covered by the Option until the date of the issuance of a certificate for the shares for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 4.2 of the Plan. If the Optionee is an Employee, the Optionee understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Optionee, the Optionee's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Optionee any right to continue in the Service of a Participating Company or interfere in any way with any right of a Participating Company to terminate the Optionee's Service as an Employee or Consultant, as the case may be, at any time.

8. **NOTICE OF SALES UPON DISQUALIFYING DISPOSITION** .

If the Option is designated as an Incentive Stock Option in the Grant Agreement , the Optionee shall comply with the provisions of this Section. The Optionee shall promptly notify the President of the Company if the Optionee disposes of any of the shares acquired pursuant to the Option within one (1) year after the date of the Optionee exercises all or part of the Option or within two (2) years after the Date of Grant. Until such time as the Optionee disposes of such shares in a manner consistent with the provisions of this Agreement, unless otherwise expressly authorized by the Company, the Optionee shall hold all shares acquired pursuant to the Option in the Optionee's name (and not in the name of any nominee) for the one-year period immediately after the exercise of the Option and the two-year period immediately after Date of Grant. At any time during the one-year or two-year periods set forth above, the Company may place a legend on any certificate representing shares acquired pursuant to the Option requesting the transfer agent for the Company's stock to notify the Company of any such transfers. The obligation of the Optionee to notify the Company of any such transfer shall continue notwithstanding that a legend has been placed on the certificate pursuant to the preceding sentence.

9. **LEGENDS**.

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock subject to the provisions of this Agreement. The Optionee shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to the Option in the possession of the Optionee in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

9.1. “THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 OR RULE 701 UNDER THE ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SECURITIES REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT.”

9.2. If this Option is designated an Incentive Stock Option in the Grant Agreement : “THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE COMPANY TO THE REGISTERED HOLDER UPON EXERCISE OF AN INCENTIVE STOCK OPTION AS DEFINED IN SECTION 422 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (“ISO”). IN ORDER TO OBTAIN THE PREFERENTIAL TAX TREATMENT AFFORDED TO ISOs, THE SHARES SHOULD NOT BE TRANSFERRED PRIOR TO . SHOULD THE REGISTERED HOLDER ELECT TO TRANSFER ANY OF THE SHARES PRIOR TO THIS DATE AND FOREGO ISO TAX TREATMENT, THE TRANSFER AGENT FOR THE SHARES SHALL NOTIFY THE COMPANY IMMEDIATELY. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE INCENTIVE STOCK OPTION IN THE REGISTERED HOLDER’S NAME (AND NOT IN THE NAME OF ANY NOMINEE) PRIOR TO THIS DATE OR UNTIL TRANSFERRED AS DESCRIBED ABOVE.”

10. **PUBLIC OFFERING**.

The Optionee hereby agrees that in the event of any underwritten public offering of stock, including an initial public offering of stock, made by the Company pursuant to an effective registration statement filed under the Securities Act, the Optionee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any shares of stock of the Company or any rights to acquire stock of the Company for such period of time from and after the effective date of such registration statement as may be established by the underwriter (as defined in the Securities Act) for such public offering; provided, however, that such period of time shall not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such public offering. The foregoing limitation shall not apply to shares registered in the public offering under the Securities Act. The Optionee shall be subject to this Section provided and only if the officers and directors of the Company are also subject to similar arrangements.

11. **INVESTMENT REPRESENTATION**.

Optionee is acquiring the Options and the Stock for investment for such Optionee’s own account and not with the view to, or for resale in connection with, any distribution thereof. Such Optionee understands that the Options and the Stock have not been registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent as expressed herein. Such Optionee further represents that it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to any third person with respect to any of the Options or the Stock other than a transfer not involving a change of beneficial ownership.

Such Optionee understands and acknowledges that neither the Options nor the Stock will be registered under the Securities Act on the ground that the sale provided for in this Agreement is exempt from the registration requirements of the Securities Act.

12. **RESTRICTIONS ON TRANSFER OF SHARES**.

No shares acquired upon exercise of the Option may be sold, exchanged, transferred (including, without limitation, any transfer to a nominee or agent of the Optionee), assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Agreement, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any shares which will have been transferred in violation of any of the provisions set forth in this Option Agreement or (b) to treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares will have been so transferred.

13. **BINDING EFFECT**.

Subject to the restrictions on transfer set forth herein, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

14. **TERMINATION OR AMENDMENT**.

The Board may terminate or amend the Plan or the Option at any time; provided, however, that except in connection with a Change in Control, no such termination or amendment may adversely affect the Option or any unexercised portion hereof without the consent of the Optionee unless such termination or amendment is permitted under the terms of the Option or is necessary to comply with any applicable law or government regulation or is required to enable the Option designated as an Incentive Stock Option in the Grant Agreement to qualify as an Incentive Stock Option. No amendment or addition to this Agreement shall be effective unless in writing.

15. **CHANGE IN CONTROL**. In the event of a Change in Control (as defined in the Plan):

15.1. No portion of the unvested portion of this Option on the date of such Change in Control shall accelerate and vest effective as of immediately prior to the consummation of the Change in Control. The Board in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of this Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and (y) the aggregate exercise price for such shares.

15.2. If this Option is assumed, or if a new option of comparable value is issued in exchange therefor, then this Option or the new option shall be appropriately adjusted, concurrently with the Change in Control, to apply to the number and class of securities or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and appropriate adjustment also shall be made to the exercise price such that the aggregate exercise price of this Option or the new option shall remain the same as nearly as practicable.

15.3. If the provisions of subsection 15.2 above apply, then this Option, the new option or the New Incentives shall continue to vest in accordance with the provisions of this Option hereof and shall continue in effect for the remainder of the term of this Option in accordance with the terms hereof. However, in the event of an Involuntary Termination (as defined below) of Optionee's Continuous Service within twelve (12) months following such Change in Control, then vesting of this Option, the new option or the new incentives shall accelerate in full automatically effective upon such Involuntary Termination.

15.4. For purposes of this Section 15, the following terms shall have the meanings set forth below:

(a) "Involuntary Termination" shall mean the termination of Optionee's Continuous Service by reason of:

(i) Optionee's involuntary dismissal or discharge by the Company, or by the acquiring or successor entity (or parent or any subsidiary thereof employing the Optionee) for reasons other than Misconduct (as defined below), or

(ii) Optionee's voluntary resignation following (x) a change in Optionee's position with the Company, the acquiring or successor entity (or parent or any subsidiary thereof) which materially reduces Optionee's duties and responsibilities or the level of management to which Optionee reports, (y) a reduction in Optionee's level of compensation (including base salary, fringe benefits and target bonus under any performance based bonus or incentive programs) by more than ten percent (10%), or (z) a relocation of Optionee's principal place of employment by more than thirty (30) miles, provided and only if such change, reduction or relocation is effected without Optionee's written consent.

(b) "Misconduct" shall mean (A) the commission of any act of fraud, embezzlement or dishonesty by Optionee which materially and adversely affects the business of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (B) any unauthorized use or disclosure by Optionee of confidential information or trade secrets of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (C) the continued refusal or omission by the Optionee to perform any material duties required of him if such duties are consistent with duties customary for the position held with the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (D) any material act or omission by the Optionee involving malfeasance or gross negligence in the performance of Optionee's duties to, or material deviation from any of the policies or directives of, the Company or the acquiring or successor entity (or parent or any subsidiary thereof), (E) conduct on the part of Optionee which constitutes the breach of any statutory or common law duty of loyalty to the Company, the acquiring or successor entity (or parent or any subsidiary thereof), or (F) any illegal act by Optionee which materially and adversely affects the business of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), or any felony committed by Optionee, as evidenced by conviction thereof. The provisions of this Section shall not limit the grounds for the dismissal or discharge of Optionee or any other individual in the service of the Company, the acquiring or successor entity (or parent or any subsidiary thereof).

16. **NOTICES**.

Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, with postage and fees prepaid, addressed to the other party at the address shown on the Notice or at such other address as such party may designate in writing from time to time to the other party.

17. **INTEGRATED AGREEMENT**.

The Grant Agreement, this Agreement and the Plan constitute the entire understanding and agreement of the Optionee and the Participating Company with respect to the subject matter contained herein and therein and there are no agreements, understandings, restrictions, representations, or warranties among the Optionee and the Participating Companies with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Agreement and this Agreement shall survive any exercise of the Option and shall remain in full force and effect.

18. **APPLICABLE LAW**.

This Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California. To the extent any provision of this Agreement or the Grant Agreement are inconsistent with the terms and provisions of the Plan, the terms and provisions of the Plan shall control.

COMPANY:
WORLD OF JEANS & TOPS

_____
Signature of Optionee

_____
Print Name of Optionee

By: _____
Hezy Shaked
President and Chief Executive Officer

Exhibit 10.14

TILLY'S
REPRICED STOCK OPTION GRANT AGREEMENT
PURSUANT TO 2007 PLAN

(the "Optionee") had been granted an option (the "Option") to purchase shares of the Common Stock of World of Jeans & Tops, dba Tilly's (the "Company"), pursuant to the Stock Option Grant Agreement dated (the "Prior Stock Option Grant"), the Company's 2007 Stock Option Plan (the "Plan") and related Stock Option Agreement (the "Option Agreement"), the provisions of which are incorporated herein by reference. This Repriced Stock Option Grant Agreement dated amends the Prior Stock Option Grant **only** with regard to the Exercise Price. All other terms of your Prior Stock Option Grant are restated below and remain unchanged.

Type of Option: ____ Incentive Stock Option
_X_ Nonqualified Stock Option

The following terms shall have their respective meanings as set forth below or in the Plan:

"Date of Option Grant" means .

"Number of Option Shares" means shares of Stock.

"Exercise Price" means $ per share of Stock.

"Initial Vesting Date" means the date which is the first anniversary of the Date of Option Grant, above.

"Option Expiration Date" means the date ten (10) years after the Date of Option Grant.

"Vested Ratio" means, on any relevant date, the ratio determined as follows:

Prior to the Initial Vesting Date, the Vested Ratio shall be zero.
On the Initial Vesting Date, the Vested Ratio shall be one-quarter.
On each anniversary of the Initial Vesting Date, the Vested Ratio shall increase by one-quarter as set forth below:

Date	Total Vested Ratio
2nd Anniversary	Two-fourths
3rd Anniversary	Three-fourths
4th Anniversary	Four-Fourths

"Right to Exercise" is set forth at Section 3.1 of the Optionee's Stock Option Agreement dated as of the Date of Option Grant.

By their signatures below, the parties hereto agree that the Option is governed by the terms and conditions of the Plan as in effect on the Date of Option Grant and the Option Agreement, both of which are attached hereto. The Optionee acknowledges receipt of a copy of the Plan and the Option Agreement, represents that he or she is familiar with the provisions contained therein, and hereby accepts the Option subject to all of the terms and conditions thereof. Further, the Optionee represents they are acquiring the Option for their own account and not for sale or distribution.

OPTIONEE

WORLD OF JEANS & TOPS

By:

Name:

Hezy Shaked, Chairman & CEO

Address:

10 Whatney
Irvine, California 92618

Attachments: 2007 Stock Option Plan; Stock Option Agreement Pursuant to 2007 Plan
(Attachments previously provided)

Exhibit 10.15

TILLY'S, INC.
2011 EQUITY AND INCENTIVE AWARD PLAN

ARTICLE 1.

PURPOSE

The purpose of the Tilly's Inc. 2011 Equity and Incentive Award Plan (as it may be amended or restated from time to time, the "Plan") is to promote the success and enhance the value of Tilly's, Inc. (the "Company") by linking the individual interests of the members of the Board, Employees, and Consultants to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2.

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Administrator" shall mean the entity that conducts the general administration of the Plan as provided in Article 13. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 13.6, or as to which the Board has assumed, the term "Administrator" shall refer to such person(s) unless the Committee or the Board has revoked such delegation or the Board has terminated the assumption of such duties.

2.2 "Affiliate" shall mean (a) Subsidiary; and (b) any domestic eligible entity that is disregarded, under Treasury Regulation Section 301.7701-3, as an entity separate from either (i) the Company or (ii) any Subsidiary.

2.3 "Applicable Accounting Standards" shall mean Generally Accepted Accounting Principles in the United States, International Financial Reporting Standards or such other accounting principles or standards as may apply to the Company's financial statements under United States federal securities laws from time to time.

2.4 "Award" shall mean an Option, a Restricted Stock award, a Restricted Stock Unit award, a Performance Award, a Dividend Equivalents award, a Deferred Stock award, a Deferred Stock Unit award, a Stock Payment award or a Stock Appreciation Right, which may be awarded or granted under the Plan (collectively, "Awards").

2.5 "Award Agreement" shall mean any written notice, agreement, terms and conditions, contract or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

2.6 "Award Limit" shall mean with respect to Awards that shall be payable in Shares or in cash, as the case may be, the respective limit set forth in Section 3.3.

2.7 "Board" shall mean the Board of Directors of the Company.

2.8 "Change in Control" shall mean and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition, excluding any transaction involving a transfer or distribution of Shares held by a "Hezy Shaked Entity" (as defined in the Company's Amended and Restated Certificate of Incorporation) to entities directly or indirectly controlled by any such person or to their family trusts, if and to the extent the Board finds such transfer or distribution to not be within the intent of this Section 2.8(a); or

(b) During any period of twelve months, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.8(a) or Section 2.8(c)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the Directors then still in office who either were Directors at the beginning of such twelve-month period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or

substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the " Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.8(c)(ii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(d) The Company's stockholders approve a liquidation or dissolution of the Company.

In addition, if a Change in Control constitutes a payment event with respect to any Award which provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A.

The Committee shall have full and final authority to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2.9 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, together with the regulations and official guidance promulgated thereunder.

2.10 "Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 13.1.

2.11 "Common Stock" shall mean the common stock of the Company, par value $$0.001 per share.

2.12 "Company" shall have the meaning set forth in Article 1.

2.13 "Consultant" shall mean any consultant or adviser engaged to provide services to the Company or any Affiliate that qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

2.14 "Covered Employee" shall mean any Employee who is, or could be, a "covered employee" within the meaning of Section 162(m) of the Code.

2.15 "Deferred Stock" shall mean a right to receive Shares awarded under Section 10.4.

2.16 "Deferred Stock Unit" shall mean a right to receive Shares awarded under Section 10.5.

2.17 "Director" shall mean a member of the Board, as constituted from time to time.

2.18 "Disability" shall mean that the Holder is either (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, or (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company. For purposes of the Plan, a Holder shall be deemed to have incurred a Disability if the Holder is determined to be totally disabled by the Social Security Administration or in accordance with the applicable disability insurance program of the Company's, provided that the definition of "disability" applied under such disability insurance program complies with the requirements of this definition.

2.19 "Dividend Equivalent" shall mean a right to receive the equivalent value (in cash or Shares) of dividends paid on Shares, awarded under Section 10.2.

2.20 "DRO" shall mean a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.

2.21 "Effective Date" shall mean the date the Plan is approved by the Board, subject to approval of the Plan by the Company's stockholders.

2.22 "Eligible Individual" shall mean any person who is an Employee, a Consultant or a Non-Employee Director, as determined by the Committee.

2.23 "Employee" shall mean any officer or other employee (as determined in accordance with Section 3401(c) of the Code and the Treasury Regulations thereunder) of the Company or of any Affiliate.

2.24 "Equity Restructuring" shall mean a nonreciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of shares of Common Stock (or other securities of the Company) or the share price of Common Stock (or other securities) and causes a change in the per share value of the Common Stock underlying outstanding Awards.

2.25 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.26 "Fair Market Value" shall mean, as of any given date, the value of a Share determined as follows:

(a) If the Common Stock is listed on any (i) established securities exchange (such as the New York Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select Market), (ii) national market system or (iii) automated quotation system on which the

Shares are listed, quoted or traded, its Fair Market Value shall be the closing sales price for a share of Common Stock as quoted on such exchange or system for such date or, if there is no closing sales price for a share of Common Stock on the date in question, the closing sales price for a share of Common Stock on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Common Stock is not listed on an established securities exchange, national market system or automated quotation system, but the Common Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a share of Common Stock on such date, the high bid and low asked prices for a share of Common Stock on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) If the Common Stock is neither listed on an established securities exchange, national market system or automated quotation system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Administrator in good faith.

2.27 "Full Value Award" shall mean any Award other than (i) an Option, (ii) a Stock Appreciation Right or (iii) any other Award for which the Holder pays the intrinsic value existing as of the date of grant (whether directly or by forgoing a right to receive a payment from the Company or any Affiliate).

2.28 "Greater Than 10% Stockholder" shall mean an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary corporation (as defined in Section 424(f) of the Code) or parent corporation thereof (as defined in Section 424(e) of the Code).

2.29 "Holder" shall mean a person who has been granted an Award.

2.30 "Incentive Stock Option" shall mean an Option that is intended to qualify as an incentive stock option and conforms to the applicable provisions of Section 422 of the Code.

2.31 "Non-Employee Director" shall mean a Director of the Company who is not an Employee.

2.32 "Non-Employee Director Equity Compensation Policy" shall have the meaning set forth in Section 4.6.

2.33 "Non-Qualified Stock Option" shall mean an Option that is not an Incentive Stock Option.

2.34 "Option" shall mean a right to purchase Shares at a specified exercise price, granted under Article 6. An Option shall be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to Non-Employee Directors and Consultants shall only be Non-Qualified Stock Options.

2.35 "Option Term" shall have the meaning set forth in Section 6.4.

2.36 "Parent" shall mean any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities ending with the Company if each of the entities other than the Company beneficially owns, at the time of the determination, securities or interests representing at least fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.37 "Performance Award" shall mean a cash bonus award, stock bonus award, performance award or incentive award that is paid in cash, Shares or a combination of both, awarded under Section 10.1.

2.38 "Performance-Based Compensation" shall mean any compensation that is intended to qualify as "performance-based compensation" as described in Section 162(m)(4)(C) of the Code.

2.39 "Performance Criteria" shall mean the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(a) The Performance Criteria that shall be used to establish Performance Goals are limited to the following: (i) net earnings (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation and (D) amortization); (ii) gross or net sales or revenue; (iii) net income (either before or after taxes); (iv) adjusted net income; (v) operating earnings or profit; (vi) cash flow (including, but not limited to, operating cash flow and free cash flow); (vii) return on assets; (viii) return on capital; (ix) return on stockholders' equity; (x) total stockholder return; (xi) return on sales; (xii) gross or net profit or operating margin; (xiii) costs; (xiv) funds from operations; (xv) expenses; (xvi) working capital; (xvii) earnings per share; (xviii) adjusted earnings per share; (xix) price per share of Common Stock; (xx) regulatory body approval for commercialization of a product; (xxi) implementation or completion of critical projects; (xxii) market share; and (xxiii) economic value, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices.

(b) The Administrator may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under Applicable Accounting Standards; (ix) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the

Company's core, on-going business activities; (xiv) items related to acquired in-process research and development; (xv) items relating to changes in tax laws; (xvi) items relating to major licensing or partnership arrangements; (xvii) items relating to asset impairment charges; (xviii) items relating to gains or losses for litigation, arbitration and contractual settlements; or (xix) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions. For all Awards intended to qualify as Performance-Based Compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

2.40 "Performance Goals" shall mean, for a Performance Period, one or more goals established in writing by the Administrator for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a Subsidiary, division, business unit, or an individual. The achievement of each Performance Goal shall be determined, to the extent applicable, with reference to Applicable Accounting Standards.

2.41 "Performance Period" shall mean one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Holder's right to, and the payment of, an Award.

2.42 "Performance Stock Unit" shall mean a Performance Award awarded under Section 10.1 which is denominated in units of value including dollar value of shares of Common Stock.

2.43 "Permitted Transferee" shall mean, with respect to a Holder, any "family member" of the Holder, as defined under the instructions to use the Form S-8 Registration Statement under the Securities Act, after taking into account any state, federal, local or foreign tax and securities laws applicable to transferable Awards.

2.44 "Plan" shall have the meaning set forth in Article 1.

2.45 "Prior Plan" shall mean the Company's 2007 Stock Option Plan, as such plan may be amended from time to time.

2.46 "Program" shall mean any program adopted by the Administrator pursuant to the Plan containing the terms and conditions intended to govern a specified type of Award granted under the Plan and pursuant to which such type of Award may be granted under the Plan.

2.47 "Public Trading Date" shall mean the first date upon which Common Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

2.48 "Restricted Stock" shall mean Common Stock awarded under Article 8 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.49 "Restricted Stock Units" shall mean the right to receive Shares awarded under Article 9.

2.50 "Securities Act" shall mean the Securities Act of 1933, as amended.

2.51 "Shares" shall mean shares of Common Stock.

2.52 "Stock Appreciation Right" shall mean a stock appreciation right granted under Article 11.

2.53 "Stock Appreciation Right Term" shall have the meaning set forth in Section 11.4.

2.54 "Stock Payment" shall mean (a) a payment in the form of Shares, or (b) an option or other right to purchase Shares, as part of a bonus, deferred compensation or other arrangement, awarded under Section 10.3.

2.55 "Subsidiary" shall mean any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing at least fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.56 "Substitute Award" shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock; provided, however, that in no event shall the term "Substitute Award" be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

2.57 "Termination of Service" shall mean:

(a) As to a Consultant, the time when the engagement of a Holder as a Consultant to the Company or an Affiliate is terminated for any reason, with or without cause, including, without limitation, by resignation, discharge, death or retirement, but excluding terminations where the Consultant simultaneously commences or remains in employment or service with the Company or any Affiliate.

(b) As to a Non-Employee Director, the time when a Holder who is a Non-Employee Director ceases to be a Director for any reason, including, without limitation, a termination by resignation, failure to be elected, death or retirement, but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company or any Affiliate.

(c) As to an Employee, the time when the employee-employer relationship between a Holder and the Company or any Affiliate is terminated for any reason, including, without limitation, a termination by resignation, discharge, death, disability or retirement; but

excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company or any Affiliate.

The Administrator, in its sole discretion, shall determine the effect of all matters and questions relating to Terminations of Service, including, without limitation, the question of whether a Termination of Service resulted from a discharge for cause and all questions of whether particular leaves of absence constitute a Termination of Service; provided, however, that, with respect to Incentive Stock Options, unless the Administrator otherwise provides in the terms of the Program, the Award Agreement or otherwise, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Service only if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. For purposes of the Plan, a Holder's employee-employer relationship or consultancy relations shall be deemed to be terminated in the event that the Affiliate employing or contracting with such Holder ceases to remain an Affiliate following any merger, sale of stock or other corporate transaction or event (including, without limitation, a spin-off).

ARTICLE 3.

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Section 14.2 and Section 3.1(b), the aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan is ; provided, however, that such aggregate number of Shares available for issuance under the Plan shall be reduced by 1.5 shares for each Share delivered in settlement of any Full Value Award.

(b) Notwithstanding Section 3.1(a): (i) the Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards), and make adjustments if the number of shares of Common Stock actually delivered differs from the number of shares previously counted in connection with an Award; (ii) shares of Common Stock that are potentially deliverable under any Award (or any stock option or other award granted pursuant to the Prior Plan) that expires or is canceled, forfeited, settled in cash or otherwise terminated without a delivery of such shares to the Holder will not be counted as delivered under the Plan or the Prior Plan; (iii) shares of Common Stock that have been issued in connection with any Award (e.g., Restricted Stock) or Prior Plan award that is canceled, forfeited, or settled in cash such that those shares are returned to the Company will again be available for Awards; and (iv) shares of Common Stock withheld in payment of the exercise price or taxes relating to any Award or Prior Plan award and shares equal to the number surrendered in payment of any exercise price or taxes relating to any Award or Prior Plan award shall be deemed to constitute shares not delivered to the Holder and shall be deemed to be available for Awards under the Plan; provided, however, that, no shares shall become available pursuant to this Section 3.1(b) to the extent that (x) the transaction resulting in

the return of shares occurs more than ten years after the date of the most recent shareholder approval of the Plan, or (y) such return of shares would constitute a "material revision" of the Plan subject to stockholder approval under then applicable rules of the New York Stock Exchange (or any other applicable exchange or quotation system). In addition, in the case of any Award granted in substitution for an award of a company or business acquired by the Company or an Affiliate, shares of Common Stock issued or issuable in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan, but shall be available under the Plan by virtue of the Company's assumption of the plan or arrangement of the acquired company or business. This Section 3.1 shall apply to the share limit imposed to conform to the regulations promulgated under the Code with respect to Incentive Stock Options only to the extent consistent with applicable regulations relating to Incentive Stock Options under the Code. Because shares will count against the number reserved in Section 3.1 upon delivery, the Committee may, subject to the share counting rules under this Section 3.1, determine that Awards may be outstanding that relate to a greater number of shares than the aggregate remaining available under the Plan, so long as Awards will not result in delivery and vesting of shares in excess of the number then available under the Plan. The payment of Dividend Equivalents in conjunction with any outstanding Awards shall not be counted against the shares available for issuance under the Plan.

(c) Substitute Awards shall not reduce the Shares authorized for grant under the Plan. Additionally, in the event that a company acquired by the Company or any Affiliate or with which the Company or any Affiliate combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Affiliates immediately prior to such acquisition or combination.

3.2 Stock Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market.

3.3 Limitation on Number of Shares Subject to Awards. Notwithstanding any provision in the Plan to the contrary, and subject to Section 14.2, the maximum aggregate number of Shares with respect to one or more Awards that may be granted to any one person during any calendar year shall be ; provided, however, that the foregoing limitations shall not apply prior to the Public Trading Date and, following the Public Trading Date, the foregoing limitations shall not apply until the earliest of: (a) the first material modification of the Plan (including any increase in the number of shares reserved for issuance under the Plan in accordance with Section 3.1); (b) the issuance of all of the Shares reserved for issuance under the Plan; (c) the expiration of the Plan; (d) the first meeting of stockholders at which members

of the Board are to be elected that occurs after the close of the third calendar year following the calendar year in which occurred the first registration of an equity security of the Company under Section 12 of the Exchange Act; or (e) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder. To the extent required by Section 162(m) of the Code, Shares subject to Awards which are canceled shall continue to be counted against the Award Limit.

3.4 Full Value Award Vesting Limitations Notwithstanding any other provision of the Plan to the contrary, Full Value Awards made to Employees or Consultants shall become vested over a period of not less than two years (or, in the case of vesting based upon the attainment of Performance Goals or other performance-based objectives, over a period of not less than one year measured from the commencement of the period over which performance is evaluated) following the date the Award is made; provided, however, that, notwithstanding the foregoing, (a) the Administrator may provide that such vesting restrictions may lapse or be waived upon the Holder's death, disability or retirement and (b) Full Value Awards that result in the issuance of an aggregate of up to 5% of the shares of Common Stock available pursuant to Section 3.1(a) may be granted to any one or more Holders without respect to such minimum vesting provisions.

ARTICLE 4.

GRANTING OF AWARDS

4.1 Participation. The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. Except as provided in Section 4.6 regarding the grant of Awards pursuant to the Non-Employee Director Equity Compensation Policy, no Eligible Individual shall have any right to be granted an Award pursuant to the Plan.

4.2 Award Agreement. Each Award shall be evidenced by an Award Agreement that sets forth the terms, conditions and limitations for such Award, which may include the term of the Award, the provisions applicable in the event of the Holder's Termination of Service, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award. Award Agreements evidencing Awards intended to qualify as Performance-Based Compensation shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code. Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.3 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and

Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

4.4 At-Will Employment; Voluntary Participation. Nothing in the Plan or in any Program or Award Agreement hereunder shall confer upon any Holder any right to continue in the employ of, or as a Director or Consultant for, the Company or any Affiliate, or shall interfere with or restrict in any way the rights of the Company and any Affiliate, which rights are hereby expressly reserved, to discharge any Holder at any time for any reason whatsoever, with or without cause, and with or without notice, or to terminate or change all other terms and conditions of employment or engagement, except to the extent expressly provided otherwise in a written agreement between the Holder and the Company or any Affiliate. Participation by each Holder in the Plan shall be voluntary and nothing in the Plan shall be construed as mandating that any Eligible Individual shall participate in the Plan.

4.5 Foreign Holders. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in countries other than the United States in which the Company and its Affiliates operate or have Employees, Non-Employee Directors or Consultants, or in order to comply with the requirements of any foreign securities exchange, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Affiliates shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable foreign laws or listing requirements of any such foreign securities exchange; (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to the Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Sections 3.1 and 3.3; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any such foreign securities exchange. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Code, the Exchange Act, the Securities Act, any other securities law or governing statute, the rules of the securities exchange or automated quotation system on which the Shares are listed, quoted or traded or any other applicable law. For purposes of the Plan, all references to foreign laws, rules, regulations or taxes shall be references to the laws, rules, regulations and taxes of any applicable jurisdiction other than the United States or a political subdivision thereof.

4.6 Non-Employee Director Awards. The Administrator may, in its discretion, provide that Awards granted to Non-Employee Directors shall be granted pursuant to a written non-discretionary formula established by the Administrator (the " Non-Employee Director Equity Compensation Policy "), subject to the limitations of the Plan. The Non-Employee Director Equity Compensation Policy shall set forth the type of Award(s) to be granted to Non-Employee Directors, the number of Shares to be subject to Non-Employee Director Awards, the conditions on which such Awards shall be granted, become exercisable and/or payable and expire, and such other terms and conditions as the Administrator shall determine in its discretion. The Non-Employee Director Equity Compensation Policy may be modified by the Administrator from time to time in its discretion.

4.7 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

ARTICLE 5.

PROVISIONS APPLICABLE TO AWARDS INTENDED TO QUALIFY AS PERFORMANCE-BASED COMPENSATION.

5.1 Purpose. The Committee, in its sole discretion, may determine at the time an Award is granted or at any time thereafter whether such Award is intended to qualify as Performance-Based Compensation. If the Committee, in its sole discretion, decides to grant such an Award to an Eligible Individual that is intended to qualify as Performance-Based Compensation, then the provisions of this Article 5 shall control over any contrary provision contained in the Plan. The Administrator may in its sole discretion grant Awards to other Eligible Individuals that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Article 5 and that are not intended to qualify as Performance-Based Compensation. Unless otherwise specified by the Administrator at the time of grant, the Performance Criteria with respect to an Award intended to be Performance-Based Compensation payable to a Covered Employee shall be determined on the basis of Applicable Accounting Standards.

5.2 Applicability. The grant of an Award to an Eligible Individual for a particular Performance Period shall not require the grant of an Award to such Individual in any subsequent Performance Period and the grant of an Award to any one Eligible Individual shall not require the grant of an Award to any other Eligible Individual in such period or in any other period.

5.3 Types of Awards. Notwithstanding anything in the Plan to the contrary, the Committee may grant any Award to an Eligible Individual intended to qualify as Performance-Based Compensation, including, without limitation, Restricted Stock the restrictions with respect to which lapse upon the attainment of specified Performance Goals, Restricted Stock Units that vest and become payable upon the attainment of specified Performance Goals and any Performance Awards described in Article 10 that vest or become exercisable or payable upon the attainment of one or more specified Performance Goals.

5.4 Procedures with Respect to Performance-Based Awards. To the extent necessary to comply with the requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted to one or more Eligible Individuals which is intended to qualify as Performance-Based Compensation, no later than 90 days following the commencement of any Performance Period or any designated fiscal period or period of service (or such earlier time as may be required under Section 162(m) of the Code), the Committee shall, in writing, (a) designate one or more Eligible Individuals, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period based on the Performance

Criteria, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Committee shall certify in writing whether and the extent to which the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned under such Awards, the Committee shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant, including the assessment of individual or corporate performance for the Performance Period.

5.5 Payment of Performance-Based Awards. Unless otherwise provided in the applicable Program or Award Agreement and only to the extent otherwise permitted by Section 162(m)(4)(C) of the Code, as to an Award that is intended to qualify as Performance-Based Compensation, the Holder must be employed by the Company or an Affiliate throughout the Performance Period. Unless otherwise provided in the applicable Performance Goals, Program or Award Agreement, a Holder shall be eligible to receive payment pursuant to such Awards for a Performance Period only if and to the extent the Performance Goals for such period are achieved.

5.6 Additional Limitations. Notwithstanding any other provision of the Plan and except as otherwise determined by the Administrator, any Award which is granted to an Eligible Individual and is intended to qualify as Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code or any regulations or rulings issued thereunder that are requirements for qualification as Performance-Based Compensation, and the Plan, the Program and the Award Agreement shall be deemed amended to the extent necessary to conform to such requirements.

ARTICLE 6.

GRANTING OF OPTIONS

6.1 Granting of Options to Eligible Individuals. The Administrator is authorized to grant Options to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine which shall not be inconsistent with the Plan.

6.2 Qualification of Incentive Stock Options. No Incentive Stock Option shall be granted to any person who is not an Employee of the Company or any subsidiary corporation (as defined in Section 424(f) of the Code) of the Company. No person who qualifies as a Greater Than 10% Stockholder may be granted an Incentive Stock Option unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code. Any Incentive Stock Option granted under the Plan may be modified by the Administrator, with the consent of the Holder, to disqualify such Option from treatment as an "incentive stock option" under Section 422 of the Code. To the extent that the aggregate Fair Market Value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by a Holder during any calendar year under the Plan, and all other plans of the Company and any subsidiary or parent corporation thereof (each as defined in Section 424(f) and (e) of the Code,

respectively), exceeds $100,000, the Options shall be treated as Non-Qualified Stock Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options and other "incentive stock options" into account in the order in which they were granted and the Fair Market Value of stock shall be determined as of the time the respective options were granted.

6.3 Option Exercise Price. The exercise price per Share subject to each Option shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value of a Share on the date the Option is granted (or, as to Incentive Stock Options, on the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code). In addition, in the case of Incentive Stock Options granted to a Greater Than 10% Stockholder, such price shall not be less than 110% of the Fair Market Value of a Share on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code).

6.4 Option Term. The term of each Option (the "Option Term") shall be set by the Administrator in its sole discretion; provided, however, that the Option Term shall not be more than ten (10) years from the date the Option is granted, or five (5) years from the date an Incentive Stock Option is granted to a Greater Than 10% Stockholder. The Administrator shall determine the time period, including the time period following a Termination of Service, during which the Holder has the right to exercise the vested Options, which time period may not extend beyond the last day of the Option Term. Except as limited by the requirements of Section 409A or Section 422 of the Code and regulations and rulings thereunder, the Administrator may extend the Option Term of any outstanding Option, and may extend the time period during which vested Options may be exercised, in connection with any Termination of Service of the Holder, and may amend any other term or condition of such Option relating to such a Termination of Service.

6.5 Option Vesting.

(a) The period during which the right to exercise, in whole or in part, an Option vests in the Holder shall be set by the Administrator and the Administrator may determine that an Option may not be exercised in whole or in part for a specified period after it is granted. Such vesting may be based on service with the Company or any Affiliate, any of the Performance Criteria, or any other criteria selected by the Administrator.

(b) No portion of an Option which is unexercisable at a Holder's Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the Program, the Award Agreement or by action of the Administrator following the grant of the Option.

6.6 Substitute Awards. Notwithstanding the foregoing provisions of this Article 6 to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares subject to such Option may be less than the Fair Market Value per share on the date of grant; provided that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market

value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

6.7 Substitution of Stock Appreciation Rights. The Administrator may provide in the applicable Program or the Award Agreement evidencing the grant of an Option that the Administrator, in its sole discretion, shall have the right to substitute a Stock Appreciation Right for such Option at any time prior to or upon exercise of such Option; provided that such Stock Appreciation Right shall be exercisable with respect to the same number of Shares for which such substituted Option would have been exercisable, and shall also have the same exercise price, vesting schedule and remaining Option Term as the substituted Option.

ARTICLE 7.

EXERCISE OF OPTIONS

7.1 Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may require that, by the terms of the Option, a partial exercise must be with respect to a minimum number of shares.

7.2 Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written or electronic notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such portion of the Option;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations, the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded or any other applicable law. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 12.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option, as determined in the sole discretion of the Administrator; and

(d) Full payment of the exercise price and applicable withholding taxes to the stock administrator of the Company for the shares with respect to which the Option, or portion thereof, is exercised, in a manner permitted by Section 12.1 and 12.2.

7.3 Notification Regarding Disposition. The Holder shall give the Company prompt written or electronic notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option which occurs within (a) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Holder, or (b) one year after the transfer of such shares to such Holder.

ARTICLE 8.

AWARD OF RESTRICTED STOCK

8.1 Award of Restricted Stock.

(a) The Administrator is authorized to grant Restricted Stock to Eligible Individuals, and shall determine the terms and conditions, including the restrictions applicable to each award of Restricted Stock, which terms and conditions shall not be inconsistent with the Plan, and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

(b) The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that if a purchase price is charged, such purchase price shall be no less than the par value, if any, of the Shares to be purchased, unless otherwise permitted by applicable law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

8.2 Rights as Stockholders. Subject to Section 8.4, upon issuance of Restricted Stock, the Holder shall have, unless otherwise provided by the Administrator, all the rights of a stockholder with respect to said shares, subject to the restrictions in the applicable Program or in each individual Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that, in the sole discretion of the Administrator, any extraordinary distributions with respect to the Shares shall be subject to the restrictions set forth in Section 8.3. In addition, with respect to a share of Restricted Stock with performance-based vesting, dividends which are paid prior to vesting shall only be paid out to the Holder to the extent that the performance-based vesting conditions are subsequently satisfied and the share of Restricted Stock vests.

8.3 Restrictions. All shares of Restricted Stock (including any shares received by Holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of the applicable Program or in each individual Award Agreement, be subject to such restrictions and vesting requirements as the Administrator shall provide. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability and such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as selected by the Administrator, including, without limitation, criteria based on the Holder's duration of employment, directorship or consultancy with the Company, the Performance Criteria, Company performance, individual performance or other criteria selected by the Administrator. By action taken after the Restricted Stock is issued, the Administrator may, on

such terms and conditions as it may determine to be appropriate, accelerate the vesting of such Restricted Stock by removing any or all of the restrictions imposed by the terms of the Program or the Award Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire.

8.4 Repurchase or Forfeiture of Restricted Stock. Except as otherwise determined by the Administrator at the time of the grant of the Award or thereafter, if no price was paid by the Holder for the Restricted Stock, upon a Termination of Service during the applicable restriction period, the Holder's rights in unvested Restricted Stock then subject to restrictions shall lapse, and such Restricted Stock shall be surrendered to the Company and cancelled without consideration. If a price was paid by the Holder for the Restricted Stock, upon a Termination of Service during the applicable restriction period, the Company shall have the right to repurchase from the Holder the unvested Restricted Stock then subject to restrictions at a cash price per share equal to the price paid by the Holder for such Restricted Stock or such other amount as may be specified in the Program or the Award Agreement. Notwithstanding the foregoing, except as otherwise provided by Section 3.4, the Administrator in its sole discretion may provide that in the event of certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service or any other event, the Holder's rights in unvested Restricted Stock shall not lapse, such Restricted Stock shall vest and, if applicable, the Company shall not have a right of repurchase.

8.5 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. Certificates or book entries evidencing shares of Restricted Stock must include an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock. The Company may, in it sole discretion, (a) retain physical possession of any stock certificate evidencing shares of Restricted Stock until the restrictions thereon shall have lapsed and/or (b) require that the stock certificates evidencing shares of Restricted Stock be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Holder deliver a stock power, endorsed in blank, relating to such Restricted Stock.

8.6 Section 83(b) Election. If a Holder makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Holder would otherwise be taxable under Section 83(a) of the Code, the Holder shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service.

ARTICLE 9.
AWARD OF RESTRICTED STOCK UNITS

9.1 Grant of Restricted Stock Units. The Administrator is authorized to grant Awards of Restricted Stock Units to any Eligible Individual selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator.

9.2 Term. Except as otherwise provided herein, the term of a Restricted Stock Unit award shall be set by the Administrator in its sole discretion.

9.3 Purchase Price. The Administrator shall specify the purchase price, if any, to be paid by the Holder to the Company with respect to any Restricted Stock Unit award; provided, however, that value of the consideration shall not be less than the par value of a Share, unless otherwise permitted by applicable law.

9.4 Vesting of Restricted Stock Units. At the time of grant, the Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including, without limitation, vesting based upon the Holder's duration of service to the Company or any Affiliate, one or more Performance Criteria, Company performance, individual performance or other specific criteria, in each case on a specified date or dates or over any period or periods, as determined by the Administrator, subject to Section 3.4.

9.5 Maturity and Payment. At the time of grant, the Administrator shall specify the maturity date applicable to each grant of Restricted Stock Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the Holder (if permitted by the applicable Award Agreement); provided that, except as otherwise determined by the Administrator, set forth in any applicable Award Agreement, and subject to compliance with Section 409A of the Code, in no event shall the maturity date relating to each Restricted Stock Unit occur following the later of (a) the 15 th day of the third month following the end of calendar year in which the Restricted Stock Unit vests; or (b) the 15 th day of the third month following the end of the Company's fiscal year in which the Restricted Stock Unit vests. On the maturity date, the Company shall, subject to Section 12.4(e), transfer to the Holder one unrestricted, fully transferable share of Common Stock for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited, or in the sole discretion of the Administrator, an amount in cash equal to the Fair Market Value of such shares on the maturity date or a combination of cash and Common Stock as determined by the Administrator.

9.6 Payment upon Termination of Service. An Award of Restricted Stock Units shall only be payable while the Holder is an Employee, a Consultant or a member of the Board, as applicable; provided, however, that the Administrator, in its sole and absolute discretion may provide (in an Award Agreement or otherwise) that a Restricted Stock Unit award may be paid subsequent to a Termination of Service in certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service.

9.7 No Rights as a Stockholder. Unless otherwise determined by the Administrator, a Holder who is awarded Restricted Stock Units shall possess no incidents of ownership with respect to the Shares represented by such Restricted Stock Units, unless and until the same are transferred to the Holder pursuant to the terms of this Plan and the Award Agreement.

9.8 Dividend Equivalents. Subject to Section 10.2, the Administrator may, in its sole discretion, provide that Dividend Equivalents shall be earned by a Holder of Restricted Stock Units based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date an Award of Restricted Stock Units is granted to a Holder and the maturity date of such Award.

ARTICLE 10.

AWARD OF PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, STOCK PAYMENTS, DEFERRED STOCK, DEFERRED STOCK UNITS

10.1 Performance Awards.

(a) The Administrator is authorized to grant Performance Awards, including Awards of Performance Stock Units, to any Eligible Individual and to determine whether such Performance Awards shall be Performance-Based Compensation. The value of Performance Awards, including Performance Stock Units, may be linked to any one or more of the Performance Criteria or other specific criteria determined by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. Performance Awards, including Performance Stock Unit awards may be paid in cash, Shares, or a combination of cash and Shares, as determined by the Administrator.

(b) Without limiting Section 10.1(a), the Administrator may grant Performance Awards to any Eligible Individual in the form of a cash bonus payable upon the attainment of objective Performance Goals, or such other criteria, whether or not objective, which are established by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. Any such bonuses paid to a Holder which are intended to be Performance-Based Compensation shall be based upon objectively determinable bonus formulas established in accordance with the provisions of Article 5.

10.2 Dividend Equivalents.

(a) Dividend Equivalents may be granted by the Administrator based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date an Award is granted to a Holder and the date such Award vests, is exercised, is distributed or expires, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Administrator. In addition, Dividend Equivalents with respect to an Award with performance-based vesting that are based on dividends paid prior to the vesting of such Award shall only be paid out to the Holder to the extent that the performance-based vesting conditions are subsequently satisfied and the Award vests.

(b) Notwithstanding the foregoing, no Dividend Equivalents shall be payable with respect to Options or Stock Appreciation Rights.

10.3 Stock Payments. The Administrator is authorized to make Stock Payments to any Eligible Individual. The number or value of shares of any Stock Payment shall be determined by the Administrator and may be based upon one or more Performance Criteria or any other specific criteria, including service to the Company or any Affiliate, determined by the Administrator. Shares underlying a Stock Payment which is subject to a vesting schedule or other conditions or criteria set by the Administrator will not be issued until those conditions have been satisfied. Unless otherwise provided by the Administrator, a Holder of a Stock Payment shall have no rights as a Company stockholder with respect to such Stock Payment

until such time as the Stock Payment has vested and the Shares underlying the Award have been issued to the Holder. Stock Payments may, but are not required to, be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to such Eligible Individual.

10.4 Deferred Stock. The Administrator is authorized to grant Deferred Stock to any Eligible Individual. The number of shares of Deferred Stock shall be determined by the Administrator and may (but is not required to) be based on one or more Performance Criteria or other specific criteria, including service to the Company or any Affiliate, as the Administrator determines, in each case on a specified date or dates or over any period or periods determined by the Administrator. Shares underlying a Deferred Stock award which is subject to a vesting schedule or other conditions or criteria set by the Administrator will be issued on the vesting date(s) or date(s) that those conditions and criteria have been satisfied, as applicable. Unless otherwise provided by the Administrator, a Holder of Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the Award has vested and any other applicable conditions and/or criteria have been satisfied and the Shares underlying the Award have been issued to the Holder.

10.5 Deferred Stock Units. The Administrator is authorized to grant Deferred Stock Units to any Eligible Individual. The number of Deferred Stock Units shall be determined by the Administrator and may (but is not required to) be based on one or more Performance Criteria or other specific criteria, including service to the Company or any Affiliate, as the Administrator determines, in each case on a specified date or dates or over any period or periods determined by the Administrator. Each Deferred Stock Unit shall entitle the Holder thereof to receive one share of Common Stock on the date the Deferred Stock Unit becomes vested or upon a specified settlement date thereafter (which settlement date may (but is not required to) be the date of the Holder's Termination of Service). Shares underlying a Deferred Stock Unit award which is subject to a vesting schedule or other conditions or criteria set by the Administrator will not be issued until on or following the date that those conditions and criteria have been satisfied. Unless otherwise provided by the Administrator, a Holder of Deferred Stock Units shall have no rights as a Company stockholder with respect to such Deferred Stock Units until such time as the Award has vested and any other applicable conditions and/or criteria have been satisfied and the Shares underlying the Award have been issued to the Holder.

10.6 Term. The term of a Performance Award, Dividend Equivalent award, Stock Payment award, Deferred Stock award and/or Deferred Stock Unit award shall be set by the Administrator in its sole discretion.

10.7 Purchase Price. The Administrator may establish the purchase price of a Performance Award, shares distributed as a Stock Payment award, shares of Deferred Stock or shares distributed pursuant to a Deferred Stock Unit award; provided, however, that value of the consideration shall not be less than the par value of a Share, unless otherwise permitted by applicable law.

10.8 Termination of Service. A Performance Award, Stock Payment award, Dividend Equivalent award, Deferred Stock award and/or Deferred Stock Unit award is distributable only while the Holder is an Employee, Director or Consultant, as applicable. The

Administrator, however, in its sole discretion may provide that the Performance Award, Dividend Equivalent award, Stock Payment award, Deferred Stock award and/or Deferred Stock Unit award may be distributed subsequent to a Termination of Service in certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service.

ARTICLE 11.

AWARD OF STOCK APPRECIATION RIGHTS

11.1 Grant of Stock Appreciation Rights .

(a) The Administrator is authorized to grant Stock Appreciation Rights to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine consistent with the Plan.

(b) A Stock Appreciation Right shall entitle the Holder (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the Stock Appreciation Right from the Fair Market Value on the date of exercise of the Stock Appreciation Right by the number of Shares with respect to which the Stock Appreciation Right shall have been exercised, subject to any limitations the Administrator may impose. Except as described in (c) below, the exercise price per Share subject to each Stock Appreciation Right shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value on the date the Stock Appreciation Right is granted.

(c) Notwithstanding the foregoing provisions of Section 11.1(b) to the contrary, in the case of an Stock Appreciation Right that is a Substitute Award, the price per share of the shares subject to such Stock Appreciation Right may be less than 100% of the Fair Market Value per share on the date of grant; provided that the excess of: (i) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (ii) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

11.2 Stock Appreciation Right Vesting.

(a) The period during which the right to exercise, in whole or in part, a Stock Appreciation Right vests in the Holder shall be set by the Administrator and the Administrator may determine that a Stock Appreciation Right may not be exercised in whole or in part for a specified period after it is granted. Such vesting may be based on service with the Company or any Affiliate, or any other criteria selected by the Administrator. At any time after grant of a Stock Appreciation Right, the Administrator may, in its sole discretion and subject to whatever

terms and conditions it selects, accelerate the period during which a Stock Appreciation Right vests.

(b) No portion of a Stock Appreciation Right which is unexercisable at Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the applicable Program or Award Agreement or by action of the Administrator following the grant of the Stock Appreciation Right.

11.3 Manner of Exercise. All or a portion of an exercisable Stock Appreciation Right shall be deemed exercised upon delivery of all of the following to the stock administrator of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written or electronic notice complying with the applicable rules established by the Administrator stating that the Stock Appreciation Right, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Stock Appreciation Right or such portion of the Stock Appreciation Right;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance; and

(c) In the event that the Stock Appreciation Right shall be exercised pursuant to this Section 11.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Stock Appreciation Right.

11.4 Stock Appreciation Right Term. The term of each Stock Appreciation Right (the "Stock Appreciation Right Term") shall be set by the Administrator in its sole discretion; provided, however, that the term shall not be more than ten (10) years from the date the Stock Appreciation Right is granted. The Administrator shall determine the time period, including the time period following a Termination of Service, during which the Holder has the right to exercise the vested Stock Appreciation Rights, which time period may not extend beyond the expiration date of the Stock Appreciation Right Term. Except as limited by the requirements of Section 409A of the Code and regulations and rulings thereunder, the Administrator may extend the Stock Appreciation Right Term of any outstanding Stock Appreciation Right, and may extend the time period during which vested Stock Appreciation Rights may be exercised, in connection with any Termination of Service of the Holder, and may amend any other term or condition of such Stock Appreciation Right relating to such a Termination of Service.

11.5 Payment. Payment of the amounts payable with respect to Stock Appreciation Rights pursuant to this Article 11 shall be in cash, Shares (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised), or a combination of both, as determined by the Administrator.

ARTICLE 12.

ADDITIONAL TERMS OF AWARDS

12.1 Payment. The Administrator shall determine the methods by which payments by any Holder with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash or check, (b) Shares (including, in the case of payment of the exercise price of an Award, Shares issuable pursuant to the exercise of the Award) or Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) delivery of a written or electronic notice that the Holder has placed a market sell order with a broker with respect to Shares then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required; provided that payment of such proceeds is then made to the Company upon settlement of such sale, or (d) other form of legal consideration acceptable to the Administrator. The Administrator shall also determine the methods by which Shares shall be delivered or deemed to be delivered to Holders. Notwithstanding any other provision of the Plan to the contrary, no Holder who is a Director or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment, with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

12.2 Tax Withholding. The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Holder to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Holder's FICA or employment tax obligation) required by law to be withheld with respect to any taxable event concerning a Holder arising as a result of the Plan. The Administrator may in its sole discretion and in satisfaction of the foregoing requirement allow a Holder to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the surrender of Shares). The number of Shares which may be so withheld or surrendered shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The Administrator shall determine the fair market value of the Shares, consistent with applicable provisions of the Code, for tax withholding obligations due in connection with a broker-assisted cashless Option or Stock Appreciation Right exercise involving the sale of shares to pay the Option or Stock Appreciation Right exercise price or any tax withholding obligation.

12.3 Transferability of Awards.

(a) Except as otherwise provided in Section 12.3(b):

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to

the consent of the Administrator, pursuant to a DRO, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed;

(ii) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Holder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence; and

(iii) During the lifetime of the Holder, only the Holder may exercise an Award (or any portion thereof) granted to him under the Plan, unless it has been disposed of pursuant to a DRO; after the death of the Holder, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Program or Award Agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Holder's will or under the then applicable laws of descent and distribution.

(b) Notwithstanding Section 12.3(a), the Administrator, in its sole discretion, may determine to permit a Holder to transfer an Award other than an Incentive Stock Option to any one or more Permitted Transferees, subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Holder (other than the ability to further transfer the Award); (iii) any transfer of a Non-Qualified Stock Option to a Permitted Transferee shall be without consideration; and (iv) the Holder and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal, state and foreign securities laws and (C) evidence the transfer.

(c) Notwithstanding Section 12.3(a), a Holder may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Holder and to receive any distribution with respect to any Award upon the Holder's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Program or Award Agreement applicable to the Holder, except to the extent the Plan, the Program and the Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Holder is married and resides in a community property state, a designation of a person other than the Holder's spouse as his or her beneficiary with respect to more than 50% of the Holder's interest in the Award shall not be effective without the prior written or electronic consent of the Holder's spouse. If no beneficiary has been designated or survives the Holder, payment shall be made to the person entitled thereto pursuant to the Holder's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a

Holder at any time; provided that the change or revocation is filed with the Administrator prior to the Holder's death.

12.4 Conditions to Issuance of Shares.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing Shares pursuant to the exercise of any Award, unless and until the Board or the Committee has determined, with advice of counsel, that the issuance of such shares is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded, and the Shares are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Board or the Committee may require that a Holder make such reasonable covenants, agreements, and representations as the Board or the Committee, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements.

(b) All Share certificates delivered pursuant to the Plan and all shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state, or foreign securities or other laws, rules and regulations and the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Administrator may place legends on any Share certificate or book entry to reference restrictions applicable to the Shares.

(c) The Administrator shall have the right to require any Holder to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) No fractional Shares shall be issued and the Administrator shall determine, in its sole discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding down.

(e) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any applicable law, rule or regulation, the Company shall not deliver to any Holder certificates evidencing Shares issued in connection with any Award and instead such Shares shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

12.5 Forfeiture and Claw-Back Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right to provide, in an Award Agreement or otherwise, or to require a Holder to agree by separate written or electronic instrument, that:

(a) (i) Any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of the Award, or upon the receipt or resale of any Shares underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be

forfeited, if (x) a Termination of Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (y) the Holder at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Administrator or (z) the Holder incurs a Termination of Service for "cause" (as such term is defined in the sole discretion of the Administrator, or as set forth in a written agreement relating to such Award between the Company and the Holder); and

(b) All Awards (including any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of any Award or upon the receipt or resale of any Shares underlying the Award) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such claw-back policy and/or in the applicable Award Agreement.

12.6 Prohibition on Repricing. Subject to Section 14.2, the Administrator shall not, without the approval of the stockholders of the Company, (i) authorize the amendment of any outstanding Option or Stock Appreciation Right to reduce its price per share, or (ii) cancel any Option or Stock Appreciation Right in exchange for cash or another Award when the Option or Stock Appreciation Right price per share exceeds the Fair Market Value of the underlying Shares. Subject to Section 14.2, the Administrator shall have the authority, without the approval of the stockholders of the Company, to amend any outstanding Award to increase the price per share or to cancel and replace an Award with the grant of an Award having a price per share that is greater than or equal to the price per share of the original Award. Furthermore, for purposes of this Section 12.6, except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise price per share of outstanding Options or Stock Appreciation Rights or cancel outstanding Options or Stock Appreciation Rights in exchange for cash, other Awards or Options or Stock Appreciation Rights with an exercise price per share that is less than the exercise price per share of the original Options or Stock Appreciation Rights without the approval of the stockholders of the Company.

ARTICLE 13.

ADMINISTRATION

13.1 Administrator. The Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under the Plan) shall administer the Plan (except as otherwise permitted herein) and, unless otherwise determined by the Board, shall consist solely of two or more Non-Employee Directors appointed by and holding office at the pleasure of the Board, each of whom is intended to qualify as both a "non-employee director" as defined by Rule 16b-3 of the Exchange Act or any successor rule, an "outside director" for purposes of Section 162(m) of the Code and an "independent director" under the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or

traded; provided that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 13.l or otherwise provided in any charter of the Committee. Except as may otherwise be provided in any charter of the Committee, appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written or electronic notice to the Board. Vacancies in the Committee may only be filled by the Board. Notwithstanding the foregoing, (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Non-Employee Directors and, with respect to such Awards, the terms "Administrator" and "Committee" as used in the Plan shall be deemed to refer to the Board and (b) the Board or Committee may delegate its authority hereunder to the extent permitted by Section 13.6.

13.2 Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan, the Program and the Award Agreement, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent therewith, to interpret, amend or revoke any such rules and to amend any Program or Award Agreement; provided that the rights or obligations of the Holder of the Award that is the subject of any such Program or Award Agreement are not affected adversely by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under Section 14.10. Any such grant or award under the Plan need not be the same with respect to each Holder. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any successor rule, or Section 162(m) of the Code, or any regulations or rules issued thereunder, or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded are required to be determined in the sole discretion of the Committee.

13.3 Action by the Committee. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

13.4 Authority of Administrator. Subject to the Company's Bylaws, the Committee's Charter and any specific designation in the Plan, the Administrator has the exclusive power, authority and sole discretion to:

(a) Designate Eligible Individuals to receive Awards;

(b) Determine the type or types of Awards to be granted to each Eligible Individual;

(c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any performance criteria, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Holder;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan, any Program or any Award Agreement;

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan; and

(k) Accelerate wholly or partially the vesting or lapse of restrictions of any Award or portion thereof at any time after the grant of an Award, subject to whatever terms and conditions it selects and Sections 3.4 and 14.2(d).

13.5 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Program, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

13.6 Delegation of Authority. To the extent permitted by applicable law or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded, the Board or Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to

grant or amend Awards or to take other administrative actions pursuant to Article 13; provided, however, that in no event shall an officer of the Company be delegated the authority to grant awards to, or amend awards held by, the following individuals: (a) individuals who are subject to Section 16 of the Exchange Act, (b) Covered Employees, or (c) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder; provided, further, that any delegation of administrative authority shall only be permitted to the extent it is permissible under Section 162(m) of the Code and applicable securities laws or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation, and the Board may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 13.6 shall serve in such capacity at the pleasure of the Board and the Committee.

ARTICLE 14.

MISCELLANEOUS PROVISIONS

14.1 Amendment, Suspension or Termination of the Plan. Except as otherwise provided in this Section 14.1, the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee. However, without approval of the Company's stockholders given within twelve (12) months before or after the action by the Administrator, no action of the Administrator may, except as provided in Section 14.2, (a) increase the limits imposed in Section 3.1 on the maximum number of shares which may be issued under the Plan, or (b) reduce the price per share of any outstanding Option or Stock Appreciation Right granted under the Plan, or take any action prohibited under Section 12.6, or (c) cancel any Option or Stock Appreciation Right in exchange for cash or another Award when the Option or Stock Appreciation Right price per share exceeds the Fair Market Value of the underlying Shares. Except as provided in Section 14.10, no amendment, suspension or termination of the Plan shall, without the consent of the Holder, impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides. No Awards may be granted or awarded during any period of suspension or after termination of the Plan, and in no event may any Award be granted under the Plan after the tenth (10th) anniversary of the Effective Date.

14.2 Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events .

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of the Company's stock or the share price of the Company's stock other than an Equity Restructuring, the Administrator shall make equitable adjustments, if any, to reflect such change with respect to (i) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of shares which may be issued under the Plan, adjustments of the Award Limit, and adjustments of the manner in which shares subject to Full Value Awards will be counted); (ii) the number and

kind of shares of Common Stock (or other securities or property) subject to outstanding Awards; (iii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iv) the grant or exercise price per share for any outstanding Awards under the Plan. Any adjustment affecting an Award intended as Performance-Based Compensation shall be made consistent with the requirements of Section 162(m) of the Code.

(b) In the event of any transaction or event described in Section 14.2(a) or any unusual or nonrecurring transactions or events affecting the Company, any Affiliate of the Company, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations or accounting principles, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Holder's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Holder's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 14.2 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Holder's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion having an aggregate value not exceeding the amount that could have been attained upon the exercise of such Award or realization of the Holder's rights had such Award been currently exercisable or payable or fully vested;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of shares of the Company's stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards and Awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Program or Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 14.2(a) and 14.2(b):

(i) The number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, shall be equitably adjusted; and/or

(ii) The Administrator shall make such equitable adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of shares which may be issued under the Plan, adjustments of the Award Limit, and adjustments of the manner in which shares subject to Full Value Awards will be counted). The adjustments provided under this Section 14.2(c) shall be nondiscretionary and shall be final and binding on the affected Holder and the Company.

(d) Notwithstanding any other provision of the Plan, in the event of a Change in Control, each outstanding Award shall continue in effect or be assumed or an equivalent Award substituted by the successor corporation or a parent or subsidiary of the successor corporation. In the event an Award continues in effect or is assumed or an equivalent Award substituted, and a Holder has a Termination of Service by the Company or its successor without Cause upon or within twelve (12) months following the Change in Control, then such Holder shall be fully vested in such continued, assumed or substituted Award.

(e) In the event that the successor corporation in a Change in Control refuses to assume or substitute for the Award, the Administrator may cause any or all of such Awards to become fully exercisable immediately prior to the consummation of such transaction and all forfeiture restrictions on any or all of such Awards to lapse. If an Award is exercisable in lieu of assumption or substitution in the event of a Change in Control, the Administrator shall notify the Holder that the Award shall be fully exercisable for a period of fifteen (15) days from the date of such notice, contingent upon the occurrence of the Change in Control, and the Award shall terminate upon the expiration of such period.

(f) For the purposes of this Section 14.2, an Award shall be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each share of Common Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Change in Control was not solely common stock of the successor corporation or its parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award, for each share of Common Stock subject to an Award, to be solely common stock of the successor corporation or

its parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

(g) The Administrator may, in its sole discretion, include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of the Company that are not inconsistent with the provisions of the Plan.

(h) With respect to Awards which are granted to Covered Employees and are intended to qualify as Performance-Based Compensation, no adjustment or action described in this Section 14.2 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause such Award to fail to so qualify as Performance-Based Compensation, unless the Administrator determines that the Award should not so qualify. No adjustment or action described in this Section 14.2 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions.

(i) The existence of the Plan, the Program, the Award Agreement and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(j) No action shall be taken under this Section 14.2 which shall cause an Award to fail to comply with Section 409A of the Code or the Treasury Regulations thereunder, to the extent applicable to such Award.

(k) In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of Common Stock or the share price of the Common Stock including any Equity Restructuring, for reasons of administrative convenience, the Company in its sole discretion may refuse to permit the exercise of any Award during a period of thirty (30) days prior to the consummation of any such transaction.

14.3 Approval of Plan by Stockholders. The Plan will be submitted for the approval of the Company's stockholders within twelve (12) months after the date of the Board's initial adoption of the Plan. Awards may be granted or awarded prior to such stockholder approval; provided that such Awards shall not be exercisable, shall not vest and the restrictions thereon shall not lapse and no shares of Common Stock shall be issued pursuant thereto prior to the

time when the Plan is approved by the stockholders; and provided, further, that if such approval has not been obtained at the end of said twelve (12) month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

14.4 No Stockholders Rights. Except as otherwise provided herein, a Holder shall have none of the rights of a stockholder with respect to shares of Common Stock covered by any Award until the Holder becomes the record owner of such shares of Common Stock.

14.5 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Holder may be permitted through the use of such an automated system.

14.6 Effect of Plan upon Other Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or any Affiliate. Nothing in the Plan shall be construed to limit the right of the Company or any Affiliate: (a) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Affiliate, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

14.7 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of Shares and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all applicable federal, state, local and foreign laws, rules and regulations (including but not limited to state, federal and foreign securities law and margin requirements), the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded, and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

14.8 Titles and Headings, References to Sections of the Code or Exchange Act. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code or the Exchange Act shall include any amendment or successor thereto.

14.9 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof or of any other jurisdiction.

14.10 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Program pursuant to which such Award is granted and the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan, the Program and any Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Program and Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

14.11 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Holders or any other persons uniformly.

14.12 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Holder pursuant to an Award, nothing contained in the Plan or any Program or Award Agreement shall give the Holder any rights that are greater than those of a general creditor of the Company or any Affiliate.

14.13 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; provided he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

14.14 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Affiliate except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

14.15 Expenses. The expenses of administering the Plan shall be borne by the Company and its Affiliates.

* * * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Tilly's, Inc. on , 2011.

* * * * *

I hereby certify that the foregoing Plan was approved by the stockholders of Tilly's, Inc. on , 2011.

Executed on this day of , 2011.

Corporate Secretary

Exhibit 10.16

TILLY'S INC.

2011 EQUITY AND INCENTIVE AWARD PLAN

STOCK OPTION GRANT NOTICE AND STOCK OPTION AGREEMENT

Tilly's Inc., a Delaware corporation (the "***Company***"), pursuant to its 2011 Equity and Incentive Award Plan (the "***Plan***"), hereby grants to the individual listed below ("***Participant***"), an option to purchase the number of shares of the Company's common stock, par value $0.001 (" ***Stock***"), set forth below (the "***Option***"). This Option is subject to all of the terms and conditions as set forth herein and in the Stock Option Agreement attached hereto as Exhibit A (the "***Stock Option Agreement***") and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Stock Option Agreement.

Participant: _____

Grant Date: _____

Exercise Price per Share: $ _____

Total Exercise Price: $ _____

Total Number of Shares Subject to the Option: _____ shares

Expiration Date: _____

Type of Option: ☐ Incentive Stock Option ☐ Non-Qualified Stock Option

Vesting Schedule: [To be specified in individual agreements]

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. Participant has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice or the Stock Option Agreement.

TILLY'S INC.

By: _____

Print Name: _____

Title: _____

Address: 10 Whatney
Irvine, CA 92618

PARTICIPANT

By: _____

Print Name: _____

Address: _____

EXHIBIT A

TO STOCK OPTION GRANT NOTICE

TILLY'S INC. STOCK OPTION AGREEMENT

Pursuant to the Stock Option Grant Notice (the "***Grant Notice***") to which this Stock Option Agreement (this "***Agreement***") is attached, Tilly's Inc., a Delaware corporation (the "***Company***"), has granted to Participant an option under the Tilly's Inc. 2011 Equity and Incentive Award Plan, as amended from time to time (the "***Plan***") to purchase the number of shares of Stock indicated in the Grant Notice.

ARTICLE I.

GENERAL

1.1 Defined Terms. Wherever the following terms are used in this Agreement they shall have the meanings specified below, unless the context clearly indicates otherwise. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

(a) "***Administrator***" shall mean the Board or the Committee responsible for conducting the general administration of the Plan in accordance with Article 13 of the Plan; provided that if Participant is an Independent Director, "Administrator" shall mean the Board.

(b) "***Termination of Consultancy***" shall mean the time when the engagement of Participant as a Consultant to the Company or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, by resignation, discharge, death, Disability or retirement, but excluding: (a) terminations where there is a simultaneous employment or continuing employment of Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous re-establishment of a consulting relationship or continuing consulting relationship between Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of the Plan, the Company or any Subsidiary has an absolute and unrestricted right to terminate a Consultant's service at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.

(c) "***Termination of Directorship***" shall mean the time when Participant, if he or she is or becomes an Independent Director, ceases to be a Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors.

(d) "***Termination of Employment***" shall mean the time when the employee-employer relationship between Participant and the Company or any Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, Disability or retirement; but excluding: (a) terminations where there is a simultaneous reemployment or continuing employment of Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous establishment of a consulting relationship or continuing consulting relationship between Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a particular leave of

absence constitutes a Termination of Employment; provided, however, that, if this Option is an Incentive Stock Option, unless otherwise determined by the Administrator in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section.

(e) "***Termination of Services***" shall mean Participant's Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

GRANT OF OPTION

2.1 Grant of Option. In consideration of Participant's past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the " ***Grant Date***"), the Company irrevocably grants to Participant the Option to purchase any part or all of an aggregate of the number of shares of Stock set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement. Unless designated as a Non-Qualified Stock Option in the Grant Notice, the Option shall be an Incentive Stock Option to the maximum extent permitted by law.

2.2 Exercise Price. The exercise price of the shares of Stock subject to the Option shall be as set forth in the Grant Notice, without commission or other charge; *provided*, *however*, that the price per share of the shares of Stock subject to the Option shall not be less than 100% of the Fair Market Value of a share of Stock on the Grant Date. Notwithstanding the foregoing, if this Option is designated as an Incentive Stock Option and Participant owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the price per share of the shares of Stock subject to the Option shall not be less than 110% of the Fair Market Value of a share of Stock on the Grant Date.

2.3 Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to the Company or any Subsidiary. Nothing in the Plan or this Agreement shall confer upon Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

ARTICLE III.

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability.

(a) Subject to Sections 3.2, 3.3, 5.8 and 5.10, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable at the date of Participant's Termination of Employment, Termination of Directorship or Termination of Consultancy shall thereafter become vested and exercisable, except as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and Participant.

(c) Notwithstanding Sections 3.1(a) and 3.1(b), pursuant to Section 14.2 of the Plan, the Option shall become fully vested and exercisable in the event of a Change in Control, in connection with which the successor corporation does not assume the Option or substitute an equivalent right for the Option. Should the successor corporation assume the Option or substitute an equivalent right, then no such acceleration shall apply unless Participant has a Termination of Services by the Company or its successor without Cause upon or within twelve months following the Change in Control, in which case the Option shall become fully vested and exercisable.

3.2 Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3.

3.3 Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The expiration of ten years from the Grant Date;

(b) If this Option is designated as an Incentive Stock Option and Participant owned (within the meaning of Section 424(d) of the Code), at the time the Option was granted, more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the expiration of five years from the Grant Date;

(c) The expiration of three months from the date of Participant's Termination of Services, unless such termination occurs by reason of Participant's death or Disability;

(d) The expiration of one year from the date of Participant's Termination of Services by reason of Participant's death or Disability; or

Participant acknowledges that an Incentive Stock Option exercised more that three months after Participant's Termination of Employment, other than by reason of death or Disability, will be taxed as a Non-Qualified Stock Option.

3.4 Special Tax Consequences. Participant acknowledges that, to the extent that the aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options, including the Option, are exercisable for the first time by

Participant in any calendar year exceeds $100,000, the Option and such other options shall be Non-Qualified Stock Options to the extent necessary to comply with the limitations imposed by Section 422(d) of the Code. Participant further acknowledges that the rule set forth in the preceding sentence shall be applied by taking the Option and other "incentive stock options" into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder.

ARTICLE IV.

EXERCISE OF OPTION

4.1 Person Eligible to Exercise. Except as provided in Sections 5.2(b) and 5.2(c), during the lifetime of Participant, only Participant may exercise the Option or any portion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

4.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3.

4.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other person or entity designated by the Company) of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3:

(a) An Exercise Notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) The receipt by the Company of full payment for the shares of Stock with respect to which the Option or portion thereof is exercised, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 4.4;

(c) Any other written representations as may be required in the Administrator's reasonable discretion to evidence compliance with the Securities Act or any other applicable law rule, or regulation; and

(d) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 by any person or persons other than Participant, appropriate proof of the right of such person or persons to exercise the Option.

Notwithstanding any of the foregoing, the Company shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

4.4 Method of Payment. Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of Participant:

(a) Cash;

(b) Check;

(c) With the consent of the Administrator, delivery of a notice that Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate exercise price; *provided*, that payment of such proceeds is then made to the Company upon settlement of such sale;

(d) With the consent of the Administrator, surrender of other shares of Stock which (A) in the case of shares of Stock acquired from the Company, have been owned by Participant for more than six (6) months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the shares of Stock with respect to which the Option or portion thereof is being exercised;

(e) With the consent of the Administrator, surrendered shares of Stock issuable upon the exercise of the Option having a Fair Market Value on the date of exercise equal to the aggregate exercise price of the shares of Stock with respect to which the Option or portion thereof is being exercised; or

(f) With the consent of the Administrator, property of any kind which constitutes good and valuable consideration.

4.5 Conditions to Issuance of Stock Certificates. The shares of Stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares of Stock or issued shares of Stock which have then been reacquired by the Company. Such shares of Stock shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any shares of Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares of Stock to listing on all stock exchanges on which such Stock is then listed;

(b) The completion of any registration or other qualification of such shares of Stock under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment for such shares of Stock, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 4.4; and

(e) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may from time to time establish for reasons of administrative convenience.

4.6 Rights as Stockholder. Participant shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares of Stock purchasable upon the exercise of any part of the Option unless and until such shares of Stock shall have been issued by the Company to such

Participant (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date the shares of Stock are issued, except as provided in Section 14.2 of the Plan.

ARTICLE V.

OTHER PROVISIONS

5.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Option.

5.2 Option Not Transferable.

(a) Subject to Section 5.2(b), the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the Option have been issued, and all restrictions applicable to such shares of Stock have lapsed. Neither the Option nor any interest or right therein shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

(b) Notwithstanding any other provision in this Agreement, with the consent of the Administrator and to the extent the Option is not intended to qualify as an Incentive Stock Option, Participant may transfer the Option (or any portion thereof) to any one or more Permitted Transferees (as defined below), subject to the following terms and conditions: (i) any portion of the Option transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) any portion of the Option which is transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Option as applicable to Participant (other than the ability to further transfer the Option); and (iii) Participant and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal and state securities laws and (C) evidence the transfer. For purposes of this Section 5.2(b), "***Permitted Transferee***" shall mean, with respect to a Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing Participant's household (other than a tenant or employee), a trust in which these persons (or Participant) control the management of assets, and any other entity in which these persons (or Participant) own more than fifty percent of the voting interests, or any other transferee specifically approved by the Administrator after taking into account any state or federal tax or securities laws applicable to transferable Options.

(c) Unless transferred to a Permitted Transferee in accordance with Section 5.2(b), during the lifetime of Participant, only Participant may exercise the Option or any portion thereof. Subject to such conditions and procedures as the Administrator may require, a Permitted Transferee may exercise the Option or any portion thereof during Participant's lifetime. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

5.3 Adjustments. Participant acknowledges that the Option is subject to modification and termination in certain events as provided in this Agreement and Article 14 of the Plan.

5.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the address given beneath the signature of the Company's authorized officer on the Grant Notice, and any notice to be given to Participant shall be addressed to Participant at the address given beneath Participant's signature on the Grant Notice. By a notice given pursuant to this Section 5.4, either party may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise his or her Option pursuant to Section 4.1 by written notice under this Section 5.4. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.6 Governing Law; Severability. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

5.7 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.8 Amendments, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board *, provided,* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely effect the Option in any material way without the prior written consent of Participant.

5.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 5.2, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

5.10 Notification of Disposition. If this Option is designated as an Incentive Stock Option, Participant shall give prompt notice to the Company of any disposition or other transfer of any shares of Stock acquired under this Agreement if such disposition or transfer is made (a) within two years from the Grant Date with respect to such shares of Stock or (b) within one year after the transfer of such shares of Stock to him. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

5.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Option and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

5.12 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries.

5.13 Entire Agreement. The Plan, the Grant Notice and this Agreement (including all Exhibits thereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

5.14 Section 409A. Notwithstanding any other provision of the Plan, this Agreement or the Grant Notice, the Plan, this Agreement and the Grant Notice shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the U.S. Internal Revenue Code of 1986, as amended (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "***Section 409A***"). The Committee may, in its discretion, adopt such amendments to the Plan, this Agreement or the Grant Notice or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Committee determines are necessary or appropriate to comply with the requirements of Section 409A.

Exhibit 10.17

TILLY'S INC.
2011 EQUITY AND INCENTIVE AWARD PLAN

RESTRICTED STOCK AWARD GRANT NOTICE AND
RESTRICTED STOCK AWARD AGREEMENT

Tilly's Inc., a Delaware corporation (the "***Company***"), pursuant to its 2011 Equity and Incentive Award Plan (the "***Plan***"), hereby grants to the individual listed below ("***Participant***"), the number of shares of the Company's common stock, par value $0.001 ("***Stock***"), set forth below (the "***Shares***"). This Restricted Stock Award is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Award Agreement attached hereto as Exhibit A (the "***Restricted Stock Agreement***") (including without limitation the Restrictions on the Shares set forth in the Restricted Stock Agreement) and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Restricted Stock Agreement.

Participant:	[ ]
Grant Date:	[ ]
Total Number of Shares of Restricted Stock:	[ ] shares
Purchase Price per Share:	$[ ]
Total Purchase Price:	$[ ]
Vesting Commencement Date:	[ ]
Vesting Schedule:	[To be specified in individual Grant Notices.]

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Agreement and this Grant Notice. Participant has reviewed the Restricted Stock Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Restricted Stock Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice or the Restricted Stock Agreement. If Participant is married, his or her spouse has signed the Consent of Spouse attached to this Grant Notice as Exhibit B.

TILLY'S INC.:		**PARTICIPANT:**	
By:	_____	By:	_____
Print Name:	_____	Print Name:	_____
Title:	_____		
Address:	10 Whatney Irvine, CA 92618	Address:	_____ _____

EXHIBIT A
TO RESTRICTED STOCK AWARD GRANT NOTICE

TILLY'S INC. RESTRICTED STOCK AWARD AGREEMENT

Pursuant to the Restricted Stock Award Grant Notice (the "***Grant Notice***") to which this Restricted Stock Award Agreement (this "***Agreement***") is attached, Tilly's Inc., a Delaware corporation (the "***Company***") has granted to Participant the right to purchase the number of shares of Restricted Stock under the Tilly's Inc. 2011 Equity and Incentive Award Plan, as amended from time to time (the "***Plan***"), as set forth in the Grant Notice.

ARTICLE I.

GENERAL

1.1 Defined Terms. Wherever the following terms are used in this Agreement they shall have the meanings specified below, unless the context clearly indicates otherwise. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

(a) "***Administrator***" shall mean the Board or the Committee responsible for conducting the general administration of the Plan in accordance with Article 13 of the Plan; provided that if Participant is an Independent Director, "Administrator" shall mean the Board.

(b) "***Termination of Consultancy***" shall mean the time when the engagement of Participant as a Consultant to the Company or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, by resignation, discharge, death, Disability or retirement, but excluding: (a) terminations where there is a simultaneous employment or continuing employment of Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous re-establishment of a consulting relationship or continuing consulting relationship between Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of the Plan, the Company or any Subsidiary has an absolute and unrestricted right to terminate a Consultant's service at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.

(c) "***Termination of Directorship***" shall mean the time when Participant, if he or she is or becomes an Independent Director, ceases to be a Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors.

(d) "***Termination of Employment***" shall mean the time when the employee-employer relationship between Participant and the Company or any Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, Disability or retirement; but excluding: (a) terminations where there is a simultaneous reemployment or continuing employment of Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous establishment of a consulting relationship or continuing consulting relationship between Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a particular leave of

absence constitutes a Termination of Employment; *provided, however,* that, if this Option is an Incentive Stock Option, unless otherwise determined by the Administrator in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section.

(e) "***Termination of Services***" shall mean Participant's Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

1.2 Incorporation of Terms of Plan. The Award is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

AWARD OF RESTRICTED STOCK

2.1 Award of Restricted Stock.

(a) Award. In consideration of Participant's past and/or continued employment with or service to the Company or one of its Subsidiaries, and for other good and valuable consideration which the Administrator has determined exceeds the aggregate par value of the Stock subject to the Award (as defined below), as of the Grant Date, the Company issues to Participant the Award described in this Agreement (the "***Award***"). The number of shares of Restricted Stock (the "***Shares***") subject to the Award is set forth in the Grant Notice. Participant is an Employee, Director or Consultant of the Company or one of its Subsidiaries.

(b) Purchase Price; Book Entry Form. The purchase price of the Shares is set forth on the Grant Notice. At the sole discretion of the Administrator, the Shares will be issued in either (i) uncertificated form, with the Shares recorded in the name of Participant in the books and records of the Company's transfer agent with appropriate notations regarding the restrictions on transfer imposed pursuant to this Agreement, and upon vesting and the satisfaction of all conditions set forth in Section 2.2(d), the Company shall cause certificates representing the Shares to be issued to Participant; or (ii) certificate form pursuant to the terms of Sections 2.1(c) and (d).

(c) Legend. Certificates representing Shares issued pursuant to this Agreement shall, until all Restrictions (as defined below) imposed pursuant to this Agreement lapse or shall have been removed and the Shares shall thereby have become vested or the Shares represented thereby have been forfeited hereunder, bear the following legend (or such other legend as shall be determined by the Administrator):

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING REQUIREMENTS AND MAY BE SUBJECT TO FORFEITURE UNDER THE TERMS OF A RESTRICTED STOCK AWARD AGREEMENT, BY AND BETWEEN TILLY'S INC. AND THE REGISTERED OWNER OF SUCH SHARES, AND SUCH SHARES MAY NOT BE, DIRECTLY OR INDIRECTLY, OFFERED, TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNDER ANY CIRCUMSTANCES, EXCEPT PURSUANT TO THE PROVISIONS OF SUCH AGREEMENT."

(d) Escrow. The Secretary of the Company or such other escrow holder as the Administrator may appoint may retain physical custody of the certificates representing the Shares until all of the restrictions on transfer imposed pursuant to this Agreement lapse or shall have been removed; in such event Participant shall not retain physical custody of any certificates representing unvested Shares issued to him. Participant, by acceptance of the Award, shall be deemed to appoint, and does so appoint the Company and each of its authorized representatives as Participant's attorney(s)-in-fact to effect any transfer of unvested forfeited Shares (or Shares otherwise reacquired by the Company hereunder) to the Company as may be required pursuant to the Plan or this Agreement and to execute such documents as the Company or such representatives deem necessary or advisable in connection with any such transfer.

(e) Delivery of Certificates Upon Vesting. As soon as administratively practicable after the vesting of any Shares subject to the Award pursuant to Section 2.2(b), the Company shall, as applicable, either remove the notations on any Shares subject to the Award issued in book entry form which have vested or deliver to Participant a certificate or certificates evidencing the number of Shares subject to the Award which have vested (or, in either case, such lesser number of shares as may be permitted pursuant to Section 8.4 or 12.4 of the Plan). Participant (or the beneficiary or personal representative of Participant in the event of Participant's death or incapacity, as the case may be) shall deliver to the Company any representations or other documents or assurances required by the Company. The Shares so delivered shall no longer be subject to the Restrictions hereunder.

2.2 Restrictions.

(a) Forfeiture. Any Award which is not vested as of the date Participant's Termination of Services shall thereupon be forfeited immediately and without any further action by the Company. For purposes of this Agreement, "***Restrictions***" shall mean the restrictions on sale or other transfer set forth in Section 3.2 and the exposure to forfeiture set forth in this Section 2.2(a).

(b) Vesting and Lapse of Restrictions. Subject to Sections 2.2(a) and 2.2(c), the Award shall vest and Restrictions shall lapse in accordance with the vesting schedule set forth on the Grant Notice.

(c) Acceleration of Vesting. Notwithstanding Sections 2.2(a) and 2.2(b) hereof, pursuant to Section 14.2 of the Plan, the Award shall become fully vested and all Restrictions applicable to such Award shall lapse in the event of a Change in Control, in connection with which the successor corporation does not assume the Award or substitute an equivalent right for the Award. Should the successor corporation assume the Award or substitute an equivalent right, then no such acceleration shall apply unless Participant has a Termination of Services by the Company or its successor without Cause upon or within twelve months following the Change in Control, in which case the Option shall become fully vested and exercisable.

(d) Tax Withholding. Notwithstanding any other provision of this Agreement (including without limitation Section 2.1(b) hereof), no new certificate shall be delivered to Participant or his legal representative unless and until Participant or his legal representative shall have paid to the Company the full amount of all federal and state withholding or other taxes applicable to the taxable income of Participant resulting from the grant of Shares or the lapse or removal of the Restrictions. Such payment shall be made by deduction from other compensation payable to Participant or in such other form of consideration acceptable to the Company which may, in the sole discretion of the Administrator, include:

(i) Cash or check;

(ii) Shares of Stock held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery equal to the minimum amount required to be withheld by statute; or

(iii) Other property acceptable to the Administrator (including, without limitation, through the delivery of a notice that Participant has placed a market sell order with a broker with respect to shares of Stock for which the Restrictions are then subject to lapse, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of its withholding obligations; provided that payment of such proceeds is then made to the Company upon settlement of such sale).

The Company shall not be obligated to deliver any new certificate representing Shares to Participant or Participant's legal representative or enter such Share in book entry form unless and until Participant or Participant's legal representative shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of Participant resulting from the grant of the Award or the issuance of Shares hereunder.

(e) Conditions to Delivery of Shares. Subject to Section 2.1, the Shares deliverable under this Award may be either previously authorized but unissued shares of Stock or issued shares of Stock which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any Shares under this Award prior to fulfillment of all of the following conditions:

(i) The admission of such Shares to listing on all stock exchanges on which the Shares are then listed;

(ii) The completion of any registration or other qualification of such Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable;

(iii) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable;

(iv) The receipt by the Company of full payment for such Shares, including payment of any applicable withholding tax; and

(v) The lapse of such reasonable period of time following the grant of this Award as the Administrator may from time to time establish for reasons of administrative convenience.

2.3 Consideration to the Company. In consideration of the grant of the Award by the Company, Participant agrees to render faithful and efficient services to the Company or any Subsidiary. Nothing in the Plan or this Agreement shall confer upon Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

ARTICLE III.

OTHER PROVISIONS

3.1 Tax Withholding and Section 83(b) Election. The Company shall be entitled to require a cash payment by or on behalf of Participant and/or to deduct from other compensation payable to Participant any sums required by federal, state or local tax law to be withheld with respect to the grant or vesting of the Award or the lapse of the Restrictions hereunder. Participant understands that Section 83(a) of the Internal Revenue Code taxes as ordinary income the difference between the amount, if any, paid for the Shares and the Fair Market Value of such Shares at the time the Restrictions on such Shares lapse. Participant understands that, notwithstanding the preceding sentence, Participant may elect to be taxed at the time of the Grant Date, rather that at the time the Restrictions lapse, by filing an election under Section 83(b) of the Code (an "***83(b) Election***") with the Internal Revenue Service within 30 days of the Grant Date. In the event Participant files an 83(b) Election, Participant shall provide the Company a copy thereof prior to the expiration of such 30 day period. Participant understands that in the event an 83(b) Election is filed with the Internal Revenue Service within such time period, Participant will recognize ordinary income in an amount equal to the difference between the amount, if any, paid for the Shares and the Fair Market Value of such Shares as of the Grant Date. Participant further understands that an additional copy of such 83(b) Election form should be filed with his or her federal income tax return for the calendar year in which the date of this Agreement falls. Participant acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to the Award hereunder, and does not purport to be complete. PARTICIPANT FURTHER ACKNOWLEDGES THAT THE COMPANY IS NOT RESPONSIBLE FOR FILING PARTICIPANT'S 83(b) ELECTION, AND THE COMPANY HAS DIRECTED PARTICIPANT TO SEEK INDEPENDENT ADVICE REGARDING THE APPLICABLE PROVISIONS OF THE INTERNAL REVENUE CODE, THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH PARTICIPANT MAY RESIDE, AND THE TAX CONSEQUENCES OF PARTICIPANT'S DEATH.

PARTICIPANT HEREBY ASSUMES ALL RESPONSIBILITY FOR FILING PARTICIPANT'S 83(b) ELECTION AND PAYING ANY TAXES RESULTING FROM SUCH ELECTION OR FROM FAILURE TO FILE THE ELECTION AND PAYING TAXES RESULTING FROM THE LAPSE OF THE RESTRICTIONS ON THE UNVESTED SHARES.

PARTICIPANT UNDERSTANDS THAT PARTICIPANT MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF PARTICIPANT'S PURCHASE OR DISPOSITION OF THE SHARES AND PARTICIPANT REPRESENTS THAT PARTICIPANT IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

3.2 Restricted Stock Not Transferable. No Shares or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; *provided, however,* that this Section 3.2 notwithstanding, with the consent of the Administrator, the Shares may be transferred to certain persons or entities related to Participant, including but not limited to members of Participant's family, charitable institutions or trusts or other entities whose beneficiaries or beneficial owners are members of Participant's family or to such other persons or entities as may be expressly approved by the Administrator, pursuant to any such conditions and procedures the Administrator may require.

3.3 Rights as Stockholder. Except as otherwise provided herein, upon the Grant Date Participant shall have all the rights of a stockholder with respect to the Shares, subject to the Restrictions herein, including the right to vote the Shares and the right to receive any cash or stock dividends paid to or made with respect to the Shares; *provided, however,* that at the discretion of the Company, and prior to the delivery of Shares, Participant may be required to execute a stockholders agreement in such form as shall be determined by the Company.

3.4 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries.

3.5 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.6 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Award is granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

3.7 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board *, provided,* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely effect the Award in any material way without the prior written consent of Participant.

3.8 Notices. Notices required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail, with postage and fees prepaid, addressed to Participant to his address shown in the Company records, and to the Company at its principal executive office.

3.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

3.10 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Award and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.11 Entire Agreement. The Plan, the Grant Notice and this Agreement (including all Exhibits thereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

3.12 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Shares issuable hereunder.

EXHIBIT B
TO RESTRICTED STOCK AWARD GRANT NOTICE

CONSENT OF SPOUSE

I, , spouse of , have read and approve the foregoing Agreement. In consideration of issuing to my spouse the shares of the common stock of Tilly's Inc. set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any shares of the common stock of Tilly's Inc. issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: ,

Signature of Spouse

Exhibit 10.19

S CORPORATION TERMINATION, TAX ALLOCATION AND INDEMNIFICATION AGREEMENT

This Termination, Tax Allocation and Indemnification Agreement, dated as of , 2011 (the "Agreement"), is made by and among World of Jeans & Tops, a California corporation (the "Company"), Tilly's, Inc., a Delaware corporation ("Tilly's") and the persons identified on the signature pages hereto who constitute all of the shareholders of the Company on the date hereof (each individually, a " Shareholder," and collectively, the "Shareholders").

RECITALS:

A. The Company is an S corporation within the meaning of section 1361 of the Internal Revenue Code of 1986, as amended (the " Code").

B. Tilly's intends to enter into an underwriting agreement to sell shares of its common stock to the public in an initial public offering registered under the Securities Act of 1933, as amended (the "Public Offering").

C. Prior to the Public Offering, the Shareholders will contribute their shares in the Company to Tilly's, the Company will become a wholly owned subsidiary of Tilly's, and the Company's status as an S corporation will terminate.

D. The Shareholders are currently the only shareholders of the Company, and will continue to be so until immediately before the contribution of their shares to Tilly's.

E. In connection with the Public Offering, and in order to induce the investment by the public in the Company, the Company and the Shareholders desire to provide for the termination of the Company's status as an S corporation and a tax allocation and indemnification agreement in connection with tax periods prior to and following the Termination Date (as defined below), as well as the other agreements set forth herein.

AGREEMENT:

NOW, THEREFORE, for mutual consideration, the receipt and sufficiency of which are hereby acknowledged, Tilly's, the Company and the Shareholders do hereby covenant and agree as follows:

ARTICLE 1
DEFINITIONS

The following terms, as used herein, have the following meanings:

"AAA" shall have the meaning assigned to that term by Section 1368(e)(1) of the Code.

"Closing" shall mean the closing and completion of the offering by Tilly's of shares of its stock, as described in the Form S-1 Registration Statement initially filed by Tilly's with the Securities and Exchange Commission on July 1, 2011.

"Code" shall have the meaning set forth in Recital A.

"C Short Year" shall have the meaning set forth in Section 1362(e)(1)(B) of the Code.

"Highest Rate" shall mean the highest marginal U.S. federal, state and local income tax rate applicable to individuals for the taxable year to which such taxable income relates.

"Post-Termination Distribution" shall mean a cash distribution during the Post-Termination Transition Period as set forth in Section 1371(e) of the Code to the extent it does not exceed the AAA.

"Public Offering" shall have the meaning set forth in Recital B.

"Regulations" means the Treasury Regulations promulgated under the Code.

"S corporation" shall have the meaning set forth in Section 1361 of the Code.

"S corporation Taxable Income" shall mean, for periods beginning on or after the date the Company became an S corporation and ending with the close of the last day of the S Short Year, the sum of (i) the Company's items of separately stated income and gain (within the meaning of Section 1366(a)(1)(A) of the Code) reduced, to the extent applicable, by the Company's separately stated items of deduction and loss (within the meaning of Section 1366(a)(1)(A) of the Code) and (ii) the Company's non-separately computed net income (within the meaning of Section 1366(a)(l)(B) of the Code).

"S Short Year" shall have the meaning set forth in Section 1362(e)(1)(A) of the Code.

"S Termination Year" shall have the meaning set forth in Section 1362(e)(4) of the Code.

"Tax Proceeding" shall have the meaning set forth in Section 4.2.

"Termination Date" shall mean the date on which the Company's status as an S corporation is terminated by reason of the contribution of the Company's stock to Tilly's by the Shareholders in exchange for Class B common stock of Tilly's, which date shall not be later than the pricing date for the Public Offering.

ARTICLE 2
THE TERMINATION; TERMINATION PAYMENTS

2.1. Termination of S Corporation Status. The Company's status as an S corporation shall terminate pursuant to Section 1362(d)(2) of the Code upon the Shareholders' contribution of their stock in the Company to Tilly's on the Termination Date.

2.2. Termination Payments to Shareholders. Immediately prior to the Termination Date, the Company shall determine the estimated AAA amount of the Company and also distribute to the Shareholders (pro rata in accordance with the relative number of shares of stock of the Company held by each Shareholder) an amount equal to $ (the "Distribution Amount"). Such distribution shall take the form of a promissory note, one to each Shareholder, of the Company in the form set forth as Exhibit A. For purposes of this Section 2.2, the estimated AAA shall be determined by the Company in accordance with the Company's books and records and consistent with Section 1368 of the Code and Regulations. As soon as reasonably practicable, the Company shall send a notice to shareholders of the final AAA.

2.3 Payments Related to Future Adjustments. In the event that any future examination of any tax return by any taxing authority results in a final determination increasing the taxable income of the Company for any year during which the Company qualified as an S corporation,

including the S Short Year, Tilly's or the Company shall distribute to the Shareholders (pro rata in accordance with the relative number of shares of stock of the Company held by each Shareholder at the time of the Termination Date) within 30 days of such final determination, cash in an amount equal to (i) the product of (A) the amount of increase in taxable income resulting from the adjustment and (B) the Highest Rate plus (ii) any interest and penalties imposed thereon.

ARTICLE 3
ALLOCATION OF INCOME

3.1. Short Taxable Years. The parties acknowledge that the taxable year in which the S corporation status of the Company is terminated will be an "S Termination Year" for tax purposes, as defined in Section 1362(e)(4) of the Code. Pursuant to Section 1361(e)(1) of the Code, the S Termination Year of the Company shall be divided into two short taxable years: an "S Short Year" and a "C Short Year." As defined in Section 1362(e)(1)(A) of the Code, the S Short Year shall be that portion of the Company's S Termination Year ending on the day immediately preceding the Termination Date. Pursuant to Section 1362(e)(1)(B) of the Code, that portion of the S Termination Year beginning on the Termination Date and ending on the last day of the taxable year shall be the C Short Year of the Company.

3.2. Closing of the Books. Tilly's, the Company and the Shareholders agree that for tax purposes (including for purposes of determining the Company's S corporation Taxable Income for its S Short Year) the Company shall allocate its items of income, gain, loss, deduction and credit for its calendar year between the S Short Year and the C Short Year in accordance with normal tax accounting rules (the so-called "closing of the books method"), as permitted by Section 1362(e)(3) of the Code. The Company will make the election permitted by Section 1362(e)(3) in a timely manner. Tilly's, the Company and the Shareholders agree to consent to such election and to provide the Company with the statement of consent of Tilly's and all Shareholders described in Section 1.1362-6(b) of the Treasury Regulations. Tilly's, the Company and the Shareholders agree to make, and to provide such information and obtain such consents as are necessary to make, any comparable election required under applicable state and local income tax laws.

ARTICLE 4
TAX MATTERS

4.1. Liability for Taxes Incurred During the S Short Year and for Tax Periods Ending Prior to the Termination Date. Each Shareholder, severally and not jointly, covenants and agrees that: (i) such Shareholder has duly included, or will duly include, in such Shareholder's own federal, state, and local income tax returns such Shareholder's respective allocable shares of all items of income, gain, loss, deduction, or credit attributable to the S Short Year of the Company, (ii) such returns shall, to the extent required by applicable law, include such Shareholder's allocable share of S corporation Taxable Income of the Company from all sources through and including the close of business on the last day of the S Short Year of the Company, and (iii) such Shareholder shall, to the extent required by applicable law, pay any and all taxes such Shareholder is required to pay, as a result of being a Shareholder of the Company, for all taxable periods (or that portion of any period) during which the Company was an S corporation.

4.2. Shareholder Indemnification for Tax Liabilities. The Shareholders, severally (according to the relative percentage of the outstanding shares of Company common stock owned by each Shareholder on the last day of any applicable period to which a liability described below relates) and not jointly, each hereby indemnify and hold the Company harmless from, against and in respect of any unpaid income tax liabilities of the Company (including interest and penalties imposed thereon) (i) which are attributable to the S Short Year and the primary liability of the Shareholders, or (ii) which are incurred by the Company as a result of a final determination of an adjustment (by reason of an amended return, claim for refund, audit, judicial decision or otherwise (each, a "Tax Proceeding")) to the taxable income of the Shareholders for any period, including the S Short Year or thereafter, which (in the case of this clause (ii)) results in a decrease for any period in the Shareholders' taxable income and a corresponding increase for any period in the taxable income of the Company.

4.3. Company Indemnification for Tax Liabilities. Tilly's and the Company hereby indemnify and agree to hold the Shareholders harmless from, against and in respect of income tax liabilities (including interest and penalties imposed thereon), if any, incurred by the Shareholders as a result of a final determination of an adjustment (by reasons of a Tax Proceeding) to the taxable income of the Company for any period ending after the Termination Date (including, without limitation, the C Short Year) which results in an increase for any period in the taxable income of the Shareholders. Tilly's or the Company shall distribute cash in an amount equal to (i) the product of (A) the amount of such increase in the taxable income resulting from the final determination and (B) the Highest Rate plus (ii) any interest and penalties imposed thereon.

4.4. Payments. The Shareholders or Tilly's/the Company, as the case may be, shall make any payment required under Sections 4.2 and 4.3 of this Agreement within 30 days after receipt of notice from the other party that a final determination has occurred and a payment is due by such party to the appropriate taxing authority.

4.5. Refunds. If the Company receives a refund of any income tax (including penalties and interest) for any period prior to the Termination Date, or as to which it has previously been indemnified by the Shareholders, the Company shall pay an amount equal to such refund, within 30 days after receipt thereof, to the Shareholders in accordance with the percentage of the outstanding shares of Company common stock owned by each such Shareholder on the last day of any applicable period to which the refund relates. If the Shareholders receive a refund of any income tax (including penalties and interest) as to which they have previously been indemnified by Tilly's or the Company, they shall, within 30 days after receipt thereon, remit an amount equal to such refund to Tilly's or the Company, as appropriate (for the avoidance of doubt, such refund shall be determined assuming the Shareholders' only items of income, loss or deduction would arise from the Company during the S Short Year).

4.6. Notice and Control of Tax Proceedings. Each of the Company and the Shareholders agree that within 10 days of receiving written notice of any Tax Proceeding or related matters that may affect in any way the income tax liability of a party under this Agreement, such person shall provide written notice thereof to such each other party hereto. Tilly's and the Company shall be entitled to handle, control and compromise or settle the defense of any such Tax Proceeding involving the Company, and each Shareholder shall be entitled to handle, control and compromise or settle the defense of any such Tax Proceeding involving such Shareholder's personal tax return. The applicable party or parties controlling the Tax Proceeding shall keep the

other party(ies) apprised of the status thereof and shall consult with such other party(ies) concerning the conduct of the defense thereof. Notwithstanding the foregoing, however, no party may take any action that could adversely affect the tax liability of another party without such other party's prior written consent, which shall not be unreasonably withheld. The parties hereto shall execute all instruments required to effectuate the provisions of this Section 4.6.

4.7. Cooperation. The parties will make available to one another, as reasonably requested, and to any taxing authority, all information, records or documents relating to the liability for taxes covered by this Agreement and will preserve any such information, records or documents until the expiration of the applicable statute of limitations or extensions thereof. The party requesting such information shall reimburse the other party for all reasonable out-of-pocket costs incurred in producing such information.

4.8. Inconsistent Reporting. If a Shareholder hereafter reports an item on such Shareholder's income tax return in a manner materially inconsistent with the tax treatment reflected in the Schedule K-1 or other tax information provided to the Shareholder by the Company for a taxable period during which the Company was treated as an S corporation, such Shareholder shall notify the Company of such treatment before filing such Shareholder's income tax return. If such Shareholder fails to notify the Company of such inconsistent reporting, such Shareholder shall be liable to the Company for any losses, costs or expenses (including reasonable attorneys' fees) arising from such inconsistent reporting, including an audit.

4.9. Costs. Each party shall bear his or its own costs in administering this Agreement, provided, however, that Tilly's or the Company shall reimburse the Shareholders for all reasonable and documented out-of-pocket expenses incurred by the Shareholders in connection with an examination or proceeding described in Sections 2.3 and 4.3.

ARTICLE 5
MISCELLANEOUS

5.1. Post-Termination Distribution. To the extent practicable and to the extent consistent with applicable law, payments or other distributions made to the Shareholders pursuant to Sections 2.3 or 4.3 will be treated as Post-Termination Distributions for U.S. federal income tax purposes. To the extent that Tilly's or the Company's tax return preparers determine that such payments or distributions cannot be properly treated as Post-Termination Distributions, then the amount of any distribution made to the Shareholders pursuant to Sections 2.3 and 4.3 shall be increased by the amount of such Shareholders' additional tax liability, if any, resulting from such payments or distributions, as reasonably determined by Tilly's or the Company's tax return preparers plus an amount equal to any additional tax liability resulting from the payment pursuant to this Section 5.1, assuming that each Shareholder pays tax at the Highest Rate.

5.2. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which counterparts collectively shall constitute an instrument representing the Agreement between the parties hereto.

5.3. Construction of Terms. Nothing herein expressed or implied is intended, or shall be construed, to confer upon or give any person, firm or corporation, other than the parties hereto or their respective successors, any rights or remedies under or by reason of this Agreement.

5.4. Intent of Parties. It is the parties' intent that the liability for income taxes arising from the operations of the Company will be borne by the Shareholders for all periods through and

including the S Short Year and by Tilly's and the Company for periods beginning with the C Short Year, and this Agreement shall be construed so as most equitably to achieve such intent.

5.5. Governing Law. This Agreement between the parties hereto shall be governed by and construed in accordance with the substantive laws of the State of Delaware without regard to its choice of law rules.

5.6. Severability. In the event that any one or more of the provisions of this Agreement shall be held to be illegal, invalid or unenforceable in any respect, the same shall not in any respect affect the validity, legality or enforceability of the remainder of this Agreement, and the parties shall use their best efforts to replace such illegal, invalid or unenforceable provisions with an enforceable provision approximating, to the extent possible, the original intent of the parties.

5.7. Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery or telecopy (receipt confirmed, with a copy to be sent by reputable overnight courier as set forth herein) to the party to be notified, or one business day after delivery to a reputable overnight courier, postage prepaid, and addressed to the party to be notified at the address indicated for such party on the signature pages hereof, or at such other address as such party may designate by ten (10) days, advance written notice to the other parties.

5.8. Amendments and Waivers. Any term of this Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of each of the parties hereto; provided, however, that no consent of the Company shall be effective unless approved by a majority of the disinterested members of its Board of Directors.

5.9. Full Understanding. Each Shareholder represents and agrees that such Shareholder fully understands his or her right to discuss all aspects of this Agreement with such Shareholder's own counsel, and that to the extent, if any, that the Shareholder desired, has availed himself or herself of such right. Each Shareholder further represents that he has carefully read and fully understands all of the provisions of this Agreement, that such Shareholder is competent to execute this Agreement, that the Shareholder's agreement to execute this Agreement has not been obtained by any duress and that he freely and voluntarily enters into it, and that he or she has read this document in its entirety and fully understands the meaning, intent and consequences of this document.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this S Corporation Termination, Tax Allocation and Indemnification Agreement on the date first set forth above.

COMPANY:

WORLD OF JEANS AND TOPS
a California corporation

By: _____

TILLY'S:

TILLY'S, INC.
a Delaware corporation

By: _____

SHAREHOLDERS:

By: _____

_____

EXHIBIT A

FORM OF PROMISSORY NOTE

$, 2011

1. Promise to Pay. For value received, the undersigned, a California Corporation (" Maker"), promises to pay to , a ("Payee"), on the date set forth below, or earlier as otherwise provided herein, the principal sum of dollars and cents ($), (the " Principal Amount"), plus interest thereon at the interest rate (as defined below) from the date hereof, until paid in full, in accordance with the terms contained herein.

2. Definitions of Certain Terms. As used in this promissory note, certain terms shall have the meanings hereinafter set forth:

2.1. "Interest Rate" shall mean percent (%) per annum.

2.2. "Maturity Date" shall mean the date that is fifteen (15) calendar days after the date hereof.

3. Principal and Interest Payment. Within five (5) calendar days of the maturity date set forth in section 2.2 above, maker shall pay an amount equal to the entire unpaid principal of and all accrued and unpaid interest on this promissory note.

4. Place and Manner of Payment. All payments under this promissory note shall be made in lawful money of the United States of America by check to payee's address for notices specified in section 8.1 herein or by wire transfer of funds to the account from time to time designated in writing by payee, or to such other person, via such other means of transmission or at such other place as may be designated in writing by payee. interest due hereunder shall be computed on the basis of a three hundred sixty-five (365) day year and the actual number of days elapsed.

5. Prepayment. The principal amount hereof may be prepaid in whole or in part at any time and from time to time without premium or penalty, provided that all payments made hereunder shall first be applied to any accrued unpaid interest outstanding on the date of such payment, and provided further that partial prepayments of principal shall be applied to the principal balance hereof in inverse order of maturity.

6. Collection Costs. Maker agrees to pay all costs of collection and enforcement when incurred, whether or not any suit, action or proceeding is commenced, including but not limited to attorneys' and experts' fees and costs. if any suit, action or proceeding is instituted to collect upon or enforce this promissory note, the holder hereof shall be entitled to recover prejudgment interest on all principal, interest and other sums due hereunder and thereunder, and maker shall pay, in addition to all costs and disbursements otherwise allowed by law, such sum as may be fixed for attorneys' and experts' fees and costs in such suit, action or proceeding.

7. Miscellaneous.

7.1. Notices. All notices, requests, demands and other communications which are required or may be given under this Note shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy, electronic or digital transmission method with machine confirmation of transmission; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (e.g., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to Maker:	World of Jeans & Tops 10 Whatney Irvine, California 92618 Attn: Chief Financial Officer Fax: [_____]
with a copy to:	World of Jeans & Tops 10 Whatney Irvine, California 92618 Attn: General Counsel Fax:
If to Payee:	[_____] [_____] Attn: [_____] Fax: [_____]

or to such other place and with such other copies as either party may designate by written notice to the other party.

7.2 Amendments. No provisions of this Promissory Note may be amended, modified, supplemented, changed, waived, discharged or terminated unless Payee consents thereto in writing specifically referring to this Promissory Note.

7.3. Termination of S Corporation Status. In the event that Maker's S Corporation status is not terminated on or before , this Promissory Note shall be void.

7.4. Governing Law. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, EXCEPT TO THE EXTENT PREEMPTED BY FEDERAL LAWS. Maker hereby irrevocably submits to the non-exclusive jurisdiction of the State and Federal Courts of the State of California and consents to service of process in any legal proceeding arising out of, or in connection with, this Promissory Note, by any means authorized by applicable law.

[Signature page follows]

IN WITNESS WHEREOF, Maker has executed this Promissory Note on the date first above written.

World of Jeans & Tops

By: _____

Exhibit 10.20

FORM OF
SHARE EXCHANGE AGREEMENT

THIS SHARE EXCHANGE AGREEMENT (this "**Agreement**") is entered into as of [ ], 2011 by and among World of Jeans & Tops, a California corporation ("**WOJT**"), the shareholders of WOJT, each of whom are listed on Schedule A hereto (each a "**Shareholder**," and collectively, the "**Shareholders**"), and Tilly's, Inc., a Delaware corporation ("**Tilly's**").

WHEREAS, each Shareholder currently owns shares of common stock of WOJT as listed on Schedule A hereto.

WHEREAS, Tilly's was formed solely for the purpose of reorganizing the corporate structure of WOJT.

WHEREAS, the Shareholders own all of the issued and outstanding common stock of WOJT.

WHEREAS, the Shareholders desire to exchange their shares of common stock of WOJT for shares of Class B common stock of Tilly's, and Tilly's has agreed to offer the Tilly's Shares (as defined below) in connection with such exchange, upon the terms and conditions set forth in this Agreement.

WHEREAS, for United States federal income tax purposes, it is intended that the Exchange (as defined below) will qualify as an exchange under the provisions of Section 351(a) of the Code.

WHEREAS, following the Exchange (as defined below), WOJT will become a wholly-owned subsidiary of Tilly's.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements herein, and intending to be legally bound hereby, the parties agree as follows:

1. Exchange of Shares.

(a) **Exchange.** On the terms and subject to the conditions set forth in this Agreement, at the Closing (i) Shareholders will sell, convey, transfer and assign to Tilly's, free and clear of all liens, pledges, encumbrances, changes, restrictions or known claims of any kind, nature or description, and Tilly's will purchase and accept from Shareholders, twenty million (20,000,000) currently issued and outstanding shares of common stock of WOJT, in the aggregate (the "**WOJT Shares**"), in the individual amounts as set forth on Schedule A, and (ii) in exchange for the transfer of such securities by the Shareholders, Tilly's will sell, convey, transfer and assign to Shareholders, and Shareholders will purchase and accept from Tilly's, twenty million (20,000,000) shares of newly-issued shares of Class B common stock of Tilly's, par value $0.001, in the aggregate (the "**Tilly's Shares**"), in the individual amounts as set forth on Schedule A (such exchange

referred to herein as the "**Exchange**"). Upon completion of the Exchange, all of the shares of capital stock of WOJT shall be held by Tilly's.

(b) **Closing.** The closing of the Exchange shall occur on [ ], 2011 (the "**Closing**"). The Closing will take place at 10:00 a.m. Pacific Standard Time at the offices of Tilly's, 10 Whatney, Irvine, California 92618, or at such other date, time and place or manner as may be agreed upon by the parties.

(c) **Anti-Dilution.** The Tilly's Shares issuable upon exchange and the WOJT Shares to be exchanged pursuant to Section 1(a) shall be appropriately adjusted to take into account any other stock split, stock dividend, reverse stock split, recapitalization, or similar change in Class B common stock of Tilly's or common stock of WOJT, as the case may be, which may occur between the date of execution of this Agreement and the Closing, as to the Tilly's Shares or WOJT Shares, as the case may be.

2. Representations and Warranties.

(a) **Representations and Warranties of Shareholders. Each** Shareholder severally, and not jointly, hereby represents and warrants to WOJT and Tilly's, all of which representations and warranties are true, complete, and correct in all respects as of the date hereof and will be as of the Closing, as follows:

(i) Authorization; No Restrictions, Consents or Approvals. Such Shareholder has the right, power, legal capacity and authority to enter into and perform such Shareholder's obligations under this Agreement; and no approvals or consents are necessary in connection with it. All of the shares of common stock of WOJT owned by such Shareholder are owned free and clear of all liens, pledges, encumbrances, changes, restrictions or known claims of any kind, nature or description.

(ii) Transfer of WOJT Shares. The shares of common stock of WOJT owned by such Shareholder will, at the Closing, be validly transferred to Tilly's free and clear of any encumbrances and from all taxes, liens and charges with respect to the transfer thereof and such shares of common stock of WOJT shall be fully paid and non-assessable with the holder being entitled to all rights accorded to a holder of shares of WOJT common stock.

(iii) Investment Representations.

(A) Each such Shareholder understands that the Tilly's Shares have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**") or any other applicable securities laws, including those under the California Corporations Code. Each such Shareholder also understands that the Tilly's Shares are being offered and issued pursuant to an exemption from the registration requirements of the Securities Act, under Section 4(2) and/or

Regulation D of the Securities Act, and of the California Corporations Code, under Section 25012(f). Each such Shareholder acknowledges that Tilly's will rely on such Shareholder's representations, warranties and certifications set forth below for purposes of determining such Shareholder's suitability as an investor in the Tilly's Shares and for purposes of confirming the availability of the Section 4(2) and/or Regulation D exemption from the registration requirements of the Securities Act, and of the Section 25012(f) exemption under the California Corporations Code.

(B) Each such Shareholder has received all the information such Shareholder considers necessary or appropriate for deciding whether to acquire the Tilly's Shares. Each such Shareholder understands the risks involved in an investment in the Tilly's Shares. Each such Shareholder further represents that such Shareholder has had an opportunity to ask questions and receive answers from Tilly's regarding the terms and conditions of the offering of the Tilly's Shares and the business, properties, prospects, and financial condition of Tilly's and WOJT and to obtain such additional information (to the extent Tilly's or WOJT possessed such information or could acquire it without unreasonable effort or expense) necessary to verify the accuracy of any information furnished to such Shareholder or to which such Shareholder had access. Each such Shareholder further represents that such Shareholder is an "accredited investor" within the meaning of Rule 501(a) of the Securities Act.

(C) Each such Shareholder is acquiring the Tilly's Shares for such Shareholder's own account for investment only and not with a view towards their resale or "distribution" (within the meaning of the Securities Act) of any part of the Tilly's Shares.

(D) Each such Shareholder understands that the Tilly's Shares may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws or pursuant to an exemption therefrom, and in each case in compliance with the conditions set forth in this Agreement. Each such Shareholder acknowledges and is aware that the Tilly's Shares may not be sold pursuant to Rule 144 adopted under the Securities Act unless certain conditions are met and until such Shareholder has held the Tilly's Shares for the applicable holding period under Rule 144.

(E) Each such Shareholder acknowledges and agrees that each certificate representing the Tilly's Shares shall bear a legend substantially in the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE. THE SECURITIES MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS."

(iv) No Reliance. Each such Shareholder has not relied on and is not relying on any representations, warranties or other assurances regarding Tilly's or WOJT other than the representations and warranties expressly set forth in this Agreement.

(b) **Representations and Warranties of WOJT.** WOJT hereby represents and warrants to Shareholders and Tilly's, all of which representations and warranties are true, complete, and correct in all respects as of the date hereof and will be as of the Closing, as follows:

(i) Organization and Qualification. WOJT is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation.

(ii) Authorization; No Restrictions, Consents or Approvals . WOJT has full power and authority to enter into and perform its obligations under this Agreement. This Agreement has been duly executed by WOJT and constitutes the legal, valid, binding and enforceable obligation of WOJT, enforceable against WOJT in accordance with its terms. The execution and delivery of this Agreement and the consummation by WOJT of the transactions contemplated herein do not and will not on the Closing (A) conflict with or violate any of the terms of the articles of incorporation and bylaws of WOJT or any applicable law relating to WOJT, (B) conflict with, or result in a breach of any of the terms of, or result in the acceleration of any indebtedness or obligations under, any material agreement, obligation or instrument by which WOJT is bound or to which any property of WOJT is subject, or constitute a default thereunder, other than those material agreements, obligations or instruments for which WOJT has obtained consent for the transactions contemplated under this Agreement, (C) result in the creation or imposition of any lien on any of the assets of WOJT, (D) constitute an event permitting termination of any material agreement or instrument to which WOJT is a party or by which any property or asset of WOJT is bound or affected, pursuant to the terms of such agreement or instrument, other than those material agreements or instruments for which WOJT has obtained consent for the transactions

contemplated under this Agreement, or (E) conflict with, or result in or constitute a default under or breach or violation of or grounds for termination of, any license, permit or other governmental authorization to which WOJT is a party or by which WOJT may be bound, or result in the violation by WOJT of any laws to which WOJT may be subject, which would materially adversely affect the transactions contemplated herein. No authorization, consent or approval of, notice to, or filing with, any public body or governmental authority or any other person is necessary or required in connection with the execution and delivery by WOJT of this Agreement or the performance by WOJT of its obligations hereunder.

(iii) Capitalization. The WOJT Shares constitute all of the issued and outstanding shares of common stock of WOJT. No securities of WOJT are entitled to pre-emptive or similar rights, and no person has any right of first refusal, pre-emptive right, right of participation, or any similar right to participate in the transactions contemplated by this Agreement. There are no outstanding options, warrants, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exchangeable for, or giving any person any right to subscribe for or acquire, common stock of WOJT, or contracts, commitments, understandings or arrangements by which WOJT is or may become bound to issue additional shares of WOJT common stock, or securities or rights convertible or exchangeable into common stock of WOJT. The issuance of the WOJT Shares contemplated by this Agreement will not, immediately or with the passage of time; (A) obligate WOJT to issue common stock of WOJT or other securities to any person, or (B) result in a right of any holder of WOJT securities to adjust the exercise, conversion, exchange or reset price of such securities.

(c) **Representations and Warranties of Tilly's.** Tilly's hereby represents and warrants to Shareholders and WOJT, all of which representations and warranties are true, complete, and correct in all respects as of the date hereof and will be as of the Closing, as follows:

(i) Organization and Qualification. Tilly's is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation.

(ii) Authorization; No Restrictions, Consents or Approvals . Tilly's has full power and authority to enter into and perform its obligations under this Agreement. This Agreement has been duly executed by Tilly's and constitutes the legal, valid, binding and enforceable obligation of Tilly's, enforceable against Tilly's in accordance with its terms. The execution and delivery of this Agreement and the consummation by Tilly's of the transactions contemplated herein (including the issuance of the Tilly's Shares in exchange for the WOJT Shares) do not and will not on the Closing (A) conflict with or violate any of the terms of the articles of

incorporation and bylaws of Tilly's or any applicable law relating to Tilly's, (B) conflict with, or result in a breach of any of the terms of, or result in the acceleration of any indebtedness or obligations under, any material agreement, obligation or instrument by which Tilly's is bound or to which any property of Tilly's is subject, or constitute a default thereunder, other than those material agreements, obligations or instruments for which Tilly's has obtained consent for the transactions contemplated under this Agreement, (C) result in the creation or imposition of any lien on any of the assets of Tilly's, (D) constitute an event permitting termination of any material agreement or instrument to which Tilly's is a party or by which any property or asset of Tilly's is bound or affected, pursuant to the terms of such agreement or instrument, other than those material agreements or instruments for which Tilly's has obtained consent for the transactions contemplated under this Agreement, or (E) conflict with, or result in or constitute a default under or breach or violation of or grounds for termination of, any license, permit or other governmental authorization to which Tilly's is a party or by which Tilly's may be bound, or result in the violation by Tilly's of any laws to which Tilly's may be subject, which would materially adversely affect the transactions contemplated herein. No authorization, consent or approval of, notice to, or filing with, any public body or governmental authority or any other person is necessary or required in connection with the execution and delivery by Tilly's of this Agreement or the performance by Tilly's of its obligations hereunder.

(iii) Issuance of Shares. The Tilly's Shares have been duly authorized and, upon issuance in accordance with the terms hereof, shall be validly issued and free from all taxes, liens and charges with respect to the issue thereof, and the Tilly's Shares shall be fully paid and non-assessable with the holder being entitled to all rights accorded to a holder of Tilly's Class B common stock.

(iv) Investment Representations.

(A) Tilly's understands that the WOJT Shares have not been registered under the Securities Act of 1933, as amended (the " **Securities Act**") or any other applicable securities laws, including those under the California Corporations Code. Tilly's also understands that the WOJT Shares are being offered pursuant to an exemption from the registration requirements of the Securities Act, under Section 4(2) and/or Regulation D of the Securities Act, and of the California Corporations Code, under Section 25012(f). Tilly's acknowledges that the Shareholders will rely on Tilly's representations, warranties and certifications set forth below for purposes of determining Tilly's suitability as an investor in the WOJT Shares and for purposes of confirming the availability of the Section 4(2) and/or Regulation D exemption from the registration requirements

of the Securities Act, and of the Section 25012(f) exemption under the California Corporations Code.

(B) Tilly's has received all the information it considers necessary or appropriate for deciding whether to acquire the WOJT Shares. Tilly's understands the risks involved in an investment in the WOJT Shares. Tilly's further represents that it, through its authorized representatives, has had an opportunity to ask questions and receive answers from the Shareholders regarding the terms and conditions of the offering of the WOJT Shares and the business, properties, prospects, and financial condition of WOJT and to obtain such additional information (to the extent the Shareholders or any Shareholder possessed such information or could acquire it without unreasonable effort or expense) necessary to verify the accuracy of any information furnished to Tilly's or to which Tilly's had access. Tilly's further represents that it is an "accredited investor" within the meaning of Rule 501(a) of the Securities Act.

(C) Tilly's is acquiring the WOJT Shares for its own account for investment only and not with a view towards their resale or "distribution" (within the meaning of the Securities Act) of any part of the WOJT Shares.

(D) Tilly's understands that the WOJT Shares may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws or pursuant to an exemption therefrom, and in each case in compliance with the conditions set forth in this Agreement. Tilly's acknowledges and is aware that the WOJT Shares may not be sold pursuant to Rule 144 adopted under the Securities Act unless certain conditions are met and until Tilly's has held the WOJT Shares for the applicable holding period under Rule 144.

(E) Tilly's acknowledges and agrees that each certificate representing the WOJT Shares shall bear a legend substantially in the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE. THE SECURITIES MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE

EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS."

(v) No Reliance. Tilly's has not relied on and is not relying on any representations, warranties or other assurances regarding WOJT other than the representations and warranties expressly set forth in this Agreement.

3. Closing.

(a) **Conditions to Shareholders' Obligations.** The obligations of Shareholders under this Agreement, (including, without limitation, the obligation to transfer the WOJT Shares in exchange for the Tilly's Shares) shall be subject to satisfaction of the following conditions, unless waived by Shareholders: (i) WOJT and Tilly's shall have performed in all material respects all agreements, and satisfied in all material respects all conditions on its part to be performed or satisfied hereunder, at or prior to the Closing; (ii) all of the representations and warranties of WOJT and Tilly's herein shall have been true and correct in all respects when made, shall have continued to have been true and correct in all respects at all times subsequent thereto, and shall be true and correct in all material respects on and as of the Closing as though made on, as of, and with reference to such Closing; (iii) WOJT and Tilly's shall have executed and delivered to Shareholders all documents necessary to issue the Tilly's Shares to Shareholders, as contemplated by this Agreement (including those documents described in Section 3(d)); and (iv) WOJT and Tilly's shall have obtained or made, as applicable, all consents, authorizations and approvals from, and all declarations, filings and registrations required to consummate the transactions contemplated by this Agreement, including all items required under the incorporation document and bylaws of WOJT and Tilly's, respectively.

(b) **Conditions to Tilly's' Obligations.** The obligations of Tilly's under this Agreement, (including, without limitation, the obligation to issue the Tilly's Shares in exchange for the transfer by Shareholders of the WOJT Shares) shall be subject to satisfaction of the following conditions, unless waived by Tilly's: (i) Shareholders and WOJT shall have performed in all respects all agreements, and satisfied in all respects all conditions on their part to be performed or satisfied hereunder, at or prior to the Closing; (ii) all of the representations and warranties of Shareholders and WOJT herein shall have been true and correct in all material respects when made, shall have continued to have been true and correct in all material respects at all times subsequent thereto, and shall be true and correct in all material respects on and as of the Closing as though made on, as of, and with reference to such Closing; (iii) Shareholders and WOJT shall have executed and delivered to Tilly's all documents necessary to transfer the WOJT Shares to Tilly's, as contemplated by this Agreement (including those documents described in Section 3(d)); and (iv) Shareholders and WOJT shall have obtained or made, as applicable, all consents, authorizations and approvals from, and all declarations, filings and registrations required to consummate the transactions contemplated by

this Agreement, including all items required under the incorporation document and bylaws of WOJT and Tilly's, respectively.

(c) **Closing Documents.** At the Closing:

(i) Shareholders shall deliver to Tilly's, in form and substance reasonably satisfactory to Tilly's, certificates evidencing the WOJT Shares, together with stock powers duly for such certificates to allow such certificates to be registered in the name of Tilly's;

(ii) WOJT shall deliver to Shareholders and Tilly's, in form and substance reasonably satisfactory to Shareholders and Tilly's, a certificate executed on behalf of WOJT by the Secretary of WOJT certifying the truth and correctness of the representations and warranties set forth in Section 2(b); and

(iii) Tilly's shall deliver to Shareholders, in form and substance reasonably satisfactory to Shareholders, (i) certificates evidencing the Tilly's Shares, registered in the name of Shareholders, and (ii) copies of resolutions adopted by the board of directors of Tilly's and certified by the Secretary of Tilly's authorizing the execution and delivery of, and performance of Tilly's' obligations under, this Agreement.

4. Survival of Representations and Warranties.

(a) None of the representations, warranties and covenants of Shareholders, WOJT or Tilly's hereto contained in this Agreement shall survive the Closing, except that the representations and warranties contained in Section 2(a)(i), Section 2(b)(i), Section 2(b)(ii), Section 2(b)(iii), Section 2(c)(i), and Section 2(c)(ii) shall survive until the latest date permitted by applicable law. Except as specifically set forth in the preceding sentence, no other representation, warranty or covenant of any party set forth in this Agreement will survive the Closing, and no party will have any rights or remedies after the Closing with respect to any misrepresentation of or inaccuracy in any such representation, warranty or covenant.

5. General Provisions.

(a) **"S" Corporation Election.** (i) Shareholders hereby consent to any tax election required by WOJT or Tilly's in order to cause the allocation of WOJT's income, loss, deductions and credits to be determined by computing such amounts on a closing of the books of WOJT through the day prior to the termination of WOJT's "S" Corporation election rather than having such items determined for the entire calendar year and then allocated on a daily basis. Shareholders agree to execute, file, or deliver such additional consents, agreements or other documents as may be necessary in connection with such tax election by WOJT or Tilly's; (ii) in the event that a public offering of Tilly's' capital stock is not consummated, Shareholders agree that Tilly's and WOJT may take such action as may be necessary to cause Tilly's to be taxed as an "S" Corporation without any

additional action by Shareholders. In such case, Shareholders further agree to take any such action reasonably requested by Tilly's to be treated as an "S" Corporation.

(b) **Releases and Waivers of Shareholders.** Each Shareholder on its own behalf hereby acknowledges and agrees that the number of WOJT Shares set forth on Schedule A represents the total number and type of WOJT Shares held by such Shareholder as of the date of this Agreement and as of the Closing. Each Shareholder hereby releases WOJT and Tilly's from all obligations, liabilities and causes of action arising before, on or after the date of this Agreement, out of or in relation to any entitlement which such Shareholder may have with respect to any WOJT Shares in excess of the number of WOJT Shares set forth on Schedule A. Each Shareholder hereby generally, irrevocably, unconditionally and completely waives any and all rights to receive any anti-dilution protection to which such Shareholder may be entitled under the articles of incorporation, bylaws or other organizational documents of WOJT or under any other agreement or instrument in connection with the Exchange. Except for the Tilly's Shares to be issued in connection with the Exchange, each Shareholder hereby generally, irrevocably, unconditionally and completely waives any and all rights existing as of the date hereof to receive options, depository receipts, warrants, stock appreciation or similar rights to acquire or receive securities in WOJT or Tilly's.

(c) **Certain Tax Matters**. It is the intent of the parties hereto that the Exchange qualify as an exchange described in Section 351 of the Code. Each of the parties shall use their respective reasonable best efforts to cause the Exchange to qualify as an exchange within the meaning of Section 351(a) of the Code, and will not take, or will not agree to take, any action that would prevent the Exchange from qualifying as such an exchange. Unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code, each of the parties shall report the Exchange for U.S. federal income tax purposes as an exchange within the meaning of Section 351(a) of the Code.

(d) **Governing Law.** This Agreement is to be construed in accordance with and governed by the internal laws of the State of California (as permitted by Section 1646.5 of the California Civil Code or any similar successor provision) without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties.

(e) **Arbitration.** Any claim, dispute or controversy among the parties arising out of or relating to this Agreement, including the breach thereof, which cannot be satisfactorily settled by the parties, will be finally and exclusively settled by confidential and binding arbitration (" **Arbitration**") upon the written request of any party. The Arbitration shall be administered by the Judicial Arbitration and Mediation Service (" **JAMS**") in accordance with its Commercial Arbitration Rules (the "**Rules**"). The Arbitration will be conducted by one arbitrator selected in accordance with the Rules. The place of the Arbitration shall be Irvine,

California. The Arbitration will be conducted in English. The Arbitration award will be final and binding upon the parties, and judgment upon such award may be entered in any court having jurisdiction thereof.

(f) **Severability.** If any provision of this Agreement is held by a court or other tribunal of competent jurisdiction to be invalid or unenforceable for any reason, the remaining provisions shall continue in full force and effect without being impaired or invalidated in any way, and the parties agree to replace any invalid provision with a valid provision which most closely approximates the intent and economic effect of the invalid provision.

(g) **Waiver.** The waiver by either party of a breach of or default under any provision of this Agreement shall not be effective unless in writing and shall not be construed as a waiver of any subsequent breach of or default under the same or any other provision of this Agreement. Further, any failure or delay on the part of either party to exercise or avail itself of any right or remedy that it has or may have hereunder shall not operate as a waiver of any such right or remedy or preclude other or further exercise thereof or of any other right or remedy.

(h) **Notices.** Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party may specify in writing. Such notice shall be deemed given: (i) if delivered personally, upon delivery as evidenced by delivery records; (ii) if sent by telephone facsimile, upon confirmation of receipt; (iii) if sent by certified or registered mail, postage prepaid, five (5) days after the date of mailing; of (iv) if sent by nationally recognized express courier, two (2) business days after date of placement with such courier.

Shareholders:

[ ]
[ ]
Attn: [ ]

[ ]
[ ]
Attn: [ ]

[ ]
[ ]
Attn: [ ]

[ ]
[ ]
Attn: [ ]

WOJT:

World of Jeans & Tops
10 Whatney
Irvine, California 92618
Attn: Legal Department

Tilly's:

Tilly's, Inc.
10 Whatney
Irvine, California 92618
Attn: Legal Department

(i) **No Third Party Beneficiaries.** Nothing in this Agreement shall be construed to confer any rights or benefits upon any person other than the parties hereto, and no other person shall have any rights or remedies hereunder.

(j) **Public Announcements.** Each of the Shareholders, WOJT and Tilly's will consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statements with respect to this Agreement and the transaction contemplated hereby and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by applicable law, court process or by obligations pursuant to any listing agreement with any national securities exchange.

(k) **Termination.** This Agreement may be terminated upon written notice at any time prior to Closing by mutual written consent of the parties. Termination of this Agreement will terminate all rights and obligations of the parties under this Agreement and this Agreement will become void and have no force or effect.

(l) **Entire Agreement.** This Agreement constitutes the entire agreement between the parties and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof.

(m) **Counterparts.** This Agreement may be executed in one or more counterparts (including fax counterparts) each of which shall be deemed an original and all of which shall be taken together and deemed to be one instrument.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Hezy Shaked (or successor trustee), Trustee of the Hezy Shaked Living Trust Established May 18, 1999

Tilly Levine (or successor trustee), Trustee of the Tilly Levine Separate Property Trust Established March 31, 2004

HS Annuity Trust Established August 6, 2010, Amy Shaked and Netta Shaked-Schroer Co-Trustees (Amy Shaked, Co-Trustee)

TL Annuity Trust Established August 6, 2010, Amy Shaked and Netta Schroer-Shaked Co-Trustees (Amy Shaked Co-Trustee)

HS Annuity Trust Established August 6, 2010, Amy Shaked and Netta Shaked-Schroer Co-Trustees (Netta Schroer-Shaked Co Trustee)

TL Annuity Trust Established August 6, 2010, Amy Shaked and Netta Schroer-Shaked Co-Trustees (Netta Schroer-Shaked Co-Trustee)

[SIGNATURE PAGES CONTINUE]

World of Jeans & Tops

By: _____

[SIGNATURE PAGES CONTINUE]

Tilly's, Inc.

By: _____

Daniel Griesemer
President and Chief Executive Officer

[Signature Page to Stock Exchange Agreement]

SCHEDULE A

Shareholder	Shares of World of Jeans & Tops Owned as of the Date of Execution of this Agreement	Shares of Tilly's, Inc. to be Acquired Pursuant to the Exchange Contemplated by this Agreement
Hezy Shaked Living Trust Established May 18, 1999	[ ]	[ ]
Tilly Levine Separate Property Trust Established March 31, 2004	[ ]	[ ]
HS Annuity Trust Established August 6, 2010	[ ]	[ ]
TL Annuity Trust Established August 6, 2010	[ ]	[ ]

Exhibit 10.22

OFFICE AND WAREHOUSE LEASE

BETWEEN

AMNET HOLDINGS, LLC,

AS LANDLORD

AND

WORLD OF JEANS and TOPS,

A CALIFORNIA CORPORATION,

AS TENANT

11 Whatney

IRVINE, CA 92618

OFFICE AND WAREHOUSE LEASE AGREEMENT

This OFFICE AND WAREHOUSE LEASE (the "Agreement") dated as of September 2, 2011, is between AMNET HOLDINGS, LLC, a California limited liability company (hereinafter referred to as "Landlord"), and WORLD OF JEANS & TOPS, a California corporation (hereinafter referred to as "Tenant"). For good and valuable consideration, the parties hereby enter into this Agreement based upon the terms below.

ARTICLE 1
BASIC AGREEMENT PROVISIONS

1.1	Date of Agreement Preparation:	September 2, 2011	
1.2	Landlord:	Amnet Holdings, LLC ("Landlord")	
1.3	Tenant:	World of Jeans & Tops, a California corporation ("Tenant")	
1.4	Tenant's Trade Name:	Tilly's	
1.5	Tenant's Address:	10 Whatney, Irvine, CA 92618	
1.6	Premises Address:	11 Whatney, Irvine, CA 92618 (approximately 26,000 square foot industrial building, consisting of approximately 19,000 of warehouse and 7,000 of office) ("Building").	(Article 2)
1.7	Term:	120 months commencing the first full calendar month following the Rental Commencement Date.	(Article 3)
1.8	Rental Commencement Date:	The earlier of (i) the date Landlord substantially completes the Building pursuant to the terms of Work Letter (Exhibit A), or (ii) Tenant accesses the Building and begins constructing shell or tenant improvements.	
1.9	Minimum Monthly Rent and Minimum Annual Rent:	Twenty seven thousand thirty six and 88/100 Dollars ($27,036.88). The Minimum Annual Rent is 12 times the Minimum Monthly Rent. Annual Increases per Article 4.2	(Article 4)
1.10	Use of Premises:	General office, light manufacturing, and distribution, all in accordance with the requirements of Articles 8 and 26 below, and any necessary permits and licenses to be obtained and maintained by Tenant at Tenant's expense.	(Article 8)
1.11	Security Deposit:	Thirty five Thousand three hundred fifty five and 92/100 Dollars ($35,355.92).	(Article 5)
1.12	Guarantor:	None	
1.13	Addresses for Notices:		(Article 25.3)

LANDLORD:	TENANT:
Notices to:	Notices to:
Amnet Holdings, LLC	Tilly's 10 Whatney Irvine, CA 92618
Attention:	Attention: Lease Administration
with a copy to:	with a copy to:
N/A	Tilly's 10 Whatney Irvine, CA 92618 Attention: Legal Department

Landlord's Address for Payments and Reports:	Tenant's Address for Payments and Reports:
Amnet Holdings, LLC	Tilly's 10 Whatney Irvine, CA 92618
Attention:	Attention: Lease Administration

The following exhibit is attached to and, by this reference, made a part of this Agreement:

EXHIBIT A – WORK LETTER

Landlord does hereby rent to Tenant and Tenant hereby rents from Landlord that certain Premises and constructed according to Exhibit "A" attached hereto and made a part hereof. This Lease is subject to and contingent upon the purchase of the land and the construction of the Building by the Landlord as proscribed in that certain Work Letter, attached hereto as Exhibit A, and incorporated herein, by and between Landlord and Tenant dated July 1, 2011.

This Agreement is subject to the terms, covenants, conditions, Rules and Regulations herein set forth and Tenant covenants as a material part of the consideration for this Agreement to keep and perform each and all of said terms, covenants, and conditions by it to be kept and performed and that this Agreement is made upon the condition of said performance.

This Article is intended to supplement and/or summarize the provisions set forth in the balance of this Agreement. If there is any conflict between any provisions contained in this Article and the balance of the Agreement, the balance of the Agreement shall control.

ARTICLE 2
PREMISES

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises, which are stated in Section 1.6 of this Agreement. Notwithstanding the foregoing, the rentable square footage of the Premises as set forth in this Lease are final and shall not be subject to revision, even if incorrect. The rentable square footage of the Premises shall not include any part of the roof located at the Premises.

This Lease is subject to the terms, covenants, conditions, Rules and Regulations herein set forth and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants, and conditions by it to be kept and performed and that this Lease is made upon the condition of said performance.

ARTICLE 3
TERM AND POSSESSION

3.1 Term. The Commencement Date, Expiration Date and Term are stated in Section 1.7 and 1.8. of this Agreement.

3.2 "As Is". Tenant is hereby agrees that Tenant is leasing the Premises "**as is**", and Tenant agrees to accept the Premises in "as is" condition as of the date of delivery from Landlord, and without any warranties or representations made by Landlord as to the condition thereof. Tenant's execution of this Agreement shall constitute Tenant's acknowledgement that the Premises are delivered pursuant to the terms and conditions of the Work Letter and that they are in good condition.

ARTICLE 4
RENTAL

4.1 Minimum Monthly Rental. Tenant agrees to pay to Landlord as Minimum Monthly Rental ("MMR"), without prior notice or demand and without set off or deduction for the Premises the sum of Twenty seven thousand thirty six and 88/100 Dollars ($27,036.88), on or before the first (1st) day of the first full calendar month of the term hereof and a like sum on or before the first day of each and every successive calendar month thereafter during the period of the tenancy except that the first month's rental shall be paid upon the execution hereof. If Tenant is granted occupancy prior to the Commencement Date then, (a) Tenant shall pay in advance an occupancy fee equal to one-thirtieth of the MMR amount for each day of such early occupancy, and (b) such early occupancy shall not affect the termination date of this Agreement.

4.2 Rent Increases. Commencing on the first day of the first full calendar month following 12 months after the Rent Commencement Date and on each first day of that calendar month thereafter (each date referred to as the " **Rent Adjustment**

Date") the MMR shall be increased a percentage equal to the actual increase in the Index based on the Los Angeles, Anaheim, Riverside all Urban Consumers Price Index (Base 1982-1984=100) as published by the US Department of Labor, Bureau of Labor Statistics (hereinafter referred to as the "CPI") for the month which is four (4) months prior to the Rent Adjustment Date compared to the Index published for the month which is sixteen (16) months prior to such Rent Adjustment Date; however, in no event shall the MMR be increased on any adjustment date by more than seven percent (7%) calculated on a cumulative basis and no less than three percent (3%). The formula to be used is as follows:

$$\frac{\text{Ending CPI}}{\text{Beginning CPI}} \text{ times } \text{Previous MMR} = \text{Adjusted MMR}$$

If this CPI Index is discontinued or revised during the term, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same results as would be obtained if the index had not been discontinued or revised. No reduction in the MMR is allowed for reduced cost of living index

4.3 Payment Policies. Tenant acknowledges that it is Landlord's policy to require payment by cashier's check, money order, or immediate funds subsequent to the receipt by Landlord of two or more checks returned on Tenant's account due to non-sufficient funds in the account upon which the check is drawn. Additionally, in the event that Tenant is served with a default notice requiring the payment of Rent, Additional Rent or other amounts due under the terms of the Agreement, then Landlord shall have the right to require Tenant's tender of monies pursuant to such default notice to be in immediate funds.

4.4 Returned Check Charge. Tenant acknowledges that in the event a check is returned or dishonored on Tenant's account due to non-sufficient funds, Tenant shall pay to Landlord Fifty and 00/100 Dollars ($50.00) as a Returned Check Charge. Tenant further acknowledges that said Returned Check Charge is included as "**Additional Rent**" (as defined in Section 4.5 herein).

4.5 Additional Rent. All amounts that Tenant is required to pay to Landlord under this Lease, other than Minimum Annual Rent, shall be deemed additional rent and referred to as "**Additional Rent**." Minimum Annual Rent and Additional Rent shall be referred to collectively as " **Rent**." All Additional Rent due under this Agreement shall be payable concurrently with the monthly installments of Minimum Annual Rent, unless Landlord expressly in writing sets forth another time period for the payment of such Additional Rent.

4.6 Prorated Rent. Rent for any period during the term hereof which is for less than one (1) month shall be a prorated portion of the MMR herein, based upon a thirty (30) day month.

4.7 Place of Payment. Any Rent (as defined in Section 20.4 herein) payable according to the provisions of this Agreement shall be paid to Landlord, at the address herein stated, without deduction or offset, in lawful money of the United States of America, which shall be legal tender at the time of payment, or to such other person or at such other place as Landlord may from time to time designate in writing.

4.8 Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent due hereunder will cause Landlord to incur costs not contemplated by this Agreement, the exact amount of which will be extremely difficult to ascertain. Such costs include but are not limited to processing and accounting charges and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of Rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee by the fifth (5th) day of the month after the date such installment is due, then Tenant shall pay to Landlord a late charge, of Five Hundred and 00/100 Dollars ($500.00) per occurrence, after the first late payment in any consecutive twelve (12) month period. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

4.9 Accord and Satisfaction. No payment by Tenant or receipt by Landlord of a lesser amount of MMR, or Additional Rent shall be deemed to be other than a payment of the earliest due MMR or Additional Rent, nor shall any endorsement or statement on a check or any letter accompanying any such check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such MMR or Additional Rent or payment or pursue any other remedy available in this

Lease, at law or in equity. Landlord may accept any partial payment from Tenant without invalidation of any contractual notice required to be given herein (to the extent such contractual notice is required) and without invalidation of any notice given or required to be given pursuant to applicable law. Landlord shall have the right to apply any payments first to Late Charges and interest payable by Tenant, then to Additional Rent, then to MMR.

ARTICLE 5
SECURITY DEPOSIT

Tenant has deposited with Landlord the sum of Thirty five thousand three hundred fifty five and 92/100 Dollars ($35,355.92), which represents the security deposit ("**Security Deposit**"). Said sum shall be held by Landlord as security for Tenant's faithful performance of the terms, covenants, and conditions of this Lease. If Tenant defaults with respect to any provision of this Lease, including but not limited to the payment of Rent, Landlord may (but shall not be required to) use, apply, and retain all or any part of the Security Deposit for the payment of any Rent or any other sum in default, for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default, to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default (including without limitation damages for rent lost after the termination of this Lease and all other amounts recoverable under California Civil Code section 1951.2), or repair damage to the Premises caused by Tenant or for which Tenant is liable under this Lease, or to clean the Premises upon the termination of this Lease. If any portion of the Security Deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit with Landlord, in Immediate Funds, an amount sufficient to restore the Security Deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Tenant shall not be entitled to receive interest on the Security Deposit and Landlord shall not be required to segregate the Security Deposit from its general funds. Landlord shall refund the unused balance of the Security Deposit within thirty (30) days after the later of (i) Landlord's recovery of possession of the Premises, or (ii) the termination or expiration of this Lease. Upon the termination of Landlord's interest in this Lease, Landlord shall transfer the Security Deposit to Landlord's successor in interest. Tenant waives all rights under California Civil Code section 1950.7 to the extent inconsistent with this Lease. At Landlord's option, Tenant shall increase the amount of the Security Deposit to be equal to the then existing MMR.

ARTICLE 6
POSSESSION AND QUIET ENJOYMENT

6.1 Possession. If Landlord, for any reason whatsoever, including a failure to obtain possession, cannot deliver possession of the said Premises to Tenant at the commencement of the term hereof, this Agreement shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the Expiration Date of the above term be in any way extended; but in that event, all Rent shall be abated during the period between the Commencement Date and the time when Landlord delivers possession.

6.2 Quiet Enjoyment. Upon Tenant paying the Rent reserved hereunder and observing and performing all of the covenants, conditions, and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet enjoyment of the Premises for the entire term hereof, subject to all the provisions of this Agreement.

6.3 Non-Smoking. Tenant acknowledges that the Premises are a portion of the Building, which is a non-smoking building, per local code or ordinance, and that the Premises are within an area where smoking is prohibited. Tenant covenants and warrants that it shall not, in accordance with Article 8 below and Rule 19 in Article 26 below, allow or permit any smoking within the Premises or any portions of the Building.

ARTICLE 7
SERVICES AND UTILITIES

7.1 Services Provided. Tenant agrees to pay directly to the appropriate utility company all charges for utility services supplied to the Premises.

7.2 Intentionally omitted.

7.3 Increased Costs. Tenant shall pay any increases in service, insurance premiums, and utility costs incurred as a result of Tenant's occupation of the Premises.

7.4 Excess Costs. If Tenant requires utility service in excess of that furnished or supplied for the use of the Premises, Tenant shall first procure the written consent of Landlord before making any changes to Premises. If Landlord agrees to the changes, Tenant shall be responsible for any and all costs associated with increasing utility service to the Premises.

7.5 Access. Tenant shall permit access to the Premises during normal business hours to installers or repairmen of utility services.

7.6 Waiver of Liability. Landlord shall not be liable for, and Tenant shall not be entitled to, any Rent reductions by reason the failure to furnish any utility services to the Premises whether such failure is caused by accident, breakage, repairs, strikes, lockouts, or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. Landlord shall not be liable under any circumstances for a loss of or injury to property, however occurring, through or in connection with or incidental to failure to furnish any of the foregoing. Without limiting the foregoing, Landlord shall not be in default hereunder or be liable for any damages directly or indirectly resulting from, or by reason of (i) the installation, use or interruption of use of any equipment in connection with the furnishing of the foregoing utilities and services, (ii) failure of any such utilities or services, or (iii) the limitation, curtailment, rationing or restriction on use of water or electricity, gas or any other form of energy or any other service or utility whatsoever serving the Premises. Furthermore, Landlord and Tenant shall be entitled to (and, if Landlord so elects, Tenant shall be obligated to) cooperate in a reasonable manner with the requirements of national, state or local governmental agencies or utilities suppliers in reducing energy or other resource consumption.

7.7 HVAC Disclaimer. Tenant acknowledges that the functioning of heating, ventilating and air conditioning systems is subject to variation from time to time, that such functioning can be effected by, among other things, outside temperature conditions, sunlight through windows at various times during the day, and heat-generating machines, lighting and equipment, and that Landlord cannot be responsible for room temperatures and is not responsible for maintaining any particular temperature in all or any portion of the Premises.

7.8 Utility Facilities Overload. Tenant may not install upon the Premises any electrical equipment which overloads the utility facilities servicing the Premises; if Tenant does so, Tenant, at its own expense, shall make whatever changes are necessary to comply with the requirements of Landlord, the insurance underwriters, and any appropriate utility or governmental authority.

7.9 Utility Disruption. Landlord shall not be liable in damages or otherwise for any loss, damage or expense that Tenant may sustain or incur by reason of any change, failure, interference, interruption or defect in the electric and/or other utility services provided to the Premises and/or the Building. No such change, failure, interference, interruption or defect shall entitle Tenant to terminate this Lease or to abate the payments Tenant is required to make under this Lease.

ARTICLE 8
USE AND COMPLIANCE WITH THE LAW

8.1 Use. Tenant shall use the Premises for the purpose stated in Section 1.10 of the Lease and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord, which consent may be withheld in the sole discretion of Landlord. Tenant shall not do or permit anything to be done in or about the Premises, nor bring or keep anything therein which will in any way increase the existing rate of or affect any fire or other insurance upon the Building, or any of its contents, or cause cancellation of any insurance policy covering the Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done in or about the Premises, including the parking and loading areas of the Building and the property, which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful, or objectionable purpose, nor shall Tenant cause, maintain, or permit any nuisance in, on, or about the Premises. Tenant shall not permit the Premises to be used for any activity that causes extraordinary wear and tear within the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Tenant shall honor the terms of all recorded covenants, conditions, and restrictions relating to the property on which the Premises are located.

8.2 Compliance with Law. Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance, or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances, and governmental rules, regulations, or requirements now in force or which may hereafter be in force and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use, or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance, or governmental rule, regulation, or requirement, shall be conclusive of that fact as between Landlord and Tenant.

ARTICLE 9
HOLD HARMLESS

9.1 Assumption of Risk. Tenant as a material part of the consideration of this Agreement hereby assumes all risk of damage to property or injury to persons in, upon, or about the Premises from any cause other than Landlord's sole gross negligence or willful misconduct, and Tenant hereby waives all claims in respect thereof against Landlord.

9.2 Indemnity. Tenant shall indemnify and hold Landlord harmless against and from any and all liability, claims, judgments, or demands arising from Tenant's use of the Premises for the conduct of its business or from any activity, work, or other thing done, permitted, or suffered by Tenant in, on, or about the Building, or arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Agreement, or arising from any act or negligence of Tenant or any officer, agent, employee, guest, or invitee of Tenant, save and except claims or litigation arising through the sole active negligence or sole willful misconduct of Landlord, and from all and against all costs, attorneys' fees, expenses and liabilities incurred by reason of any such claim or any action or proceeding brought thereon, and in any case, action, or proceeding brought against Landlord by reason of any such claim. Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord.

9.3 Waiver of Liability. Landlord and its agents shall not be liable for any damage to property entrusted to employees of the Building, nor for loss or damage to any property by theft or otherwise, nor for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, or rain which may leak from any part of the Building or from the pipes, appliances, or plumbing works therein or from the roof, street, or subsurface, or from any other place resulting from dampness or any other cause whatsoever, unless caused by or due to the gross negligence or willful misconduct of Landlord, its agents, servants, or employees. Landlord or its agents shall not be liable for interference with the light or other incorporeal hereditaments, loss of business or loss or any income therefrom by Tenant, loss from damages to goods, wares, merchandise or other property of Tenant, nor shall Landlord be liable for any latent defect in the Premises or in the Building. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building, or of defects therein, or in the fixtures or equipment.

ARTICLE 10
TENANT'S INSURANCE

10.1 Tenant's Insurance. Tenant shall, at its sole cost and expense, commencing on the Rent Commencement date and continuing thereafter during the term, procure, pay for, and keep in full force and effect the following types of insurance, in at least the amounts specified below subject to increase as Landlord may reasonably require from time to time, and in the form specified below.

(a) Commercial liability insurance with a combined single limit coverage limit of not less than One Million Dollars ($1,000,000) covering bodily injury, personal injury, death and property damage liability per occurrence and in the aggregate of not less than Two Million Dollars ($2,000,000), or the current limit carried by Tenant, whichever is greater, insuring Landlord and Tenant against any and all liability with respect to the Premises or arising out of the maintenance, use, or occupancy of the Premises, or related to the exercise of any rights of Tenant pursuant to this Lease. All such insurance shall specifically insure the performance by Tenant of the indemnity agreement set forth in Section 10.6 below. Further, all such insurance shall include, but not be limited to, blanket contractual, cross-liability, and severability of interest clauses, products/completed operations, broad form property damage, independent contractors. In addition, at Landlord's option, Tenant shall increase such coverage limits to comply with industry standards in effect from time to time.

(b) Workers' compensation coverage, as required by law, together with employer's liability coverage in an aggregate amount of not less than One Million Dollars ($1,000,000) or any greater amount required under California laws from time to time in effect, and a waiver by Tenant's insurer of any right of subrogation against Landlord by reason of any payment pursuant to such coverage.

(c) Business interruption or loss of income insurance in an amount not less than Five Million Dollars ($5,000,000).

(d) Rental value insurance, payable to Landlord, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days.

(e) Plate glass insurance covering all plate glass on the Premises, if any, at full replacement value. So long as Tenant maintains a minimum net worth of Five Million Dollars ($5,000,000) Tenant shall have the option either to insure the risk or to self-insure.

(f) Insurance covering Tenant's leasehold improvements, alterations permitted under Article 12, trade fixtures, merchandise and personal property ("**covered items**") from time to time in, on, or about the Premises, in an amount not less than full replacement value, providing protection against earthquakes (if deemed necessary by Landlord in Landlord's sole judgment) and any peril included within the classification " **fire and extended coverage**," sprinkler damage, vandalism, malicious mischief, and such other additional perils as covered in a standard "all risk" insurance policy. Upon the occurrence of a covered casualty, any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed unless this Lease shall terminate under the provisions of Article 14. In addition, Tenant shall maintain comprehensive boiler and machinery coverage on all heating, air-conditioning, and ventilation equipment, electrical, mechanical, and other systems serving the Premises in an amount not less than the replacement value thereof. Replacement values shall be determined no less frequently than annually at Tenant's expense by an engineer selected by the insurance carrier issuing the applicable policy. It is understood and acknowledged by Tenant that Landlord shall have no liability whatsoever for any damage or loss to any of Tenant's "covered items" as specified in this Article.

(g) Commercial automobile liability and property insurance insuring all owned, non-owned, and hired vehicles used in the conduct of Tenant's business and operated upon or parked within the Premises with a combined single limit of not less than One Million Dollars ($1,000,000) covering bodily injury, death, and property damage per occurrence and in the aggregate.

10.2 Policy Form. All policies of insurance provided for herein shall comply with the following:

(a) policies must be issued by insurance companies with general policy holder's ratings of not less than A-, and financial ratings of not less than Class VII, as rated in the most current available "Best's Key Rating Guide," and which are qualified to do business in the state where the Premises is situated;

(b) any policies issued on a "Claims Made" basis must be renewed for a 3-year period after the termination of this Lease or provide for a 3-year tail reporting period if coverage is not renewed;

(c) all such policies shall name Landlord, Landlord's property manager, and Landlord's mortgagee(s) or beneficiary(ies) as additional insureds (or, in the case of casualty policies, shall name Landlord, Landlord's property manager, and Landlord's mortgagee(s) or beneficiary(ies) as loss payees), and all such policies shall be for the mutual and joint benefit and protection of Landlord, Tenant, Landlord's property manager, and Landlord's mortgagee(s) or beneficiary(ies); and

(d) All public liability, property damage, and other casualty policies shall be written as primary policies and any insurance carried by Landlord shall not be contributing with such policies.

Executed copies of the policies of insurance, with certificates indicating that such insurance is currently in force, or certificates thereof, shall be delivered to Landlord prior to Tenant, its agents, or employees entering the Premises for any purpose. Thereafter, upon Landlord's request, executed copies of renewal policies or certificates thereof shall be delivered to Landlord within thirty (30) days prior to the expiration of the term of each policy. If Tenant delivers a certificate of insurance to Landlord pursuant to either of the foregoing two sentences, Tenant shall, upon Landlord's request, deliver to Landlord an executed copy of the underlying policy. Whether or not Landlord requires Tenant to provide a copy of the underlying policies of insurance covered under this Article, Tenant shall provide Landlord with an endorsement to each such policy, appropriately issued by Tenant's insurance company to the effect that (a) the insurance is primary and any insurance carried by Landlord shall not be contributing with such policies, and (b) Landlord, Landlord's property manager, and Landlord's mortgagee(s) or beneficiary(ies) are named as additional insureds or loss payees, as applicable, and (c) the insurer will give Landlord at least thirty (30) days' written notice in advance of any cancellation or lapse, or of the effective date of any reduction in the amounts, of insurance.

10.3 Blanket Policies. Notwithstanding anything to the contrary contained in this Article, Tenant's obligations to carry insurance may be satisfied by coverage under a so-called blanket policy of insurance, provided that the requirements set forth in this Lease are otherwise satisfied and any such blanket policy contains a provision that the limit(s) of the policy shall apply independently to the Premises and the activities conducted thereon in amounts not less than those amounts required by this Article 10.

10.4 Increased Premiums Due to Use of Premises . Tenant shall not do any act in or about the Premises which will tend to increase the insurance rates upon the Building. Tenant agrees to pay to Landlord upon demand the amount of any increase in premiums for insurance resulting to Landlord or any other tenant of the Building from Tenant's use of the Premises, whether or not Landlord shall have consented to such use on the part of Tenant.

10.5 Tenant's Building Insurance Requirement. In the event Tenant is the sole occupant of the Building in which the Premises are a part, then Tenant, during the term shall maintain in effect a policy or policies of insurance covering the Building, in an amount not less than one hundred percent (100%) of the full replacement cost (exclusive of the cost of excavations, foundations, and footings), or the amount of insurance Landlord's mortgagee(s) or beneficiary(ies) may require Landlord to maintain, whichever is the greater, providing protection against any peril generally included in the classification "fire and extended coverage," and such other additional perils as covered in a standard "Special Risk" insurance policy, with earthquake coverage insurance if deemed necessary by Landlord in Landlord's sole judgment or if required by Landlord's mortgagee(s) or beneficiary(ies), or by any governmental agency and including a rental interruption endorsement, if available ("Landlord's Insurance"). Tenant's obligation to carry insurance may be brought within the coverage of any so-called blanket policy or policies of insurance carried and maintained by Landlord. However, in the event the Building in which the Premises are a part is occupied by other occupants, then Landlord shall maintain such policy(ies), and Tenant agrees to pay to Landlord, as Additional Rent, its share of the cost of Landlord's insurance (plus any finance charges payable by Landlord to the insurance carrier with respect thereto). The cost for any partial year of the term shall be prorated. Tenant shall pay its share of such premiums (plus finance charges) in advance based on estimates made by Landlord from time to time within ten (10) days after Tenant's receipt of Landlord's written estimate. Landlord shall revise such estimates within a reasonable time following the end of each year on the basis of the actual premiums paid for such year. Thereafter, Tenant shall pay its proportionate share of the adjusted estimated premiums in equal monthly installments. If the premiums for the previous year were underestimated, Tenant shall pay its share of the deficiency along with the monthly installment of MMR next due. Any excess payment shall be credited against Tenant's payment of estimated premiums next due.

10.6 INTENTIONALLY DELETED.

10.7 Waiver of Subrogation. Neither Landlord nor Tenant shall be liable to the other or to any insurance company (by way of subrogation or otherwise) insuring the other party for any direct or consequential loss or damage to any Building, structure or other tangible property, or any resulting loss of income, or losses under workers' compensation laws and benefits, even though such loss or damage might have been occasioned by the negligence of such party, its agents or employees, if any such loss or damage is covered by insurance benefiting the party suffering such loss or damage. To the extent it may be necessary, Landlord and Tenant agree to obtain from the insurer(s) issuing property policies required hereunder endorsements which shall provide that the insurer waives all right of recovery by way of subrogation against the other party. Notwithstanding the foregoing, (i) nothing contained in this Section 10.7 shall absolve Tenant of its obligations of maintenance and repair, payment of insurance deductibles, self-insured retentions and co-insurance, or indemnification obligations contained elsewhere in this Agreement, and (ii) in the event that any loss is due to the act, omission or negligence or willful misconduct of Tenant or its agents, employees, contractors, subtenants, guests or invitees, Tenant's liability insurance shall be primary and shall cover all losses and damages prior to any other insurance.

10.8 Failure by Tenant To Maintain Insurance. If Tenant neglects to secure and maintain insurance policies complying with the provisions of this Article, Landlord may secure the appropriate insurance policies and Tenant shall pay, upon demand, the cost of same to Landlord, plus a service fee equal to fifteen percent (15%) of the total annual premium cost of the policy or policies, as Additional Rent. Landlord, or an affiliate of Landlord, may act as an insurance agent or broker in such transactions and will be paid as a result of the placement of such insurance.

ARTICLE 11
REPAIRS AND MAINTENANCE

11.1 Tenant's Repairs and Maintenance. Tenant shall, at Tenant's sole expense, keep the Premises (both exterior and interior), utility installations, and alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Tenant, and whether or not the need for such repairs occurs as a result of Tenant's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, heating, ventilating, air-conditioning, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), foundations, ceilings, roofs, floors, windows, doors, gate, roll-up doors, railings, plate glass, skylights, roof insulation, roof foil paper, landscaping, driveways, parking lots including slurry and striping, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Tenant, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 11.1(a) below. Tenant's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Tenant shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(a) Service Contracts. Tenant shall, at Tenant's sole expense, procure and maintain contracts with licensed vendors approved by Landlord, with copies to Landlord, in customary form and substance for, and with

contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection and/or fire suppression and/or EFS fire systems, (iv) landscaping and irrigation systems, (v) roof covering and drains, (vi) driveways and parking lots, (vii) roll-up doors (viii) basic utility feed to the perimeter of the Building, and (ix) any other equipment, as required by Landlord. Tenant agrees at all times, from and after the Rent Commencement date at its own cost and expense, to repair, replace, and maintain in good and tenantable condition, normal wear and tear excepted, the Premises and every part thereof (except that portion of the Premises to be maintained by Landlord as hereinafter provided), and including without limitation all fixtures, carpeting, interior walls, and wall coverings, floor covering, plumbing repairs, air-conditioning, and heating equipment, interior electrical repairs (including replacement of light bulbs and ballasts), carpet and other floor covering repairs, Tenant's equipment therein, all Tenant's signs, locks and closing devices, roll-up doors, and all window sash, blinds, casement, or frames, such items of repair, maintenance, alteration and improvement, or reconstruction as may at any time or from time to time be required by a governmental agency having jurisdiction over the Premises or any part thereof. All glass, both exterior and interior, is at the sole risk of Tenant, and any glass broken shall be promptly replaced by Tenant with glass of the same kind, size, and quality.

(b) Replacement. Subject to Tenant's indemnification of Landlord as set forth in Sections 9.2 and 24.3, and without relieving Tenant of liability resulting from Tenant's failure to exercise and perform maintenance practices described in Paragraph 11.1 (a), if the items in 11.1(a) above cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Landlord, and the cost thereof shall be borne as follows: (i) if the replacement is covered under a warranty or Landlord has impounded from Tenant during the Term the cost of replacement of such item, then the cost shall be borne by Landlord; or (ii) if Landlord has not collected from Tenant impound reserves for the replacement of such item, or if the replacement is required before the expiration of the useful life of such item as reasonably determined by Landlord's service contractors due to damage, misuse, failure to properly maintain, or other actions or inactions by Tenant or its agents, employees, contractors, subtenants, guests or invitees (and even though Landlord has collected impound reserves from Tenant for such replacement), then the entire cost of such replacement shall be borne by Tenant.

11.2 Landlord's Repair and Maintenance. Subject to the provisions of Article 14, it is intended by the Parties hereto that Landlord have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Tenant. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is in consistent with the terms of this Lease.

11.3 Failure to Repair and/or Maintain. If Tenant refuses or neglects to make repairs and/or maintain the Premises, or any part thereof, in a manner reasonably satisfactory to Landlord, Landlord shall have the right, upon giving Tenant reasonable written notice of its election to do so, to make such repairs or perform such maintenance on behalf of and for the account of Tenant. In such event such work shall be paid for by Tenant as Additional Rental no later than ten (10) days after Tenant's receipt of a bill therefor together with an administrative fee in an amount equal to ten percent (10%) of the costs so incurred, as well as interest thereon at the Default Rate (as defined in Section 20.6 below).

11.4 Surrender of the Premises. Upon any surrender of the Premises, Tenant shall redeliver the Premises to Landlord in good order, condition, and state of repair, ordinary wear and tear and insured casualty damage excepted. Any construction within the Premises must be approved by the appropriate governmental authorities and documented by issued permits. Any construction which is not permitted must be returned to the non-permitted state upon surrender to Landlord. All improvements made to the Premises by Tenant, including but not limited to, ceilings, rooms, light fixtures, wall coverings, floor coverings and partitions and other items comprising Tenant's Work, but excluding Removable Personal Property, shall become, at Landlord's sole discretion, the property of Landlord upon the expiration or earlier termination of this Lease. Alternatively, if Landlord so conditions its consent to such improvements or if such improvements were installed without the consent of Landlord, Landlord may require Tenant to remove, at Tenant's sole cost and expense, any and all improvements, trade fixtures and personal property, including, but not limited to, ceilings, rooms, light fixtures, wall coverings, additional or modified fire systems and related equipment such as an EFS fire system and fire pump, warehouse racking or warehouse equipment fixed to the premises, floor coverings and partitions and other items comprising Tenant's Work, to repair any damage to the Premises caused by such removal, and to restore the Premises to substantially the condition it was in on the date of delivery of the Premises by Landlord to Tenant. Any penetrations or attachment to the concrete slab or floor shall be filled by a method approved by the Landlord including refinishing and resealing the floor to a condition solely approved by the Landlord. Any HVAC or air conditioning equipment relocated or removed from the roof shall be replaced or reinstalled by the Tenant at Landlord's sole discretion. All low voltage wiring shall be left in tact and not cut. All wall outlets, jacks, and plates shall be left in place and white in color. Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises broom clean, in good condition and repair, reasonable wear and tear and casualty damage excepted. For purposes of this Agreement and particularly this Section 11.4, "reasonable wear and tear" shall (a) not include any damage or deterioration that could have been prevented by good maintenance practice or by Tenant performing all of its maintenance, repair and replacement obligations under this Agreement, including without limitation under Section 11.1 above, and (b) mean and require that, at a minimum, there must be not less than five (5) years of remaining useful life

for each of the roof of the Building, the heating, ventilating and air conditioning systems, the parking lot, and the exterior paint on the Building, as of the expiration or earlier termination of the Term, all as reasonably determined by Landlord, and all landscaping must be alive.

Should Tenant hold over in the Premises beyond the expiration or earlier termination of this Lease, the holding over shall not constitute a renewal or extension of this Lease or give Tenant any rights under this Lease. In such event, Landlord may, in its sole discretion, treat Tenant as a tenant at will, subject to all of the terms and conditions in this Lease, except that MMR shall be an amount equal to one and one-quarter (1-1/4) times the sum of MMR which was payable by Tenant for the twelve (12)-month period immediately preceding the expiration or earlier termination of this Lease. In the event Tenant fails to surrender the Premises upon the expiration or earlier termination of this Lease, Tenant shall indemnify and hold Landlord harmless from all loss or liability which may accrue therefrom including, without limitation, any claims made by any succeeding tenant founded on or resulting from Tenant's failure to surrender. Acceptance by Landlord of any MMR or Additional Rent after the expiration or earlier termination of this Lease shall not constitute a consent to a hold-over hereunder, constitute acceptance of Tenant as a tenant at will, or result in a renewal of this Lease.

Tenant is allowed to install equipment and racking. Upon surrender Tenant shall be responsible for repairing any damage to the floor to fill in any holes, using a two (2) part epoxy, approved by Landlord prior to such repair.

11.5 Landlord's Entry. The Tenant agrees to permit the Landlord and its authorized representatives to enter the Premises In accordance with the rights set forth in Article 15 below in connection with the rights and obligations of Landlord set forth in this Article 11. No exercise by the Landlord of any rights herein reserved shall entitle Tenant to any damage for any injury or inconvenience occasioned thereby nor to any abatement of Rent. In the event Landlord makes or causes any such repairs to be made or performed, as provided for herein Tenant shall pay the cost thereof to Landlord forthwith, as Additional Rent upon receipt of a bill therefor, except for that work as provided herein which will be at the sole cost and expense of Landlord. Nothing herein contained shall imply any duty on the part of the Landlord to do any such work which, under any provision of this Agreement, Tenant may be required to do, nor shall it constitute a waiver of Tenant's default in failing to do the same.

ARTICLE 12
IMPROVEMENTS, ALTERATIONS, AND ADDITIONS

12.1 Alterations. Tenant shall not make or suffer to be made any alterations, additions, or improvements to or of the Premises or any part thereof without Landlord's prior written consent, which Landlord may withhold in its sole discretion, except that Landlord's consent shall not be required for non-structural alterations costing less than fifty thousand dollars ($50,000.00) that are not visible from the exterior of the Premises. All alterations, additions, and improvements to the Premises, including but not limited to floor coverings, wall coverings, window coverings, paneling, and built-in cabinet work, but excluding movable furniture, trade fixtures, and other unattached personal property, shall on the expiration of the Term become a part of the realty and belong to Landlord, and shall be surrendered with the Premises whether or not installed with Landlord's consent. Notwithstanding the foregoing, Tenant shall, at its sole cost and expense, remove any alterations, additions, or improvements designated for removal by Landlord upon written notice given to Tenant within thirty (30) days after the termination of this Lease. If Tenant receives any such designation at least ten (10) days before the termination of this Lease, the removal shall be completed prior to termination. Otherwise the removal shall be completed within ten (10) days after Tenant's receipt of Landlord's designation. Tenant shall repair any damage to the Premises caused in connection with the removal of any items pursuant to this article and restore all damaged areas to a condition consistent with the surrounding finish. Landlord's consent to any alterations, additions, or improvements, when given, shall be deemed to be conditioned upon Tenant acquiring any governmental approvals or permits which may be required, all at Tenant's sole cost and expense. All alterations, additions, and improvements shall be made by Tenant at Tenant's sole cost and expense by licensed contractors and in compliance with all laws and regulations. If requested by Landlord, Tenant shall provide a Payment and Performance Bond for Landlord Approved Construction over One Hundred Thousand Dollars ($100,000). Each contractor must first be approved in writing by Landlord. Tenant shall cause its contractors to submit to Landlord prior to entering the Premises certificates and endorsements evidencing liability insurance meeting the requirements for Tenant's commercial generally liability policy set forth in Article 10 hereof and workers compensation and employer's liability coverage as required by law. Each commercial general liability policy shall name as additional insureds Landlord, Landlord's property manager, and Landlord's Mortgagees.

12.2 Signs and Other Displays. Tenant shall not, without Landlord's prior written consent, which Landlord may withhold in its sole discretion, display any signs, advertising placards, names, insignia, trademarks, descriptive material, or any similar item (i) on the exterior of the Premises, or (ii) inside the Premises within twenty-four inches (24") of any window or exterior door. Once given, Landlord may revoke its consent upon thirty (30) days' advance written notice. Any sign request shall be made in accordance with the application process in place at the time of the request, and all such signs shall be in compliance with all covenants and restrictions encumbering the Premises, and all conditions and requirements of all applicable governmental authorities. Prior to Landlord's approval, Tenant shall submit to Landlord all plans and specifications for the installation of any signage. The indemnity provisions of Section 9.2 above shall apply against any loss, cost or expense (including reasonable attorneys fees) which may be sustained or incurred by Landlord, and all liability for any property damage or bodily injuries in any

manner related to, Tenant's installation, maintenance, operation or removal of any signage. Tenant agrees to pay all taxes, permit fees, insurance premiums, and repairs to the area where any signage has been installed resulting from the installation of such signage. If any sign is placed on or about the Premises without the consent of Landlord, Landlord may, if the same is not removed and any damage caused by such removal repaired by Tenant within five (5) days following written demand by Landlord that Tenant remove such signs, remove such signs and Tenant shall pay Landlord the cost of removal together with interest at the Default Rate (as defined in Section 20.6 below) from date of expenditure until payment is made in full. Tenant shall pay all such amounts within ten (10) days after Landlord invoices Tenant for such costs. Tenant shall pay all costs of permitted signs and all costs and expenses of installation, alteration, repair and maintenance of such signs. Tenant shall repair any damage which alteration, renovation or removal of its signs may cause during the Term. Tenant, at its expense, shall remove its signs from the Premises at the termination or expiration of this Agreement and repair any damage to the Premises caused by such removal.

ARTICLE 13
LIENS

Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by Tenant. Landlord may require at Landlord's sole option that Tenant shall provide to Landlord at Tenant's sole cost and expense a lien and completion bond in an amount equal to one and one-half (1-1/2) times any and all estimated cost of any improvements, additions, or alterations in the Premises to protect Landlord against any liability for mechanics' and materialmen's liens and to assure completion of the work. Tenant shall give Landlord not less than ten (10) days' notice in writing prior to the commencement of the Improvements and Landlord shall have the right to post a Notice of Non-Responsibility in or on the Premises, as provided by law, and the costs incurred by Landlord in procuring and recording such Notice of Non-Responsibility shall be immediately payable by Tenant to Landlord as Additional Rent. If Tenant disputes the correctness or validity of any claim of lien, Tenant shall, within ten (10) days after written request by Landlord, record a statutory lien release bond as will release said property from the lien claimed and thereafter renew such bond as required.

ARTICLE 14
RECONSTRUCTION

14.1 Landlord's Right to Terminate. If the Premises are damaged by fire or other casualty, Landlord may terminate this Lease upon written notice to Tenant given within one hundred twenty (120) days after the casualty if:

(a) The cost of repair is not fully covered by the net proceeds of the policy for Landlord's Property Insurance (other than any deductible or self-insured retention) that are actually received by Landlord and made available by its Mortgagees, unless within thirty (30) days after Landlord's notice of termination, Tenant pays to Landlord the full amount of the shortfall needed to complete the repair; or

(b) The cost of repair exceeds ten percent (10%) of the full replacement cost; or

(c) Landlord reasonably estimates that it will take longer than 180 days to complete the repairs of the Premises.

14.2 End of Term Damage. If the Premises are materially damaged by fire or other casualty during the final two (2) years of the Term, either party may terminate this Lease upon notice to the other given within one hundred twenty (120) days after the casualty, provided that this Lease shall not terminate if Tenant possesses an unexercised option to extend the Term for at least two (2) years and exercises the option within thirty (30) days after the casualty. For purposes of this section, damage is "material" if the cost of repair exceeds Two Thousand Dollars ($2,000) per month remaining in the Term at the time of the casualty, with a proration for partial months.

14.3 Obligation to Repair. If this Lease is not terminated pursuant to this Article following any casualty damage to the Premises, then Landlord shall repair, reconstruct, and restore the basic shell of the Premises only,, and Tenant shall, at its expense, replace or fully repair all Tenant's personal property, trade fixtures, utility installations, interior improvements and alterations existing at the time of such damage. If the Premises are to be repaired in accordance with the foregoing, (i) Landlord shall make available to Tenant any portion of insurance proceeds it receives which are allocable to solely to any interior improvements installed by Landlord at the inception of this Agreement, and (ii) Tenant shall fully cooperate with Landlord in removing Tenant's personal property, trade fixtures, and any debris from the Premises to facilitate the making of repairs. Landlord shall attempt in good faith to commence the repair, reconstruction, and restoration within six (6) months after the casualty, subject to force majeure, and shall prosecute the same diligently to completion. Under no circumstances shall Landlord be required to repair any casualty damage to property installed in the Premises by Tenant. Upon the substantial completion of Landlord's repairs, Tenant shall promptly commence, at its sole cost, the repair, reconstruction, and restoration of the remainder of the Premises.

14.4 Rent Abatement. If the Premises are materially damaged by casualty (except for casualty damage caused by the negligence or intentional misconduct of Tenant or its employees, agents, or independent contractors), and

as a result of the casualty all or a portion of the Premises is rendered unusable for the operation of Tenant's business, MMR shall proportionately abate, with the abatement percentage equal to the ratio which the Rentable Area of the Premises rendered unusable bears to the total Rentable Area of the Premises immediately before the casualty. The abatement shall commence as of the date of the casualty and continue until the earlier of the date on which Tenant operates its business from the damaged area or fifteen (15) days after the substantial completion of Landlord's repairs.

14.5 No Compensation. Except as expressly provided in this Article, Tenant shall have no claim for, and shall not be entitled to, any compensation from Landlord for damages for the loss of the use of the whole or any part of the Premises or of Tenant's personal property, or for any inconvenience or annoyance occasioned by the damage or by any repair, reconstruction, or restoration. If this Agreement is terminated pursuant to this Article 14, Landlord shall, subject to the rights of any Mortgagees, be entitled to receive and retain all insurance proceeds resulting from or attributable to such damage or destruction, except for proceeds payable under policies obtained by Tenant which specifically insure Tenant's personal property and trade fixtures.

14.6 Waiver of Termination Rights. Landlord and Tenant waive any statutory or common-law right to terminate this Lease by reason of casualty damage to the Premises.

ARTICLE 15
ENTRY BY LANDLORD

Landlord may, but shall not be obligated to, enter the Premises upon reasonable notice (except in emergency, in which case no notice shall be required) and without any abatement of Rent: (a) to examine the Premises; (b) to perform any obligation or exercise any right or remedy of Landlord under this Lease; (c) to make repairs, alterations, improvements, and additions to the Premises as Landlord deems necessary or desirable; (d) to perform work necessary to comply with laws, ordinances, rules, or the regulations of any governmental authority or of any insurance underwriter; (e) to perform work that Landlord deems necessary to prevent waste or deterioration in connection with the Premises; (f) to show the Premises to prospective or actual purchasers, tenants, Mortgagees, investors, and insurers; (g) to post notices of non-responsibility; and (h) for any other purpose permitted by law. In entering the Premises pursuant to this Article, Landlord may take thereon any reasonably required materials. Landlord may erect scaffolding and other necessary structures around and within the Premises where reasonably required by the character of any work to be performed, always providing that the entrance to the Premises shall not be blocked thereby, and further providing that Landlord shall use reasonable efforts, in light of expense and practicality, to minimize any interference with Tenant's business. Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. Any entry to the Premises obtained by Landlord by any of said means or otherwise shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises or an eviction of Tenant from the Premises or any portion thereof. During the six (6) months prior to the expiration of the Term, Landlord may place upon the Premises leasing and/or for sale notices, which Tenant shall permit to remain without molestation.

ARTICLE 16
TAXES ON TENANT'S PROPERTY

16.1 Personal Property Taxes. Tenant shall be liable for and shall pay, at least ten (10) days before delinquency, all taxes levied against any person, property or trade fixtures placed by Tenant in or about the Premises. If any such taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property or if the assessed value of the Premises is increased by the inclusion therein of a value placed upon such personal property or trade fixtures of Tenant and if Landlord, after written notice to Tenant, pays the taxes based upon such increased assessment, which Landlord shall have the right to do regardless of the validity hereof, but only under proper protest if requested by Tenant, Tenant shall, upon demand, repay to Landlord the taxes so levied against Landlord, or the portion of such taxes resulting from such increased in the assessment.

16.2 Real Property Taxes. Definition of "**Real Property Taxes**." As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Landlord in the Premises, Landlord's right to other income therefrom, and/or Landlord's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises.

16.3 Payment of Taxes. Tenant shall pay the Real Property Taxes applicable to the Premises during the term of this Lease. Subject to Paragraph 10.2(b), all such payments shall be made at least ten (10) days prior to any delinquency date. Upon Landlord request, Tenant shall promptly furnish Landlord with satisfactory evidence that such taxes have been paid. If any such taxes shall cover any period of time prior to or after the expiration or

termination of this Lease, Tenant's share of such taxes shall be prorated to cover only that portion of the tax bill applicable to the period that this Lease is in effect, and Landlord shall reimburse Tenant for any overpayment. If Tenant shall fail to pay any required Real Property Taxes, Landlord shall have the right to pay the same, and Tenant shall reimburse Landlord therefor upon demand.

16.4 Advance Payment. Notwithstanding Section 16.3 above, Landlord may, at Landlord's option, estimate the current Real Property Taxes, and require that such taxes be paid in advance to Landlord by Tenant, either: (i) in a lump sum amount equal to the installment due, at least twenty (20) days prior to the applicable delinquency date, or (ii) monthly in advance with the payment of the MMR. If Landlord elects to require payment monthly in advance, the monthly payment shall be an amount equal to the amount of the estimated installment of taxes divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable taxes. If the amount collected by Landlord is insufficient to pay such Real Property Taxes when due, Tenant shall pay Landlord, upon demand, such additional sums as are necessary to pay such obligations. All monies paid to Landlord under this Section may be intermingled with other monies of Landlord and shall not bear interest. In the event of a Breach by Tenant in the performance of its obligations under this Lease, then any balance of funds paid to Landlord under the provisions of this Paragraph may, at the option of Landlord, be treated as an additional Security Deposit.

16.5 Increased Taxes. If alterations, utility installations, installation of trade or other fixtures or equipment, or any specialized improvements for the use of Tenant or the tenant improvements in the Premises, whether installed, and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for real property tax purposes at a valuation higher than the valuation at which tenant improvements conforming to Landlord's "**Building Standard**" for other space in the Building are assessed, then the real property taxes and assessments levied against the Building by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of Section 16.1 above. If the records of the County Assessor are not available or sufficiently detailed to serve as a basis for making said determination, the actual cost of construction shall be used.

ARTICLE 17
EMINENT DOMAIN

If more than twenty-five percent (25%) of the Building shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, and/or if Landlord shall agree to sell or convey to the authority under threat, or in lieu, of condemnation, either party hereto shall have the right, at its option, to terminate this Agreement and Landlord shall be entitled to any and all income, Rent, award, or any interest therein whatsoever which may be paid or made in connection with such public or quasi-public use or purpose and Tenant shall have no claim against Landlord for all or any portion of the proceeds or for the value of any unexpired term of this Agreement. If either less than or more than twenty-five percent (25%) of the Building is taken and neither party elects to terminate as herein provided, the Rent thereafter to be paid shall be equitably reduced based upon the ratio which the square feet of floor area in the Building taken bears to the total square feet of floor area in the Building immediately before the taking.

ARTICLE 18
ESTOPPEL CERTIFICATES

18.1 Tenant Certificates. Tenant shall from time to time within ten (10) days after Landlord's written request execute, acknowledge, and deliver an estoppel certificate certifying to Landlord and its Mortgagees, investors, and purchasers (i) that this Lease is unmodified and in full force and effect except as stated in the certificate, (ii) that a complete copy of this Lease and all amendments is attached to the certificate as an exhibit, (iii) the amount of Minimum Annual Rent and Additional Rent then in effect or payable, (iv) the dates through which Minimum Annual Rent and Additional Rent have been paid, (v) that no Rent has been paid in advance except as specified, (vi) that except as specified there are no uncured defaults on the part of Landlord hereunder and no events have occurred which, with the giving of notice or the passage of time or both, would constitute defaults on the part of Landlord, (vii) the dates on which Minimum Annual Rent and Additional Rent commenced to accrue, (viii) the first and last days of the Term, subject to any remaining extension options, (ix) identifying which extension options Tenant has exercised and which remain unexercised, if any, and (x) any other information reasonably requested by Landlord. Landlord and its Mortgagees, investors, and purchasers may detrimentally rely on the certificate.

18.2 Assignor Certificates. Within ten (10) days after receiving Landlord's written request given from time to time following any assignment of the Tenant's interest in this Lease, each assignor, whether the named Tenant herein or any subsequent assignor, shall execute, acknowledge, and deliver to Landlord an estoppel certificate signed by the assignor containing the information required under Section 18.1 above for estoppel certificates signed by Tenant and certifying that, except as stated in the certificate, (a) the assignor remains liable for the obligations and liabilities of the tenant under this Lease, and (b) the assignor knows of no defenses or offsets to such obligations and liabilities. Landlord and its Mortgagees, investors, and purchasers may detrimentally rely on the certificate.

ARTICLE 19
FINANCIAL STATEMENTS

Within ten (10) days after Landlord's written request, Tenant shall furnish Landlord with the following documents: Financial statements, including, but not limited to, balance sheets, profit and loss statements and statements of changes to financial condition, reflecting Tenant's current financial condition in connection with an actual or proposed sale, financing or refinancing of the Premises. In the event Tenant is a publicly-traded corporation, Tenant's last published financial information shall be deemed satisfactory.

ARTICLE 20
DEFAULTS BY TENANT

20.1 Events of Default. Tenant shall be in default under the terms of this Agreement if:

(a) Tenant fails to make any payment of Rental (as defined in Section 20.4) within three (3) days after written notice;

(b) Tenant commits a breach of any of its obligations under the Agreement other than the failure to make a payment of Rental, including, but not limited to, Tenant's being in default in the prompt and full performance of any its promises, covenants, or agreements herein contained for more than a reasonable time, in no event to exceed ten (10) days, after written notice thereof from Landlord to Tenant describing the nature of the default in reasonable detail;

(c) Tenant vacates or abandons the Premises prior to the end of the Agreement term or any extension thereof;

(d) Tenant makes any general assignment for the benefit of creditors;

(e) A petition has been filed against Tenant to have Tenant adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy [unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days];

(f) Tenant institutes any proceedings under the Bankruptcy Code or any similar or successor statute, code, or act;

(g) An appointed trustee or receiver takes possession of all or substantially all of Tenant's assets or of Tenant's assets at the Premises, or of Tenant's interest in this Agreement, where possession is not restored to Tenant within thirty (30) days; or should all or substantially all of Tenant's assets located at the Premises or Tenant's interest in this Agreement have been attached or judicially seized, where the seizure is not discharged within thirty (30) days;

(h) Tenant fails to pay its debts generally as such debts become due (excluding debts which are subject to bona fide dispute).

Any notice provided for in this Section 20.1 shall be in lieu of, and not in addition to, any notice required under Section 1161 of the California Code of Civil Procedure, or any similar superseding statute.

20.2 Rights of Landlord upon Breach. Landlord may treat the occurrence of any one (1) or more of the foregoing events as a breach of this Agreement, and, in addition to any and all other rights or remedies of Landlord under this Agreement, at law or in equity, Landlord shall have the option, without further notice or demand of any kind to Tenant or any other person except as then may be required by law, to:

(a) Declare the term ended and to re-enter and take possession of the Premises, and remove all persons therefrom;

(b) Re-enter the Premises and occupy the whole or any part for and on account of Tenant, to the extent then permitted by California law, without declaring this Agreement terminated, and to collect any unpaid Rental and other charges which have become due and payable, or which may thereafter become due and payable; or

(c) Even though Landlord may have re-entered the Premises pursuant to Subsection 20.2(b), to elect thereafter to terminate this Agreement and all of the rights of Tenant in or to the Premises; provided, however, that Landlord shall not be deemed to have terminated this Agreement, or the liability of Tenant to pay any Rental, by re-entering the Premises pursuant to this Section, or by any action in unlawful detainer or otherwise to obtain possession of the Premises, unless Landlord shall have notified Tenant in writing that it has so elected to terminate this Agreement.

20.3 Termination of Agreement. Should Landlord elect to terminate this Agreement pursuant to the provisions of Sections 20.1 and 20.2 above, Landlord may recover from Tenant, as damages, the following:

(a) The worth at the time of award of the unpaid Rental which had been earned at the time of termination; plus

(b) The worth at the time of award of the amount by which the unpaid Rental which would have been earned after termination until the time of award exceeds the amount of such Rental loss that Tenant proves could have been reasonably avoided; plus

(c) The worth at the time of award of the amount by which the unpaid Rental for the balance of the Term after the time of award exceeds the amount of Rental loss that Tenant proves could have been reasonably avoided; plus

(d) Any other amount necessary to compensate Landlord for the detriment proximately caused by Tenant's failure to perform its obligations under this Agreement or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses incurred by Landlord in (i) retaking possession of the Premises, including reasonable attorneys' fees (including charges of in-house counsel) therefor, (ii) maintaining or preserving the Premises after any default, (iii) preparing the Premises for reletting to a new tenant, including repairs or alterations to the Premises, (iv) payment of leasing commissions, and (v) payment of any other costs necessary or appropriate to relet the Premises; plus (vi) at Landlord's election, any other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by the laws of the state where the Premises is situated.

As used in Subsections 20.3(a) and (b) above, the "worth at the time of award" shall be computed by allowing interest at the maximum lawful rate. As used in Subsection 20.3(c) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

20.4 Definition of Rent. The term "**Rent**" shall be deemed to be the MMR, Additional Rent, and all other sums required to be paid by Tenant pursuant to the terms of this Lease, including after-accruing sums. All sums, for the purpose of calculating any amount due under the provisions of Sections 20.2(b) and 20.2(c) above, shall be computed on the basis of the average monthly amount accruing during the immediately preceding six (6) month period, except that if it becomes necessary to compute these sums before a six (6) month period has elapsed during the Term, then these sums shall be computed on the basis of the average monthly amount accruing during the shorter period.

20.5 Non-Monetary Defaults.

(a) Notwithstanding any other provision of this Article, if the default complained of, other than a default for the payment of monies, cannot be cured within the period requiring curing as specified in Landlord's written notice of default, then the default shall be deemed to be cured if Tenant, within the notice period, shall have commenced the curing of the default and shall thereafter diligently prosecute the same to completion, so long as (i) such cure is fully completed within one hundred twenty (120) days after the date that Landlord serves written notice to Tenant of the incident constituting the breach of this Agreement, and (ii) the continuance of which for the period required for cure will not subject Landlord or any Mortgagee to prosecution for a crime, termination or foreclosure of any Mortgage, damage to the Premises or other property, or liability for potential injury or other harm to persons or property.

(b) In addition, Landlord shall have the right, but not the obligation, to perform on Tenant's behalf any action necessary to cure a default by Tenant hereunder. However, such action by Landlord shall not cure Tenant's default under this Agreement. Landlord shall charge Tenant a sum equal to the full cost of Landlord's action plus an administrative fee of ten percent (10%) of such aggregate cost. Tenant's failure to pay such charge within five (5) days after Landlord's written demand therefor shall be a separate default under this Agreement, but Tenant's payment of such charge within such five (5) day period shall cure the underlying default for which such costs were incurred by Landlord.

20.6 Default Interest: In addition to any other remedies Landlord may have under this Agreement, and without reducing or adversely affecting any of Landlord's rights and remedies under this Article 20, if any Rental or other amounts payable hereunder by Tenant to Landlord are not paid within ten (10) days after demand therefore, the same shall bear interest at the annual rate of fifteen percent (15%) or the maximum rate permitted by law, whichever is less (the "Default Rate"), calculated monthly from the due date thereof until paid, and the amount of such interest shall be included as Additional Rent.

ARTICLE 21
DEFAULTS BY LANDLORD

21.1 Failure To Perform. If Landlord fails to perform any of the covenants, provisions, or conditions contained in this Agreement on its part to be performed within thirty (30) days after Tenant's written notice of default to Landlord (or if more than thirty (30) days shall be required because of the nature of the default, if Landlord shall fail to promptly commence performance within such thirty (30) day period and thereafter proceed diligently to cure the default), then Landlord shall be liable to Tenant for damages sustained by Tenant as a direct result of Landlord's breach as described below but Tenant shall not be entitled to terminate this Agreement as a result thereof or to set off any such damages against Rent otherwise due Landlord. For purposes of this Agreement, damages sustained as a direct result of Landlord's breach shall only include the following: (a) the actual costs of replacement, repair, or restoration of Tenant's tangible property or the tangible property of third parties for which Tenant is responsible, to the extent the damage or destruction of such tangible property occurred as a direct result of Landlord's breach; and (b) actual damages awarded to third parties by courts of competent jurisdiction against Tenant but only to the extent such damages are directly attributable to Landlord's breach; and all other consequential damages (including, but not limited to, damages for lost profits) are hereby expressly waived by Tenant and shall not be recoverable against Landlord. Notwithstanding anything to the contrary elsewhere in this Agreement, (i) Tenant shall be barred from asserting any claim or demand against Landlord hereunder unless Tenant commences an action thereon within six (6) months after the date of the action, omission, or event to which the claim or demand relates, and (ii) Landlord shall not be liable to Tenant for any aggregate amount greater than the value of Landlord's interest in the Premises less the sum of all liens recorded against Landlord's interest in the Premises from time to time.

21.2 Cure by Assignee. If any part of the Premises is at any time subject to a mortgage or a deed of trust and this Agreement or the Rental due from Tenant hereunder is assigned to a mortgagee, trustee, or beneficiary (called " **Assignee**" for purposes of this Article only) and Tenant is given written notice of the assignment, including the address of Assignee, then Tenant shall give written notice of any default by Landlord to Assignee simultaneously with giving such notice to Landlord, specifying the default in reasonable detail and affording Assignee thirty (30) days beyond Landlord's cure period provided in Section 21.1 to itself cure, or commence to cure, such default(s). Tenant further agrees not to invoke any of its remedies under this Agreement until said thirty (30) days have elapsed, or during any period that such Assignee is proceeding to cure such default with due diligence, or is taking steps with due diligence to obtain the legal right to enter the Premises or adjoining property to cure the default. If and when Assignee has made performance on behalf of Landlord, the default shall be deemed cured. It is understood that the Assignee shall have the right, but not the obligation, to cure any default on the part of Landlord. Tenant agrees that if an Assignee shall succeed to the interest of Landlord under this Agreement, neither the Assignee nor its successors or assigns shall be: liable for any prior act or omission of Landlord; subject to any claims, offsets, credits or defenses which Tenant might have against any prior landlord (including Landlord); or bound by any assignment (except as otherwise expressly permitted hereunder), surrender, release, waiver, amendment or modification of this Agreement made without such Assignee's prior written consent; or obligated to make any payment to Tenant or liable for refund of all or any part of any security deposit or other prepaid charge to Tenant held by Landlord for any purpose unless the Assignee shall have come into exclusive possession of such deposit or charge. In addition, if an Assignee shall succeed to the interest of Landlord under this Agreement, the Assignee shall have no obligation, nor incur any liability, beyond its then equity interest, if any, in the Premises.

ARTICLE 22
ASSIGNMENT AND SUBLETTING

22.1 No Assignment Without Consent. Tenant shall not transfer, assign, sublet, enter into license or concession agreements with respect to any portion of the Premises, or hypothecate this Lease or Tenant's interest in and to the Leased Premises in whole or in part, or otherwise permit occupancy of all or any part of the Premises by anyone with, through or under it, without first procuring the written consent of Landlord, which may be withheld in Landlord's sole discretion. Any attempt at a transfer shall be null and void and confer no rights upon a 3rd person. These prohibitions shall not be construed to refer to events occurring by operation of law, legal process, receivership, bankruptcy, issuance of stock to the public, or otherwise. For purposes of this Article 22, a transfer of more than 50% of the voting ownership interests of Tenant in one or a series of related transactions shall be deemed to be an assignment of this Lease.

Anything in this Article 22 to the contrary notwithstanding, Tenant shall have the right, provided that Tenant is not in default beyond the applicable cure period, to assign or sublease all or any portion of this Lease (i) to Tenant's direct or remote corporate parent, (ii) to any subsidiary of Tenant or of Tenant's direct or remote corporate parents, or (iii) to a successor to Tenant pursuant to a merger, consolidation, public offering, or a purchase of a majority of the assets or ownership interests of Tenant, without Landlord's consent, provided that the following conditions are met:

(a) that the proposed use is identical to Tenant's use under this Agreement;

(b) that the proposed use will not violate competitive restriction clauses, if any;

(c) that total Rent payable to Landlord after such assignment or subletting will be not less than total Rent payable before such transfer, taking into account rent increases or any other factors applicable to the existing tenancy, so that Landlord does not suffer economic detriment resulting therefrom;

(d) that all provisions of this Agreement would apply to and be ratified by the proposed transferee; and

(e) that regardless of whether such transfer of interest is denominated an assignment, sublease, or other conveyance, the obligations of Tenant pursuant to this Agreement shall not be reduced or released and Tenant shall guarantee and make good any and all obligations of the transferee arising out of this Agreement.

(f) that the proposed transferee is not less creditworthy than the Tenant.

(g) that any surrender, cancellation, or other termination of this Agreement shall, at Landlord's option, terminate any or all subtenancies or, alternately, act as an assignment to Landlord of Tenant's interest in such subtenancies.

Neither the transfer of Tenant's stock to its employees pursuant to an employee stock ownership plan or other similar arrangement with one or more employees, or any transfer of Tenant's stock by gift, bequest or inheritance shall be deemed to be a transfer of this Lease or Tenant's interest in the Leased Premises requiring Landlord's consent. Further, anything in this Article 22 to the contrary notwithstanding, Landlord acknowledges that Tenant may issue voting stock to the public through listing on a "national securities exchange" as defined in the Securities Exchange Act of 1934 or through trading on the Over-the-Counter Bulletin Board, and that such issuance and subsequent transfer of such shares and the transfer of any shares of Tenant's shareholders in a public offering or on such exchange or Bulletin Board shall be permitted without Landlord's consent.

Each transfer to which Landlord has consented shall be in writing, in a form reasonably satisfactory to Landlord and executed by the transferor and transferee. If Tenant entity changes in connection with a transfer, the transferee shall agree, in writing, to assume, be bound by and perform the covenants and conditions of this Lease. Tenant shall deliver to Landlord a statement within 30 days after the end of each calendar year, and within 30 days after the expiration or earlier termination of the Term, specifying each transfer in effect during the period covered by the statement, as well as: (a) the date of the transfer document's execution and delivery; (b) the square footage of the rentable area demised and the tenant; and (c) a computation in reasonable detail showing the rental amounts, if any, paid and payable by Tenant to Landlord for the transfer pursuant to this subsection. Tenant shall not be released from liability or relieved of its obligations, unless Landlord expressly agrees otherwise in writing. Except for transfers which do not require Landlord' s consent, if the Minimum Annual Rent, or Additional Rent or other payment to be paid to Tenant from a transfer exceeds the Rent and Additional Rent Tenant is required to pay Landlord under this Agreement, then Tenant shall pay to Landlord 50% of the excess, less Tenant's reasonable expenses for reletting, without prior demand, which shall be deemed Additional Rent.

Neither Tenant nor any other person having an interest in the possession, use, occupancy or utilization of the Premises shall enter into any lease, sublease, license, concession, assignment or other agreement for use, occupancy or utilization for space in the Premises which provides for rental or other payment for such use, occupancy, or utilization based in whole or in part on the net income or profits derived by any person from the part leased, used, occupied or utilized (other than an amount based on a fixed percentage or percentages of receipts or sales), and that any such proposed lease, sublease, license, concession, assignment or other agreement shall be absolutely void and ineffective as conveyance of any right or interest in the possession, use, occupancy or utilization of any part of the Premises.

22.2 No Consent to Subsequent Assignment . A consent to one (1) assignment, subletting, occupation, or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. Any such assignment or subletting without such consent shall be void, and shall at the option of Landlord constitute a default under this Agreement.

22.3 Conditions to Consent. As a condition to Landlord's prior written consent as provided for in this Article 22, (i) Tenant shall pay to Landlord a nonrefundable review fee of $500.00 plus Landlord's reasonable legal and consultant fees and costs incurred due to the request to transfer, (ii) Tenant shall provide to Landlord such background, financial and other information as Landlord may request to evaluate the proposed transfer, (iii) the transferee(s) shall agree in writing to comply with and be bound by all of the terms, covenants, conditions, provisions and agreements of this Agreement, and (iv) Tenant shall deliver to Landlord, promptly after execution, an executed copy of each transfer instrument and an agreement of said compliance by each transferee. Tenant agrees, by way of example and without limitation, that it shall not be unreasonable for Landlord to withhold its consent to a proposed assignment or subletting if (a) Landlord determines that the proposed assignee's or subtenant's use of the Premises conflicts with Section 1.10 or conflicts with any other provision under this Agreement; (b) Landlord determines that the proposed assignment or subletting would breach a covenant, condition or restriction in any encumbrance, financing agreement or other agreement relating to the Premises or this Agreement; or (c) an Event of Default under Article 20 has occurred and is continuing at the time of Tenant's request for Landlord's consent, or as of the effective date of such assignment or subletting.

22.4 No Release. Regardless of Landlord's consent (or in circumstances where no consent may be required pursuant to Section 22.1 above), no transfer under this Article 22 by Tenant shall release or discharge Tenant from its obligations or liability under this Agreement. This Agreement shall bind any assignee, transferee or subtenant jointly with Tenant.

ARTICLE 23
BROKERS

Intentionally omitted.

ARTICLE 24
HAZARDOUS SUBSTANCES

The term "**Hazardous Substances**," as used in this Agreement, shall mean (a) all chemicals, materials, or substances, whether gaseous, solid or liquid, for which the storage, handling, generation, treatment, disposal, discharge, release, transportation, or clean-up of, are subject to any federal, state, or local laws, regulations, or policies in effect during the Term of this Agreement (collectively, "**Hazardous Substance Laws**"), and (b) all flammables, explosives, radioactive materials, asbestos and other carcinogens, chlorinated biphenyls (PCB's), pesticides, chemicals known to cause reproductive toxicity, petroleum and petroleum by-products and derivatives, whether or not such substances are subject to regulation under Hazardous Substance Laws. The Hazardous Substance Laws include, without limitation, the Resource Conservation and Recovery Act (RCRA), Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), Standard Amendments and Reauthorization Act (SARA), Emergency Planning and Community Right-To-Know Act (SARA Title III), Federal Clean Water Act, Federal Clean Air Act, Federal Occupational Safety and Health Act (Fed/OSHA), Toxic Substances Control Act (TSCA), Hazardous Substances Act (HSA), California Hazardous Waste Control Law, Hazardous Materials Release Response Plans and Inventory Law, California Underground Storage of Hazardous Substances Law, Aboveground Petroleum Storage Act, California Occupational, Safety, and Health Act (Cal/OSHA), Safe Drinking Water and Toxic Enforcement Act (Proposition 65), Carpenter-Presley-Tanner Hazardous Substance Account Act, the Porter-Cologne Water Quality Act and any rules promulgated by the Southern California Air Quality Management District (SCAQMD) or other governmental agencies controlling or regulating toxic substances in the air.

24.1 Tenant's Restrictions. Tenant shall not cause or permit to occur:

(a) Any violation of any federal, state, or local law, ordinance, or regulation now or hereafter enacted, related to environmental conditions on, under, or about the Premises, or arising from Tenant's use or occupancy of the Premises, including, but not limited to, soil and ground water conditions; or

(b) The use, generation, release, manufacture, refining, production, processing, handling, treating, storage, or disposal of any Hazardous Substance on, under, or about the Premises, or the transportation to or from the Premises of any Hazardous Substance. Tenant acknowledges and agrees that any disposal, release, or discharge of Hazardous Substances in, on, or under the Premises shall be in and of itself an unreasonable use of the Premises beyond the scope of any permissible use of the Premises.

24.2 Environmental Clean-up.

(a) Tenant shall, at Tenant's own expense, comply with all laws and regulations now effective or hereinafter enacted regulating the use, generation, storage, notification, transportation, release, or disposal of Hazardous Substances (collectively, " **Hazardous Substance Laws**").

(b) Tenant shall, at Tenant's own expense, make all submissions to, provide all information required by, and comply with all requirements of all governmental agencies under the Hazardous Substance Laws.

(c) Tenant shall provide Landlord with written notification of any spill, release or other discharge of Hazardous Substances at, on or near the Premises within twenty four (24) hours of such event.

(d) Should any governmental agency or any third party demand that a cleanup plan be prepared and that a cleanup be undertaken because of any disposal, discharge, or release of Hazardous Substances that occurs during the term of this Agreement, at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises, then Tenant shall, at Tenant's own expense, prepare and submit the required clean-up plans and all related bonds and other financial assurances; and Tenant shall carry out all such cleanup plans and clean-up until completed to the satisfaction of the applicable governmental agency; provided, that any such clean-up shall, at a minimum, return the Premises to the condition existing before the disposal, discharge, or release of the Hazardous Substances. Without limiting the foregoing, Tenant shall immediately remedy any violation of any of the Hazardous Substance Laws by Tenant or otherwise at or from the Premises during the Term at Tenant's sole cost and expense, including repairing any damage to the Premises or other property caused by such violation. Tenant's clean-up of any such disposal, discharge, or release, or Tenant's remediation of any violation of the Hazardous Substance Laws, shall not

preclude Landlord from, nor be in lieu of, the exercise by Landlord of any remedies available to Landlord for Tenant's breach of this Agreement, including termination of the Agreement.

(e) Tenant shall promptly provide all information regarding the use, generation, release, manufacture, refining, production, processing, handling, treating, storage, disposal or transportation of Hazardous Substances that is required by Landlord. If Tenant fails to fulfill any duty imposed under this Section within a reasonable time, Landlord may, but shall not be required to, do so; and in such case, Tenant shall cooperate with Landlord in order to prepare all documents Landlord deems necessary or appropriate to determine the applicability of the Hazardous Substance Laws to the Premises and Tenant's use thereof, and for compliance therewith, and Tenant shall execute all documents promptly upon Landlord's request. No such action by Landlord and no attempt made by Landlord to mitigate damages under any Law shall constitute a waiver of any of Tenant's obligations under this Section.

(f) Tenant shall provide Landlord, at Tenant's sole cost and expense, copies of all correspondence with any governmental agency concerning Hazardous Substances promptly upon sending or receiving such correspondence. For purposes of this subsection, "correspondence" shall include any clean-up plans or other submittals made by Tenant to a governmental agency or any notice or other communication received from a governmental agency.

(g) Without limiting any other rights of Landlord under this Agreement to inspect or otherwise enter the Premises, Tenant shall permit Landlord and Landlord's agents, employees, contractors, and/or consultants to enter the Premises during regular business hours for the purposes of inspecting the Premises to insure that Tenant is complying with the Hazardous Substance Laws and the terms of this Article 24. Such inspection may, but shall not be required to, include, without limitation, any sampling and/or testing of soil or of any materials or substances on the Premises deemed necessary by Landlord. Notwithstanding the foregoing, Landlord may, but shall not be required to, enter the Premises at any time to stop the disposal, discharge, or release of any Hazardous Substances in violation of the Hazardous Substance Laws. No such inspection by Landlord shall in any way whatsoever limit, restrict, or otherwise adversely affect any right or remedy Landlord may otherwise have against Tenant under this Agreement, including, without limitation, any right or remedy provided in Article 21.1 or the indemnity provided in Section 24.3 below.

24.3 Tenant's Indemnity. Tenant hereby indemnifies, defends, and holds harmless Landlord, the Landlord's property manager, their respective, and any lender or encumbrancer of all or part of the Premises and their respective officers, directors, beneficiaries, shareholders, members, partners, agents, affiliates, joint venturers, related and affiliated groups or entities, and employees from all fines, suits, procedures, claims, liabilities, and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term, at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises, or from Tenant's failure to provide all information, make all submissions, and take all steps required by all governmental agencies under the Hazardous Substance Laws and all other environmental laws; except that Tenant shall not be liable for claims resulting from the sole active negligence or sole willful misconduct of Landlord, another party indemnified hereunder, or the agents, servants, or employees of Landlord or another indemnified party.

24.4 Survival. Tenant's obligations and liabilities (including, without limitation, indemnities under this Article 24 shall survive the expiration of this Agreement. Nothing in this Article 24 (including, without limitation, those provisions enumerating the rights of Landlord and any action, or failure to act, thereunder) shall be deemed to be an approval or acquiescence by Landlord of any action or failure to act by Tenant in violation of any Hazardous Substance Law.

24.5 Proposition 65 Disclosure. The Premises contain chemicals known to the State of California to cause cancer and birth defects or other reproductive harm. More information on specific exposure is available at www.prop65apt.org.

ARTICLE 25
GENERAL PROVISIONS

25.1 Plats and Riders. Clauses, plats, and riders, if any, signed by the Landlord and Tenant and endorsed on or affixed to this Agreement are a part hereof.

25.2 Waiver. The waiver by Landlord of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition on any subsequent breach of the same or any other term, covenant, or condition herein contained. The subsequent acceptance of Rental hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant, or condition of this Agreement other

than the failure of Tenant to pay the particular Rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such Rental.

25.3 Notices. Except as otherwise required by law, any notice, information, demand, request, reply, or other communication (the "Notice" for purposes of this Article only) required or permitted to be given under the provisions of this Agreement shall be given or served as set out herein. Such Notice shall be deemed sufficiently given if it is in writing and if it is (a) served in conformity with the provisions of California Code of Civil Procedure Section 1162 or any superseding statute, (b) deposited in the United States mail, certified, return receipt requested, postage prepaid or (c) sent by Express Mail, or other similar overnight service, provided proof of service is available as an ordinary business record of such overnight service. All Notices shall be addressed to the parties at the addresses set forth below their signatures on the signature page hereof. Any Notice personally served shall be effective as of the date of service. Any Notice sent by mail shall be deemed given as of the earlier of (i) actual receipt or (ii) two (2) business days following the date of deposit in the mail. Any Notice sent by Express Mail, or as otherwise provided in clause (c), shall be deemed given upon the date set forth on the proof of delivery. Either party may, by written Notice to the other in the manner specified herein, specify an address within the state where the Premises is located for Notices, for payments and reports, in lieu of the address set forth on the signature page hereof.

25.4 Obligation of Tenants and Agents. If there be more than one Tenant, the obligations hereunder imposed upon Tenants shall be joint and several, and each Tenant or Tenant's representative signing this Agreement warrants and agrees that each Tenant is the agent of, and has authority to bind, every other Tenant. If Tenant is a business entity, each individual executing this Agreement on behalf of such entity represents he or she is duly empowered and authorized to execute this Agreement on behalf of such entity.

25.5 Marginal Headings. The marginal headings and Article titles to the Articles of this Agreement are not a part of this Agreement and shall have no effect upon the construction or interpretation of any part hereof.

25.6 Time. Time is of the essence of this Agreement and each and all of its provisions in which performance is a factor.

25.7 Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators, and assigns of the parties hereto.

25.8 Recordation. Neither Landlord nor Tenant shall record this Agreement or a short form memorandum hereof without the prior written consent of the Landlord.

25.9 Prior Agreements. This Agreement contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Agreement, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Agreement may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest.

25.10 Inability to Perform. This Agreement and the obligations of Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, inclement weather, acts of God, or any other cause beyond the reasonable control of Landlord.

25.11 Attorneys' Fees. In the event that at any time after the date of execution of this Agreement, either Landlord or Tenant shall institute any action or proceeding against the other relating to the provisions of this Agreement, or to any default hereunder, the party not prevailing in the action or proceeding shall reimburse the prevailing party for the reasonable expenses of its attorneys' fees (including charges of in-house counsel) and all costs or disbursements incurred therein by the prevailing party including, without limitation, any fees, costs, or disbursements incurred on any appeal from the action or proceeding.

25.12 Sale of Premises by Landlord. In the event of any sale of the Building, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Agreement arising out of any

act, occurrence, or omission occurring after the consummation of such sale; and the purchaser at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser, to have assumed and agreed to carry out any and all of the covenants and obligations of Landlord under this Agreement.

25.13 Subordination, Attornment. Tenant shall, upon Landlord's request, subordinate this Lease to any mortgage or deed of trust placed by Landlord upon the Premises, or the Building; provided, that such mortgage or deed of trust, by its terms or by separate written agreement with Tenant, provides that if Tenant is not then in default under this Lease past the applicable cure period, this Lease shall not terminate as a result of the foreclosure of such mortgage or deed of trust, and Tenant's rights under this Lease shall continue in full force and effect and Tenant's possession of the Premises shall be undisturbed except in accordance with the provisions of this Lease. Tenant will, upon request of the holder of the mortgage or deed of trust, be a party to such an agreement, if such agreement does not materially alter or modify this Lease, and will agree that if such holder of the mortgage or deed of trust succeeds to the interest of Landlord, Tenant will attorn to such holder of the mortgage or deed of trust (or successor-in-interest of the holder of the mortgage or deed of trust) as its landlord under the terms of this Lease. In the event that the holder of a mortgage or deed of trust notifies Tenant of a default under the mortgage or deed of trust and demands that Tenant pay its rent and all other sums due under this Agreement to such holder or its assignee, Tenant shall honor such demand without inquiry and pay its rent and all other sums due under this Agreement directly to the holder, its assignee or as otherwise required pursuant to such notice and shall not thereby incur any obligation or liability to Landlord.

25.14 Severability. Any provision of this Agreement which shall prove to be invalid, void, or illegal shall in no way affect, impair, or invalidate any other provision hereof and such other provision shall remain in full force and effect.

25.15 Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

25.16 Easements. Landlord reserves the right to grant such easements, rights, or dedications as may be necessary or convenient, and Tenant agrees that its leasehold interest shall be subordinate to any such interests granted. Tenant shall execute any documents as may be required to effectuate the purposes of this Section.

25.17 Choice of Law. This Agreement shall be governed by the laws of the State of California.

25.18 Exhibits. Exhibits A and B are attached to and incorporated into this Agreement by reference.

25.19 Execution of Agreement - No Option: The submission of this Agreement to Tenant shall be for examination purposes only, and does not and shall not constitute a reservation of or option for Tenant to lease, or otherwise create any interest by Tenant in, the Premises. Execution of this Agreement by Tenant and return to Landlord shall not be binding upon Landlord notwithstanding any time interval, until Landlord has in fact executed and delivered this Agreement to Tenant.

25.20 WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY LAW, LANDLORD AND TENANT WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF CLAIMS ARISING ONLY OUT OF THE NON-PAYMENT OF RENT AND ADDITIONAL CHARGES DUE PURSUANT TO THIS AGREEMENT. THIS WAIVER IS KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY MADE BY TENANT AND TENANT ACKNOWLEDGES THAT NEITHER LANDLORD NOR ANY PERSON ACTING ON BEHALF OF LANDLORD HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. TENANT FURTHER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED (OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL. TENANT FURTHER ACKNOWLEDGES THAT IT HAS READ AND UNDERSTANDS THE MEANING AND RAMIFICATIONS OF THIS WAIVER PROVISION.

_____ Landlord's Initials _____ Tenant's Initials

Any disputes arising between Landlord and Tenant shall be subject to resolution in accordance with this Section 25.20. In the event of such a dispute, the parties shall first attempt to resolve the same through good faith direct discussions. In the event that either party determines that a dispute under this Agreement cannot be

resolved by good faith direct discussions pursuant to good faith direct discussions, then such dispute shall be resolved by judicial reference as provided for in Part 2, Title 8, Chapter 6 of the California Code of Civil Procedure ("Reference Proceeding"). In connection therewith, the parties agree as follows: (i) should the parties not be able to agree upon a referee, either party may make application to the Orange County Superior Court for the appointment thereof; (ii) Landlord and Tenant shall, initially, share equally the cost of the Reference Proceeding, which shall include the cost of the referee and, upon either party's election, the cost of a certified shorthand reporter; and, (iii) the referee shall have the discretion to award the aforementioned costs to the prevailing party pursuant to Section 25.11 (Attorneys' Fees) of this Agreement. Furthermore, the referee shall not have the power to award punitive damages nor any other damages against a party that are not expressly provided for in this Agreement. It is expressly understood and agreed that the provisions set forth in this Section 25.20 (relating to a Reference Proceeding) shall not apply to an unlawful detainer action.

Article 26
RULES AND REGULATIONS

1. No sign, placard, picture, advertisement, name, or notice shall be inscribed, displayed, printed, or affixed on or to any part of the outside or inside of the Building without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name, or notice without notice to and at the expense of Tenant.
2. All approved signs or lettering on doors shall be printed, painted, affixed, or inscribed at the expense of Tenant by a person approved of by Landlord.
3. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition, or wall which may appear unsightly from outside the Premises; provided, however, that Landlord may furnish and install a Building standard window covering at all exterior windows. Tenant shall not in any way deface the Premises or any part thereof. Tenant shall not, without prior written consent of Landlord, cause or otherwise sunscreen any window.
4. The sidewalks, halls, passages, exits, entrances, elevators, and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective premises.
5. The toilet rooms, urinals, wash bowls, and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees, or invitees shall have caused it.
6. Tenant shall not overload the floor of the Premises.
7. No furniture, freight, or equipment outside the ordinary course of business shall be brought into the Building without prior notice to Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord reasonably shall designate. Landlord shall have the right to prescribe the weight, size, and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to distribute the weight properly. Landlord shall not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.
8. Tenant shall not use, keep, or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors, and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building.
9. The Premises or adjacent common areas may not be used for washing clothes, for lodging, or for any improper, objectionable, or immoral purposes.
10. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline, or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord or reasonably approved by Landlord.
11. Landlord shall direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of Landlord. The location of telephones, call boxes, and other office equipment affixed to the Premises shall be subject to the reasonable approval of Landlord.
12. On Saturdays, Sundays, and legal holidays, and on other days between the hours of 6:00 p.m. and 8:00 a.m. the following day, access to the Premises or to the halls, corridors, elevators, or stairways in the Building may be refused unless the person seeking access is known to the person or employee in charge of the Premises and has a pass or is properly identified. Landlord shall in no case be liable for damages for any error with regard to the admission or exclusion from the Premises of any person or persons. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Premises during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property.

13. Landlord reserves the right to exclude or expel from the Premises any person who in the judgment of Landlord is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Premises.

14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Premises.

15. Tenant shall not disturb, solicit, or canvass any occupant of the Premises and shall cooperate to prevent same.

16. Without the written consent of Landlord, Tenant shall not use the name of the Premises in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

17. Landlord shall have the right to control and operate the public portions of the Premises and the public facilities and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.

18. Without the written consent of Landlord, Tenant shall not conduct any auction, fire sale, tent sale, going-out-of-business sale, or similar activity upon the Premises.

19. Smoking will only be permitted in designated areas and shall not be permitted with 30 feet of the Building entrances. IN NO EVENT MAY ANY SMOKING OCCUR WITHIN THE BUILDING.

20. Use of portable electric heaters and toasters are prohibited.

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IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Agreement on the day and year first above written.

"Landlord"	"Tenant"
Amnet Holdings, LLC, a California limited liability company	World of Jeans & Tops, a California corporation
By: _____	By: _____

TABLE OF CONTENTS

EXHIBIT A

WORK LETTER

WORK LETTER

1. Parties. The parties to this Work Letter are Amnet Holdings, LLC, a California limited liability company ("Landlord"), and World of Jeans & Tops, dba Tilly's, a California corporation ("Tenant").

2. Recitals.

a. Land. Pursuant to that certain Purchase and Sale Contract by and between Landlord and The Karen L. Johnson Trust, as "Seller," dated February 3, 2009, as amended (the "Purchase Contract"), Landlord agreed to purchase real property situated at 11 Whatney, Irvine, California, located in the County of Orange.

b. Building. Landlord will construct a commercial building facility as a shell with an unfinished interior on the land containing approximately 19,000 square feet of warehouse space and approximately 7,000 square feet office space, all in accordance with the terms and conditions set forth in this Work Letter (the "Building").

c. Lease. Tenant has agreed to complete all shell improvements and tenant improvements, at its sole expense, and lease the Building from Landlord on the terms and conditions set forth in that certain Lease Agreement of even date herewith (the "Lease").

3. Effective Date. The "Effective Date" of this Work Letter is September 2, 2011.

4. Consideration. The consideration for this Work Letter consists of the execution by the parties of the Lease and of the promises by Tenant and Landlord contained in this Work Letter.

5. Agreement.

a. Design.

(i) **Approved Plans**. Landlord, at its sole expense, has caused KTGY Group, Inc. of Irvine, California ("Landlord's Architect") to prepare, and Tenant has approved, the architectural and engineering drawings and specifications for construction of the Building, the material terms of which are summarized in Exhibit A to this Work Letter (collectively the "Final Plans").

(ii) **Approvals by Tenant**. Any approval by Tenant of the Final Plans will not in any way be construed or deemed to constitute a representation or warranty of Tenant as to the adequacy or sufficiency of the Final Plans or the improvements to which they relate, for any reason, purpose or condition, but such approval will merely be the consent of Tenant as may be required hereunder.

(iii) **Modification of Final Plans**. Landlord will apply for any building permits required for the Building. If a governmental authority requires revisions to the Final Plans as a condition to granting a building permit and if the required revisions will have a material effect on the ability of Tenant to use the Building for its intended purpose, Landlord will promptly revise the Final Plans to satisfy the building permit requirements and submit the revised Final Plans to Tenant for Tenant's approval, which approval will not be unreasonably withheld. Tenant will notify Landlord of Tenant's objections to the revised Final Plans within three business days after Tenant's receipt of the revised Final Plans. Tenant will be deemed to have approved Landlord's request for approval of the Revised Final Plans if Tenant fails to respond to Landlord's request for approval within three business days after Tenant's receipt of the revised Final Plans. Tenant will be responsible for costs associated with modifications to the Final Plans under this Section 5a(iii).

b. Construction. Landlord will cause the Building to be constructed as a shell, with an unfinished interior, in a good and workmanlike manner and substantially in accordance with the Final Plans. The Building will not include any interior or exterior finishes, except to the extent such items are shown in the Final Plans.

(i) **General Contractor**. The Building will be constructed by S.D. Deacon Corp. of California of Irvine, California (the "General Contractor"), or such other general contractor who will be approved by Tenant, which approval will not be unreasonably withheld.

(ii) **Insurance**. In addition to the other insurance requirements set forth in the Lease, if Tenant constructs any finishes or tenant improvements prior to Landlord's Substantial Completion of the Building, then Tenant will maintain, or cause its contractors to maintain, the types and amounts of insurance as reasonably requested by Landlord. Tenant and Landlord will be named as "additional insureds" on all liability policies.

(iii) **Commencement of Construction**. Landlord intends to commence construction of the Building on or about September 2011. Construction of the Building will be deemed commenced when the footings and foundations for the Building have been poured. The commencement date could be delayed due to a Tenant Delay and Force Majeure.

(A) "*Tenant Delay*" means any act or omission of Tenant or its agents, employees, vendors or contractors that actually delays the Substantial Completion of the Building, including without limitation: (a) Tenant's selection of non-building standard equipment or materials; (b) changes requested or made by Tenant to the Final Plans or any other Change Orders (hereafter defined) requested or deemed requested by Tenant; (c) Tenant's delay in providing information necessary for the design of the Building; cooperating with Landlord's Architect or General Contractor, or providing any responses or approvals under this Work Letter, (d) interference by Tenant or its agents, contractors or employees of work performed on the Building by or on behalf of Landlord or the General Contractor, or performance of work in the Building by Tenant or Tenant's contractor(s), (e) Tenant's failure to timely remit payments required under this Work Letter, or (f) Tenant's failure to obtain any licenses, permits or approvals necessary for Tenant's construction activities or operations within the Building. **In no event shall the Commencement Date of the Lease or the payment of Rent be extended or delayed due or attributable to Tenant Delays.** Notwithstanding the foregoing rights of Landlord for a Tenant Delay, any failure of Tenant to comply with any of the provisions contained in this Work Letter within the times and in the manner for compliance contained in this Work Letter shall, at Landlord's election, be deemed an Event of Default by Tenant under the Lease.

(B) "*Force Majeure*" means any delay due to unforeseeable causes beyond Landlord's control and without Landlord's fault or negligence, including, but not limited to, regulatory approvals or inspections, acts of God, fires, floods, strikes, and unusually severe weather conditions not reasonably anticipatable, but excluding delays caused by the acts or omissions of Landlord's contractors, subcontractors, material or equipment suppliers, architects or

engineers, or the failure or inability of Landlord to provide sufficient capital to fund costs of construction.

(iv) **Construction Warranties**. Landlord will require that the General Contractor covenant and warrant to both Landlord and Tenant that (i) the Building will be constructed substantially in accordance with the Final Plans, with such change orders as will be approved by Landlord and Tenant, which approval will not be unreasonably withheld, (ii) all materials and equipment furnished will be new, unless otherwise specified, (iii) the Building will be of good quality, free from faults and defects, and (iv) the Building will be in full compliance with all applicable legal requirements. On the day Landlord Substantially Completes the Building, Landlord will assign all construction warranties to Tenant, on a non-exclusive basis and reserving the same unto Landlord and its Mortgagees and assigns.

(v) **Concurrent Construction**. Tenant shall have the right to request that portions of Tenant's improvement work be constructed and installed concurrently with portions of the Landlord's construction of the shell Building; provided, however, that any such concurrent construction for portions of the Tenant's improvements while the shell Building construction is ongoing shall (1) be coordinated by the General Contractor so that the Tenant's improvement work does not interfere with or delay the shell Building work, (2) in the event of any inability or conflict in any such coordination, the Tenant's improvement work shall be subject and subordinate to the shell Building work, and (3) if despite such coordination and subordination any delay nevertheless occurs to the shell Building work, such delay shall be deemed to be a Tenant Delay.

c. **Zoning and Permits**. Landlord, at Landlord's sole cost and expense will be responsible for and will obtain all governmental permits and approvals necessary or appropriate for the construction of the Building including, but not limited to, (i) all approvals required under zoning and land use laws and ordinances, (ii) all required platting, subdivision and zoning approvals, (iii) all required building permits and approvals, and (iv) tap permits or "connections" for water and sanitary sewer services to the Building. Tenant agrees, upon Landlord's request, to join in applications for zoning matters, building permits, certificates of occupancy, and all other applications for licenses, permits and approvals for which the signature of Tenant or the owner is required by applicable law. Tenant will be responsible for non-structural cost increases to the Final Plans resulting from material changes to the governmental permits and approvals necessary for the Building, and for all costs and approvals on construction by Tenant.

d. **Punch List Work**. Landlord will be deemed to have "*Substantially Completed"* the Building if Landlord has caused all of the Building to be substantially completed, with an unfinished interior and exterior, in accordance with the Final Plans. When Landlord notifies Tenant that the Building is Substantially Completed, Landlord will schedule and give Tenant notice of a joint walk-through inspection in order for Tenant to identify any necessary final completion or other "punchlist" items. Neither party will unreasonably withhold or delay approval concerning the identification of punchlist items. If there is any disagreement concerning whether Landlord has Substantially Completed the Building, Landlord may request a good faith decision by Landlord's Architect which will be final and binding on the parties. Landlord will complete or correct all items on the punch list within 45 days of preparation of the punchlist, or a longer reasonable period if such correction cannot reasonably be completed within a 45-day period. In the event Landlord fails to complete or correct timely any items on the punchlist which is not in compliance with the Final Plans and is materially interfering with Tenant's ability to use the Building, Tenant may, as its sole remedy under this Work Letter for such failure to correct, after 30 days' prior notice to Landlord, complete or correct any such items and Landlord will reimburse Tenant for the reasonable cost thereof within 30 days after receipt from Tenant of a detailed invoice.

6. Change Orders. Tenant may from time to time request and obtain change orders during the course of construction of the Building (each hereafter a "Change Order"), provided that: (i) each such request shall be reasonable, shall be in writing and signed by or on behalf of Tenant, and shall not result in any structural change in the Building, as reasonably determined by Landlord; (ii) all additional non-structural charges and costs, including without limitation architectural and engineering costs, construction and material costs, processing costs of any governmental entity, and increased construction, construction management and supervision fees, together with an administrative fee to Landlord to cover its change order processing costs of $500.00 per occurrence, shall be the sole and exclusive obligation of Tenant; and (iii) any resulting delay in the completion of the Building shall be deemed a Tenant Delay and in no event shall extend the Commencement Date of the Lease. Upon Tenant's request for a Change Order or upon any deemed Change Order as provided elsewhere in this Work Letter, Landlord shall as soon as reasonably possible submit to Tenant a written estimate of the increased cost and anticipated delay, if any, attributable to such Change Order. Within three (3) business days of the date such estimated cost adjustment and delay are delivered to Tenant, Tenant shall (A) for a deemed Change Order, remit to Landlord the amount of the increased cost attributable to such Change Order, and (B) for a Change Order requested by Tenant, advise Landlord whether it wishes to proceed with the Change Order, and if Tenant elects to proceed with the Change Order, Tenant shall remit, concurrently with Tenant's notice to proceed, the amount of the increased cost, if any, attributable to such Change Order. Election by Tenant to not proceed with any requested Change Order shall not relieve Tenant from its obligation to pay to Landlord its administrative processing charge of $500.00 for each requested Change Order. Unless Tenant includes in its initial Change Order request that the work in process at the time such request is made be halted pending approval and execution of a Change Order, Landlord shall not be obligated to stop construction of the Building, whether or not the Change Order relates to the work then in process or about to be started.

7. Notices.

a. **Written Notice**. All notices, demands and requests which may be given or which are required to be given by either party to the other party under this Work Letter must be in writing.

b. **Method of Transmittal**. All notices, demands and requests required to be in writing must be delivered personally, or sent by United States certified mail, postage prepaid, return receipt requested, or placed in the custody of a nationally recognized overnight courier for next day delivery, or transmitted by confirmed telephonic facsimile. Notices will be deemed to be effective when received, if delivered personally or sent by fax; receipt if sent by US mail; and the earlier of receipt or the next business day, if sent by courier. The term "receipt" will include the first attempt to deliver to the proper address by the party, US mail, courier or fax. If notice is transmitted by fax, then in order for such notice to be deemed validly given, a duplicate copy must be sent by courier for next day delivery no later than the next business day after transmission by fax. Email communications are solely for the convenience of the parties and will not constitute valid or effective notice for purposes of this Work Letter.

c. **Addresses**. The addresses for proper notice under this Work Letter are as follows:

If to Tenant: World of Jeans & Tops
10 Whatney
Irvine, CA 92618
Attn: Construction Department

If to Landlord: Amnet Holdings, LLC

Attn:

Either party may from time to time by written notice designate a different address to the other party.

8. Miscellaneous. Time is of the essence in the performance of the terms of this Work Letter. This Work Letter is binding upon and inures to the benefit of the

successors and assigns of the parties. This Work Letter embodies the complete agreement between the parties as to its subject matter and may not be amended except by written agreement of the parties. The laws of the State

of California shall apply to this Work Letter. The provisions in the Lease regarding attorneys fees are incorporated herein by this reference as if set forth in full

Remainder of Page Blank – Signatures Follow

By signing below, the parties agree to the terms of this Work Letter as of the Effective Date.

LANDLORD:
Amnet Holdings, LLC

By: _____
Name:
Title:

TENANT:
World of Jeans & Tops

By: _____
Name:
Title:

Exhibit A
Summary of Final Plan Material Terms

Summary of Final Plans – 11 Whatney, Irvine, CA

GENERAL DESCRIPTION:

Building to be provided as a shell with the following specifications. Approximately 7,000 square feet of office consisting of two floors and 19,000 square foot of warehouse consisting of 45' concrete tilt-up perimeter walls above finished floor +/-; insulated metal roof, two dock doors below grade with levelers and one dock door at grade.

1. GENERAL REQUIREMENTS

1.01 LAWS, ORDINANCES, RULES & REGULATIONS

All laws, ordinances, rules & regulations pertaining to the state of California. Building design in strict compliance with all local building codes.

1.02 FIELD ADMINISTRATION PERSONNEL

The field administration personnel shall consist of a project superintendent, and a variable sized crew fluctuating with each phase of construction.

1.03 TECHNICAL AND ADMINISTRATIVE

A technical design team will be assembled to create working drawings, and to consult throughout the construction phase. In general, all structures will be designed to meet the applicable local building design criteria.

1.04 MOBILIZATION/DEMOBILIZATION

As work is commenced, temporary utilities and facilities will be procured as required. Most equipment and materials will be coordinated by general contractor. Temporary yards and facilities will be removed and or relocated as the job progresses.

1.05 TEMPORARY CONSTRUCTION FACILITIES

Temporary restrooms will be provided at various locations on the site. Also available will be a jobsite trailer for managing the project. Security fencing will be utilized as required to maintain a safe and secure jobsite.

1.06 QUALITY/TRAINING/SAFETY/PROGRAMS

Quality assurance shall be met through direct supervision. General contractor will maintain project safety standards in accord with state, local safety and insurance standards.

1.07 DAILY CLEAN UP

Maintain premises and public properties free from accumulation of waste, debris, and rubbish caused by operations during and after construction. Provide onsite containers for collection of waste materials, debris, and rubbish.

1.08 TESTING

Provide professional testing agencies for required testing. Results of such tests to be distributed to Landlord.

1.09 FINAL CLEAN UP

Employ experienced workmen, or professional cleaners for final cleanup. In preparation of substantial completion, conduct final inspection of sight-exposed interior and exterior surfaces. Remove grease, dust, dirt, stains, labels, fingerprints and other foreign materials from exposed interior and exterior finishes.

1.10 IMPACT, PERMIT & CONNECTION FEES

As set forth in the Work Letter.

2. SITEWORK

2.01 CLEAR AND GRUB

Not provided. Site is clear and only composed of sand, silt and clay.

2.02 LAYOUT ENGINEERING

Landlord will use an ALTA survey.

2.03 MASS EARTHWORK

It is assumed that the site will balance to create a suitable building pad and parking area. Onsite soils are assumed acceptable for use in engineered fill. All earthwork shall comply with the recommendations of the soils engineer. Per the structural engineer's direction, earthwork to include overexcavation and re-compaction if required.

2.04 FINE GRADE

Fine grade pad to comply with soils engineer's recommendation.

2.05 UNDERGROUND UTILITIES

All items under this section shall be designed to meet state and local requirements. This includes domestic water, sanitary sewer, fire water, storm drain, electrical service and telephone. All underground lines will be backfilled per the soil engineer's recommendation and site observations.

2.06 ASPHALT PAVING

Will be performed based on the recommendations of the civil engineer and soils engineer, on aggregate subbase for auto and truck traffic. This specification is subject to soils report and local or State requirements, any deviations may result in a cost adjustment. Efforts will be made to design drainage to be gravity-flow in the dock areas. Landlord will strip the pavement according to applicable codes.

2.07 CONCRETE LOADING DOCKS, PLATFORMS & APRONS

The concrete loading dock is reinforced concrete 6" nominal thickness slab with a compressive strength as determined by structural and soils engineers. Dock height to be determined. This specification is subject to the soil report and structural engineer's findings.

2.08 LANDSCAPE AND IRRIGATION

Landscaping plans and specifications will be developed in accordance with local practices and requirements for a building of this design.

2.09 SEEDING

Seeding not provided.

2.10 EXTERIOR AND MONUMENT SIGNAGE

Signage not provided.

2.11 EROSION PROTECTION

Erosion control as required by local governing agencies and the recommendation from civil engineer.

2.12 FENCING

Wrought-iron fence for three sides of property and motorized gate for front of property.

3. CONCRETE

3.01 BUILDING FOUNDATIONS

Building foundation will be reinforced concrete to a specified structural yield as directed by structural drawings. Interior footings will be reinforced concrete to structural engineer's recommendations and will also be square spread footings.

3.02 TILT-UP WALLS

The exterior of the building shall be constructed of reinforced concrete. Construction and erection of the wall panels to be standard tilt-up method. The panel thickness to be determined by a structural engineer. Exterior face of panels shall receive a floor slab finish and shall be prepared to receive finish paint. Concrete panels to be approximately 45' above finished floor elevation. Final height of the concrete wall subject to further review based upon local requirements and structural considerations. Panels shall have a smooth exterior finish. Exterior panel joints to be caulked.

3.03 FLOOR SLAB

The following is subject to structural requirements unknown at the time of authoring these specifications. Floor slab to be determined by soils and structural engineers. Floor slab to be a hard trowel finish. Control joints will be caulked. Floor will be installed utilizing a laser screed operation.

4. MASONRY

4.01 TRASH ENCLOSURES

Trash enclosure(s) shall be constructed in accordance with local requirements with respect to construction methods, size, quantity and design.

5. STRUCTURAL STEEL & METALS

5.01 STRUCTURAL STEEL

The roof structure and supporting columns shall adhere to standards and specifications per the structural engineer's specifications. Roof structure to be truss and frame structure. The roof shall be warranted for ten years.

6. CARPENTRY

6.01 MISCELLANEOUS CARPENTRY

All miscellaneous carpentry will be performed, where applicable, to provide the client with a professional finish.

7. THERMAL & MOISTURE PROTECTION

7.01 ROOF ACCESS

Provide roof access via exterior ladder(s). Ladder to meet all applicable codes (including OSHA).

7.02 MISCELLANEOUS CAULKING

Masonry joints to receive caulking at the exterior, for the full height of the block walls.

7.03 INSULATION

Warehouse insulation is included at metal roof and office areas. No insulation provided over concrete walls.

8. OPENINGS

8.01 PERSONNEL WALK DOORS

Exterior walk doors to be hollow metal doors and frames as required by applicable code exiting requirements.

8.02 DOCK/GRADE LEVEL DOORS

Provide two dock doors below grade with levelers and one dock door at grade per plan and intended use. Three dock doors to be 10’ x 12’ manual sectional vertical rise type. Final location of the grade and dock to be determined.

8.03 RAIL SERVICE

Not included.

8.04 ALUMINUM STOREFRONT

Not included.

8.05 INTERIOR DOORS

Not included.

9. FINISHES (EXTERIOR)

9.01 EXTERIOR WALL PAINTING

The building exterior will receive either one coat primer or one finish coat on the concrete perimeter wall. Finshes for exterior man doors, roll-up doors and handrails will be determined later.

10. SPECIALTY ACCESSORIES

10.01 CANOPIES AND AWNINGS

Not included.

11. DOCK EQUIPMENT

11.01 DOCK LEVELERS, SHELTERS AND BUMPERS

As specified in the plans.

12. MECHANICAL

12.01 PLUMBING

As specified by mechanical engineer.

12.02 HVAC

As specified by mechanical engineer.

12.03 FIRE PROTECTION

The warehouse will be protected with an Early Suppression Fast response (ESFR) fire system with design criteria and density based on distribution use. The ESFR system will be based on static and flowing pressure as tested and approved by the City of Irvine. The system includes a fire pump and a pump house on parcel.

Note: *It has been assumed that the authorities having jurisdiction will approve the design of the proposed ESFR fire sprinkler system with no material changes. Any costs associated with required modifications to the applicable (City of Irvine) design criteria provided by tenant will be borne by tenant.*

Any general office area will be protected with a conventional wet system designed to ordinary hazard criteria.

13. ELECTRICAL

13.01 SITE LIGHTING

Exterior lighting will be supplied by wall-mounted light fixtures commonly referred to as “wall-paks” as well as pole mounted light fixtures if necessary to meet code. All exterior lights will be controlled via photocells.

13.02 ELECTRICAL SERVICE

The final electrical service size to the building shall be based on future calculations. As an assumption an 800 amp service shall be installed inside the warehouse, (location to be determined). Distribution and amperage will be provided for general office use consistent with this type of facility.

13.03 SITE UTILITIES

Provide all substructures required for primary electrical, telephone and termination board from the property line to the electrical room. Data and communication lines by tenant.

14. OFFICE FINISHES/SPECIFICATIONS

14.01 INTERIOR DOORS/HARDWARE

Not included.

14.02 ACOUSTICAL CEILINGS

Not included.

14.03 FLOOR COVERINGS

Not included.

14.04 PAINTING

Not included.

14.05 HVAC

HVAC to be provided as package units. System to be provided based on mechanical engineer’s recommendations.

14.06 BATHROOM ACCESSORIES

Not included.

14.07 CABINETS/COUNTERTOPS/SINK

No allowance for cabinets or countertops has been included.

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Amendment No. 2 to Registration Statement No. 333-175299 on Form S-1 of our report dated April 13, 2011 relating to the financial statements of World of Jeans & Tops dba Tilly's, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the headings "Summary Consolidated Financial and Other Data," "Selected Consolidated Financial and Other Data" and "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

Costa Mesa, California
September 7, 2011

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Amendment No. 2 to Registration Statement No. 333-175299 on Form S-1 of our report dated July 1, 2011 relating to the statement of financial position of Tilly's, Inc. as of May 4, 2011 (date of inception) appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

Costa Mesa, California
September 7, 2011