Table of Contents

As filed with the Securities and Exchange Commission on July 1, 2011

Registration No. 333-

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

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) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum offering price.

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.

Table of Contents

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 July 1, 2011

Shares

TILLY'S

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 9 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.

Table of Contents

TABLE OF CONTENTS

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 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 April 30, 2011, we operated 126 stores in 11 states, averaging approximately 7,800 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 34 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 25 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 combine proven fashion trends, core styles and a vibrant in-store experience that is engaging for our core customers. As a result, we believe we capture more shopping trips and generate higher sales per visit.
- *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 34 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 from 126 locations as of April 30, 2011 to more than 500 stores across the United States. We plan to add 13 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 new stores in the first year and a cash-on-cash payback period of approximately 18 months.
- *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 unit costs and improving operational efficiency throughout our organization.

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 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. 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 described elsewhere in this prospectus, which will occur prior to consummation of this offering.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents 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 thirteen weeks ended May 1, 2010 and April 30, 2011 and the summary consolidated balance sheet data as of April 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		Thirteen Weeks Ended	
	January 30, 2010	January 29, 2011	May 1, 2010	April 30, 2011
	(in thousands, except per share data)			
Consolidated Statements of Operations Data:				
Net sales	$282,764	$332,604	$64,344	$ 83,131
Cost of goods sold(1)	195,430	229,989	45,718	56,922
Gross profit	87,334	102,615	18,626	26,209
Selling, general and administrative expenses	65,912	77,668	16,867	21,244
Operating income	21,422	24,947	1,759	4,965
Interest income (expense), net	(284)	(249)	(78)	(49)
Income before provision for income taxes	21,138	24,698	1,681	4,916
Provision for income taxes	275	282	22	56
Net income	$ 20,863	$ 24,416	$ 1,659	$ 4,860
Net income per common share:				
Basic	$ 1.04	$ 1.22	$ 0.08	$ 0.24
Diluted	$ 1.04	$ 1.21	$ 0.08	
Weighted average shares outstanding:				
Basic	20,000	20,000	20,000	20,000
Diluted	20,014	20,098	20,048	
Pro Forma Income Information (unaudited)(2):				
Historical income before provision for income taxes	$ 21,138	$ 24,698	$ 1,681	$ 4,916
Pro forma provision for income taxes	8,455	9,879	672	1,966
Pro forma net income	$ 12,683	$ 14,819	$ 1,009	$ 2,950
Pro forma basic income per common share(3)				
Pro forma diluted income per common share(3)				

	Fiscal Year Ended		Thirteen Weeks Ended	
	January 30, 2010	January 29, 2011	May 1, 2010	April 30, 2011
Operating Data (unaudited):				
Stores operating at beginning of period	99	111	111	125
Stores opened during the period	13	16	1	1
Stores closed during the period	1	2	—	—
Stores operating at end of period	111	125	112	126
Comparable store sales change(4)	-3.1%	6.7%	2.2%	18.2%
Total square feet at end of period	862,971	967,011	870,423	977,164
Average square footage per store at end of period	7,775	7,736	7,772	7,755
Average net sales per store (in thousands)(5)	$ 2,479	$ 2,528	$ 528	$ 596
Average net stores sales per square foot(5)	$ 318	$ 326	$ 68	$ 77
Capital expenditures (in thousands)	$ 17,514	$ 15,674	$ 4,722	$ 3,001

	Actual April 30, 2011 (unaudited)	Pro Forma April 30, 2011(7) (unaudited) (in thousands)	Pro Forma as adjusted April 30, 2011(8) (unaudited)
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 28,770		
Working capital	38,631		
Total assets	133,579		
Total long-term debt(6)	4,475		
Stockholders' equity	65,103		

(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 for the thirteen weeks ended April 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.
(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 price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us 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 126 stores in 11 states as of April 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 April 30, 2011, we have opened one store during 2011 and plan to open an additional 13 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 126 stores as of April 30, 2011, we operated 72 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 flow from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow 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.

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.

The terms of our planned revolving credit facility impose operating and financial restrictions on us that may impair our ability to respond quickly to changing business and economic conditions. This impairment could have a significant adverse impact on our business.

Upon completion of our initial public offering, we plan to have a $25 million revolving credit facility with Wells Fargo Bank, NA, 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. The planned 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

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 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 the Shaked and Levine family entities may have, 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. In addition, our certificate of incorporation provides for a staggered board of directors, dividing the board members into three classes, permits removal of a director only for cause and provides that director vacancies can only be filled by an affirmative vote of a majority of directors then in office. Furthermore, our bylaws require advance notice of stockholder proposals and director nominations. Finally, 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 $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.

Prior to completion of this offering, World of Jeans & Tops will issue notes to its then existing “S” Corporation shareholders, bearing a market rate of interest, 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. We expect to use approximately $ million of the net proceeds from this offering to pay in full the principal amount of the notes. 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 and we will use such proceeds for working capital and other general corporate purposes. Pending their use, we intend to invest the balance of our net proceeds from this offering in short-term, investment-grade, interest-bearing instruments.

We may also use a portion of the net proceeds to acquire other businesses, products or technologies. However, we do not have agreements or commitments for any specific acquisitions at this time. The amounts actually spent for these purposes may vary significantly and will depend on a number of factors, including our operating costs and other factors described under “Risk Factors”. Our management will retain broad discretion as to the allocation of net proceeds of this offering.

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 April 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 and (iii) 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 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 April 30, 2011		
	Actual (unaudited)	Pro Forma (unaudited)	Pro Forma as adjusted(2) (unaudited)
	(in thousands, except per share amounts)		
Cash and cash equivalents	$ 28,770		
Debt:			
Existing line of credit(1)	—		
Other debt (capital lease liability)	5,113		
Total debt	5,113		
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	64,933		
Total stockholders' equity	65,103		
Total capitalization	$ 70,216	$	$

(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 April 30, 2011. Upon consummation of the initial public offering, the existing line of credit will terminate and a new line of credit with Wells Fargo Bank, NA is expected to go into effect. We expect the new 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 price 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. 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 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. 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. 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 statement of operations data for the fiscal quarters ended May 1, 2010 and April 30, 2011 and the selected consolidated balance sheet data as of April 30, 2011 are derived from our unaudited financial statements that are 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)					Thirteen Weeks Ended	
	February 3, 2007	February 2, 2008	January 31, 2009	January 30, 2010	January 29, 2011	May 1, 2010	April 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	$ 64,344	$ 83,131
Cost of goods sold(2)	125,390	154,357	172,107	195,430	229,989	45,718	56,922
Gross profit	73,839	91,556	82,876	87,334	102,615	18,626	26,209
Selling, general and administrative expenses	42,336	51,840	59,043	65,912	77,668	16,867	21,244
Operating income	31,503	39,716	23,833	21,422	24,947	1,759	4,965
Interest income (expense), net	298	607	35	(284)	(249)	(78)	(49)
Income before provision for income taxes	31,801	40,323	23,868	21,138	24,698	1,681	4,916
Provision for income taxes	436	416	262	275	282	22	56
Net income	$ 31,365	$ 39,907	$ 23,606	$ 20,863	$ 24,416	$ 1,659	$ 4,860
Net income per common share:							
Basic	$ 1.57	$ 2.00	$ 1.18	$ 1.04	$ 1.22	$ 0.08	$ 0.24
Diluted	$ 1.57	$ 2.00	$ 1.18	$ 1.04	$ 1.21	$ 0.08	
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	20,048	
Pro Forma Income Information(3):							
Pro forma provision for income taxes	$ 12,720	$ 16,129	$ 9,547	$ 8,455	$ 9,879	$ 672	$ 1,966
Pro forma net income	19,081	24,194	14,321	12,683	14,819	1,009	2,950
Pro forma basic net income per common share(4)							
Pro forma diluted net income per common share(4)							

	Fiscal Year Ended					Thirteen Weeks Ended	
	February 3, 2007	February 2, 2008	January 31, 2009	January 30, 2010	January 29, 2011	May 1, 2010	April 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	1	1
Stores closed during the period	—	1	—	1	2	—	—
Stores operating at end of period	61	73	99	111	125	112	126
Comparable store sales change(5)	17.3%	8.7%	-12.5%	-3.1%	6.7%	2.2%	18.2%
Total square feet at end of period	480,781	576,156	775,832	862,971	967,011	870,423	977,164
Average square footage per store at end of period	7,882	7,893	7,837	7,775	7,736	7,772	7,755
Average net sales per store (in thousands)(6)	$ 3,472	$ 3,452	$ 2,750	$ 2,479	$ 2,528	$ 528	$ 596
Average net store sales per square foot(6)	$ 440	$ 439	$ 351	$ 318	$ 326	$ 68	$ 77
Capital expenditures (in thousands)	$ 11,748	$ 14,817	$ 23,406	$ 17,514	$ 15,674	$ 4,722	$ 3,001

	As of					
	February 3, 2007	February 2, 2008	January 31, 2009	January 30, 2010	January 29, 2011	April 30, 2011
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 12,369	$ 25,359	$ 24,535	$ 25,705	$ 29,338	$ 28,770
Working capital	9,360	24,354	22,779	29,639	33,907	38,631
Total assets	68,963	93,449	110,142	115,454	130,974	133,579
Total long-term debt(7)	6,933	6,412	5,857	5,267	4,638	4,475
Stockholders' equity	29,755	46,637	55,053	59,896	62,092	65,103

(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 statement for all years 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 thirteen weeks ended April 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 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. The comparable store sales increase for the period ended February 3, 2007 is compared to the corresponding 53-week period in the previous fiscal year. The comparable store sales increase for the period 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. 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 April 30, 2011, we operated 126 stores in 11 states, averaging approximately 7,800 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 29%, from $64.3 million in the thirteen weeks ended May 1, 2010 to $83.1 million in the thirteen weeks ended April 30, 2011. We increased operating income 178%, from $1.8 million in the thirteen weeks ended May 1, 2010 to $5.0 million in the thirteen weeks ended April 30, 2011. Our comparable store sales increased 18.2% in the thirteen weeks ended April 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 time. As of April 30, 2011, we have added one net new store in fiscal year 2011 and plan to add a total of 13 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 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 store model assumes a target store size averaging 7,500 to 8,000 square feet. In the first year, our

new store model targets net sales of approximately $2.2 million and cash flow of $300,000. The target net investment to open our stores is between $500,000 and $550,000, including build-out, pre-opening and initial inventory, net of landlord allowances and payables. As a result, the cash-on-cash payback period on our investment averages about 18 months.

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 believe our distribution infrastructure can support a national retail footprint in excess of 500 stores with minimal 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. 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.

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. 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 April 30, 2011, before any related tax benefit, was $4.2 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			Thirteen Weeks Ended	
	January 31, 2009	January 30, 2010	January 29, 2011	May 1, 2010	April 30, 2011
			(in thousands)		
Statements of Income Data:					
Net sales	$254,983	$282,764	$332,604	$64,344	$ 83,131
Cost of goods sold	172,107	195,430	229,989	45,718	56,922
Gross profit	82,876	87,334	102,615	18,626	26,209
Selling, general and administrative expenses	59,043	65,912	77,668	16,867	21,244
Operating income	23,833	21,422	24,947	1,759	4,965
Interest income (expense), net	35	(284)	(249)	(78)	(49)
Income before provision for income taxes	23,868	21,138	24,698	1,681	4,916
Provision for income taxes	262	275	282	22	56
Net income	$ 23,606	$ 20,863	$ 24,416	$ 1,659	$ 4,860
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%	71.1%	68.5%
Gross profit	32.5%	30.9%	30.9%	28.9%	31.5%
Selling, general and administrative expenses	23.2%	23.3%	23.4%	26.2%	25.5%
Operating income	9.3%	7.6%	7.5%	2.7%	6.0%
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%	2.6%	5.9%
Provision for income taxes	0.1%	0.1%	0.1%	0.0%	0.1%
Net income	9.3%	7.4%	7.3%	2.6%	5.8%
Pro Forma Data (unaudited)(1):					
Income before provision for income taxes	$ 23,868	$ 21,138	$ 24,698	$ 1,681	$ 4,916
Pro forma provision for income taxes	9,547	8,455	9,879	672	1,966
Pro forma net income	$ 14,321	$ 12,683	$ 14,819	$ 1,009	$ 2,950

(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			Thirteen Weeks Ended	
	January 31, 2009	January 30, 2010	January 29, 2011	May 1, 2010	April 30, 2011
Store Operating Data:					
Stores operating at end of period	99	111	125	112	126
Comparable store sales change(1)	-12.5%	-3.1%	6.7%	2.2%	18.2%
Total square feet at end of period	775,832	862,971	967,011	870,423	977,164
Average net sales per store (in thousands)(2)	$ 2,750	$ 2,479	$ 2,528	$ 528	$ 596
Average net sales per square foot(2)	$ 351	$ 318	$ 326	$ 68	$ 77
E-commerce revenues (in thousands)(3)	$ 15,434	$ 22,511	$ 32,804	$ 5,685	$ 8,300

(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.

(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.

Thirteen Weeks Ended April 30, 2011 Compared to Thirteen Weeks Ended May 1, 2010

Net Sales

Net sales increased from $64.3 million in the thirteen weeks ended May 1, 2010 to $83.1 million in the thirteen weeks ended April 30, 2011, an increase of $18.8 million, or 29%. A portion of this increase was due to net sales of $7.4 million from stores open in the first thirteen 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 18.2%, or $11.4 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 108 comparable brick-and-mortar stores and 18 non-comparable brick-and-mortar stores open at April 30, 2011.

Net sales, including shipping and handling fees, from our e-commerce store increased from $5.7 million in the thirteen weeks ended May 1, 2010 to $8.3 million in the thirteen weeks ended April 30, 2011, an increase of $2.6 million, or 46%.

Gross Profit

Gross profit increased from $18.6 million in the thirteen weeks ended May 1, 2010 to $26.2 million in the thirteen weeks ended April 30, 2011, an increase of $7.6 million, or 41%. As a percentage of net sales, gross profit was 28.9% in the thirteen weeks ended May 1, 2010 and 31.5% in the thirteen weeks ended April 30, 2011. Nearly all of the increase in gross profit as a percentage of net sales reflected occupancy cost leverage as sales increased faster than occupancy costs.

Selling, General and Administrative Expenses

SG&A expenses increased from $16.9 million in the thirteen weeks ended May 1, 2010 to $21.2 million in the thirteen weeks ended April 30, 2011, an increase of $4.3 million, or 25%. As a percentage of net sales, SG&A expenses were 26.2% and 25.5% during the thirteen weeks ended May 1, 2010 and April 30, 2011, respectively.

Store selling expenses increased from $11.3 million in the thirteen weeks ended May 1, 2010 to $14.1 million in the thirteen weeks ended April 30, 2011, an increase of $2.8 million, or 25%. As a percentage of net sales, store selling expenses were 17.6% and 17.0% during the thirteen weeks ended May 1, 2010 and April 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 $1.5 million, but decreased 1.1% as a percentage of net sales, reflecting cost leverage as these costs increased more slowly than sales;
- marketing costs increased $1.0 million, or 0.7% as a percentage of net sales, which partially offset the decrease in store payroll 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 $0.3 million, but decreased 0.2% as a percentage of net sales.

General and administrative expenses increased from $5.6 million in the thirteen weeks ended May 1, 2010 to $7.1 million in the thirteen weeks ended April 30, 2011, an increase of $1.5 million, or 27%. As a percentage of net sales, general and administrative expenses were 8.7% and 8.5% during the thirteen weeks ended May 1, 2010 and April 30, 2011, 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 $0.1 million, a 0.7% decrease as a percentage of net sales; and
- this was partially offset by an increase in payroll, payroll benefits and related costs for corporate office personnel of 0.5% as a percentage of net sales. In absolute amounts, payroll, payroll benefits and related corporate office personnel costs increased $1.6 million with 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.

Operating Income

Operating income increased from $1.8 million in the thirteen weeks ended May 1, 2010 to $5.0 million in the thirteen weeks ended April 30, 2011, an increase of $3.2 million, or 178%. As a percentage of net sales, operating income was 2.7% and 6.0% during the thirteen weeks ended May 1, 2010 and April 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 $78,000 in the thirteen weeks ended May 1, 2010 to $49,000 in the thirteen weeks ended April 30, 2011, a decrease of $29,000. 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 bank facility, net of interest income earned on cash balances and on tenant construction allowances due from landlords.

Provision for Income Taxes

Income taxes increased from $22,000 in the thirteen weeks ended May 1, 2010 to $56,000 in the thirteen weeks ended April 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 $0.7 million in the thirteen weeks ended May 1, 2010 to $2.0 million in the thirteen weeks ended April 30, 2011, an increase proportional to the increase in income before provision for income taxes.

Net Income

Net income increased from $1.7 million in the thirteen weeks ended May 1, 2010 to $4.9 million in the thirteen weeks ended April 30, 2011, an increase of $3.2 million, or 188%, 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 $1.0 million in the thirteen weeks ended May 1, 2010 to $3.0 million in the thirteen weeks ended April 30, 2011, an increase of $2.0 million, or 200%.

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.

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 product costs as a percentage of net sales was offset by an increase in distribution costs as a percentage of net sales as we invested in distribution center infrastructure to support future store base expansion.

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 partially attributable to the greater marketing efforts that directly supported the e-commerce business.

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 fixed cost de-leveraging from net sales declining faster than buying and occupancy expenses, as well as an increase in distribution costs due to investment in distribution center infrastructure to support additional store growth in the future. Partially offsetting these increases as a percentage of net sales was a 0.3% decrease 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
	($ in thousands)								
Net sales	$ 57,425	$ 65,296	$ 74,754	$ 85,289	$ 64,344	$ 70,053	$ 91,498	$106,709	$ 83,131
Gross profit	16,714	18,119	24,323	28,178	18,626	18,762	30,379	34,848	26,209
Operating income	2,114	2,430	7,511	9,367	1,759	665	10,823	11,700	4,965
Net income	2,038	2,333	7,352	9,140	1,659	597	10,625	11,535	4,860
Percentage of Annual Results:									
Net sales	20.3%	23.1%	26.4%	30.2%	19.3%	21.1%	27.5%	32.1%	n/a
Gross profit	19.1%	20.7%	27.9%	32.3%	18.2%	18.3%	29.6%	34.0%	n/a
Operating income	9.9%	11.3%	35.1%	43.7%	7.1%	2.7%	43.4%	46.9%	n/a
Net income	9.8%	11.2%	35.2%	43.8%	6.8%	2.4%	43.5%	47.2%	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%
Operating income	3.7%	3.7%	10.0%	11.0%	2.7%	0.9%	11.8%	11.0%	6.0%
Net income	3.5%	3.6%	9.8%	10.7%	2.6%	0.9%	11.6%	10.8%	5.8%
Store Data:									
Total stores open at end of quarter	100	106	107	111	112	120	121	125	126
Comparable store sales change(1)	-9.9%	-9.5%	3.7%	1.5%	2.2%	-3.6%	10.3%	14.6%	18.2%

(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.

Liquidity and Capital Resources

General

Our business relies on cash flow 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 have a $25 million revolving credit facility with Wells Fargo Bank, NA. However, there can be no assurance that we will be able to consummate a new 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 flow 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			Thirteen Weeks Ended	
	January 31, 2009	January 30, 2010	January 29, 2011	May 1, 2010	April 30, 2011
			(in thousands)		
Cash Flows from Operating Activities:					
Net income	$ 23,606	$ 20,863	$ 24,416	$ 1,659	$ 4,860
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	10,923	13,915	14,292	3,577	3,718
(Gain) loss on disposal of assets	(2)	784	224	60	19
Impairment of long-lived assets	593	—	1,985	—	—
Changes in assets and liabilities	3,156	(306)	785	1,013	(4,180)
Net cash provided by operating activities	$ 38,276	$ 35,256	$ 41,702	$ 6,309	$ 4,417
Cash Flows from Investing Activities:					
Purchase of property and equipment	$ (23,406)	$ (17,514)	$ (15,674)	$ (4,722)	$ (3,001)
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)	$ (4,722)	$ (2,983)
Cash Flows from Financing Activities:					
Payment of capital lease obligation	$ (521)	$ (555)	$ (591)	$ (144)	$ (153)
Distributions	(15,190)	(16,020)	(22,220)	(5,031)	(1,849)
Net cash used in financing activities	$ (15,711)	$ (16,575)	$ (22,811)	$ (5,175)	$ (2,002)
Change in cash and cash equivalents	$ (824)	$ 1,170	$ 3,633	$ (3,588)	$ (568)
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	$ 22,117	$ 28,770

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.

Net cash provided by operating activities decreased from $6.3 million in the thirteen weeks ended May 1, 2010 to $4.4 million in the thirteen weeks ended April 30, 2011, a decrease of $1.9 million. Net income was $3.2 million more during the thirteen weeks ended April 30, 2011 than during the comparable thirteen week period of the prior year. Non-cash components of net income such as

depreciation and loss on disposal of assets also increased $0.1 million compared to the comparable thirteen week period in the prior year. However, cash used in changes in assets and liabilities increased $5.2 million in the thirteen weeks ended April 30, 2011 as the decrease in accounts payable and accrued expenses more than offset the increase in deferred rent due to operating additional stores.

Net cash provided by operating activities increased from $35.3 million in fiscal year 2009 to $41.7 million in fiscal year 2010, an increase of $6.4 million. Net income increased by $3.6 million during fiscal year 2010 as discussed above. In addition, non-cash components of net income such as depreciation, asset impairment reserves and loss on disposal of assets increased $1.8 million. Cash provided by changes in assets and liabilities increased $1.1 million in fiscal year 2010 as the increase in deferred rent due to operating additional stores more than offset increased inventory net of payables.

Net cash provided by operating activities decreased from $38.3 million in fiscal year 2008 to $35.3 million in fiscal year 2009, a decrease of $3.0 million. Net income decreased $2.7 million from fiscal year 2008 to fiscal year 2009. This decrease was offset by a $3.2 million increase in non-cash components of net income such as depreciation and amortization, asset impairment and loss on disposal of assets. Cash provided by changes in assets and liabilities decreased by $3.5 million from fiscal year 2008 to fiscal year 2009 largely due to slower inventory turns and therefore a decline in vendor payables despite growth in inventory for new store expansion.

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 $3.8 million and $2.4 million in the thirteen weeks ended May 1, 2010 and April 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 $5.2 million and $2.0 million in the thirteen weeks ended May 1, 2010 and April 30, 2011, respectively. This included $5.0 million and $1.8 million, respectively, in distributions to our shareholders, and $0.1 million and $0.2 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 expect to have a $25.0 million revolving credit facility with a two-year term with Wells Fargo Bank, NA. 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 new 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 consummate this new 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 $5.1 million as of April 30, 2011. The value of the capital lease assets was $7.8 million as of April 30, 2011. The accumulated depreciation of the building under the capital lease was $4.3 million as of April 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 April 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)	6,270	$ 940	$ 1,880	$ 1,880	$ 1,570
Operating Lease Obligations(2)(3)	237,308	31,235	65,934	53,717	86,422
Purchase Obligations(4)	90,382	90,382	—	—	—
Total	$333,960	$122,557	$67,814	$55,597	$87,992

(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.
(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			Thirteen Weeks Ended
	January 31, 2009	January 30, 2010	January 29, 2011	April 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 April 30, 2011, for all options granted under the 2007 Plan and before any related tax benefit, of $4.2 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.

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%, less than the discounted cash flow method, as 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 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. 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. 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 April 30, 2011, we operated 126 stores in 11 states, averaging approximately 7,800 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 34 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 25 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 29%, from $64.3 million in the thirteen weeks ended May 1, 2010 to $83.1 million in the thirteen weeks ended April 30, 2011. We increased operating income 178%, from $1.8 million in the thirteen weeks ended May 1, 2010 to $5.0 million in the thirteen weeks ended April 30, 2011. Our comparable store sales increased 18.2% in the thirteen weeks ended April 30, 2011 as compared to the thirteen weeks ended May 1, 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. As a result, we believe we capture more shopping trips and generate higher sales per visit.
- *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 34 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.

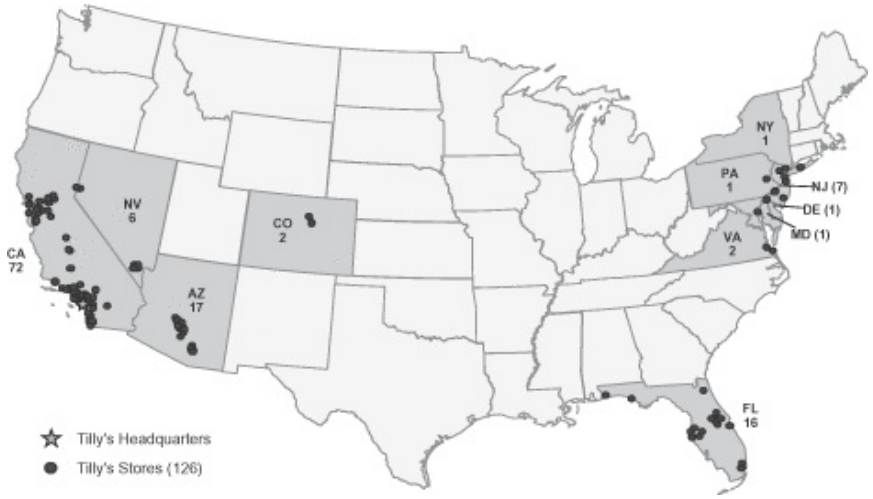
- *Sophisticated systems and distribution infrastructure to support growth.* Over the last five years, we have invested approximately $20 million in our highly automated distribution center and information systems to support our future growth. We believe our distribution and allocation capabilities are 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 126 locations as of April 30, 2011 to more than 500 stores across the United States. 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 126 stores at April 30, 2011. We plan to add 13 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 April 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 25 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 April 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. In the first year, we target net sales of approximately $2.2 million and cash flow of $300,000.

- *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 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 economies of scale in buying and to leverage our existing infrastructure, corporate overhead and fixed costs. 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.

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, U.S. retail and e-commerce 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, U.S. retail and e-commerce 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, 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, 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 source merchandise for our own brands both domestically and internationally in order to benefit from shorter lead times associated with domestic vendors and lower costs associated with foreign 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 April 30, 2011, we operated 126 stores throughout the United States. Our stores are located in mall and off-mall locations. Our stores averaged approximately 7,800 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
Regional 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 thirteen weeks ended April 30, 2011, one additional off-mall store was opened in California, bringing the total number of stores open as of April 30, 2011 to 126.

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

State	Number of Stores
Arizona	17
California	72
Colorado	2
Delaware	1
Florida	16
Maryland	1
Nevada	6
New Jersey	7
New York	1
Pennsylvania	1
Virginia	2
	126

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 13 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 store model, which is based on our historical performance, assumes a target store size averaging 7,500 to 8,000 square feet. In the first year, our new store model targets net sales of approximately $2.2 million and cash flow of $300,000. The target net investment to open our stores is between $500,000 and $550,000, including build-out, pre-opening and initial inventory, net of landlord allowances and payables. As a result, the cash-on-cash payback period on our investment averages about 18 months.

e-Commerce

Our e-commerce platform was established in 2004 and has grown significantly in every year of operation. In the thirteen week period ended April 30, 2011, our e-commerce net sales increased 46% relative to the thirteen week period ended May 1, 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 1.5 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.

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 than we are and have substantially greater financial, marketing and other resources than we do. 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.

We plan to enter into a build-to-suit lease for approximately 26,000 square feet of office and warehouse space located at 11 Whatney, Irvine, California. We anticipate construction will be completed during fiscal year 2012. We intend to use this property as our e-commerce distribution center.

All of our stores, encompassing approximately 977,000 total square feet as of April 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 April 30, 2011, we employed approximately 900 full-time and approximately 2,200 part-time employees, of which approximately 400 were employed at our corporate office and distribution facility and over 2,700 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 our executive officers, directors and other key employees as of June 15, 2011. In the biographical paragraphs that follow, service with our operating subsidiary, World of Jeans & Tops, prior to our holding company formation as described elsewhere in this prospectus, is reflected as service with us.

Name	Age	Position
Hezy Shaked	56	Co-Founder, Chief Strategy Officer and Chairman of the Board of Directors
Daniel Griesemer	51	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	38	Vice President, General Counsel and Secretary
Shelly Johnson	41	Vice President of Stores
Tilly Levine	55	Vice President of Vendor Relations
Carolyn McNamara	46	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)	57	Director
Janet Kerr(2)(3)	56	Director
Jerold Rubinstein(1)(3)	72	Director
Bernard Zeichner(1)(2)(3)	67	Director

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of 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 Compensation Committee since April 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.

Jerold H. Rubinstein has served on our board of directors and as Chairperson of our Audit Committee since April 2011. Mr. Rubinstein is a member of the board of directors and Chairman of the Audit Committee of CKE Restaurants, Inc., a privately held quick service restaurant company. He is Non-Executive Chairman of U.S. Global Investors, Inc., a publicly traded mutual fund advisory company. He is also a member of the board of directors and Chairman of the Audit Committee of Stratus Media Group, Inc., a publicly traded company that owns and operates live entertainment events. Mr. Rubinstein has started and sold many companies over the years, including Bel Air Savings and Loan, United Artist Records, an international music recording and distribution company, DMX, a cable and satellite music international distribution company, and XTRA Music Ltd., a satellite and cable music distribution company in Europe. Recently, Mr. Rubinstein has consulted for many companies on various transactions. Mr. Rubinstein is both a Certified Public Accountant (inactive) and licensed to practice law in California. With over 45 years of experience starting and managing the growth of companies in a variety of industries, including significant financial management experience, Mr. Rubinstein brings to our board of directors extensive management experience and business understanding on issues facing growth companies.

Bernard Zeichner has served on our board of directors since April 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. Upon consummation of our initial public offering, we intend for our board of directors to consist of six 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.

Effective upon the completion of this offering, the members of our board of directors will be divided into three classes, with each director serving a three year term and one class being elected at each year's annual meeting of stockholders. 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.

Pursuant to the offer letter entered into between us and Mr. Griesemer dated January 15, 2011, Mr. Griesemer was appointed to serve as a member of our board of directors.

The following table sets forth the name of each director and the positions and offices held by each director with Tilly's upon consummation of this offering, and the term of each director.

Name	Position with Tilly's
Class I—Term Expiring at 2012 Annual Meeting	
Jerold Rubinstein	Director
Bernard Zeichner	Director
Class II—Term Expiring at 2013 Annual Meeting	
Daniel Griesemer	President and Chief Executive Officer and Director
Janet Kerr	Director
Class III—Term Expiring at 2014 Annual Meeting	
Seth Johnson	Director
Hezy Shaked	Chairman of the Board of Directors and Chief Strategy Officer

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. Rubinstein (Chairperson), Mr. Johnson 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 Messrs. Rubinstein and Johnson each qualify 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. Johnson (Chairperson), Ms. Kerr and Mr. Zeichner. 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. Rubinstein 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, Rubinstein 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).

(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.

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.

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 incentive annual bonus plan based upon relative achievement of operating income and comparable store sales targets. The bonus amounts are based upon a percentage of each officer's base salary, other than Mr. Griesemer.

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 April 30, 2011

The following table sets forth information with respect to outstanding equity awards held by our NEOs as of April 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 April 29, 2011, the last business day of the thirteen weeks ended April 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 April 29, 2011, the last business day of the thirteen weeks ended April 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 April 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.

We plan to enter into a build-to-suit 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. We anticipate construction will be completed during fiscal year 2012. We intend to use this property as our e-commerce distribution center.

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 April 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 April 30, 2011, future minimum rental commitments under the portion of these related party leases accounted for as operating leases were approximately $6,449,000 in the aggregate. As of April 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 $6,270,000 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 Guarantee

The company provided a guarantee 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 shareholders of World of Jeans & Tops contributing all of their equity interests in World of Jeans & Tops to us in return for shares of our Class B common stock on a one-for-one basis. 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	*										
Jerold Rubinstein	0	0	0	—										
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 (8 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 , the 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 June 15, 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. In addition, our board of directors will be divided into three classes with each director serving a three year term and one class being elected at each year's annual meeting of stockholders.
- *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 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-32.

WORLD OF JEANS & TOPS dba TILLY'S

BALANCE SHEETS

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

	January 29, 2011	April 30, 2011	Pro Forma Shareholders' Equity April 30, 2011
ASSETS			
Current assets:			
Cash and cash equivalents	$ 29,338	$ 28,770	
Receivables	4,301	5,910	
Merchandise inventories	33,503	35,631	
Prepaid expenses and other current assets	4,257	4,201	
Total current assets	71,399	74,512	
Property and equipment, net	58,185	57,131	
Other assets	1,390	1,936	
Total assets	$ 130,974	$133,579	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 14,717	$ 16,335	
Deferred revenue	4,125	3,318	
Accrued compensation and benefits	4,174	5,085	
Accrued expenses	11,168	7,751	
Current portion of deferred rent	2,680	2,754	
Current portion of capital lease obligation/related party	628	638	
Total current liabilities	37,492	35,881	
Long-term portion of deferred rent	26,752	28,120	
Long-term portion of capital lease obligation/related party	4,638	4,475	
Total long-term liabilities	31,390	32,595	
Total liabilities	68,882	68,476	
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	64,933	
Total shareholders' equity	62,092	65,103	
Total liabilities and shareholders' equity	$ 130,974	$133,579	

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)

	Thirteen Weeks Ended	
	May 1, 2010	**April 30, 2011**
Net sales	$ 64,344	$ 83,131
Cost of goods sold (includes buying, distribution, and occupancy costs)	45,718	56,922
Gross profit	18,626	26,209
Selling, general and administrative expenses	16,867	21,244
Operating income	1,759	4,965
Interest expense, net	(78)	(49)
Income before provision for income taxes	1,681	4,916
Provision for income taxes	22	56
Net income	$ 1,659	$ 4,860
Basic income per common share	$ 0.08	$ 0.24
Diluted income per common share	$ 0.08	
Weighted average basic common shares outstanding	20,000	20,000
Weighted average diluted common shares outstanding	20,048	
Pro forma income information (Note 1):		
Historical income before provision for income taxes	$ 1,681	$ 4,916
Pro forma provision for income taxes	672	1,966
Pro forma net income	$ 1,009	$ 2,950
Pro forma basic income per common share	$ 0.05	$ 0.15
Pro forma diluted income per common share	$ 0.05	

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	Amout			
Balance January 29, 2011	20,000	$ 20	$ 150	$ 61,922	$62,092
Net income	—	—	—	4,860	4,860
Distributions	—	—	—	(1,849)	(1,849)
Balance April 30, 2011	20,000	$ 20	$ 150	$ 64,933	$ 65,103

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)

	Thirteen Weeks Ended	
	May 1, 2010	**April 30, 2011**
Cash flows from operating activities		
Net income	$ 1,659	$ 4,860
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,577	3,718
Loss on disposal of equipment	60	19
Changes in operating assets and liabilities:		
Receivables	(1,454)	(1,609)
Merchandise inventories	(2,352)	(2,128)
Prepaid expenses and other assets	(428)	(489)
Accounts payable	2,989	1,616
Accrued expenses	259	(3,117)
Accrued compensation and benefits	330	911
Deferred rent	2,348	1,443
Deferred revenue	(679)	(807)
Net cash provided by operating activities	6,309	4,417
Cash flows from investing activities		
Purchase of property and equipment	(4,722)	(3,001)
Proceeds from disposal of property and equipment	—	18
Net cash used in investing activities	(4,722)	(2,983)
Cash flows from financing activities		
Payment of capital lease obligation	(144)	(153)
Distributions	(5,031)	(1,849)
Net cash used in financing activities	(5,175)	(2,002)
Change in cash and cash equivalents	(3,588)	(568)
Cash and cash equivalents, beginning of period	25,705	29,338
Cash and cash equivalents, end of period	$ 22,117	$ 28,770
Supplemental disclosures of cash flow information		
Interest paid	$ 95	$ 81
Income taxes paid	$ 76	$ 21
Supplemental disclosure of non-cash activities		
Unpaid purchases of property and equipment	$ 127	$ 296

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 126 stores as of January 29, 2011 and April 30, 2011, respectively. The stores are located in malls, power centers, neighborhood and lifestyle 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. References to the fiscal quarters ended May 1, 2010 and April 30, 2011 refer to the 13-week periods ended as of those dates.

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") have 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 .

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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 the beginning of the fiscal quarter ended May 1, 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 thirteen weeks ended May 1, 2010 and April 30, 2011 is and , respectively. The pro forma adjustment to weighted average diluted common shares for the thirteen weeks ended May 1, 2010 and April 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.

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 prior 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 fiscal quarters ended May 1, 2010 and April 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
(Unaudited)

3. Accrued Expenses

At January 29, 2011 and April 30, 2011, accrued expenses consisted of the following (in thousands):

	January 29, 2011	April 30, 2011
Sales and use taxes payable	$ 4,886	$ 2,133
Minimum rent and common area maintenance	731	764
Accrued construction	596	296
Accrued merchandise returns	510	979
Other	4,445	3,579
Total accrued expenses	$ 11,168	$ 7,751

4. 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 $29.3 million and $27.0 million at January 29, 2011 and April 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

WORLD OF JEANS & TOPS dba TILLY'S
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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 April 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 thirteen weeks ended May 1, 2010 and April 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 thirteen weeks ended May 1, 2010 and April 30, 2011:

	May 1, 2010	April 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 April 30, 2011, the Company would have recognized $4.2 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 $3.8 million of compensation expense relating to all non-vested outstanding stock options granted to date as of April 30, 2011 would then be recognized over the remaining service period of the awards.

WORLD OF JEANS & TOPS dba TILLY'S

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

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 April 30, 2011 or its results of operations or cash flows for the periods presented.

8. Net Income Per Share

Net income per share is computed under the provisions of Accounting Standards Codification ("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 746,000 and as of May 1, 2010 and April 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 fiscal quarter ended April 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 $0.2 million during both of the fiscal quarters ended May 1, 2010 and April 30, 2011 related to this lease.

10. Subsequent Events

On June 3, 2011, we entered into an agreement with Wells Fargo Bank, NA to extend our revolving credit facility through December 31, 2011. All other terms of the agreement were unchanged.

The Company formed Tilly's, Inc., a Delaware "C" Corporation, on May 4, 2011 which will become the parent company of World of Jeans & Tops upon consummation of the Company's initial public offering.

The Company evaluated subsequent events through July 1, 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.

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.

- 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.

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

	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

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.

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

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.

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.

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. 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

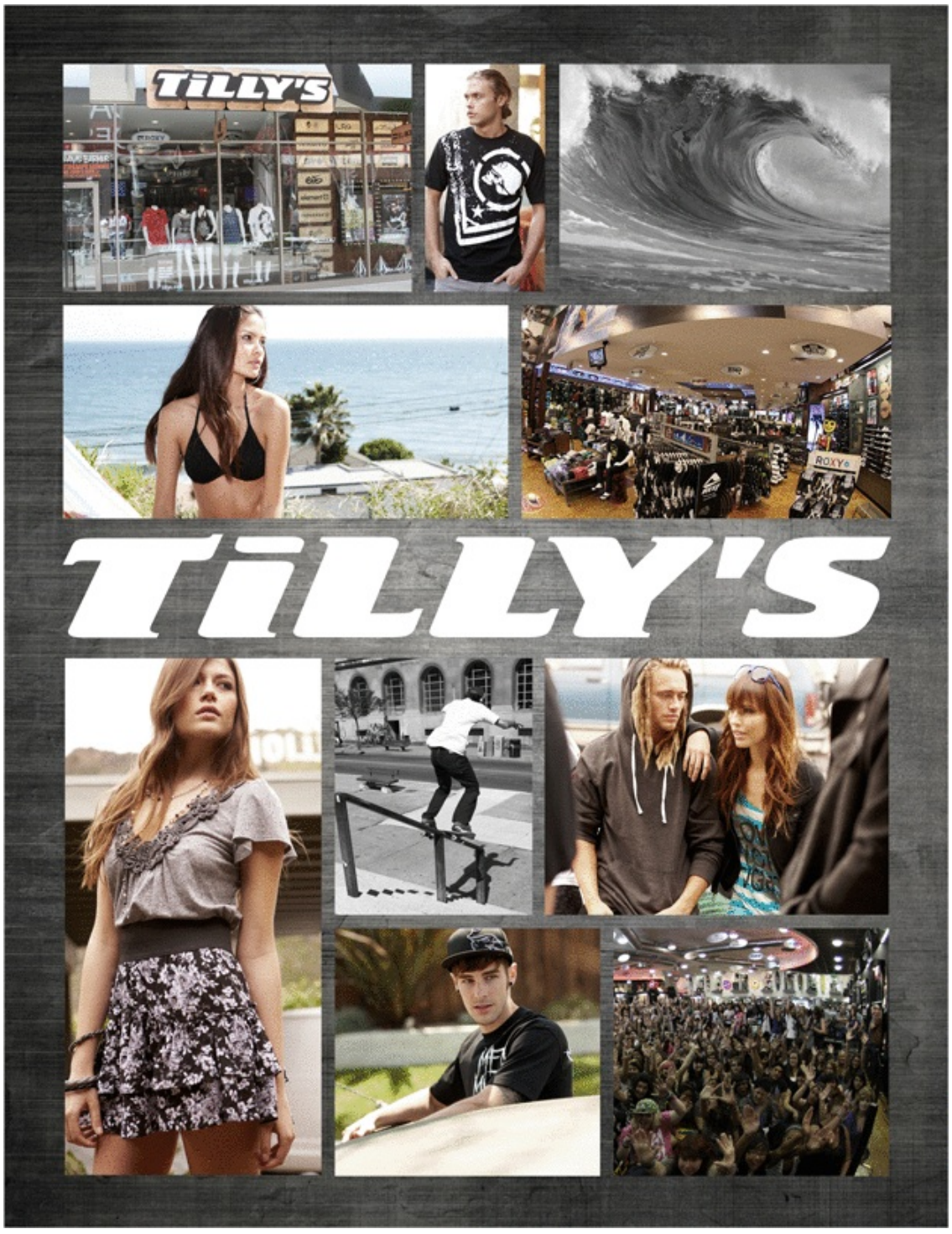
The Company had 100,000,000 shares authorized and 1,000 shares issued and outstanding of Class A common stock with a par value of $0.001 as of May 4, 2011 to one stockholder. The Company had 35,000,000 shares authorized and no shares issued of Class B common stock with a par value of $0.001 as of May 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.

Table of Contents

Table of Contents



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*	
Accounting Fees and Expenses*	
Legal Fees and Expenses*	
Printing and Engraving Expenses*	
Miscellaneous*	
Total	$

* To be updated by amendment

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	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
*10.11	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	Tilly's 2011 Equity and Incentive Award Plan
*10.16	Form of Stock Option Award Agreement
*10.17	Form of Restricted Stock Award Agreement
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 tax indemnification agreement
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.

(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.

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 July 1, 2011.

TILLY'S, INC.

By: /s/ Daniel Griesemer
Daniel Griesemer
President and Chief Executive Officer

POWER OF ATTORNEY AND SIGNATURES

Each person whose signature appears below constitutes and appoints Daniel Griesemer and William Langsdorf, and each of them singly, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue hereof.

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 and Chief Executive Officer (Principal Executive Officer)	July 1, 2011
/s/ William Langsdorf **William Langsdorf**	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	July 1, 2011
/s/ Hezy Shaked **Hezy Shaked**	Sole Director	July 1, 2011

Exhibit 3.1

CERTIFICATE OF INCORPORATION
OF
TILLY'S, INC.

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 issue 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 issue 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

The name and mailing address of the sole incorporator is:

Patrick Grosso
c/o Tilly's, Inc.
10 Whatney

Irvine, California 92618

ARTICLE VI

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 or 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) 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. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the effectiveness of this Certificate of Incorporation (the "Qualifying Record 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 Qualifying Record 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 Qualifying Record 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, 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 VI, 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.

(3) Subject to the rights of holders of any series or series of Preferred Stock, the Board of Directors or any individual director may be removed from office for cause 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.

(4) Subject to the rights of holders of any series or 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. 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.

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 series of any 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 VII

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 VII 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 VII, nor the adoption of any provision of the Corporation's certificate of incorporation inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VII, 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 VII 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 VIII

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 VI, VII and VIII, or to adopt any provision inconsistent therewith.

ARTICLE IX

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 IX.

* * * *

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, herein declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 3rd day of May, 2011.

By: /s/ Patrick Grosso
Patrick Grosso
Sole Incorporator

[Signature Page to Tilly's, Inc. Certificate of Incorporation]

Exhibit 3.2

BYLAWS OF

TILLY'S, INC.

(a Delaware corporation)

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

BYLAWS OF
TILLY'S, INC.

ARTICLE I - CORPORATE OFFICES

1.1 REGISTERED OFFICE.

The registered office of Tilly's, Inc. (the "Corporation") shall be fixed in the Corporation's certificate of incorporation, as the same may be amended from time to time.

1.2 OTHER OFFICES.

The Corporation's board of directors (the "Board") may at any time establish other offices at any place or places where the Corporation is qualified to do business.

ARTICLE II - MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS.

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board. The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211 of the General Corporation Law of the State of Delaware (the " DGCL"). In the absence of any such designation or determination, stockholders' meetings shall be held at the Corporation's principal executive office.

2.2 ANNUAL MEETING.

The Board shall designate the place, if any, date and time of the annual meeting. At the annual meeting, directors shall be elected and other proper business properly brought before the meeting in accordance with Section 2.4 of this Article II may be transacted.

2.3 SPECIAL MEETING.

A special meeting of the stockholders may be called at any time by the Board, chairperson of the Board, 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.

No business may be transacted at such special meeting other than the business specified in such notice to stockholders. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board may be held.

2.4 ADVANCE NOTICE PROCEDURES FOR BUSINESS BROUGHT BEFORE A MEETING.

(i) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) brought before the meeting by the Corporation and specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board or any committee thereof, (b) brought before the meeting by or at the direction of the Board or any committee thereof or (c) otherwise properly brought before the meeting by a stockholder who (A) was a stockholder of record of the Corporation (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the Corporation) both at the time of giving the notice provided for in this Section 2.4 and at the time of the meeting, (B) is entitled to vote at the meeting and (C) has complied with this Section 2.4 as to such business. Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act"), and included in the notice of meeting given by or at the direction of the Board, the foregoing clause (c) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. Stockholders shall not be permitted to propose business to be brought before a special meeting of the stockholders, and the only matters that may be brought before a special meeting are the matters specified in the notice of meeting given by or at the direction of the person calling the meeting pursuant to Article II, Section 2.3 of these bylaws. Stockholders seeking to nominate persons for election to the Board must comply with Section 2.5 of these bylaws, and this Section 2.4 shall not be applicable to nominations except as expressly provided in Section 2.5 of these bylaws.

(ii) Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (a) provide Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation and (b) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.4. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting (which anniversary date, in the case of the first annual meeting following the closing of the Corporation's initial public offering, shall be deemed to be June 1, 2012) ; *provided, however*, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the ninetieth (90th) day prior to such annual meeting or, if later, the tenth (10th) day following the day on which public disclosure of the date of such annual meeting was first made (such notice within such time periods, " Timely Notice"). In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of Timely Notice as described above.

(iii) To be in proper form for purposes of this Section 2.4, a stockholder's notice to the Secretary shall set forth:

(a) As to each Proposing Person (as defined below), (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records) and (B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such

Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as "Stockholder Information");

(b) As to each Proposing Person, (A) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to give such Proposing Person economic risk similar to ownership of shares of any class or series of the Corporation, including due to the fact that the value of such derivative, swap or other transactions are determined by reference to the price, value or volatility of any shares of any class or series of the Corporation, or which derivative, swap or other transactions provide, directly or indirectly, the opportunity to profit from any increase in the price or value of shares of any class or series of the Corporation ("Synthetic Equity Interests"), which Synthetic Equity Interests shall be disclosed without regard to whether (x) the derivative, swap or other transactions convey any voting rights in such shares to such Proposing Person, (y) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such shares or (z) such Proposing Person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions, (B) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which such Proposing Person has or shares a right to vote any shares of any class or series of the Corporation, (C) any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Proposing Person with respect to the shares of any class or series of the Corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the Corporation ("Short Interests"), (D) any rights to dividends on the shares of any class or series of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (E) any performance related fees (other than an asset based fee) that such Proposing Person is entitled to based on any increase or decrease in the price or value of shares of any class or series of the Corporation, or any Synthetic Equity Interests or Short Interests, if any, (F)(x) if such Proposing Person is not a natural person, the identity of the natural person or persons associated with such Proposing Person responsible for the formulation of and decision to propose the business to be brought before the meeting (such person or persons, the " Responsible Person"), the manner in which such Responsible Person was selected, any fiduciary duties owed by such Responsible Person to the equity holders or other beneficiaries of such Proposing Person, the qualifications and background of such Responsible Person and any material interests or relationships of such Responsible Person that are not shared generally by any other record or beneficial holder of the shares of any class or series of the Corporation and that reasonably could have influenced the decision of such Proposing Person to propose such business to be brought before the meeting, and (y) if such Proposing Person is a natural person, the qualifications and background of such

natural person and any material interests or relationships of such natural person that are not shared generally by any other record or beneficial holder of the shares of any class or series of the Corporation and that reasonably could have influenced the decision of such Proposing Person to propose such business to be brought before the meeting, (G) any significant equity interests or any Synthetic Equity Interests or Short Interests in any principal competitor of the Corporation held by such Proposing Persons, (H) any direct or indirect interest of such Proposing Person in any contract with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (I) any pending or threatened litigation in which such Proposing Person is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation, (J) any material transaction occurring during the prior twelve months between such Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation, on the other hand, (K) a summary of any material discussions regarding the business proposed to be brought before the meeting (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other record or beneficial holder of the shares of any class or series of the Corporation (including their names) and (L) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (L) are referred to as "Disclosable Interests"); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these bylaws on behalf of a beneficial owner; and

(c) As to each item of business that the stockholder proposes to bring before the annual meeting, (A) a reasonably brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the bylaws of the Corporation, the language of the proposed amendment) and (C) a reasonably detailed description of all agreements, arrangements and understandings between or among any of the Proposing Persons or between or among any Proposing Person and any other person or entity (including their names) in connection with the proposal of such business by such stockholder.

(iv) For purposes of this Section 2.4, the term "Proposing Person" shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, (iii) any affiliate or associate (each within the meaning of Rule 12b-2 under the Exchange Act for the purposes of these bylaws) of such stockholder or beneficial owner and (iv) any other person with whom such stockholder or beneficial owner (or any of their respective affiliates or associates) is Acting in Concert (as defined below).

(v) A person shall be deemed to be "Acting in Concert" with another person for purposes of these bylaws if such person knowingly acts (whether or not pursuant to an express agreement, arrangement or understanding) in concert with, or towards a common goal relating to the management, governance or control of the Corporation in parallel with, such other person where (A) each person is conscious of the other person's conduct or intent and this awareness is an element in their decision-making processes and (B) at least one additional factor suggests that such persons intend to act in concert or in parallel, which such additional factors may include, without limitation, exchanging information (whether publicly or privately), attending meetings, conducting discussions, or making or soliciting invitations to act in concert or in parallel; *provided*, that a person shall not be deemed to be Acting in Concert with any other person solely as a result of the solicitation or receipt of revocable proxies or consents from such other person in response to a solicitation made pursuant to, and in accordance with, the Section 14(a) of the Exchange Act by way of a proxy or consent solicitation statement filed on Schedule 14A. A person Acting in Concert with another person shall be deemed to be Acting in Concert with any third party who is also Acting in Concert with such other person.

(vi) A stockholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.4 shall be true and correct as of the record date for the determination of stockholders entitled to notice of the annual meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for the determination of stockholders entitled to notice of the annual meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(vii) Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with this Section 2.4. The presiding officer of the meeting shall, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this Section 2.4, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.4, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present the proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of these bylaws, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the annual meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(viii) This Section 2.4 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made pursuant to and in compliance with Rule 14a-8 under the Exchange Act. In addition to the requirements of this Section 2.4 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply

with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 2.4 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act. The notice requirements of this Section 2.4 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the Corporation of his, her or its intention to present a proposal at an annual meeting in compliance with Rule 14a-8 of the Exchange Act and the applicable rules and regulations promulgated thereunder and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

(ix) For purposes of these bylaws, "public disclosure" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

2.5 ADVANCE NOTICE PROCEDURES FOR NOMINATIONS OF DIRECTORS.

(i) Nominations of any person for election to the Board at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting) may be made at such meeting only (a) by or at the direction of the Board, including by any committee or persons appointed by the Board, or (b) by a stockholder who (A) was a stockholder of record of the Corporation (and, with respect to any beneficial owner, if different, on whose behalf such nomination is proposed to be made, only if such beneficial owner was the beneficial owner of shares of the Corporation) both at the time of giving the notice provided for in this Section 2.5 and at the time of the meeting, (B) is entitled to vote at the meeting and (C) has complied with this Section 2.5 as to such nomination. The foregoing clause (b) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the Board to be considered by the stockholders at an annual meeting or special meeting.

(ii) Without qualification, for a stockholder to make any nomination of a person or persons for election to the Board at an annual meeting, the stockholder must (a) provide Timely Notice (as defined in Section 2.4(ii) of these bylaws) thereof in writing and in proper form to the Secretary of the Corporation and (b) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5. Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting, then for a stockholder to make any nomination of a person or persons for election to the Board at a special meeting, the stockholder must (a) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation and (b) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5. To be timely, a stockholder's notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the one hundred twentieth (120th) day prior to such special meeting and not later than the ninetieth (90th) day prior to such special meeting or, if later, the tenth (10th) day following the day on which public disclosure (as defined in Section 2.4(ix) of these bylaws) of the date of such special meeting was first made. In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(iii) To be in proper form for purposes of this Section 2.5, a stockholder's notice to the Secretary shall set forth:

(a) As to each Nominating Person (as defined below), the Stockholder Information (as defined in Section 2.4(iii)(a) of these bylaws) except that for purposes of this Section 2.5, the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2.4(iii)(a);

(b) As to each Nominating Person, any Disclosable Interests (as defined in Section 2.4(iii)(b), except that for purposes of this Section 2.5 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2.4(iii)(b) and the disclosure in clause (L) of Section 2.4(iii)(b) shall be made with respect to the election of directors at the meeting);

(c) As to each person whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such proposed nominee that would be required to be set forth in a stockholder's notice pursuant to this Section 2.5 if such proposed nominee were a Nominating Person, (B) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (C) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three (3) years, and any other material relationships, between or among any Nominating Person, on the one hand, and each proposed nominee, his or her respective affiliates and associates and any other persons with whom such proposed nominee (or any of his or her respective affiliates and associates) is Acting in Concert (as defined in Section 2.4(v) of these bylaws), on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as " Nominee Information"), and (D) a completed and signed questionnaire, representation and agreement as provided in Section 2.5(vii); and

(d) The Corporation may require any proposed nominee to furnish such other information (A) as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation in accordance with the Corporation's Corporate Governance Guidelines or (B) that could be material to a reasonable stockholder's understanding of the independence or lack of independence of such proposed nominee.

(iv) For purposes of this Section 2.5, the term " Nominating Person" shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, (iii) any affiliate or associate of such stockholder or beneficial owner and (iv) any other person with whom such stockholder or such beneficial owner (or any of their respective affiliates or associates) is Acting in Concert.

(v) A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.5 shall be true and correct as of the record date for the determination of stockholders entitled to notice of the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for the determination of stockholders entitled to notice of the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(vi) Notwithstanding anything in these bylaws to the contrary, no person shall be eligible for election as a director of the Corporation unless nominated in accordance with this Section 2.5. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with this Section 2.5, and if he or she should so determine, he or she shall so declare such determination to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.5, unless otherwise required by law, if the stockholder (or a qualfiied representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(vii) To be eligible to be a nominee for election as a director of the Corporation, the proposed nominee must deliver (in accordance with the time periods prescribed for delivery of notice under this Section 2.5) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such proposed nominee (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in form provided by the Secretary upon written request) that such proposed nominee (A) is not and will not become a party to (x) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a " Voting Commitment") that has not been disclosed to the Corporation or (y) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such proposed nominee's fiduciary duties under applicable law, (B) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the Corporation and (C) in such proposed nominee's individual capacity and on behalf of the stockholder (or the beneficial owner, if different) on whose behalf the nomination is made, would be in compliance, if elected as a director of the Corporation, and will comply with applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

(viii) In addition to the requirements of this Section 2.5 with respect to any nomination proposed to be made at a meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to any such nominations.

2.6 NOTICE OF STOCKHOLDERS' MEETINGS.

Unless otherwise provided by law, the certificate of incorporation or these bylaws, the notice of any meeting of stockholders shall be sent or otherwise given in accordance with either Section 2.7 or Section 8.1 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at the meeting as of the record date for determining stockholders entitled to notice of the meeting. The notice shall specify the place, if any, date and hour of the meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting), the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.7 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE.

Notice of any meeting of stockholders shall be deemed given:

(i) if mailed, when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the Corporation's records; or

(ii) if electronically transmitted as provided in Section 8.1 of these bylaws.

An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or any other agent of the Corporation that the notice has been given by mail or by a form of electronic transmission, as applicable, shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.8 QUORUM.

Unless otherwise provided by law, the certificate of incorporation or these bylaws, the holders of a majority in voting power of the stock issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the presiding officer of the meeting or (ii) a majority in voting power of the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time in the manner provided in Section 2.9 of these bylaws until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.9 ADJOURNED MEETING; NOTICE.

When a meeting is adjourned to another time, date or place, if any, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, date, or place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such

adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting, to each stockholders of record as of the record date so fixed for notice of such adjourned meeting.

2.10 CONDUCT OF BUSINESS.

The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the presiding officer of the meeting. The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board, the presiding officer of the meeting shall have the right and authority to convene and (for any or no reason) to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the presiding officer of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding officer of the meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a nomination or matter or business was not properly brought before the meeting and if such presiding officer should so determine, such chairman shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the presiding officer of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

2.11 VOTING.

Except as may be otherwise provided in the certificate of incorporation or these bylaws, each stockholder shall be entitled to one (1) vote for each share of Class A Common Stock and ten (10) votes for each share of Class B Common Stock held by such stockholder.

At all meetings of stockholders for the election of directors at which a quorum is present a plurality of the votes cast shall be sufficient to elect a director. All other questions presented to the stockholders at a meeting at which a quorum is present shall, unless otherwise provided by the certificate of incorporation, these bylaws, the rules or regulations of any stock exchange applicable to the Corporation, or applicable law or pursuant to any regulation applicable to the Corporation or its securities, be decided by the affirmative vote of the holders of a majority in voting power of the shares of stock of the Corporation which are present in person or by proxy and entitled to vote thereon.

2.12 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Subject to the rights of the holders of the shares 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 stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

2.13 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which shall not be more than sixty (60) days prior to such other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

(c) In order that the Corporation may determine the stockholders entitled to express consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board. If no record date for determining stockholders entitled to express consent to corporate action in writing without a meeting is fixed by the Board, (i) when no prior action of the Board is required by law, the record date for such purpose shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law, and (ii) if prior action by the Board is required by law, the record date for such purpose shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

2.14 PROXIES.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of

Section 212 of the DGCL. A proxy may be in the form of a telegram, cablegram or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram or other means of electronic transmission was authorized by the stockholder.

2.15 LIST OF STOCKHOLDERS ENTITLED TO VOTE.

The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the Corporation's principal place of business. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to the identity of the stockholders entitled to vote at the meeting in person or by proxy and the number of shares held by each of them, and as to the stockholders entitled to examine the list of stockholders.

2.16 POSTPONEMENT AND CANCELLATION OF MEETING.

Any previously scheduled annual or special meeting of the stockholders may be postponed, and any previously scheduled annual or special meeting of the stockholders may be canceled, by resolution of the Board upon public notice given prior to the time previously scheduled for such meeting of stockholders.

2.17 INSPECTORS OF ELECTION.

Before any meeting of stockholders, the Board shall appoint an inspector or inspectors of election to act at the meeting or its adjournment and make a written report thereof. The number of inspectors shall be either one (1) or three (3). If any person appointed as inspector fails to appear or fails or refuses to act, then the chairperson of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

(i) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(ii) receive votes or ballots;

(iii) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(iv) retain for a reasonable period, a record of the disposition of any challenges;

(v) count and tabulate all votes;

(vi) determine when the polls shall close;

(vii) determine and certify the result; and

(viii) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

ARTICLE III - DIRECTORS

3.1 POWERS.

Subject to the provisions of the DGCL and any limitations in the certificate of incorporation relating to action required to be approved by the stockholders, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board.

3.2 NUMBER OF DIRECTORS.

The authorized number of directors shall be determined from time to time by resolution of the Board, provided the Board shall consist of at least one (1) member. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS.

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is duly elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors.

3.4 RESIGNATION AND VACANCIES.

Any director may resign at any time upon notice given in writing or by electronic transmission to the Corporation. Except as otherwise required by applicable law or the certificate of incorporation, when one or

more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Unless otherwise provided in the certificate of incorporation or these bylaws, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director and each director so chosen shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until his or her successor is duly elected and qualified or until such director's earlier death, resignation or removal.

3.5 ORGANIZATION.

Meetings of the Board shall be presided over by the chairperson of the Board, if any, or in his absence by the vice chairperson of the Board, if any, or in his absence by the chief executive officer (if the chief executive officer is a director), or in his absence by the president (if the president is a director), or in their absence by a chairperson chosen at the meeting. The secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

3.6 PLACE OF MEETINGS; MEETINGS BY TELEPHONE.

The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting pursuant to this bylaw shall constitute presence in person at the meeting.

3.7 REGULAR MEETINGS.

Regular meetings of the Board may be held without notice at such date and time and at such place, if any, as shall from time to time be determined by the Board, provided, if the Board shall change the date and time or place of any regular meeting, notice of such action shall be given or waived as described in Section 3.8 hereof:

3.8 SPECIAL MEETINGS; NOTICE.

Special meetings of the Board for any purpose or purposes may be called at any time by the chairperson of the Board, the chief executive officer, the president, the secretary or a majority of the directors then in office.

Notice of the date, time and place, if any, of special meetings shall be:

(i) delivered personally by hand, by courier or by telephone;

(ii) sent by United States first-class mail, postage prepaid;

(iii) sent by facsimile; or

(iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the Corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least twenty-four (24) hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the Corporation's principal executive office) nor the purpose of the meeting.

Notice of such a meeting need not be given to any director who attends such meeting without protesting the lack of notice to him or her, prior to the commencement of such meeting or to any director who submits a signed waiver of notice, whether before or after such meeting.

3.9 QUORUM.

At all meetings of the Board, a majority of the authorized number of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specifically provided by applicable law, the certificate of incorporation or these bylaws. If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.10 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.11 TELEPHONIC MEETINGS.

Members of the Board, or any committee of directors designated by the Board, may participate in a meeting of the Board or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.11 shall constitute presence in person at such meeting.

3.12 FEES AND COMPENSATION OF DIRECTORS.

Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board shall have the authority to fix the compensation of directors.

ARTICLE IV - COMMITTEES

4.1 COMMITTEES OF DIRECTORS.

The Board may designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the Corporation. The Board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the Corporation.

4.2 COMMITTEE MINUTES.

Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

4.3 MEETINGS AND ACTION OF COMMITTEES.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

(i) Section 3.5 (place of meetings and meetings by telephone);

(ii) Section 3.7 (regular meetings);

(iii) Section 3.8 (special meetings and notice);

(iv) Section 3.9 (quorum);

(v) Section 7.12 (waiver of notice); and

(vi) Section 3.10 (action without a meeting),

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members. *However*:

(i) the time of regular meetings of committees may be determined by resolution of the committee;

(ii) special meetings of committees may also be called by resolution of the Board; and

(iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The committee may adopt rules for the government of the committee not inconsistent with the provisions of these bylaws.

ARTICLE V - OFFICERS

5.1 OFFICERS.

The officers of the Corporation shall be the chief executive officer, the president, one (1) or more vice presidents, the secretary and the treasurer. The Corporation may also have, at the discretion of the Board, a chairperson of the Board, a vice chairperson of the Board, a chief financial officer, one (1) or more assistant vice presidents, one (1) or more assistant treasurers, one (1) or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS.

The Board shall appoint the officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws, subject to the rights, if any, of an officer under any contract of employment.

(i) Chief Executive Officer.

The chief executive officer shall have the general control and management of the business and affairs of the Corporation, under the direction of the Board. He or she shall have power: (i) to select and appoint all necessary officers and employees of the Corporation except such officers as under these bylaws are to be appointed solely by the Board, (ii) to remove all appointed officers (other than officers as under these bylaws are to be appointed solely the Board) or employees whenever he or she shall deem it necessary, and to make new appointments to fill the vacancies and (iii) to suspend from officer for cause any elected officer, which shall be forthwith declared in writing to the Board. The chief executive officer shall have such other authority and shall perform such other duties as may be determined by the Board.

(ii) President.

The president shall have such authority and perform such duties relative to the business and affairs of the Corporation as may be determined by the Board or the chief executive officer. In the absence of both the chairperson and the chief executive officer, the president shall preside at meetings of the stockholders and of the directors. If the Board shall not have elected a chief executive officer, the president shall have such authority and shall perform such additional duties as in these bylaws is provided for the office of chief executive officer.

(iii) Vice Presidents.

Each vice president shall have such powers and perform all such duties as from time to time may be determined by the Board, the chief executive officer, the president or the senior officer to whom such officer reports.

(iv) Secretary.

The secretary shall record the proceedings of all meetings of the Board, the committees of the Board and the stockholders, shall see that all notices are duly given in accordance with the provisions of these bylaws and as required by law, shall be custodian of the records and the seal of the Corporation and, if necessary or appropriate, affix and attest the seal to all documents to be executed on behalf of the Corporation under its seal, shall see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed, and in general, shall perform all the duties incident to the office of secretary and such other duties as from time to time may be determined by the Board, the chief executive officer or the president.

(v) Treasurer.

The treasurer shall exercise general supervision over the receipt, custody and disbursement of corporate funds. The treasurer shall have such further powers and duties as may be determined from time to time by the Board, the chief executive officer or the president.

5.3 SUBORDINATE OFFICERS.

The Board may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, to appoint, such other officers and agents as the business of the Corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board at any regular or special meeting of the Board or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES.

Any vacancy occurring in any office of the Corporation shall be filled by the Board or as provided in Section 5.2.

5.6 REPRESENTATION OF SHARES OF OTHER COMPANIES.

The chairperson of the Board, the president, any vice president, the treasurer, the secretary or assistant secretary of this Corporation, or any other person authorized by the Board or the president or a vice president, is authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares of any other entity or entities standing in the name of this Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 AUTHORITY AND DUTIES OF OFFICERS.

All officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board or the stockholders and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

5.8 COMPENSATION.

The compensation of the officers of the Corporation for their services as such officers shall be fixed from time to time by the Board, provided, however, that the Board may by resolution delegate to the chief executive officer the power to fix compensation of non-elected officers and agents appointed by the chief executive officer. An officer of the Corporation shall not be prevented from receiving compensation by reason of the fact that such officer is also a director of the Corporation.

ARTICLE VI - [Reserved]

ARTICLE VII - GENERAL MATTERS

7.1 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS.

The Board, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances.

7.2 STOCK CERTIFICATES; PARTLY PAID SHARES.

The shares of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by the chairperson or vice-chairperson of the Board, or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the Corporation representing the number of shares registered in certificate form. Any or all of the signatures on

the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

7.3 SPECIAL DESIGNATION ON CERTIFICATES.

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; *provided, however*, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. The Corporation shall, within a reasonable time after the issuance or transfer of uncertificated stock, send to the registered owner thereof a written notice containing the information required to be set forth or stated on stock certificates pursuant to the DGCL.

7.4 LOST CERTIFICATES.

Except as provided in this Section 7.4, no new certificates or uncertificated shares for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

7.5 CONSTRUCTION; DEFINITIONS.

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

7.6 DIVIDENDS.

The Board, subject to any restrictions contained in either (i) the DGCL or (ii) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property or in shares of the Corporation's capital stock.

The Board may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

7.7 FISCAL YEAR.

The fiscal year of the Corporation shall be fixed by resolution of the Board and may be changed by resolution of the Board.

7.8 SEAL.

The Corporation may adopt a corporate seal, which shall be adopted and which may be altered by the Board. The Corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

7.9 TRANSFER OF STOCK.

Shares of the Corporation shall be transferable in the manner prescribed by law and in these bylaws. Shares of stock of the Corporation shall be transferred on the books of the Corporation only by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates representing such shares endorsed by the appropriate person or persons (or by delivery of duly executed instructions with respect to uncertificated shares), with such evidence of the authenticity of such endorsement or execution, transfer, authorization and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing the names of the persons from and to whom it was transferred.

7.10 STOCK TRANSFER AGREEMENTS.

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

7.11 REGISTERED STOCKHOLDERS.

The Corporation:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner; and

(ii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

7.12 WAIVER OF NOTICE.

Whenever notice is required to be given under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

ARTICLE VIII - NOTICE BY ELECTRONIC TRANSMISSION

8.1 NOTICE BY ELECTRONIC TRANSMISSION.

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the Corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if:

(i) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices given by the Corporation in accordance with such consent; and

(ii) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

(iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

8.2 DEFINITION OF ELECTRONIC TRANSMISSION.

An "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

ARTICLE IX - INDEMNIFICATION; ADVANCEMENT OF EXPENSES

9.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Corporation shall indemnify and hold harmless, to the fullest extent permitted by the DGCL as it presently exists or may hereafter be amended, any director or officer of the Corporation who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person in connection with any such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 9.4, the Corporation shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized in advance in the specific case by the Board.

9.2 INDEMNIFICATION OF OTHERS.

The Corporation shall have the power to indemnify and hold harmless, to the extent permitted by applicable law as it presently exists or may hereafter be amended, any employee or agent of the Corporation who was or is made or is threatened to be made a party or is otherwise involved in any Proceeding by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person in connection with any such Proceeding.

9.3 ADVANCEMENT OF EXPENSES.

The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by any officer or director of the Corporation, and may pay the expenses incurred by any employee or agent of the Corporation, in defending any Proceeding in advance of its final disposition; *provided, however*, that such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the person to repay all amounts advanced if

it should be ultimately determined that the person is not entitled to be indemnified under this Article IX or otherwise.

9.4 DETERMINATION; CLAIM.

If a claim for indemnification (following the final disposition of such Proceeding) or advancement of expenses under this Article IX is not paid in full within sixty (60) days after a written claim therefor has been received by the Corporation the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

9.5 NON-EXCLUSIVITY OF RIGHTS.

The rights conferred on any person by this Article IX shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

9.6 INSURANCE.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust enterprise or non-profit entity against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the DGCL.

9.7 OTHER INDEMNIFICATION; ADVANCEMENT OF EXPENSES.

The Corporation's obligation, if any, to indemnify or advance expenses to any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or non-profit entity shall be reduced by any amount such person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

9.8 CONTINUATION OF INDEMNIFICATION.

The rights to indemnification and to advancement of expenses provided by, or granted pursuant to, this Article IX shall continue notwithstanding that the person has ceased to be a director or officer of the Corporation and shall inure to the benefit of the estate, heirs, executors, administrators, legatees and distributees of such person.

9.9 AMENDMENT OR REPEAL.

The provisions of this Article IX shall constitute a contract between the Corporation, on the one hand, and, on the other hand, each individual who serves or has served as a director or officer of the Corporation (whether before or after the adoption of these bylaws), in consideration of such person's performance of such services, and pursuant to this Article IX the Corporation intends to be legally bound to each such current or

former director or officer of the Corporation. With respect to current and former directors and officers of the Corporation, the rights conferred under this Article IX are present contractual rights and such rights are fully vested, and shall be deemed to have vested fully, immediately upon adoption of theses bylaws. With respect to any directors or officers of the Corporation who commence service following adoption of these bylaws, the rights conferred under this provision shall be present contractual rights and such rights shall fully vest, and be deemed to have vested fully, immediately upon such director or officer commencing service as a director or officer of the Corporation. Any repeal or modification of the foregoing provisions of this Article IX shall not adversely affect any right or protection (i) hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification or (ii) under any agreement providing for indemnification or advancement of expenses to an officer or director of the Corporation in effect prior to the time of such repeal or modification.

ARTICLE X - AMENDMENTS

These bylaws may be adopted, amended or repealed by 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. However, the Corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal these bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal these bylaws in accordance with the provisions of the certificate of incorporation, these bylaws and applicable law.

TILLY'S, INC.

CERTIFICATE OF ADOPTION OF BYLAWS

I hereby certify that:

I am the duly elected and acting Secretary of Tilly's, Inc., a Delaware corporation (the "Company"); and

Attached hereto is a complete and accurate copy of the Bylaws of the Company as duly adopted by the Board of Directors by Written Consent dated May 11, 2011 and said Bylaws are presently in effect.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Adoption of Bylaws as of the 11 day of May, 2011.

/s/ Patrick Grosso
Secretary

Exhibit 10.2

AMENDED AND RESTATED
CREDIT AGREEMENT

THIS AGREEMENT is entered into as of [_____], 2011, by and between WORLD OF JEANS & TOPS, a California corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower and Bank are parties to that certain Credit Agreement dated as of May 1, 2003 (as amended to the date hereof, the "Existing Credit Agreement"), and Borrower and Bank desire to amend and restate the Existing Credit Agreement on the terms set forth herein.

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including [_____] 2013, not to exceed at any time the aggregate principal amount of Twenty Five Million Dollars ($25,000,000.00) ("Line of Credit"), the proceeds of which shall be used to finance Borrower's working capital requirements. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note substantially in the form of Exhibit A attached hereto ("Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause an affiliate to issue commercial and standby letters of credit for the account of Borrower (each, a "Letter of Credit" and collectively, "Letters of Credit"); provided however, that the aggregate undrawn amount of all outstanding Letters of Credit shall not at any time exceed Fifteen Million Dollars ($15,000,000.00). The form and substance of each Letter of Credit shall be subject to approval by Bank, in its sole discretion. Each Letter of Credit shall be issued for a term not to exceed three hundred sixty-five (365) days, as designated by Borrower; provided however, that no Letter of Credit shall have an expiration date more than one hundred twenty (120) days beyond the maturity date of the Line of Credit. The undrawn amount of all Letters of Credit shall be reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Letter of Credit shall be subject to the additional terms and conditions of the Letter of Credit agreements, applications and any related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions

of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit. In such event Borrower agrees that Bank, in its sole discretion, may debit any account maintained by Borrower with Bank for the amount of any such drawing.

(c) Limitation on Borrowings. During any Formula Period, outstanding borrowings under the Line of Credit shall not at any time exceed seventy five percent (75%) of Borrower's eligible inventory (exclusive of work in process and inventory which is obsolete, unsalable or damaged), with the value determined on a cost basis. The foregoing shall be determined by Bank upon receipt and review of the collateral report required pursuant to Section 4.3(b) hereof and such other documents and collateral information as Bank may from time to time require. As used herein, "Formula Period" shall mean a period commencing from the first day of the calendar month immediately following a calendar month in which the average daily usage under the Line of Credit exceeds Fifteen Million Dollars ($15,000,000.00) and continuing up to and including the last day of a calendar quarter during which, in any month of such quarter, the average daily usage under the Line of Credit is equal to or less than Fifteen Million Dollars ($15,000,000.00).

(d) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth above.

SECTION 1.2. INTEREST/FEES.

(a) Interest. The outstanding principal balance of each credit subject hereto shall bear interest, and the amount of each drawing paid under any Letter of Credit shall bear interest from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith.

(b) Computation and Payment. Interest shall be computed on the basis of a 360-day year, actual days elapsed. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) Unused Commitment Fee. Borrower shall pay to Bank a fee equal to ten-hundredths percent (0.10%) per annum (computed on the basis of a 360-day year, actual days elapsed) on the average daily unused amount of the Line of Credit, which fee shall be calculated on a calendar quarter basis by Bank and shall be due and payable by Borrower in arrears on the last day of each September, December, March and June.

(d) Letter of Credit Fees. Borrower shall pay to Bank (i) fees with respect to each standby Letter of Credit equal to 1.50% per annum (computed on the basis of a 360-day year,

actual days elapsed) of the face amount thereof, which fees shall be due and payable on each one-year anniversary of the issuance date of each such standby Letter of Credit and (ii) such other fees upon the issuance of each Letter of Credit, upon the payment or negotiation of each drawing under any Letter of Credit and upon the occurrence of any other activity with respect to any Letter of Credit (including without limitation, the transfer, amendment or cancellation of any Letter of Credit) determined in accordance with Bank's standard fees and charges then in effect for such activity.

SECTION 1.3. COLLECTION OF PAYMENTS. Borrower authorizes Bank to collect all interest and fees due under the Line of Credit by charging Borrower's deposit account number 4945-012565 with Bank, or any other deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

SECTION 1.4. COLLATERAL.

As security for all indebtedness of Borrower to Bank subject hereto, Borrower hereby grants to Bank security interests of first priority in all Borrower's accounts receivable and other rights to payment, general intangibles, inventory and equipment.

All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, deeds of trust and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall reimburse Bank immediately upon demand for all costs and expenses incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees and costs of appraisals, audits and title insurance.

SECTION 1.5. GUARANTIES. The payment and performance of all indebtedness and other obligations of Borrower to Bank hereunder and under the other Loan Documents shall be guaranteed by Tilly's, Inc., as evidenced by and subject to the terms of guaranties in form and substance satisfactory to Bank and shall be secured by a first priority lien in favor of Bank on the equity interests of the Borrower owned by Tilly's, Inc.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. Borrower is a corporation, duly organized and existing and in good standing under the laws of the State of California, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, guarantee, security agreement, pledge agreement, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The financial statement of Borrower dated January 29, 2011, a true copy of which has been delivered by Borrower to Bank prior to the date hereof, (a) is complete and correct and presents fairly the financial condition of Borrower, (b) discloses all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) has been prepared in accordance with generally accepted accounting principles consistently applied. Since the date of such financial statement there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ER1SA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined

employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

ARTICLE III
CONDITIONS

SECTION 3.1. CONDITIONS OF EXTENSION OF CREDIT. The obligation of Bank to extend or continue to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

(a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be satisfactory to Bank's counsel.

(b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:

(i) This Agreement and each promissory note or other instrument or document required hereby.

(ii) Corporate Resolution: Borrowing.

(iii) Certificate of Incumbency.

(iv) Continuing Security Agreement: Rights to Payment and Inventory.

(v) Security Agreement: Equipment.

(vi) Disbursement Order.

(vii) A Continuing Guaranty and a Pledge Agreement executed by Tilly's, Inc., together with a secretary's certificate, board resolutions, and such other documents relating to Tilly's, Inc. as required by Bank.

(viii) Such other documents as Bank may require under any other Section of this Agreement.

(c) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower.

(d) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, (i) no material adverse change in the business, assets, operations, prospects or condition (financial or otherwise) of the Borrower, the ability of the Borrower to perform any of its obligations under this Agreement or under any of the other Loan Documents, or the rights of or benefits available to the Bank under this Agreement or any of the other Loan Documents shall have occurred, and (ii) no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit.

(c) Additional Letter of Credit Documentation. Prior to the issuance of each Letter of Credit, Bank shall have received a Letter of Credit Agreement, properly completed and duly executed by Borrower.

ARTICLE IV
AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 90 days after and as of the end of each fiscal year, audited consolidated and consolidating financial statements of Tilly's, Inc., prepared by an independent certified public accountant acceptable to Bank, to include consolidated and consolidating balance sheet, income statement and statement of cash flow, management report, and auditor's report, together with all supporting schedules and footnotes;

(b) [commencing with the fiscal quarter ending _____, 2011,] not later than 45 days after and as of the end of each fiscal quarter, consolidated and consolidating financial statements of Tilly's, Inc., prepared by Tilly's, Inc., to include a balance sheet and income statement [, and with respect to each fiscal quarter ending prior to _____, 2011, quarterly financial statements of Borrower, prepared by Borrower, to include a balance sheet and income statement];

(c) not later than 45 days after and as of the end of each fiscal quarter, a store profit and loss statement, prepared by Borrower, to include all revenues and expenses on an individual store basis for all of the Borrower's then operating retail clothing store locations;

(d) contemporaneously with each delivery of annual and quarterly consolidated financial statements required hereby, a certificate of the president or chief financial officer of Borrower that said financial statements are accurate, that there exists no Event of Default nor any condition, act, or event which with the giving of notice or the passage of time or both would constitute an Event of Default, and setting forth in reasonable detail calculations of the financial covenants set forth in Section 4.9 hereof;

(e) not later than 90 days after commencement of each fiscal year of Tilly's, Inc., projections for such fiscal year and for each quarter thereof including forecasted consolidated balance sheets and statements of income, together with an explanation of the assumptions on which such forecasts are based;

(f) promptly upon request by Bank, copies of audit reports, management letters or recommendations submitted to the board of directors (or any committee thereof) of Tilly's, Inc. or the Borrower by independent accountants in connection with the accounts or books of such companies or any audit thereof;

(g) promptly after the same become available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of Tilly's, Inc., and copies of all annual, regular, periodic and special reports and registration statements which Tilly's, Inc. or Borrower may file or be required to file with the U.S. Securities and Exchange Commission and not otherwise required to be delivered to Bank pursuant to this Agreement;

(h) from time to time such other information as Bank may reasonably request.

Documents required to be delivered pursuant to Section 4.3(a), 4.3(b) and 4.3(g) (to the extent any such documents are included in materials otherwise filed with the U.S. Securities and Exchange Commission) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which Tilly's, Inc. posts such documents, or provides a link thereto on the website of Tilly's, Inc. on the Internet at the website address www.tillys.com or another website address provided by the Borrower in a written notice to Bank or (ii) on which such documents are posted on a publicly available website maintained by or on behalf of the U.S. Securities and Exchange Commission for access to documents filed in the EDGAR database; provided that the Borrower shall notify Bank (by telecopier or electronic mail) of the posting of any such documents and, if requested by Bank, provide to Bank by electronic mail electronic versions (i.e., soft copies) of such documents.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business.

SECTION 4.5. INSURANCE. Maintain and keep in force insurance of the types and in amounts customarily carried in lines of business similar to that of Borrower, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except such (a) as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower (i) affecting Tilly's, Inc., Borrower or any of their

respective subsidiaries which, individually or in the aggregate, could reasonably be expected to have a material adverse effect on Borrower or such entity or involve a monetary claim in excess of $1,000,000, (ii) affecting or with respect to this Agreement, any other Loan Document or any security interest or lien created thereunder or (iii) involving an environmental claim or potential liability under environmental laws in excess of $500,000.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower as a consolidated subsidiary of Tilly's, Inc. for accounting purposes, and maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Current Ratio not at any time less than 1.25 to 1.00, determined as of the end of each fiscal quarter, with "Current Ratio" defined as total current assets of Tilly's, Inc. and its consolidated subsidiaries divided by total current liabilities.

(b) Net Profit Before Tax of Tilly's, Inc. and its consolidated subsidiaries not less than $1.00, excluding a non-cash expense of up to a maximum of $2,000,000.00 for the write-off of impaired fixed assets as per the requirements of Accounting Standard Classification Topic ASC 360 for the cumulative rolling four-quarter period being measured, determined as of the end of each fiscal quarter on a cumulative rolling four-quarter basis.

(c) Total Funded Debt to EBITDAR of Tilly's, Inc. and its consolidated subsidiaries not greater than 4.00 to 1.00 as of each quarter end, determined on a rolling four-quarter basis, with "Funded Debt" defined as the sum of (i) all obligations for borrowed money, (ii) capital leases, and (iii) annual rent expense from all operating leases multiplied by eight (8) and "EBITDAR" defined as the sum of net income, interest expense, taxes, depreciation, amortization and annual rent expense.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any material uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property.

ARTICLE V
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 5.2. CAPITAL EXPENDITURES. Make any additional investment in fixed assets in any fiscal year in excess of an aggregate of $40,000,000.00.

SECTION 5.3. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower to Bank, (b) additional debt in an amount not to exceed $1,500,000.00 in the aggregate, (c) debt evidenced by that certain promissory note dated on or about the date hereof in a principal amount not to exceed $75,000,000, issued by Borrower in favor of certain stockholders of Borrower the terms of which have been approved by Bank so long as (i) such note has been repaid in full and cancelled by not later than 14 days after the date thereof and (ii) no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall exist at the time of such repayment or shall result therefrom, (d) any other liabilities of Borrower existing as of, and disclosed to Bank prior to, the date hereof, and (e) capital lease obligations relating to the Borrower's distribution and corporate headquarters facility.

SECTION 5.4. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity (except for mergers in connection with acquisitions expressly permitted under Section 5.6 in which the Borrower is the survivor); make any substantial change in the nature of Borrower's business as conducted as of the date hereof; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business.

SECTION 5.5. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank.

SECTION 5.6. LOANS, ADVANCES, INVESTMENTS, ACQUISITIONS. Make any loans or advances to or investments in any person or entity, or acquire any other person or entity or all or substantially all of the assets of any other person or entity or any business unit thereof, except (i) loans and advances made to employees or shareholders of the Borrower, (ii) any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof, and (iii) acquisitions that meet all of the following criteria: (a) the persons or assets to be acquired are in the same or substantially similar lines of business as the Borrower, (b) the board of directors or equivalent governing body of the other parties to each such acquisition have approved or consented to the acquisition, (c) immediately before and after giving effect to each such proposed acquisition, no Event of Default shall have occurred and be continuing, (d) Borrower shall be in pro forma compliance with the financial covenants set forth in Section 4.9 hereof after giving effect to each such acquisition, (e) the aggregate total consideration paid in connection with all such acquisitions made during the term of this Agreement shall not exceed $25,000,000, (f) Borrower shall have adequate cash on hand from its operations to pay the purchase price and other

consideration to be paid in connection with each such acquisition, and, in any case, no proceeds of the loans made under this Agreement shall be used to pay the consideration for any such acquisition, and (g) prior to the consummation of any such acquisition, Borrower shall have delivered to Bank documentation of each of the foregoing in form and substance reasonably acceptable to Bank. In addition (and notwithstanding the foregoing) Borrower shall not form, create or acquire any subsidiaries.

SECTION 5.7. DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend or distribution, either in cash, stock or any other property on Borrower's stock now or hereafter outstanding, nor redeem, retire, repurchase or otherwise acquire any shares of any class of Borrower's stock now or hereafter outstanding, other than distributions to Tilly's, Inc. in an amount in any fiscal year not to exceed the amount required to discharge the consolidated tax liability of Tilly's, Inc. and the Borrower payable during such fiscal year.

SECTION 5.8. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except any of the foregoing in favor of Bank or which is existing as of, and disclosed to Bank in writing prior to, the date hereof.

SECTION 5.9. TRANSACTIONS WITH AFFILIATES. Enter into any transaction of any kind with any shareholder or affiliate of the Borrower or Tilly's, Inc., whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to Borrower as would be obtained by Borrower in a comparable arm's length transaction with a person other than an affiliate, except that the foregoing shall not prohibit (i) tax distributions permitted by Section 5.7 hereof or (ii) payment of reasonable and customary fees for, and reimbursement of out-of-pocket expenses incurred by, members of the board of directors of Borrower or Tilly's, Inc.

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an "Event of Default" in this Section 6.1), and with respect to any such default which by its nature can be cured, such default shall continue for a period of twenty (20) days after the earlier of (i) an officer of Borrower becoming aware of such default or (ii) receipt by Borrower of notice from Bank of such default's occurrence.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument (other than any of the Loan Documents) pursuant to which Borrower, any guarantor hereunder or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, general partner and/or joint venturer referred to herein as a "Third Party Obligor") has incurred (i) any debt or other liability to Bank or (ii) any debt or other liability to any other person or entity in an individual principal amount of $500,000 or more or with an aggregate principal amount of $1,000,000 or more.

(e) Borrower or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(f) The filing of a notice of judgment lien against Borrower or any Third Party Obligor; or the recording of any abstract of judgment against Borrower or any Third Party Obligor in any county in which Borrower or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower or any Third Party Obligor; or the entry of a judgment against Borrower or any Third Party Obligor; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any Third Party Obligor.

(g) There shall exist or occur any event or condition that Bank in good faith believes impairs, or is substantially to impair, the prospect of payment or performance by Borrower, any Third Party Obligor, or the general partner of either if such entity is a partnership, of its obligations under any of the Loan Documents.

(h) The death or incapacity of Borrower or any Third Party Obligor if an individual; the dissolution or liquidation of Borrower or any Third Party Obligor if a corporation, partnership, joint venture or other type of entity; or Borrower or any such Third Party Obligor, or any of its directors, stockholders or members shall take action seeking to effect the dissolution or liquidation of Borrower or such Third Party Obligor.

(i) Any Loan Document, at any time after its execution and delivery for any reason other than satisfaction in full of all the Obligations, ceases to be in full force and effect; or any

Loan Party contests in any manner the validity or enforceability of any Loan Document; or any Loan Party denies that it has any further liability or obligation under any Loan Document or purports to revoke, terminate or rescind any Loan Document.

(j) Tilly's, Inc. shall cease to own and control 100% of the issued and outstanding capital stock of the Borrower, or, as to Tilly's, Inc., (i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934) other than Hezy Shaked and Tialit Levine (and their respective heirs and executors, and trusts as to which they are settlors or trustees or other trusts to which such trusts are settlors) shall become the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934), directly or indirectly, of 25% or more of the equity interests of Tilly's, Inc. entitled to vote for members of the board of directors of Tilly's, Inc. on a fully-diluted basis or (ii) during any period of 12 consecutive months, a majority of the members of the board of directors of Tilly's, Inc. cease to be composed of individuals who either were members of such board on the first day of such period or whose election or nomination to such board was approved by individuals who at the time of such election or nomination constituted at least a majority of such board (excluding, in each case, any individual whose initial nomination for or assumption of office as a member of such board occurred as a result of a solicitation of proxies or consents that was not made by or on behalf of the board of directors).

(k) Tilly's, Inc. shall (i) engage in any business other than (A) entering into and performing its obligations under, and in accordance with, the Loan Documents to which it is a party, (B) owning the capital stock of Borrower and (C) issuing its own capital stock or options to acquire such capital stock, (ii) incur any indebtedness other than (A) its guarantee of the obligations of Borrower hereunder in favor of Bank and (B) its guarantee of the indebtedness or liabilities of Borrower permitted under Section 5.3 hereof and of Borrower's obligations under real property leases entered into by Borrower in the ordinary course of business, or (iii) own any assets other than the capital stock of Borrower and cash and cash equivalents.

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by each Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate

as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: WORLD OF JEANS & TOPS
10 Whatney
Irvine, CA 92618|

With a copy to:

Legal Department
10 Whatney
Irvine, CA 92618

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
Orange Coast Regional Commercial Banking Office
2030 Main Street, Suite 900
Irvine, CA 92614

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or

transfer its interest hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, or any collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES, This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 7.11. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise arising out of or relating to in any way (i) the loan and related Loan Documents which are the subject of this Agreement and its negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in California selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by

the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of California or a neutral retired judge of the state or federal judiciary of California, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of California and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the California Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date and within 180 days of the filing of the dispute with the AAA. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. The resolution of any dispute arising pursuant to the terms of this Agreement shall be determined by a separate arbitration proceeding and such dispute shall not be consolidated with other disputes or included in any class proceeding.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Real Property Collateral; Judicial Reference. Notwithstanding anything herein to the contrary, no dispute shall be submitted to arbitration if the dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of California, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable. If any such dispute is not submitted to arbitration, the dispute shall be referred to a referee in accordance with California Code of Civil Procedure Section 638 et seq., and this general reference agreement is intended to be specifically enforceable in accordance with said Section 638. A referee with the qualifications required herein for arbitrators shall be selected pursuant to the AAA's selection procedures. Judgment upon the decision rendered by a referee shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

(i) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

(j) Small Claims Court. Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

SECTION 7.12. NO NOVATION OR IMPAIRMENT OF SECURITY INTERESTS. This Agreement shall not cause a novation, payment and reborrowing, or termination of any of the indebtedness or obligations of Borrower under the Existing Credit Agreement or other loan documents executed in connection therewith (collectively, the "Existing Loan Documents"), nor shall it extinguish, discharge, terminate or impair Borrower's indebtedness or obligations or Bank's rights or remedies under the Existing Credit Agreement and the other Existing Loan Documents; provided, however, that all such indebtedness, obligations, rights and remedies shall be on the terms and conditions of, and as set forth in, this Agreement and the Loan Documents. In addition, this Agreement shall not release, limit or impair in any way the priority of any security interests and liens held by Bank against any assets of Borrower arising under the Existing Credit Agreement or the other Existing Loan Documents.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

WORLD OF JEANS & TOPS

By: _____
Name: _____
Title: _____

WELLS FARGO BANK,
NATIONAL ASOCIATION

By: _____
Name: _____
Title: _____

Exhibit 10.3

GENERAL PLEDGE AGREEMENT

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION

1. GRANT OF SECURITY INTEREST. For valuable consideration, the undersigned TILLY'S, INC., a Delaware corporation ("Grantor"), hereby assigns, transfers to and pledges with WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"), and grants to Bank a security interest in, the following described money and property, together with all other money and property as may at any time be delivered to and deposited with Bank: all of the issued and outstanding equity interests in World of Jeans and Tops, a California corporation, beneficially owned or held by Grantor, including but not limited to 20,000,000 shares of common stock of World of Jeans and Tops evidenced by certificates No. [_____] and [_____] (collectively called "Collateral"), together with whatever is receivable or received when any of the Collateral or proceeds thereof are sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, (a) all rights to payment, including returned premiums, with respect to any insurance relating to any of the foregoing, (b) all rights to payment with respect to any claim or cause of action affecting or relating to any of the foregoing, and (c) all stock rights, rights to subscribe, stock splits, liquidating dividends, cash dividends, dividends paid in stock, new securities or other property of any kind which Grantor is or may hereafter be entitled to receive on account of any securities pledged hereunder, including without limitation, stock received by Grantor due to stock splits or dividends paid in stock or sums paid upon or in respect of any securities pledged hereunder upon the liquidation or dissolution of the issuer thereof (hereinafter called "Proceeds"), and in the event that Grantor receives any such Proceeds, Grantor will hold the same in trust on behalf of and for the benefit of Bank and will immediately deliver all such Proceeds to Bank in the exact form received, with the endorsement of Grantor if necessary and/or appropriate undated stock powers duly executed in blank, to be held by Bank as part of the Collateral, subject to all terms hereof.

2. OBLIGATIONS SECURED. The obligations secured hereby are the payment and performance of: (a) all present and future Indebtedness of World of Jeans and Tops, a California corporation to Bank; (b) all obligations of Grantor to Bank under that certain Continuing Guaranty dated as of the date hereof, (c) all obligations of Grantor and rights of Bank under this Agreement; and (d) all present and future obligations of Grantor to Bank of other kinds. The word "Indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Grantor, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement, and whether Grantor may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

3. TERMINATION. This Agreement will terminate upon the performance of all obligations of Grantor to Bank, including without limitation, the payment of all Indebtedness of

Grantor to Bank, and the termination of all commitments of Bank to extend credit to Grantor, existing at the time Bank receives written notice from Grantor of the termination of this Agreement.

4. OBLIGATIONS OF BANK. Bank has no obligation to make any loans hereunder. Any money received by Bank in respect of the Collateral may be deposited, at Bank's option, into a non-interest bearing account over which Grantor shall have no control, and the same shall, for all purposes, be deemed Collateral hereunder. Bank's obligation with respect to Collateral and Proceeds in its possession shall be strictly limited to the duty to exercise reasonable care in the custody and preservation of such Collateral and Proceeds, and such duty shall not include any obligation to ascertain or to initiate any action with respect to or to inform Grantor of maturity dates, conversion, call or exchange rights, or offers to purchase the Collateral or Proceeds, or any similar matters, notwithstanding Bank's knowledge of the same. Bank shall have no duty to take any steps necessary to preserve the rights of Grantor against prior parties, or to initiate any action to protect against the possibility of a decline in the market value of the Collateral or Proceeds. Bank shall not be obligated to take any action with respect to the Collateral or Proceeds requested by Grantor unless such request is made in writing and Bank determines, in its sole discretion, that the requested action would not unreasonably jeopardize the value of the Collateral and Proceeds as security for the Indebtedness. Bank may at any time deliver the Collateral and Proceeds, or any part thereof, to any Grantor, and the receipt thereof by any Grantor shall be a complete and full acquittance for the Collateral and Proceeds so delivered, and Bank shall thereafter be discharged from any liability or responsibility therefor.

5. REPRESENTATIONS AND WARRANTIES. Grantor represents and warrants to Bank that: (a) Grantor's legal name is exactly as set forth on the first page of this Agreement, and all of Grantor's organizational documents or agreements delivered to Bank are complete and accurate in every respect; (b) Grantor is the owner and has possession or control of the Collateral and Proceeds; (c) Grantor has the exclusive right to pledge the Collateral and Proceeds; (d) all Collateral and Proceeds are genuine, free from liens, adverse claims, setoffs, default, prepayment, defenses and conditions precedent of any kind or character, except the lien created hereby or as otherwise agreed to by Bank, or as heretofore disclosed by Grantor to Bank, in writing; (e) all statements contained herein and, where applicable, in the Collateral, are true and complete in all material respects; (f) no financing statement covering any of the Collateral or Proceeds, and naming any secured party other than Bank, is on file in any public office; and (g) specifically with respect to Collateral and Proceeds consisting of investment securities, instruments, chattel paper, documents, contracts, insurance policies or any like property, (i) all persons appearing to be obligated thereon have authority and capacity to contract and are bound as they appear to be, and (ii) the same comply with applicable laws concerning form, content and manner of preparation and execution.

6. COVENANTS OF GRANTOR.

(a) Grantor agrees in general: (i) to pay Indebtedness secured hereby when due; (ii) to indemnify Bank against all losses, claims, demands, liabilities and expenses of every kind caused by property subject hereto; (iii) to permit Bank to exercise its powers; (iv) to execute and

deliver such documents as Bank deems necessary to create, perfect and continue the security interests contemplated hereby; (v) not to change its name, and as applicable, its chief executive office, its principal residence or the jurisdiction in which it is organized and/or registered without giving Bank prior written notice thereof; (vi) not to change the places where Grantor keeps any Collateral or Grantor's records concerning the Collateral and Proceeds without giving Bank prior written notice of the address to which Grantor is moving same; and (vii) to cooperate with Bank in perfecting all security interests granted herein and in obtaining such agreements from third parties as Bank deems necessary, proper or convenient in connection with the preservation, perfection or enforcement of any of its rights hereunder.

(b) Grantor agrees with regard to the Collateral and Proceeds, unless Bank agrees otherwise in writing: (i) that Bank is authorized to file financing statements in the name of Grantor to perfect Bank's security interest in Collateral and Proceeds; (ii) not to permit any lien on the Collateral or Proceeds, except in favor of Bank; (iii) not to sell, hypothecate or otherwise dispose of, nor permit the transfer by operation of law of, any of the Collateral or Proceeds or any interest therein, nor withdraw any funds from any deposit account pledged to Bank hereunder; (iv) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit Bank to inspect the same and make copies thereof at any reasonable time; (v) if requested by Bank, to receive and use reasonable diligence to collect Proceeds, in trust and as the property of Bank, and to immediately endorse as appropriate and deliver such Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (vi) in the event Bank elects to receive payments of Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts, filing, recording, record keeping and expenses incidental thereto; (vii) to provide any service and do any other acts which may be necessary to keep all Collateral and Proceeds free and clear of all defenses, rights of offset and counterclaims; and (viii) if the Collateral or Proceeds consists of securities and so long as no Event of Default exists, to vote said securities and to give consents, waivers and ratifications with respect thereto, provided that no vote shall be cast or consent, waiver or ratification given or action taken which would impair Bank's interests in the Collateral and Proceeds or be inconsistent with or violate any provisions of this Agreement.

7. POWERS OF BANK. Grantor appoints Bank its true attorney in fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them: (a) while an Event of Default exists, to perform any obligation of Grantor hereunder in Grantor's name or otherwise; (b) to notify any person obligated on any security, instrument or other document subject to this Agreement of Bank's rights hereunder; (c) to collect by legal proceedings or otherwise all dividends, interest, principal or other sums now or hereafter payable upon or on account of the Collateral or Proceeds; (d) while an Event of Default exists, to enter into any extension, modification, reorganization, deposit, merger or consolidation agreement, or any other agreement relating to or affecting the Collateral or Proceeds, and in connection therewith to deposit or surrender control of the Collateral and Proceeds, to accept other property in exchange for the Collateral and Proceeds, and to do and perform such acts and things as Bank may deem proper, with any money or property received in exchange for the

Collateral or Proceeds, at Bank's option, to be applied to the Indebtedness or held by Bank under this Agreement; (e) to accept other property in exchange for the Collateral and Proceeds, with any money or property received in exchange for the Collateral or Proceeds, at Bank's option, to be applied to the Indebtedness or held by Bank under this Agreement; (f) to make any compromise or settlement Bank deems desirable or proper in respect of the Collateral and Proceeds; (g) to insure, process and preserve the Collateral and Proceeds; (h) while an Event of Default exists, to exercise all rights, powers and remedies which Grantor would have, but for this Agreement, with respect to all Collateral and Proceeds subject hereto; and (i) to do all acts and things and execute all documents in the name of Grantor or otherwise, deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder. To effect the purposes of this Agreement or otherwise upon instructions of Grantor, or any of them, Bank may cause any Collateral and/or Proceeds to be transferred to Bank's name or the name of Bank's nominee. If an Event of Default has occurred and is continuing, any or all Collateral and/or Proceeds consisting of securities may be registered, without notice, in the name of Bank or its nominee, and thereafter Bank or its nominee may exercise, without notice, all voting and corporate rights at any meeting of the shareholders of the issuer thereof, any and all rights of conversion, exchange or subscription, or any other rights, privileges or options pertaining to such Collateral and/or Proceeds, all as if it were the absolute owner thereof. The foregoing shall include, without limitation, the right of Bank or its nominee to exchange, at its discretion, any and all Collateral and/or Proceeds upon the merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof, or upon the exercise by the issuer thereof or Bank of any right, privilege or option pertaining to any shares of the Collateral and/or Proceeds, and in connection therewith, the right to deposit and deliver any and all of the Collateral and/or Proceeds with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as Bank may determine. All of the foregoing rights, privileges or options may be exercised without liability on the part of Bank or its nominee except to account for property actually received by Bank. Bank shall have no duty to exercise any of the foregoing, or any other rights, privileges or options with respect to the Collateral or Proceeds and shall not be responsible for any failure to do so or delay in so doing.

8. PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS. Grantor agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Collateral and Proceeds, and upon the failure of Grantor to do so, Bank at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Grantor to Bank, due and payable immediately upon demand, together with interest at a rate determined in accordance with the provisions of this Agreement, and shall be secured by the Collateral and Proceeds, subject to all terms and conditions of this Agreement.

9. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement: (a) any default in the payment or performance of any obligation, or any defined event of default, under (i) any contract or instrument evidencing any Indebtedness to Bank, (ii) any other agreement between Grantor or World of Jeans and Tops and Bank, including without limitation any loan agreement, relating to or executed in connection

with any Indebtedness, or (iii) any contract or instrument evidencing any Indebtedness to any other person or entity in an individual principal amount of $500,000 or more or with an aggregate principal amount of $1,000,000 or more; (b) any representation or warranty made by Grantor herein shall prove to be incorrect, false or misleading in any material respect when made; (c) Grantor shall fail to observe or perform any obligation or agreement contained herein; (d) any impairment in the rights of Bank in any Collateral or Proceeds, or any attachment or like levy on any property of Grantor; and (e) Bank, in good faith, believes any or all of the Collateral and/or Proceeds to be in danger of misuse, dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy or unsatisfactory in character or value.

10. REMEDIES. Upon the occurrence of any Event of Default, Bank shall have the right to declare immediately due and payable all or any Indebtedness secured hereby and to terminate any commitments to make loans or otherwise extend credit to Grantor. Bank shall have all other rights, powers, privileges and remedies granted to a secured party upon default under the California Uniform Commercial Code or otherwise provided by law, including without limitation, the (a) right to contact all persons obligated to Grantor on any Collateral or Proceeds and to instruct such persons to deliver all Collateral and/or Proceeds directly to Bank, and (b) to sell, lease, license or otherwise dispose of any or all Collateral. All rights, powers, privileges and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right, power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. It is agreed that public or private sales or other dispositions, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auctions, are all commercially reasonable since differences in the prices generally realized in the different kinds of dispositions are ordinarily offset by the differences in the costs and credit risks of such dispositions. While an Event of Default exists: (a) Grantor will not dispose of any Collateral or Proceeds except on terms approved by Bank; (b) Bank may appropriate the Collateral and apply all Proceeds toward repayment of the Indebtedness in such order of application as Bank may from time to time elect; (c) Bank may, at any time and at Bank's sole option, liquidate any time deposits pledged hereunder, whether or not said time deposits have matured and notwithstanding the fact that such liquidation may give rise to penalties for early withdrawal of funds; and (d) at Bank's request, Grantor will assemble and deliver all Collateral and Proceeds, and books and records pertaining thereto, to Bank at a reasonably convenient place designated by Bank. For any Collateral or Proceeds consisting of securities, Bank shall have no obligation to delay a disposition of any portion thereof for the period of time necessary to permit the issuer thereof to register such securities for public sale under any applicable state or Federal law, even if the issuer thereof would agree to do so. Grantor further agrees that Bank shall have no obligation to process or prepare any Collateral for sale or other disposition.

11. DISPOSITION OF COLLATERAL AND PROCEEDS; TRANSFER OF INDEBTEDNESS. In disposing of Collateral hereunder, Bank may disclaim all warranties of

title, possession, quiet enjoyment and the like. Any proceeds of any disposition of any Collateral or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Indebtedness in such order of application as Bank may from time to time elect. Upon the transfer of all or any part of the Indebtedness, Bank may transfer all or any part of the Collateral or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred, Bank shall retain all rights, powers, privileges and remedies herein given.

12. STATUTE OF LIMITATIONS. Until all Indebtedness shall have been paid in full and all commitments by Bank to extend credit to Grantor have been terminated, the power of sale or other disposition and all other rights, powers, privileges and remedies granted to Bank hereunder shall continue to exist and may be exercised by Bank at any time and from time to time irrespective of the fact that the Indebtedness or any part thereof may have become barred by any statute of limitations, or that the personal liability of Grantor may have ceased, unless such liability shall have ceased due to the payment in full of all Indebtedness secured hereunder.

13. MISCELLANEOUS. When there is more than one Grantor named herein: (a) the word "Grantor" shall mean all or any one or more of them as the context requires; (b) the obligations of each Grantor hereunder are joint and several; and (c) until all Indebtedness shall have been paid in full, no Grantor shall have any right of subrogation or contribution, and each Grantor hereby waives any benefit of or right to participate in any of the Collateral or Proceeds or any other security now or hereafter held by Bank. Grantor hereby waives any right to require Bank to (i) proceed against Grantor or any other person, (ii) marshal assets or proceed against or exhaust any security from Grantor or any other person, (iii) perform any obligation of Grantor with respect to any Collateral or Proceeds, and (d) make any presentment or demand, or give any notice of nonpayment or nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any Collateral or Proceeds. Grantor further waives any right to direct the application of payments or security for any Indebtedness of Grantor or indebtedness of customers of Grantor.

14. NOTICES. All notices, requests and demands required under this Agreement must be in writing, addressed to Bank at the address specified in any other loan documents entered into between Grantor and Bank and to Grantor at the address of its chief executive office (or principal residence, if applicable) specified below or to such other address as any party may designate by written notice to each other party, and shall be deemed to have been given or made as follows: (a) if personally delivered, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

15. COSTS, EXPENSES AND ATTORNEYS' FEES. Grantor shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the

perfection and preservation of the Collateral or Bank's interest therein, and (b) the realization, enforcement and exercise of any right, power, privilege or remedy conferred by this Agreement, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Grantor or in any way affecting any of the Collateral or Bank's ability to exercise any of its rights or remedies with respect thereto. If not paid when due, all of the foregoing shall be paid by Grantor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time.

16. SUCCESSORS; ASSIGNS; AMENDMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties, and may be amended or modified only in writing signed by Bank and Grantor.

17. RESERVED.

18. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

19. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Grantor warrants that Grantor is an organization registered under the laws of the State of Delaware.

Grantor warrants that its chief executive office (or principal residence, if applicable) is located at the following address: 10 & 12 Whatney, Irvine, CA 92618.

IN WITNESS WHEREOF, this Agreement has been duly executed as of [_____], 2011.

TILLY'S, INC.

By: _____

Name: _____

Title: _____

Exhibit 10.4

AMENDED AND RESTATED
SECURITY AGREEMENT: EQUIPMENT

WORLD OF JEANS AND TOPS ("Debtor") and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") are parties to that certain Security Agreement - Equipment, dated as of May 22, 2006 (the "Existing Security Agreement"). The Existing Security Agreement secures Debtor's obligations to Bank under the terms of that certain Credit Agreement dated as of May 1, 2003, as amended and restated by that certain Amended and Restated Credit Agreement dated as of the date hereof (and as it may hereafter be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") pursuant to which Bank has made a loan or loans and other financial accommodations to Debtor. As a condition to Bank's continuing to provide financial accommodations to Debtor pursuant to the Credit Agreement, Bank has requested, and Debtor has agreed, to amend and restate the terms of the Existing Security Agreement in its entirety pursuant to the terms of this Agreement, as set forth below.

1. GRANT OF SECURITY INTEREST. For valuable consideration, the undersigned Debtor hereby grants and transfers to Bank a security interest in all goods, tools, machinery, furnishings, furniture and other equipment, now or at any time hereafter, and prior to the termination hereof, owned or acquired by Debtor, wherever located, whether in the possession of Debtor of any other person and whether located on Debtor's property or elsewhere, and all improvements, replacements, accessions and additions thereto and embedded software included therein and books and records relating thereto (collectively called "Collateral"), together with whatever is receivable or received when any of the Collateral or proceeds thereof are sold, leased, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, (a) all accounts, money, contract rights, chattel papers (whether electronic or tangible), instruments, promissory notes, documents, general intangibles, payment intangibles and other rights to payment of every kind now or at any time hereafter arising from any such sale, lease, collection, exchange or other disposition of any of the foregoing, (b) all rights to payment, including returned premiums, with respect to any insurance relation to any of the forgoing, and (c) all rights to payment with respect to any claim or cause of action affecting or relating to any of the foregoing (hereinafter called "Proceeds").

2. OBLIGATIONS SECURED. The obligations secured hereby are the payment and performance of: (a) all present and future Indebtedness of Debtor to Bank; (b) all obligations of Debtor and rights of Bank under this Agreement; and (c) all present and future obligations of Debtor to Bank of other kinds. The word "Indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Debtor, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether Debtor may be liable individually or jointly, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

3. TERMINATION. This Agreement will terminate upon the performance of all obligations of Debtor to Bank, including without limitation, the payment of all Indebtedness of Debtor to Bank, and the termination of all commitments of Bank to extend credit to Debtor, existing at the time Bank receives written notice from Debtor of the termination of this Agreement.

4. OBLIGATIONS OF BANK. Bank has no obligation to make any loans hereunder. Any money receiver by Bank in respect of the Collateral may be deposited, at Bank's option, into a non-interest bearing account over which Debtor shall have no control, and the same shall, for all purposes, be deemed Collateral hereunder.

5. REPRESENTATION AND WARRANTIES. Debtor represents and warrants to Bank that: (a) Debtor's legal name is exactly as set forth on the first page of this Agreement, and all of Debtor's organizational documents or agreements delivered to Bank are complete and accurate in every respect; (b) Debtor is the owner and has possession or control of the Collateral and Proceeds; (c) Debtor has the exclusive right to grant a security interest in the Collateral and Proceeds; (d) all Collateral and Proceeds are genuine, free from liens, adverse claims, setoffs, default, prepayment, defenses and conditions precedent of any kind or character, except the lien created hereby or as otherwise agreed to by Bank, or heretofore disclosed by Debtor to Bank in writing; (e) all statements contained herein are true and complete in all material respects; (f) no financing statement covering any of the Collateral or Proceeds, and naming any secured party other than Bank, is on file in any public office; and (g) Debtor is not in the business of selling goods of the kind included within the Collateral subject to this Agreement, and Debtor acknowledges that no sale or other disposition of any Collateral, including without limitations, any Collateral which Debtor may deem to be surplus, has been or shall be consented to or acquiesced in by Bank, except as specifically set forth in writing by Bank.

6. COVENANTS OF DEBTOR.

6.1 Debtor agrees in general: (a) to pay Indebtedness secured hereby when due; (b) to indemnify Bank against all losses, claims, demands, liabilities and expenses of every kind caused by property subject hereto; (c) to permit Bank to exercise its powers; (d) to execute and deliver such documents as Bank deems necessary to create, perfect and continue the security interests contemplated hereby; (e) not to change its name, and as applicable, its chief executive office, its principal residence or the jurisdiction in which it is organized and/or registered without giving Bank prior written notice thereof; (f) not to change the places where Debtor keeps any Collateral or Debtor's records concerning the Collateral and Proceeds without giving Bank prior written notice of the address to which Debtor is moving same; and (g) to cooperate with Bank in perfecting all security interests granted herein and in obtaining such agreements from third parties as Bank deems necessary, proper or convenient in connection with the preservation, perfection or enforcement of any of its rights hereunder.

6.2 Debtor agrees with regard to the Collateral and Proceeds, unless Bank agrees otherwise in writing; (a) that Bank is authorized to file financing statements in the name of Debtor to perfect Bank's security interest in Collateral and Proceeds; (b) to insure the Collateral with Bank named as loss payee, in form, substance and amounts, under agreements, against risks and liabilities, and with insurance companies satisfactory to Bank; (c) to operate the Collateral in accordance

with all applicable statutes, rules and regulations relating to the use and control thereof, and not to use the Collateral for any unlawful purpose or in any way that would void any insurance required to be carried in connection therewith; (d) not to permit any security interest in or lien on the Collateral or Proceeds, including without limitation, liens arising from repairs to or storage of the Collateral, except in favor of Bank; (e) to pay when due all license fees, registration fees and other charges in connection with any Collateral; (f) not to remove the Collateral from Debtor's premises except in the ordinary course of Debtor's business; (g) not to sell, hypothecate or otherwise dispose of, nor permit the transfer by operation of law of, any of the Collateral or Proceeds or any interest therein; (h) not to rent, lease or charter the Collateral; (i) to permit Bank to inspect the Collateral at any time; (j) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit Bank to inspect the same and make copies thereof at any reasonable time; (k) if requested by Bank, to receive and use reasonable diligence to collect Proceeds, in trust and as the property of Bank, and to immediately endorse as appropriate and deliver such Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (l) not to commingle Proceeds or collections thereunder with other property; (m) to give only normal allowances and credits and to advise Bank thereof immediately in writing if they affect any Collateral or Proceeds in any material respect; (n) in the event Bank elects to receive payments of Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filling, recording, record keeping and expenses incidental thereto; and (o) to provide any services and do any other acts which may be necessary to maintain, preserve and protect all Collateral and, as appropriate and applicable, to keep the Collateral in good and saleable condition and repair, to deal with the Collateral in accordance with the standards and practices adhered to generally by owners of like property, and to keep all Collateral and Proceeds free and clear of all defenses, rights of offset and counterclaims.

7. POWERS OF BANK. Debtor appoints Bank its true attorney-in-fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them: (a) while an Event of Default exists, to perform any obligation of Debtor hereunder in Debtor's name or otherwise; (b) to give notice to account debtors or others of Bank's rights in the Collateral and Proceeds, to enforce or forebear from enforcing the same and, while an Event of Default exists, to make extension or modification agreements with respect thereto; (c) while an Event of Default exists, to release persons liable on Proceeds and to give receipts and acquittances and compromise disputes in connection therewith; (d) to release or substitute security; (e) to resort to security in any order; (f) to prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, financing statements, continuation statements, termination statements, statements of assignment, applications for registration or like papers to perfect, preserve or release Bank's interest in the Collateral and Proceeds; (g) if Debtor has lockbox arrangements with Bank or while an Event of Default exists, to receive, open and read mail addressed to Debtor; (h) if Debtor has lockbox or cash management arrangements with Bank or while an Event of Default exists, to take cash, instruments for payment of money and other property to which Bank is entitled; (i) to verify facts concerning the Collateral and Proceeds by inquiry of obligors thereon, or otherwise, in its own name or a fictitious name; (j) if Debtor has lockbox arrangements with Bank or while an Event of Default exists, to endorse, collect, deliver and receive payment under instruments for the payment of money constituting or

relating to Proceeds; (k) while an Event of Default exists, to prepare, adjust, execute, deliver and receive payment under insurance claims, and to collect and receive payment of and endorse any instrument in payment of loss or returned premiums or any other insurance refund or return, and to apply such amounts received by Bank, at Bank's sole option, toward repayment of the Indebtedness or replacement of the Collateral; (l) while an Event of Default exists, to exercise all rights, powers and remedies which Debtor would have, but for this Agreement, with respect to all Collateral and Proceeds subject hereto; (m) to enter onto Debtor's premises in inspecting the Collateral at any reasonable time and, unless an Event of Default exists, with reasonable notice; and (n) to do all acts and things and execute all documents in the name of Debtor or otherwise, deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder.

8. PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS. Debtor agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Collateral and Proceeds, and upon the failure of Debtor to do so, Bank at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Debtor to Bank, due and payable immediately upon demand, together with interest at a rate determined in accordance with the provisions of this Agreement, and shall be secured by the Collateral and Proceeds, subject to all terms and conditions of this Agreement.

9. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement: (a) any default in the payment or performance of any obligations or any defined event of default, under (i) any contract or instrument evidencing any Indebtedness to Bank, (ii) any other agreement between Debtor and Bank, including without limitation any loan agreement, relating to or executed in connection with any Indebtedness, or (iii) any contract or instrument evidencing any Indebtedness to any other person or entity in an individual principal amount of $500,000 or more or with an aggregate principal amount of $1,000,000 or more; (b) any representation or warranty made by Debtor herein shall prove to be incorrect, false or misleading in any material respect when made; (c) Debtor shall fail to observe or perform any obligation or agreement contained herein; (d) any impairment of the rights of Bank in any collateral or Proceeds, or any attachment or like levy on any property of Debtor; and (e) Bank, in good faith, believes any or all of the Collateral and/or Proceeds to be in danger of misuse, dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy or unsatisfactory in character or value.

10. REMEDIES. Upon the occurrence of any Event of Default, Bank shall have the right to declare immediately due and payable all or any Indebtedness secured hereby and to terminate any commitments to make loans or otherwise extend credit to Debtor. Bank shall have all other rights, powers, privileges and remedies granted to a secured party upon default under the California Uniform Commercial Code or otherwise provided by law, including without limitation, the right (a) to contact all persons obligated to Debtor on any Collateral or Proceeds and to instruct such persons to deliver all Collateral and/or Proceeds directly to Bank, and (b) to sell, lease, license or otherwise dispose of any or all Collateral. All rights, powers, privileges and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right,

power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. It is agreed that public or private sales or other dispositions, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public actions, are all commercially reasonable since differences in the prices generally realized in the different kinds of dispositions are ordinarily offset by the differences in the costs and credit risks of such dispositions. While an Event of Default exists: (a) Debtor will deliver to Bank from time to time, as requested by Bank, current lists of all Collateral and Proceeds; (b) Debtor will not dispose of any Collateral and Proceeds except on terms approved by Bank; (c) at Bank's request, Debtor will assemble and deliver all Collateral and Proceeds, and books and records pertaining thereto, to Bank at a reasonably convenient place designated by Bank; and (d) Bank may, without notice to Debtor, enter onto Debtor's premises and take possession of the Collateral. Debtor further agrees that Bank shall have no obligation to process or prepare any Collateral for sale or other disposition.

11. DISPOSITION OF COLLATERAL AND PROCEEDS; TRANSFER OF INDEBTEDNESS . In disposing of Collateral hereunder, Bank may disclaim all warranties of tile, possession, quiet enjoyment and the like. Any proceeds of any disposition of any Collateral or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Indebtedness in such order of application as Bank may from time to time elect. Upon transfer of all or any part of the Indebtedness, Bank may transfer all or any part of the Collateral or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred Bank shall retain all rights, powers, privileges and remedies herein given.

12. STATUTE OF LIMITATIONS Until all Indebtedness shall have been paid in full and all commitments by Bank to extend credit to Debtor have been terminated, the power of sale or other disposition and all other rights, powers, privileges and remedies granted to Bank hereunder shall continue to exist and may be exercised by Bank at any time and from time to time irrespective of the fact that the Indebtedness or any part thereof may have become barred by any statute of limitations, or that the personal liability of Debtor may have ceased, unless such liability shall have ceased due to the payment in full of all Indebtedness secured hereunder.

13. MISCELLANEOUS. When there is more than one Debtor named herein: (a) the word "Debtor" shall mean all or any one or more of them as the context requires; (b) the obligations of each Debtor hereunder are joint and several; and (c) until all Indebtedness shall have been paid in full, no Debtor shall have any right of subrogation or contribution, and each Debtor hereby waives any benefit of or right to participate in any of the Collateral or Proceeds or any other security now or hereafter held by Bank. Debtor hereby waives any right to require Bank to (i) proceed against Debtor or any other person, (ii) marshal assets or proceed against or exhaust any security from Debtor or any other person, (iii) perform any obligation of Debtor with respect to any Collateral or Proceeds, and (d) make any presentment or demand, or give any notice of

nonpayment or nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any Collateral or Proceeds. Debtor further waives any right to direct the application of payments or security for any Indebtedness of Debtor or indebtedness of customers of Debtor.

14. NOTICES. All notices, requests and demands required under this Agreement must be in writing, addressed to Bank at the address specified in any other loan documents entered into between Debtor and Bank and to Debtor at the address of its chief executive office (or principal residence, if applicable) specified below or to such other address as any party may designate by written notice to each other party, and shall be deemed to have been given or made as follows: (a) if personally delivered, upon delivery, (b) if sent by mail, upon the earlier of the date of receipt or 3 days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

15. COSTS, EXPENSES AND ATTORNEYS' FEES. Debtor shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the perfection and preservation of the Collateral or Bank's interest therein and (b) the realization, enforcement and exercise of any right, power, privilege or remedy conferred by this Agreement, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Debtor or in any way affecting any of the Collateral or Bank's ability to exercise any of its rights or remedies with respect thereto. If not paid when due, all of the foregoing shall be paid by Debtor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time.

16. SUCCESSORS; ASSIGNS; AMENDMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties, and may be amended or modified only in writing signed by Bank and Debtor.

17. RESERVED.

18. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

19. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20. ADDITIONAL REPRESENTATIONS AND WARRANTIES.

(a) Debtor warrants that Debtor is an organization registered under the laws of California.

(b) Debtor warrants that its chief executive office (or principal residence, if applicable) is located at the following address: 10 & 12 Whatney, Irvine, CA 92618-2807

(c) Debtor warrants that the Collateral (except goods in transit) is located or domiciled at the following additional address: "See Exhibit A attached hereto and incorporated herein by this reference".

21. NO NOVATION OR IMPAIRMENT OF SECURITY INTERESTS This Agreement shall not cause a novation or termination of any of the obligations of Debtor under the Existing Security Agreement or the other loan documents executed in connection with the Existing Security Agreement, nor shall it extinguish, discharge, terminate or impair Debtor's obligations or Bank's rights or remedies under any Existing Security Agreement and such other loan documents; provided that all such obligations, rights and remedies shall be on the terms and conditions of, and as set forth in, this Agreement and the other Loan Documents related hereto. In addition, this Agreement shall not release, limit or impair in any way the priority of any security interests and liens held by Bank against any assets of Debtor arising under the Existing Security Agreements or such other loan documents.

IN WITNESS WHEREOF, this Agreement has been duly executed as of [_____], 2011.

WORLD OF JEANS AND TOPS

By: _____

Name: _____

Title: _____

Exhibit 10.5

AMENDED AND RESTATED
CONTINUING SECURITY AGREEMENT
RIGHTS TO PAYMENT AND INVENTORY

WORLD OF JEANS AND TOPS ("Debtor") and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") are parties to that certain Continuing Security Agreement - Rights to Payment and Inventory, dated as of August 1, 2010 (the "Existing Security Agreement"). The Existing Security Agreement secures Debtor's obligations to Bank under the terms of that certain Credit Agreement dated as of May 1, 2003, as amended and restated by that certain Amended and Restated Credit Agreement dated as of the date hereof (and as it may hereafter be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") pursuant to which Bank has made a loan or loans and other financial accommodations to Debtor. As a condition to Bank's continuing to provide financial accommodations to Debtor pursuant to the Credit Agreement, Bank has requested, and Debtor has agreed, to amend and restate the terms of the Existing Security Agreement in its entirety pursuant to the terms of this Agreement, as set forth below.

1. GRANT OF SECURITY INTEREST. For valuable consideration, the undersigned Debtor hereby grants and transfers to Bank a security interest in all accounts, deposit accounts, money, chattel paper (whether electronic or tangible), instruments, promissory notes, documents, general intangibles, payment intangibles, software, letter of credit rights, health-care insurance receivables and other rights to payment (collectively called "Rights to Payment"), now existing or at any time hereafter, and prior to the termination hereof, arising (whether they arise from the sale, lease or other disposition of inventory or from performance of contracts for service, manufacture, construction, repair or otherwise or from any other source whatsoever), including all securities, guaranties, warranties, indemnity agreements, insurance policies, supporting obligations and other agreements and any books and records pertaining to the same or the property described therein, and in all goods returned by or repossessed from Debtor's customers, together with a security interest in all inventory, goods held for sale or lease or to be furnished under contracts for service, goods so leased or furnished, raw materials, component parts and embedded software, work in process or materials used or consumed in Debtor's business and all warehouse receipts, bills of landing and other documents evidencing goods owned or acquired by Debtor, and all goods covered thereby, now or at any time hereafter, and prior to the termination hereof, owned or acquired by Debtor, wherever located, and all products thereof and all books and records relating thereto; (collectively called "Inventory"), whether in the possession of Debtor, warehousemen, bailees or any other person, or in process of delivery and whether located at Debtor's places of business or elsewhere (with all Rights to Payment and Inventory referred to herein collectively as the "Collateral"), together with whatever is receivable or received when any of the Collateral or proceeds thereof are sold, leased, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, all Rights to Payment, including returned premiums, with respect to any insurance relating to any of the foregoing, and all Rights to Payment with respect to any claim or cause of action affecting or relating to any of the foregoing (hereinafter called "Proceeds").

2. OBLIGATIONS SECURED. The obligations secured hereby are the payment and performance of: (a) all present and future Indebtedness of Debtor to Bank; (b) all obligations of

Debtor and rights of Bank under this Agreement; and (c) all present and future obligations of Debtor to Bank of other kinds. The word "Indebtedness" is used herein its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Debtor, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement, and whether Debtor may be liable individually or jointly, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

3. TERMINATION. This Agreement will terminate upon the performance of all obligations of Debtor to Bank, including without limitation, the payment of all Indebtedness of Debtor to Bank, and the termination of all commitments of Bank to extend credit to Debtor, existing at the time Bank receives written notice from Debtor of the termination of this Agreement.

4. OBLIGATIONS OF BANK. Bank has no obligation to make any loans hereunder. Any money received by Bank in respect of the Collateral may be deposited, at Bank's option, into a non-interest bearing account over which Debtor shall have no control, and the same shall, for all purposes, be deemed Collateral hereunder.

5. REPRESENTATION AND WARRANTIES. Debtor represents and warrants to Bank that: (a) Debtor's legal name is exactly as set forth on the first page of this Agreement, and all of the Debtor's organizational documents or agreements delivered to Bank are complete and accurate in every respect; (b) Debtor is the owner and has possession or control of the Collateral and Proceeds; (c) Debtor has the exclusive right to grant a security interest in the Collateral and Proceeds; (d) all Collateral and Proceeds are genuine, free from liens, adverse claims, setoffs, defaults, prepayment, defenses and conditions precedent of any kind or character, except the lien created hereby or as otherwise agreed to by Bank, or heretofore disclosed by Debtor to Bank, in writing; (e) all statements contained herein and, where applicable, in the Collateral are true and complete in all material respects; (f) no financing statement covering any of the Collateral or Proceeds, and naming any secured party other than Bank, is on file in any public office; (g) all persons appearing to be obligated on Rights to Payment and Proceeds have authority and capacity to contract and are bound as they appear to be; (h) all property subject to chattel paper has been properly registered and filed in compliance with law and to perfect the interest of Debtor in such property; and (i) all Rights to Payment and Proceeds comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable Federal Reserve Regulation Z and any State consumer credit laws.

6. COVENANTS OF DEBTOR.

6.1 Debtor agrees in general: (a) to pay Indebtedness secured hereby when due; (b) to indemnify Bank against all losses, claims, demands, liabilities and expenses of every kind caused by property subject hereto; (c) to permit Bank to exercise its powers; (d) to execute and deliver such documents as Bank deems necessary to create, perfect and continue the security interests contemplated hereby; (e) not to change its name, and as applicable, its chief executive office, its principal residence or the jurisdiction in which it is organized and/or registered without giving

Bank prior written notice thereof; (f) not to change the places where Debtor keeps any Collateral or Debtor's records concerning the Collateral and Proceeds without giving Bank prior written notice of the address to which Debtor is moving same; and (g) to cooperate with Bank in perfecting all security interests granted herein and in obtaining such agreements from third parties as Bank deems necessary, proper or convenient in connection with the preservation, perfection or enforcement of any of its rights hereunder.

6.2 Debtor agrees with regard to the Collateral and Proceeds, unless Bank agrees otherwise in writing: (a) that Bank is authorized to file financing statements in the name of Debtor to perfect Bank's security interest in Collateral and Proceeds; (b) to insure Inventory and, where applicable, Rights to Payment with Bank named as loss payee, in form, substance and amounts, under agreements, against risks and liabilities, and with insurance companies satisfactory to Bank; (c) not to use any Inventory for any unlawful purpose or in any way that would void any insurance required to be carried in connection therewith; (d) not to remove Inventory from Debtor's premises except in the ordinary course of Debtor's business; (e) not to permit any security interest in or lien on the Collateral or Proceeds, including without limitation, liens arising from the storage of Inventory, except in favor of Bank; (f) not to sell, hypothecate or otherwise dispose of, nor permit the transfer by operation of law of, any of the Collateral or Proceeds or any interest therein, except sales of Inventory to buyers in the ordinary course of Debtor's business; (g) to furnish reports to Bank of all acquisitions, returns, sales and other dispositions of the Inventory in such form and detail and at such times as Bank may require; (h) to permit Bank to inspect the Collateral at any time; (i) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit Bank to inspect the same and make copies thereof at any reasonable time; (j) if requested by Bank, to received and use reasonable diligence to collect Rights to Payment and Proceeds, in trust and as the property of Bank, and to immediately endorse as appropriate and deliver such Rights to Payment and Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (k) not to commingle Rights to Payment, Proceeds or collections thereunder with other property; (l) to give only normal allowances and credits and to advise Bank thereof immediately in writing if they affect any Rights to Payment or Proceeds in any material respect; (m) on demand, to deliver to Bank returned property resulting from, or payment equal to, such allowances or credits on any Rights to Payment or Proceeds or to execute such documents and do such other things as Bank may reasonably request for the purpose of perfecting, preserving and enforcing its security interest in such returned property; (n) from time to time, when requested by Bank to prepare and deliver a schedule of all Collateral and Proceeds subject to this Agreement and to assign in writing and deliver to Bank all accounts, contracts, leases and other chattel paper; instruments, documents and other evidences thereof; (o) in the event Bank elects to receive payments of Rights to Payment or Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filling, recording, record keeping and expenses incidental thereto; and (p) to provide any services and do any other acts which may be necessary to maintain, preserve and protect all Collateral and, as appropriate and applicable, to keep all Collateral in good and saleable condition in accordance with the standards and practices adhered to generally by users and manufactures of like property, and to keep all Collateral and Proceeds free and clear of all defenses, rights of offset and counterclaims.

7. POWERS OF BANK. Debtor appoints Bank its true attorney-in-fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them: (a) while an Event of Default exists, to perform any obligation of Debtor hereunder in Debtor's name or otherwise; (b) to give notice to account debtors or others of Bank's rights in the Collateral and Proceeds, to enforce or forebear from enforcing the same and, while an Event of Default exists, make extension or modification agreements with respect thereto; (c) while an Event of Default exists, to release persons liable on Proceeds and to give receipts and acquittances and compromise disputes in connection therewith; (d) to release or substitute security; (e) to resort to security in any order; (f) to prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, financing statements, continuation statements, termination statements, statements of assignment, applications for registration or like papers to perfect, preserve or release Bank's interest in the Collateral and Proceeds; (g) if Debtor has lockbox arrangements with Bank or while an Event of Default exists, to receive, open and read mail addressed to Debtor; (h) if Debtor has lockbox or cash management arrangements with Bank or while an Event of Default exists, to take cash, instruments for the payment of money and other property to which Bank is entitled; (i) to verify facts concerning the Collateral and Proceeds by inquiry of obligors thereon, or otherwise, in its own name or a fictitious name; (j) if Debtor has lockbox arrangements with Bank or while an Event of Default exists, to endorse, collect, deliver and receive payment under instruments for the payment of money constituting or relating to Proceeds; (k) while an Event of Default exists, to prepare, adjust, execute, deliver and receive payment under insurance claims, and to collect and receive payment of and endorse any instrument in payment of loss or returned premiums or any other insurance refund or return, and to apply such amounts received by Bank, at Bank's sole option, toward repayment of the Indebtedness or replacement of the Collateral; (l) while an Event of Default exists, to exercise all rights, powers and remedies which Debtor would have, but for this Agreement, with respect to all Collateral and Proceeds subject hereto; (m) to enter onto Debtor's premises in inspecting the Collateral at any reasonable time and, unless an Event of Default exists, with reasonable notice; (n) if Debtor has lockbox or cash management arrangements with Bank or while an Event of Default exists, to make withdrawals from and to close deposit accounts or other accounts with any financial institution, wherever located, into which Proceeds may have been deposited, and to apply funds so withdrawn to payment of the Indebtedness; (o) to preserve or release the interest evidenced by chattel paper to which Bank is entitled hereunder and to endorse and deliver any evidence of title incidental thereto; and (p) to do all acts and things and execute all documents in the name of Debtor or otherwise, deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder.

8. PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS. Debtor agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Collateral and Proceeds, and upon the failure of Debtor to do so, Bank at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Debtor to Bank, due and payable immediately upon demand, together with interest at a rate determined in accordance with the provisions of the Agreement, and shall be secured by the Collateral and Proceeds, subject to all terms and conditions of this Agreement.

9. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute an

"Event of Default" under this Agreement: (a) any default in the payment or performance of any obligation, or any defined event of default, under (i) any contract or instrument evidencing any Indebtedness to Bank, (ii) any other agreement between Debtor and Bank, including without limitation any loan agreement, relating to or executed in connection with any Indebtedness, or (iii) any contract or instrument evidencing any Indebtedness to any other person or entity in an individual principal amount of $500,000 or more or with an aggregate principal amount of $1,000,000 or more; (b) any representation or warranty made by Debtor herein shall prove to be incorrect, false or misleading in any material respect when made; (c) Debtor shall fail to observe or perform any obligation or agreement contained herein; (d) any impairment of the rights of Bank in any Collateral or Proceeds, or any attachment or like levy on any property of Debtor; and (e) Bank, in good faith, believes any or all of the Collateral and/or Proceeds to be in danger of misuse, dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy or unsatisfactory in character or value.

10. REMEDIES. Upon the occurrence of any Event of Default, Bank shall have the right to declare immediately due and payable all or any Indebtedness secured hereby and to terminate any commitments to make loans or otherwise extend credit to Debtor. Bank shall have all other rights, powers, privileges and remedies granted to a secured party upon default under the California Uniform Commercial Code or otherwise provided by law, including without limitation, the right (a) to contact all persons obligated to Debtor on any Collateral or Proceeds and to instruct such persons to deliver all Collateral and/or Proceeds directly to Bank, and (b) to sell, lease, license, or otherwise dispose of any or all Collateral. All rights, powers, privileges and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right, power, privilege or preclude, waive or otherwise affect any other or future exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent, or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. It is agreed that public or private sales or other dispositions, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auctions, are all commercially reasonable since differences in the prices generally realized in different kinds of dispositions are ordinarily offset by the differences in the costs and credit risks of such dispositions. While an Event of Default exists: (a) Debtor will deliver to Bank from time to time, as requested by Bank, current lists of all Collateral and Proceeds; (b) Debtor will not dispose of any Collateral or Proceeds except on terms approved by Bank; (c) at Bank's request, Debtor will assemble and deliver all Collateral and Proceeds, and books and records pertaining thereto, to Bank at a reasonably convenient place designated by Bank; and (d) Bank may, without notice to Debtor, enter onto Debtor's premises and take possession of the Collateral. With respect to any sale by Bank of any Collateral subject to this Agreement, Debtor hereby expressly grants to Bank the right to sell such Collateral using any or all of Debtor's trademarks, trade names, trade name rights and/or proprietary labels or marks. Debtor further agrees that Bank shall have no obligation to process or prepare any Collateral for sale or other disposition.

11. DISPOSITION OF COLLATERAL AND PROCEEDS; TRANSFER OF INDEBTEDNESS. In disposing of Collateral hereunder, Bank may disclaim all warranties of

title, possession, quiet enjoyment and the like. Any proceeds of any disposition of any Collateral or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Indebtedness in such order of application as Bank may from time to time elect. Upon the transfer of all or any part of the Indebtedness, Bank may transfer all or any part of the Collateral or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred Bank shall retain all rights, powers, privileges and remedies herein given.

12. STATUTE OF LIMITATIONS Until all Indebtedness shall have been paid in full and all commitments by Bank to extend credit to Debtor have been terminated, the power of sale or other rights, powers, privileges and remedies granted to Bank hereunder shall continue to exist and may be exercised by Bank at any time and from time to time irrespective of the fact that the Indebtedness or any part thereof may have become barred by any statute of limitations, or that the personal liability of Debtor may have ceased, unless such liability shall have ceased due to the payment in full of all Indebtedness secured hereunder.

13. MISCELLANEOUS. When there is more than one Debtor named herein: (a) the word "Debtor" shall mean all or any one or more of them as the context requires; (b) the obligations of each Debtor hereunder are joint and several; and (c) until all Indebtedness shall have been paid in full, no Debtor shall have any right of subrogation or contribution, and each Debtor hereby waives any benefit of or right to participate in any of the Collateral or Proceeds or any other security now or hereafter held by Bank. Debtor hereby waives any right to require Bank to (i) proceed against Debtor or any other person, (ii) marshal assets or proceed against or exhaust any security from Debtor or any other person, (iii) perform any obligation of Debtor with respect to any Collateral or Proceeds, and (d) make any presentment or demand, or give any notice of nonpayment of nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any Collateral or Proceeds. Debtor further waives any right to direct the application of payments or security for any Indebtedness of Debtor or Indebtedness of customers of Debtor.

14. NOTICES. All notices, requests and demands required under this Agreement must be in writing, addressed to Bank at the address specified in any other loan documents entered into between Debtor and Bank and to Debtor at the address of its chief executive office (or principal residence, if applicable) specified below or to such other address as any party may designate by written notice to each other party, and shall be deemed to have been given or made as follows: (a) if personally delivered, upon delivery; (b) it sent by mail, upon the earlier of the date of receipt or 3 days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

15. COSTS, EXPENSES AND ATTORNEYS' FEES. Debtor shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the perfection and preservation of the Collateral or Bank's interest therein, and (b) the realization,

enforcement and exercise of any right, power, privilege or remedy conferred by this Agreement, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Debtor or in any way affecting any of the Collateral or Bank's ability to exercise any of its rights or remedies with respect thereto. If not paid when due, all of the foregoing shall be paid by Debtor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time.

16. SUCCESSORS; ASSIGNS; AMENDMENT . This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties, and may be amended or modified only in writing signed by Bank and Debtor.

17. RESERVED.

18. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibitions or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

19. GOVERNING LAW. This Agreement shall be governed by and constructed in accordance with the laws of the State of California.

20. ADDITIONAL REPRESENTATIONS AND WARRANTIES.

(a) Debtor warrants that Debtor is an organization registered under the laws of California.

(b) Debtor warrants hat its chief executive office (or principal residence, if applicable) is located at the following address: 10 &12 Whatney, Irvine, CA 92618

(c) Debtor warrants that the Collateral (except goods in transit) is located or domiciled at the following additional address: "See Exhibit A attached hereto and incorporated herein by this reference".

21. NO NOVATION OR IMPAIRMENT OF SECURITY INTERESTS. This Agreement shall not cause a novation or termination of any of the obligations of Debtor under the Existing Security Agreement or the other loan documents executed in connection with the Existing Security Agreement, nor shall it extinguish, discharge, terminate or impair Debtor's obligations or Bank's rights or remedies under any Existing Security Agreement and such other loan documents; provided that all such obligations, rights and remedies shall be on the terms and conditions of, and as set forth in, this Agreement and the other Loan Documents related hereto. In addition, this Agreement shall not release, limit or impair in any way the priority of any security interests and liens held by Bank against any assets of Debtor arising under the Existing Security Agreements or such other loan documents.

IN WITNESS WHEREOF, this Agreement has been duly executed as of [_____], 2011.

WORLD OF JEANS & TOPS

By: _____

Name: _____

Title: _____

Exhibit 10.6

CONTINUING GUARANTY

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION

1. GUARANTY; DEFINITIONS. In consideration of any credit or other financial accommodation heretofore, now or hereafter extended or made to WORLD OF JEANS AND TOPS, a California corporation ("Borrower"), by WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"), and for other valuable consideration, the undersigned TILLY'S, INC., a Delaware corporation ("Guarantor"), jointly and severally unconditionally guarantees and promises to pay to Bank, or order, on demand in lawful money of the United States of America and in immediately available funds, any and all Indebtedness of the Borrower to Bank. The term "Indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Borrower heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement, and whether the Borrower may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable. This Guaranty is a guaranty of payment and not collection.

2. SUCCESSIVE TRANSACTIONS; REVOCATION; OBLIGATION UNDER OTHER GUARANTIES. This is a continuing guaranty and all rights, powers and remedies hereunder shall apply to all past, present and future Indebtedness of the Borrower to Bank, including that arising under successive transactions which shall either continue the Indebtedness, increase or decrease it, or from time to time create new Indebtedness after all or any prior Indebtedness has been satisfied, and notwithstanding the death, incapacity, dissolution, liquidation or bankruptcy of the Borrower or Guarantor or any other event or proceeding affecting the Borrower or Guarantor. This Guaranty shall not apply to any new Indebtedness created after actual receipt by Bank of written notice of its revocation as to such new Indebtedness; provided however, that loans or advances made by Bank to the Borrower after revocation under commitments existing prior to receipt by Bank of such revocation, and extensions, renewals or modifications, of any kind, of Indebtedness incurred by the Borrower or committed by Bank prior to receipt by Bank of such revocation, shall not be considered new Indebtedness. Any such notice must be sent to Bank by registered U.S. mail, postage prepaid, addressed to its office at 2030 Main Street, Suite 900, Irvine, California 92614, or at such other address as Bank shall from time to time designate. Any payment by Guarantor shall not reduce Guarantor's maximum obligation hereunder unless written notice to that effect is actually received by Bank at or prior to the time of such payment. The obligations of Guarantor hereunder shall be in addition to any obligations of Guarantor under any other guaranties of any liabilities or obligations of the Borrower or any other persons heretofore or hereafter given to Bank unless said other guaranties are expressly modified or revoked in writing; and this Guaranty shall not, unless expressly herein provided, affect or invalidate any such other guaranties.

3. OBLIGATIONS JOINT AND SEVERAL; SEPARATE ACTIONS; WAIVER OF STATUTE OF LIMITATIONS; REINSTATEMENT OF LIABILITY. The obligations hereunder are joint and several and independent of the obligations of Borrower, and a separate action or actions may be brought and prosecuted against Guarantor whether action is brought against the Borrower or any other person, or whether the Borrower or any other person is joined in any such action or actions. Guarantor acknowledges that this Guaranty is absolute and unconditional, there are no conditions precedent to the effectiveness of this Guaranty, and this Guaranty is in full force and effect and is binding on Guarantor as of the date written below, regardless of whether Bank obtains collateral or any guaranties from others or takes any other action contemplated by Guarantor. Guarantor waives the benefit of any statute of limitations affecting Guarantor's liability hereunder or the enforcement thereof, and Guarantor agrees that any payment of any Indebtedness or other act which shall toll any statute of limitations applicable thereto shall similarly operate to toll such statute of limitations applicable to Guarantor's liability hereunder. The liability of Guarantor hereunder shall be reinstated and revived and the rights of Bank shall continue if and to the extent for any reason any amount at any time paid on account of any Indebtedness guaranteed hereby is rescinded or must otherwise be restored by Bank, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any amount so paid must be rescinded or restored shall be made by Bank in its sole discretion; provided however, that if Bank chooses to contest any such matter at the request of Guarantor, Guarantor agrees to indemnify and hold Bank harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Bank in connection therewith, including without limitation, in any litigation with respect thereto.

4. AUTHORIZATIONS TO BANK. Guarantor authorizes Bank either before or after revocation hereof, without notice to or demand on Guarantor, and without affecting Guarantor's liability hereunder, from time to time to: (a) alter, compromise, renew, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of the Indebtedness or any portion thereof, including increase or decrease of the rate of interest thereon; (b) take and hold security for the payment of this Guaranty or the Indebtedness or any portion thereof, and exchange, enforce, waive, subordinate or release any such security; (c) apply such security and direct the order or manner of sale thereof, including without limitation, a non-judicial sale permitted by the terms of the controlling security agreement, mortgage or deed of trust, as Bank in its discretion may determine; (d) release or substitute any one or more of the endorsers or any other guarantors of the Indebtedness, or any portion thereof, or any other party thereto; and (e) apply payments received by Bank from the Borrower to any Indebtedness of the Borrower to Bank, in such order as Bank shall determine in its sole discretion, whether or not such Indebtedness is covered by this Guaranty, and Guarantor hereby waives any provision of law regarding application of payments which specifies otherwise. Bank may without notice assign this Guaranty in whole or in part. Upon Bank's request, Guarantor agrees to provide to Bank copies of Guarantor's financial statements.

5. REPRESENTATIONS AND WARRANTIES; COVENANTS.

(a) Guarantor represents and warrants to Bank that: (i) this Guaranty is executed at Borrower's request; (ii) Guarantor shall not, without Bank's prior written consent, sell, lease,

assign, encumber, hypothecate, transfer or otherwise dispose of all or a substantial or material part of Guarantor's assets other than in the ordinary course of Guarantor's business; (iii) Bank has made no representation to Guarantor as to the creditworthiness of the Borrower; and (iv) Guarantor has established adequate means of obtaining from the Borrower on a continuing basis financial and other information pertaining to Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events or circumstances which might in any way affect Guarantor's risks hereunder, and Guarantor further agrees that Bank shall have no obligation to disclose to Guarantor any information or material about the Borrower which is acquired by Bank in any manner.

(b) Guarantor agrees that, so long as any part of the Indebtedness of the Borrower to Bank shall remain unpaid, Guarantor will perform or observe all of the terms, covenants and agreements set forth in the Loan Documents (as such term is defined in the Amended and Restated Credit Agreement dated as of the date hereof between Borrower and Bank, as it may hereafter be amended, restated, supplemented or otherwise modified from time to time) that refer or apply to Guarantor.

6. GUARANTOR'S WAIVERS.

(a) Guarantor waives any right to require Bank to: (i) proceed against the Borrower or any other person; (ii) marshal assets or proceed against or exhaust any security held from the Borrower or any other person; (iii) give notice of the terms, time and place of any public or private sale or other disposition of personal property security held from the Borrower or any other person; (iv) take any other action or pursue any other remedy in Bank's power; or (v) make any presentment or demand for performance, or give any notice of nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any obligations or evidences of indebtedness held by Bank as security for or which constitute in whole or in part the Indebtedness guaranteed hereunder, or in connection with the creation of new or additional Indebtedness.

(b) Guarantor waives any defense to its obligations hereunder based upon or arising by reason of: (i) any disability or other defense of the Borrower or any other person; (ii) the cessation or limitation from any cause whatsoever, other than payment in full, of the Indebtedness of the Borrower or any other person; (iii) any lack of authority of any officer, director, partner, agent or any other person acting or purporting to act on behalf of the Borrower which is a corporation, partnership or other type of entity, or any defect in the formation of the Borrower; (iv) the application by the Borrower of the proceeds of any Indebtedness for purposes other than the purposes represented by the Borrower to, or intended or understood by, Bank or Guarantor; (v) any act or omission by Bank which directly or indirectly results in or aids the discharge of the Borrower or any portion of the Indebtedness by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of Bank against the Borrower; (vi) any impairment of the value of any interest in any security for the Indebtedness or any portion thereof, including without limitation, the failure to obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution, and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; (vii) any modification of the Indebtedness, in any form

whatsoever, including any modification made after revocation hereof to any Indebtedness incurred prior to such revocation, and including without limitation the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, the Indebtedness or any portion thereof, including increase or decrease of the rate of interest thereon; or (viii) any requirement that Bank give any notice of acceptance of this Guaranty. Until all Indebtedness shall have been paid in full, Guarantor shall have no right of subrogation, and Guarantor waives any right to enforce any remedy which Bank now has or may hereafter have against the Borrower or any other person, and waives any benefit of, or any right to participate in, any security now or hereafter held by Bank. Guarantor further waives all rights and defenses Guarantor may have arising out of (A) any election of remedies by Bank, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for any portion of the Indebtedness, destroys Guarantor's rights of subrogation or Guarantor's rights to proceed against the Borrower for reimbursement, or (B) any loss of rights Guarantor may suffer by reason of any rights, powers or remedies of the Borrower in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging Borrower's Indebtedness, whether by operation of Sections 726, 580a or 580d of the Code of Civil Procedure as from time to time amended, or otherwise, including any rights Guarantor may have to a Section 580a fair market value hearing to determine the size of a deficiency following any foreclosure sale or other disposition of any real property security for any portion of the Indebtedness.

7. BANK'S RIGHTS WITH RESPECT TO GUARANTOR'S PROPERTY IN BANK'S POSSESSION. In addition to all liens upon and rights of setoff against the monies, securities or other property of Guarantor given to Bank by law, Bank shall have a lien upon and a right of setoff against all monies, securities and other property of Guarantor now or hereafter in the possession of or on deposit with Bank, whether held in a general or special account or deposit or for safekeeping or otherwise, and every such lien and right of setoff may be exercised without demand upon or notice to Guarantor. No lien or right of setoff shall be deemed to have been waived by any act or conduct on the part of Bank, or by any neglect to exercise such right of setoff or to enforce such lien, or by any delay in so doing, and every right of setoff and lien shall continue in full force and effect until such right of setoff or lien is specifically waived or released by Bank in writing.

8. SUBORDINATION. Any Indebtedness of the Borrower now or hereafter held by Guarantor is hereby subordinated to the Indebtedness of Borrower to Bank. Such Indebtedness of Borrower to Guarantor is assigned to Bank as security for this Guaranty and the Indebtedness and, if Bank requests, shall be collected and received by Guarantor as trustee for Bank and paid over to Bank on account of the Indebtedness of Borrower to Bank but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty. Any notes or other instruments now or hereafter evidencing such Indebtedness of the Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and, if Bank so requests, shall be delivered to Bank. Bank is hereby authorized in the name of Guarantor from time to time to file financing statements and continuation statements and execute such other documents and take such other action as Bank deems necessary or appropriate to perfect, preserve and enforce its rights hereunder.

9. REMEDIES; NO WAIVER. All rights, powers and remedies of Bank hereunder are cumulative. No delay, failure or discontinuance of Bank in exercising any right, power or remedy hereunder shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of this Guaranty, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing.

10. COSTS, EXPENSES AND ATTORNEYS' FEES. Guarantor shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with the enforcement of any of Bank's rights, powers or remedies and/or the collection of any amounts which become due to Bank under this Guaranty, and the prosecution or defense of any action in any way related to this Guaranty, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Guarantor or any other person or entity. If not paid when due, all of the foregoing shall be paid by Guarantor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time.

11. SUCCESSORS; ASSIGNMENT. This Guaranty shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Guarantor may not assign or transfer any of its interests or rights hereunder without Bank's prior written consent. Guarantor acknowledges that Bank has the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, any Indebtedness of Borrower to Bank and any obligations with respect thereto, including this Guaranty. In connection therewith, Bank may disclose all documents and information which Bank now has or hereafter acquires relating to Guarantor and/or this Guaranty, whether furnished by Borrower, Guarantor or otherwise. Guarantor further agrees that Bank may disclose such documents and information to Borrower.

12. AMENDMENT. This Guaranty may be amended or modified only in writing signed by Bank and Guarantor.

13. RESERVED.

14. APPLICATION OF SINGULAR AND PLURAL. All words used herein in the plural shall be deemed to have been used in the singular where the context and construction so require; and when there is more than one Borrower named herein, or when this Guaranty is executed by more than one Guarantor, the word "Borrower" and the word "Guarantor" respectively shall mean all or any one or more of them as the context requires.

15. UNDERSTANDING WITH RESPECT TO WAIVERS; SEVERABILITY OF PROVISIONS. Guarantor warrants and agrees that each of the waivers set forth herein is made with Guarantor's full knowledge of its significance and consequences, and that under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any waiver or other provision of this Guaranty shall be held to be prohibited by or invalid under applicable public policy or law, such waiver or other provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such waiver or other provision or any remaining provisions of this Guaranty.

16. GOVERNING LAW. This Guaranty shall be governed by and construed in accordance with the laws of the State of California.

17. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise, in any way arising out of or relating to this Guaranty and its negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in California selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including

those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of California or a neutral retired judge of the state or federal judiciary of California, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of California and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the California Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed this Guaranty or any other contract, instrument or document relating to any Indebtedness, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Real Property Collateral; Judicial Reference. Notwithstanding anything herein to the contrary, no dispute shall be submitted to arbitration if the dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the

mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of California, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable. If any such dispute is not submitted to arbitration, the dispute shall be referred to a referee in accordance with California Code of Civil Procedure Section 638 et seq., and this general reference agreement is intended to be specifically enforceable in accordance with said Section 638. A referee with the qualifications required herein for arbitrators shall be selected pursuant to the AAA's selection procedures. Judgment upon the decision rendered by a referee shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

(i) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the documents between the parties or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the documents or any relationship between the parties.

(j) Small Claims Court. Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty as of [_____], 2011.

TILLY'S, INC.

By: _____

Name: _____

Title: _____

Exhibit 10.7

WELLS FARGO REVOLVING LINE OF CREDIT NOTE

$25,000,000.00 Irvine, California
[_____], 2011

FOR VALUE RECEIVED, the undersigned **WORLD OF JEANS & TOPS** ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at Orange County RCBO, 2030 Main Street, Suite #900, Irvine, CA 92614, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of $25,000,000.00, or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

1. DEFINITIONS.

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

1.1 "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in California are authorized or required by law to close.

1.2 "Fixed Rate Term" means a period commencing on a Business Day and continuing for 1, 2 or 3 months, as designated by Borrower, during which all or a portion of the outstanding principal balance of the Note bears interest determined in relation to LIBOR; provided however, that no Fixed Rate Term may be selected for a principal amount less than $100,000.00; and provided further, that no Fixed Rate Term shall extend beyond the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

1.3 "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 of 1%) determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{\text{100\% - LIBOR Reserve Percentage}}$$

(a) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(b) “LIBOR Reserve Percentage” means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for “Eurocurrency Liabilities” (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable Fixed Rate Term.

1.4 “Prime Rate” means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank’s base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate.

2. INTEREST.

2.1 Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (a) at a fluctuating rate per annum equal to 0.00000% above the Prime Rate in effect from time to time, or (b) at a fixed rate per annum determined by Bank to be 1.75000% above LIBOR in effect on the first day of the applicable Fixed Rate Term. When interest is determined in relation to the Prime Rate, each change in the rate of interest hereunder shall become effective on the date each Prime Rate change is announced within Bank. With respect to each LIBOR selection hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank’s books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

2.2 Selection of Interest Rate Options. At any time any portion of this Note bears interest determined in relation to LIBOR, it may be continued by Borrower at the end of the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Prime Rate or to LIBOR for a new Fixed Rate Term designated by Borrower. At any time any portion of this Note bears interest determined in relation to the Prime Rate, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a Fixed Rate Term designated by Borrower. At such time as Borrower requests an advance hereunder or wishes to select a LIBOR option for all or a portion of the outstanding principal balance hereof, and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying: (a) the interest rate option selected by Borrower; (b) the principal amount subject thereto; and (c) for each LIBOR selection, the length of the applicable Fixed Rate Term. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as, with respect to each LIBOR selection, (i) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than 3 Business Days after such notice is given, and (ii) such notice is given to Bank prior to 10:00 a.m. on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at its sole option but without obligation to do so, accepts Borrower’s notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to redetermination by Bank of the applicable fixed rate. If no specific designation of interest is made at the time any advance is requested hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have

made a Prime Rate interest selection for such advance or the principal amount to which such Fixed Rate Term applied.

2.3 Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (a) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (b) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

2.4 Payment of Interest. Interest accrued on this Note shall be payable on the 1st day of each month, commencing [_____] 1, 2011.

2.5 Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, or at Bank's option upon the occurrence, and during the continuance of an Event of Default, the outside principal balance of this Note shall bear interest at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to 4% above the rate of interest from time to time applicable to this Note.

3. BORROWING AND REPAYMENT.

3.1 Borrowing and Repayment. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of the Credit Agreement between Borrower and Bank defined below; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on [_____], 2013.

3.2 Advances. Advances hereunder, to the total amount of the principal sum available hereunder, may be made by the holder at the oral or written request of (a) any authorized officer of Borrower, acting alone, who is authorized to request advances and direct the disposition of any advances and as to which the holder has received evidence of incumbency and such authorization, until written notice of revocation of such authority is received by the holder at the office designated above, or (b) any person, with respect to advances deposited to the credit of any deposit account of Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account.

The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by Borrower.

3.3 Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to the Prime Rate, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR, with such payments applied to the oldest Fixed Rate Term first.

4. PREPAYMENT.

4.1 Prime Rate. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Prime Rate at any time, in any amount and without penalty.

4.2 LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of $100,000.00; provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the Fixed Rate Term applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

(a) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.

(b) Subtract from the amount determined in (a) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.

(c) If the result obtained in (b) for any month is greater than zero, discount that difference by LIBOR used in (b) above.

Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum 2.000% above the Prime Rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed).

5. EVENTS OF DEFAULT.

This Note is made pursuant to and is subject to the terms and conditions of that certain Amended and Restated Credit Agreement between Borrower and Bank dated as of [_____], 2011, as amended from time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

6. MISCELLANEOUS.

6.1 Remedies. Upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

6.2 Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

6.3 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

WORLD OF JEANS & TOPS

By: _____

Name: _____

Title: _____

Exhibit 10.8

AMENDED AND RESTATED

OFFICE AND WAREHOUSE LEASE

BETWEEN

SHAKED HOLDINGS, LLC,
LANDLORD

AND

WORLD OF JEANS and TOPS, INC.,

A CALIFORNIA CORPORATION,

TENANT

10 and 12 WHATNEY

IRVINE, CA 92618

RENTAL AGREEMENT

AMENDED AND RESTATED OFFICE AND WAREHOUSE LEASE

This AMENDED AND RESTATED OFFICE AND WAREHOUSE LEASE (the "Agreement") dated as of September 21, 2007, is between SHAKED HOLDINGS, LLC, a California limited liability company (hereinafter referred to as "Landlord"), and WORLD OF JEANS & TOPS, INC., a California corporation (hereinafter referred to as "Tenant"). Landlord and Tenant are parties to that certain Standard Industrial/Commercial Single-Tenant Lease—Net dated as of October 25, 2002, as amended by that certain First Amendment to Lease Agreement dated March 24, 2003 for the Premises described herein and that certain Second Amendment to Lease Agreement dated January 1, 2004 for the premises described herein (collectively, the "Original Lease"). In order to clarify intent and language in the Original Lease, the parties hereby enter into this Agreement, which is intended to replace and supersede the Original Lease.

ARTICLE 1
BASIC AGREEMENT PROVISIONS

1.1	Date of Agreement Preparation:	September 21, 2007	
1.2	Landlord:	Shaked Holdings, LLC ("Landlord")	
1.3	Tenant:	World of Jeans & Tops, Inc., a California corporation ("Tenant")	
1.4	Tenant's Trade Name:	Tilly's	
1.5	Office Complex:	10 & 12 Whatney, Irvine, CA	
1.6	Premises Address:	10 & 12 Whatney, Irvine, CA Floor Area: Approximately 172,324 square foot industrial building – Garages and Roof not included	(Article 2)
1.7	Term:	Ten (10) Original Lease Years with three (3) additional sixty (60) month periods ("Options")	(Article 3)
1.8	Rental Commencement Date:	January 1, 2003 and ending December 31, 2012	
1.9	Minimum Monthly Rental:	One Hundred Twenty Thousand Six Hundred Twenty Six and 80/100 Dollars ($120,626.80). Annual Increases per Article 4.2	(Article 4)
1.10	Use of Premises:	General office, design, light manufacturing, and distribution. The Premises shall be used solely for the use stated above and for no other use or purpose, and in compliance with the Rules and Regulations set forth immediately following Article 25.	(Article 8)
1.11	Security Deposit:	One Hundred Twenty Thousand Six Hundred Twenty Six and 80/100 Dollars ($120,626.80).	(Article 5)
1.12	Guarantor:	None	
1.13	Addresses for Notices:		(Article 25.3)

LANDLORD:	TENANT:
Notices to:	Notices to:
Shaked Holdings, LLC 10 Whatney Irvine, CA 92618 Attention: Hezy Shaked	Tilly's 10 Whatney Irvine, CA 92618 Attention: Lease Administration
with a copy to:	with a copy to:
N/A	Tilly's 10 Whatney Irvine, CA 92618 Attention: Chief Financial Officer

Landlord's Address for Payments and Reports:	Tenant's Address for Payments and Reports:
Shaked Holdings, LLC 10 Whatney Irvine, CA 92618 Attention: Hezy Shaked	Tilly's 10 Whatney Irvine, CA 92618 Attention: Lease Administration

The following Exhibits are attached to and, by this reference, made a part of this Agreement:

EXHIBIT A - PREMISES
EXHIBIT B - OPTION(S) TO EXTEND

Landlord does hereby rent to Tenant and Tenant hereby rents from Landlord that certain Premises within the Office Complex indicated on Exhibit "A" attached hereto and made a part hereof; provided, however, that this Agreement and the obligations of Landlord and Tenant hereunder are contingent upon a waiver by the existing tenant occupying the Premises, if any, of any right or option of extension of existing leasehold interests pertaining thereto.

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 Complex shall not include any part of the roof or garage located at the Complex, as per attached Exhibit A.

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". If Landlord will not be making any tenant improvements to the Premises, and if Tenant is leasing the premises "as is", Tenant agrees to accept the Premises in "as is" condition 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 in good condition.

ARTICLE 4
RENTAL

4.1 Minimum Monthly Rental. Tenant agrees to pay to Landlord as minimum monthly rental, without prior notice or demand and without set off or deduction for the Premises the sum of One Hundred Twenty Thousand Six Hundred Twenty Six and 80/100 Dollars ($120,626.80), 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 minimum monthly rental 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 January next following the rent commencement date and on each January 1 thereafter (each date referred to as the " Rent Adjustment Date ") the Base Rent shall be increased by 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 Base Rent be increased on any adjustment date by more than seven percent (7%) calculated on a cumulative basis. The formula to be used is as follows:

Ending CPI / Beginning CPI times Previous Base Rent = Adjusted Base Rent

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 Base Rent 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 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 Rental" (as defined in Section 4.5 herein).

4.5 Additional Rental. 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**."

4.6 Prorated Rental. Rental for any period during the term hereof which is for less than one (1) month shall be a prorated portion of the monthly installment herein, based upon a thirty (30) day month.

4.7 Place of Payment. Any Rental (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 Rental 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.

ARTICLE 5
SECURITY DEPOSIT

Tenant has deposited with Landlord the sum of One Hundred Twenty Thousand Six Hundred Twenty Six and 80/100 Dollars ($120,626.80), 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 or the Complex 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 Landlord's recovery of possession of the Premises or the termination 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.

ARTICLE 6
POSSESSION AND QUIET ENJOYMENT

6.1 Possession. If Landlord, for any reason whatsoever, including a failure to obtain possession from a prior tenant of the Premises, 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 Rental 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 Rental 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 within a Building which is a non-smoking Building and that the Premises are within an area where smoking is prohibited.

ARTICLE 7
SERVICES AND UTILITIES

7.1 Services Provided. Landlord shall furnish electrical, water, sewer, and gas services to the Premises. Tenant agrees to pay directly to the appropriate utility company all charges for utility services supplied to Tenant for which there is a separate meter and/or submeter to the Premises.

7.2 Electric Service Provider:

(a) Landlord has advised Tenant that presently Edison ("Electric Service Provider") is the utility company selected by Landlord to provide electricity service for the Complex. Notwithstanding the foregoing, if permitted by law, Landlord shall have the right at any time and from time to time during the Term to either contract for service from a different company or companies providing electricity service (each such company shall hereinafter be referred to as an "Alternate Service Provider") or continue to contract for service from the Electric Service Provider.

(b) Tenant shall cooperate with Landlord, the Electric Service Provider, and any Alternate Service Provider at all times and, as reasonably necessary and without charge, shall allow Landlord, Electric Service Provider, and any Alternate Service Provider reasonable access to or through the Premises to the Complex's electric lines, feeders, risers, wiring, and any related other machinery necessary to provide electrical services.

(c) Landlord shall in no way be liable or responsible for any loss, damage, or expense that Tenant may sustain or incur by reason of any change, failure, interference, disruption, or defect in the supply or character of the electric energy furnished to the Premises, or if the quantity or character of the electric energy supplied by the Electric Service Provider or any Alternate Service Provider is no longer available or suitable for Tenant's requirements, and no such change, failure, defect, unavailability, or unsuitability shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of Rental, or relieve Tenant from any of its obligations under the Agreement.

7.3 Increased Costs. Tenant shall pay for increases in service and utility costs incurred as a result of Tenant's occupation of the Premises at times other than ordinary business hours. Such extra charges may be assessed based on reasonable estimates prepared by Landlord.

7.4 Excess Costs. Tenant shall not without written consent of Landlord use any apparatus or device in the Premises including, but without limitation thereto, electronic data processing machines, punch card machines, and machines using in excess of 120 volts which will in any way increase the amount of electricity usually furnished or supplied for the use of the Premises as general office space; nor connect with electric current except through existing electrical outlets in the Premises any apparatus or device for the purpose of using electric current. If Tenant requires water, gas, or electric current in excess of that usually furnished or supplied for the use of the Premises as general office space, Tenant shall first procure the written consent of Landlord, which Landlord may refuse, to the use thereof and Landlord may at its option either:

(a) cause a water meter, gas meter, or electrical current meter to be installed in the Premises so as to measure the amount of water, gas, or electric current consumed for any such use; or

(b) assess a reasonable charge in an amount sufficient to cover the cost of such use.

The cost of any such meters and the installation, maintenance, and repair thereof shall be paid for by Tenant and Tenant agrees to pay to Landlord promptly upon demand therefor by Landlord for all such water, gas, and electric current consumed as shown by said meters, at the rates charged for such services by the local public utility furnishing the same plus any additional expense incurred in keeping account of the water, gas, and electric current so consumed. If a separate meter is not installed, such excess cost for such water, gas, and electric current shall be established by an estimate made in good faith by Landlord.

7.5 Access. Tenant shall permit access to the Premises during normal business hours to installers or repairmen of utility services, whether in furtherance of Tenant's services or those of others.

7.6 Waiver of Liability. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental by reason of Landlord's failure to furnish any of the foregoing services 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.

7.7 HVAC Controls. Tenant has been informed and acknowledges that the HVAC controls for the Premises may be shared with adjacent 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.

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. 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 other Building in the Complex, 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 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 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 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. Landlord shall indemnify and hold Tenant harmless against and from any and all liability, claims, judgments or demands arising from the negligence or willful misconduct of Landlord, its agents, contractors or employees.

9.3 Waiver of Liability. Landlord and its agents shall not be liable for any damage to property entrusted to employees of the Building or the Complex, 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 negligence 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 Date of Acceptance 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 ($1,000,000.00) covering bodily injury, personal injury, death and property damage liability per occurrence and in the aggregate, 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.

(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 ($1,000,000.00) 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 ($5,000,000.00).

(d) Plate glass insurance covering all plate glass on the Premises, if any, at full replacement value. Tenant shall have the option either to insure the risk or to self-insure.

(e) Insurance covering Tenant's leasehold improvements, alterations permitted under Article 12, trade fixtures, merchandise and personal property from time to time in, on, or about the Premises, in an amount not less than full replacement value, providing protection against 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.

(f) 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 Complex with a combined single limit of not less than One Million Dollars ($1,000,000.00) 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 Complex 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; and

(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).

(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 or upon any other building in the Complex. Tenant agrees to pay to Landlord upon demand the amount of any increase in premiums for insurance resulting to Landlord or any other tenant from Tenant's use of the Premises, whether or not Landlord shall have consented to such use on the part of Tenant.

10.5 Landlord's Insurance and Reimbursement of Insurance Premiums by Tenant. 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 Landlord's Insurance may be brought within the coverage of any so-called blanket policy or policies of insurance carried and maintained by Landlord, at Landlord's discretion. If Landlord maintains such a blanket policy(ies), the cost of Landlord's Insurance allocable to the Complex shall be deemed to be that portion of the premiums for the blanket policy(ies) allocated by Landlord to the Complex. Tenant agrees to pay to Landlord, as Additional Rental, 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's share of the cost of Landlord's Insurance shall be a fractional portion of the sum of the premiums (and finance charges payable by Landlord with respect thereto, if any). The numerator of such fraction shall be the floor area of the Premises and the denominator of such fraction shall be ninety-five percent (95%) of all other floor area in the Complex; provided, however, that any of the aforementioned floor area not covered by Landlord's Insurance shall be excluded from the denominator. 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 minimum monthly rental next due. Any excess payment shall be credited against Tenant's payment of estimated premiums next due.

10.6 Indemnity. To the fullest extent permitted by law, Tenant covenants with Landlord that Landlord, Landlord's property manager, and their respective officers, directors, shareholders, partners, agents, affiliates, related groups or entities, and employees shall not be liable for, and Tenant hereby protects, defends, indemnifies, and holds Landlord, Landlord's property manager, if any, and their respective officers, directors, shareholders, members, partners, agents, affiliates, related groups or entities, and employees harmless from and against any and all claims, expenses, liabilities, losses, damages and costs, including reasonable attorneys' fees, and any actions or proceedings in connection therewith, incurred in connection with, arising from, due to, or as a result of (a) the death of any person or any accident, injury, loss or damage (i) howsoever caused, to any person or property as shall occur in or about the Premises on or after the date that Tenant is given access to the Premises, or (ii) caused by the occupancy or use of the Premises or the willful act or omission of Tenant, any person holding under Tenant, or Tenant's agents, servants, or employees, wherever the same may occur, or (b) noncompliance with the Americans with Disabilities Act of 1990 as it may be amended from time to time and the regulations issued thereunder relating to the design, construction, alteration, and renovation of the Premises and the arrangement of fixtures and furniture therein, except claims resulting from the sole negligence or sole willful act or omission of Landlord or one or more of the other indemnified parties, or the agents, servants, or employees of Landlord or an indemnified party wherever the same may occur. This obligation to indemnify shall include reasonable attorneys' fees (including charges of in-house counsel) and incidental costs, investigation costs and all other reasonable costs, expenses, and liabilities incurred by Landlord, another indemnified party, or their counsel from the date the first notice that any claim or demand is to be made or may be made.

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.

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 Rental. 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(b) 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.

(b) Service Contracts. Tenant shall, at Tenant's sole expense, procure and maintain contracts with licensed vendors, 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 Date of Acceptance 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.

(c) Replacement. Subject to Tenant's indemnification of Landlord as set forth in Section 24.3, and without relieving Tenant of liability resulting from Tenant's failure to exercise and perform, maintenance practices if the Basic Elements described in Paragraph 11.1 (b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such Basic Elements, then such Basic Elements shall be replaced by Landlord, and the cost thereof shall be prorated between the Parties and Tenant shall only be obligated to pay, each month during the remainder of the term of this Lease, on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is the number of months of the useful life of such replacement as such useful life is specified pursuant to Federal income tax regulations or guidelines for depreciation thereof (including interest on the unamortized balance as is then commercially reasonable in the judgment of Landlord's accountants), with Tenant reserving the right to prepay its obligation at any time.

11.2 Landlord's Repair and Maintenance. Subject to the provisions of Article 14 (Reconstruction), 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.

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 casualty damage excepted. Any construction within the Premises must be permitted. Any construction which is not permitted must be returned to the 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 Substantial Completion of the Premises. 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.

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 upon reasonable notice (except in an emergency, in which case no notice shall be required). Tenant further covenants and agrees that the Landlord may go upon the Premises and make any necessary repairs to the Premises and perform any work therein:

(a) which may be necessary to comply with any laws, ordinances, rules, or regulations of any public authority or of the insurance carrier or of any similar body; or

(b) that the Landlord may deem necessary to prevent waste or deterioration in connection with the Premises if the Tenant does not make or cause such repairs or work to be performed promptly after receipt of written demand from the Landlord; or

(c) that the Landlord may deem necessary to perform construction work incidental to any portion of the Complex adjacent to, above, or below the Premises. 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. 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 Rental. 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 Rental 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. No exercise by the Landlord of any rights herein reserved shall entitle Tenant to any damage for any injury or inconvenience occasioned thereby not 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 therefor, except for that work as provided herein which will be at the sole cost and expense of Landlord.

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 Complex 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 ($100,000.00). Each contractor must first be approved in writing by Landlord. Tenant shall cause its contractors to submit to Landlord prior to entering the Complex 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) within the Complex outside the Premises, (ii) on the exterior walls of the Premises, or (iii) 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. Landlord may remove at Tenant's expense any signs and other displays installed or maintained by or for Tenant in violation of this section.

ARTICLE 13
LIENS

Tenant shall keep the Premises and the Complex 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.

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; or

(b) The cost of repair exceeds ten percent (10%) of the full replacement cost.

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 ($2,000.00) 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 Premises to the condition required for Substantial Completion at the inception of the Term. 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 and Relocation .

(a) 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, Minimum Annual Rent 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.

(b) Relocation. Intentionally Deleted

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.

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 or to other portions of the Complex 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 or the Complex; (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. In the event Tenant incurs a late charge on any Rent payment, 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 Base Rent. 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 Paragraph 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 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 Premises 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, Rental, 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 Premises is taken and neither party elects to terminate as herein provided, the Rental thereafter to be paid shall be equitably reduced based upon the ratio which the square feet of floor area in the Premises taken bears to the total square feet of floor area in the Premises immediately before the taking. If any part of the Complex other than the Premises may be so taken or appropriated, Landlord shall have the right at its option to terminate this Agreement and shall be entitled to the entire award as above provided.

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 five (5) business 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 (provided, however, any notice 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);

(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).

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 Complex 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 Rental. The term "Rental" shall be deemed to be the minimum monthly rental, Additional Rental, 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 sixty (60) month period, except that if it becomes necessary to compute these sums before a sixty (60) 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 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 the Lease.

(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 Lease. 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 Lease, 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.

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 Rental 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 Complex less the sum of all liens recorded against Landlord's interest in the Complex 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.

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 Leased 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 Leased Premises by anyone with, through or under it, without first procuring the written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. 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 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, 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 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 conflict with uses existing in the Complex at the time of the proposed assignment;

(c) that the proposed use will not violate competitive restriction clauses, if any, applicable to any lease in the Complex;

(d) that total Rental payable to Landlord after such assignment or subletting will be not less than total Rental payable before such transfer, taking into account Consumer Price Index adjustments, Operating Expense adjustments, or any other factors applicable to the existing tenancy, and that Consumer Price Index adjustment to this Agreement, if any, be adjusted for the proposed transferee so that Landlord does not suffer economic detriment resulting therefrom;

(e) that all provisions of this Agreement would apply to and be ratified by the proposed transferee; and

(f) 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.

(g) that the proposed transferee is not less creditworthy than the Tenant.

(h) 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 Rental, Percentage Rental, or additional rental or other payment to be paid to Tenant from a transfer exceeds the rental and additional rental Tenant is required to pay Landlord under this Lease, 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 rental.

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.

The term "Consumer Price Index" as used in this Lease shall mean "United States City Average All Items for All Urban Consumers (CPI-U, 1982-84=100)" published by the Bureau of Labor Statistics of the U.S.

Department of Labor. If the publication of the Consumer Price Index of the U.S. Bureau of Labor Statistics is discontinued, comparable statistics on the purchasing power of the consumer dollar published by a responsible financial periodical selected by Landlord shall be used for making such computations.

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 Attorney's Fees. In the event Tenant shall assign or sublet the Premises or request the consent of Landlord to any assignment or subletting or if Tenant shall request the consent of Landlord for any act Tenant proposes to do, then Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection therewith.

ARTICLE 23
BROKERS

~~Tenant warrants that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Agreement excepting only and knows of no other real estate broker or agent who is entitled to a commission with this Agreement. Commissions payable with respect to this Agreement, if any, shall be at the sole expense of Tenant unless this provision is superseded by a Rider attached hereto and executed in the same manner as this Agreement.~~

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 Complex 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 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 and the Complex 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 Complex 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 other party.

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.

25.14 Separability. 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. Exhibit(s) A and C is/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.

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, or to the Complex may be refused unless the person seeking access is known to the person or employee in charge of the Complex 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 or the Complex 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 in the Complex.

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 and/or the Complex.

14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Building of which the Premises are a part.

15. Tenant shall not disturb, solicit, or canvass any occupant of the Complex and shall cooperate to prevent same.

16. Without the written consent of Landlord, Tenant shall not use the name of the Complex 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 Complex 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 or the Complex.

19. Smoking will only be permitted in designated areas and shall not be permitted near the Building entrances.

20. Use of portable electric heaters and toasters are prohibited.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Agreement on the day and year first above written.

"Landlord"	"Tenant" *
Shaked Holdings, LLC	World of Jeans & Tops, Inc., a California corporation
By: /s/ Hezy Shaked	By: /s/ William Langsdorf
Hezy Shaked	William Langsdorf
Manager	Senior Vice President & CFO
Date of Execution: September 21, 2007	Date of Execution: September 21, 2007

* If Tenant is a corporation, the authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. This Lease must be executed by the president, or the vice president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event the bylaws or a certified copy of the resolution, as the case may be, must be attached to this Lease. In addition, a certificate by the secretary of the corporation must be attached to this Lease stating that the signatories are authorized to sign on behalf of the corporation.

If Tenant is a partnership, this Lease must be executed by a general partner or another party authorized to sign on behalf of the partnership as evidenced by a fully executed copy of the Partnership Agreement or duly recorded Statement of Partnership (or in the case of a limited partnership, a copy of the duly filed LP-1 Certificate of Limited Partnership), in

which event a copy of the Partnership Agreement or a conformed copy of the recorded Statement of Partnership (or LP-1, as the case may be) must be attached to this Lease. Additionally, if the general partner or another party authorized to sign on behalf of the partnership is other than a natural person, then the procedures for signatory authorization of that entity must also be reviewed in accordance with these instructions.

If Tenant is a limited liability company, this Lease must be executed by one or more of the authorized manager(s) as evidenced by a copy of the most recent annual statement as filed with the appropriate Secretary of State evidencing the name(s) of the authorized manager(s), in which event a conformed copy of the filed annual statement must be attached to this Lease.

TABLE OF CONTENTS

EXHIBITS:

EXHIBIT A - PREMISES
EXHIBIT B - OPTION(S) TO EXTEND

RIDERS - None

EXHIBIT A

PREMISES

EXHIBIT B
TO LEASE

Dated: September 21, 2007

BETWEEN SHAKED HOLDINGS, LLC "LANDLORD"
AND WORLD OF JEANS & TOPS, INC., "TENANT"

OPTION TO EXTEND: THREE (3) EXTENDED TERMS
(RENT: MUTUALLY AGREED MARKET RATE)

Tenant is hereby given the option to extend the Term of this Lease upon all the provisions contained in this lease for Three (3) periods of sixty (60) months each (the "Extended Term") following expiration of the Term; provided that (a) Tenant shall not be in default under the Lease, and (b) Tenant shall be in possession of, and operating within, the Premises for the use(s) set forth in the Lease. If Tenant is in default of any obligation of Tenant hereunder at the time of giving Option Notice or on the date the Extended Term is to commence, at Landlord's option, the Extended Term shall not commence and this Lease shall expire at the end of the Initial Term.

To exercise the foregoing option to extend, Tenant shall give Landlord written notice ("Option Notice") of exercise of such option to lease Six (6), but not more than nine (9), months prior to the expiration of the initial Term. Tenant shall have no other right to extend the term of this Lease beyond the Extended Term.

The Minimum Monthly Rental shall be Mutually Agreed Market Rate (MAMR)

A. On January 1, 2013, and on the first day of each remaining Option Term, the Base Rent shall be adjusted to the "Mutually Agreed Market Rate" of the property as follows:

1) Four months prior to each Mutually Agreed Market Rate Adjustment Date described above, the Parties shall attempt to agree upon what the new MAMR will be on the adjustment date. If agreement cannot be reached, within thirty days, then:

   (a) Landlord and Tenant shall immediately appoint a mutually acceptable appraiser or broker to establish the new MAMR within the next 30 days. Any associated costs will be split equally between the Parties, or

   (b) Both Landlord and Tenant shall each immediately make a reasonable determination of the MAMR and submit such determination, in writing, to arbitration in accordance with the following provisions:

   (i) Within 15 days thereafter, Landlord and Tenant shall each select a broker ("Consultant") to act as an arbitrator. The two arbitrators so appointed shall immediately select a third mutually acceptable Consultant to act as a third arbitrator.

   (ii) The 3 arbitrators shall within 30 days of the appointment of the third arbitrator reach a decision as to what the actual MAMR for the Premises is, and whether Landlord's or Tenant's submitted MAMR is the closest thereto. The decision of a majority of the arbitrators shall be binding on the Parties. The submitted MAMR which is determined to be the closest to the actual MAMR shall thereafter be used by the Parties.

   (iii) If either of the Parties fails to appoint an arbitrator within the specified 15 days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.

   (iv) The entire cost of such arbitration shall be paid by the party whose submitted MAMR is not selected, ie. the one that is NOT the closest to the actual MAMR.

2) Notwithstanding the foregoing, the new MAMR shall not be less than the rent payable for the month immediately preceding the rent adjustment.

B. Upon the establishment of each New Mutually Agreed Market Rate:

1) the new MAMR will become the new "Base Rent" for the purpose of calculating any further Adjustments, and

2) the first month of each Mutually Agreed Market Rate term shall become the new "Base Month" for the purpose of calculating any further Adjustments.

Tenant's Initial's

Landlord's Initials

Exhibit 10.9

OFFICE AND WAREHOUSE LEASE

BETWEEN

AMNET HOLDINGS, LLC,

AS LANDLORD

AND

WORLD OF JEANS and TOPS,

A CALIFORNIA CORPORATION,

AS TENANT

15 Chrysler

IRVINE, CA 92618

OFFICE AND WAREHOUSE LEASE AGREEMENT

This OFFICE AND WAREHOUSE LEASE (the "Agreement") dated as of November 1, 2010, 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:	November 1, 2010	
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:	15 Chrysler, Irvine, CA 92618 (approximately 25,185 square foot industrial building, consisting of 14,140 of warehouse and 11,045 of office) ("Building")	(Article 2)
1.7	Term:	48 months	(Article 3)
1.8	Rental Commencement and Expiration Date:	November 1, 2010 and October 31, 2014	
1.9	Minimum Monthly Rental and Minimum Annual Rent:	Sixteen Thousand One Hundred Eighteen and 40/100 Dollars ($16,118.40). The Minimum Annual Rent is 12 times the Minimum Monthly Rental. Annual Increases per Article 4.2	(Article 4)
1.10	Use of Premises:	General office, design, light manufacturing, and distribution. The Premises shall be used solely for the use stated above and for no other use or purpose, and in compliance with the Rules and Regulations set forth immediately following Article 25.	(Article 8)
1.11	Security Deposit:	Thirty Six Thousand Seven Hundred Seventy and 00/100 Dollars ($36,770.00).	(Article 5)
1.12	Guarantor:	None	
1.13	Addresses for Notices:		(Article 25.3)

LANDLORD:	TENANT:
Notices to:	Notices to:
Amnet Holdings, LLC 10 Whatney Irvine, CA 92618 Attention: Hezy Shaked	Tilly's 10 Whatney Irvine, CA 92618 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 10 Whatney Irvine, CA 92618 Attention: Hezy Shaked	Tilly's 10 Whatney Irvine, CA 92618 Attention: Lease Administration

The following Exhibit is attached to and, by this reference, made a part of this Agreement:

EXHIBIT A - PREMISES

Landlord does hereby rent to Tenant and Tenant hereby rents from Landlord that certain Premises indicated on Exhibit "A" attached hereto and made a part hereof; provided, however, that this Agreement and the obligations of Landlord and Tenant hereunder are contingent upon a waiver by the existing tenant occupying the Premises, if any, of any right or option of extension of existing leasehold interests pertaining thereto.

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, as per attached Exhibit A.

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". If Landlord will not be making any tenant improvements to the Premises, and if Tenant is leasing the premises "as is", Tenant agrees to accept the Premises in "as is" condition 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 in good condition.

ARTICLE 4
RENTAL

4.1 Minimum Monthly Rental. Tenant agrees to pay to Landlord as minimum monthly rental, without prior notice or demand and without set off or deduction for the Premises the sum of Sixteen Thousand One Hundred Eighteen and 00/100 Dollars ($16,118.00), 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 minimum monthly rental 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 November next following the rent commencement date and on each November 1 thereafter (each date referred to as the " Rent Adjustment Date ") the minimum monthly rent shall be increased as follows:

- $0.67/sq. ft. for the period of November 1, 2011 through October 31, 2012;
- $0.70/sq. ft. for the period of November 1, 2012 through October 31, 2013; and
- $0.73/sq. ft. for the period of November 1, 2013 through October 31, 2014.

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 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 Rental" (as defined in Section 4.5 herein).

4.5 Additional Rental. 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**."

4.6 Prorated Rental. Rental for any period during the term hereof which is for less than one (1) month shall be a prorated portion of the monthly installment herein, based upon a thirty (30) day month.

4.7 Place of Payment. Any Rental (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 Rental 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.

ARTICLE 5
SECURITY DEPOSIT

Tenant has deposited with Landlord the sum of Thirty Six Thousand Seven Hundred Seventy and 00/100 Dollars ($36,770.00), 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 Landlord's recovery of possession of the Premises or the termination 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.

ARTICLE 6
POSSESSION AND QUIET ENJOYMENT

6.1 Possession. If Landlord, for any reason whatsoever, including a failure to obtain possession from a prior tenant of the Premises, 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 Rental 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 Rental 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 include a building which is a non-smoking building and that the Premises are within an area where smoking is prohibited.

ARTICLE 7
SERVICES AND UTILITIES

7.1 Services Provided. Landlord shall furnish electrical, water, sewer, and gas services to the Premises. Tenant agrees to pay directly to the appropriate utility company all charges for utility services supplied to Tenant for which there is a separate meter and/or submeter to the Premises.

7.2 Electric Service Provider:

(a) Landlord has advised Tenant that presently Edison ("Electric Service Provider") is the utility company selected by Landlord to provide electricity service for the Premises. Notwithstanding the foregoing, if permitted by law, Landlord shall have the right at any time and from time to time during the Term to either contract for service from a different company or companies providing electricity service (each such company shall hereinafter be referred to as an "Alternate Service Provider") or continue to contract for service from the Electric Service Provider.

(b) Tenant shall cooperate with Landlord, the Electric Service Provider, and any Alternate Service Provider at all times and, as reasonably necessary and without charge, shall allow Landlord, Electric Service Provider, and any Alternate Service Provider reasonable access to or through the Premises' electric lines, feeders, risers, wiring, and any related other machinery necessary to provide electrical services.

(c) Landlord shall in no way be liable or responsible for any loss, damage, or expense that Tenant may sustain or incur by reason of any change, failure, interference, disruption, or defect in the supply or character of the electric energy furnished to the Premises, or if the quantity or character of the electric energy supplied by the Electric Service Provider or any Alternate Service Provider is no longer available or suitable for Tenant's requirements, and no such change, failure, defect, unavailability, or unsuitability shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of Rental, or relieve Tenant from any of its obligations under the Agreement.

7.3 Increased Costs. Tenant shall pay for increases in service and utility costs incurred as a result of Tenant's occupation of the Premises at times other than ordinary business hours. Such extra charges may be assessed based on reasonable estimates prepared by Landlord.

7.4 Excess Costs. Tenant shall not without written consent of Landlord use any apparatus or device in the Premises including, but without limitation thereto, electronic data processing machines, punch card machines, and machines using in excess of 120 volts which will in any way increase the amount of electricity usually furnished or supplied for the use of the Premises as general office space; nor connect with electric current except through existing electrical outlets in the Premises any apparatus or device for the purpose of using electric current. If Tenant requires water, gas, or electric current in excess of that usually furnished or supplied for the use of the Premises as general office space, Tenant shall first procure the written consent of Landlord, which Landlord may refuse, to the use thereof and Landlord may at its option either:

(a) cause a water meter, gas meter, or electrical current meter to be installed in the Premises so as to measure the amount of water, gas, or electric current consumed for any such use; or

(b) assess a reasonable charge in an amount sufficient to cover the cost of such use.

The cost of any such meters and the installation, maintenance, and repair thereof shall be paid for by Tenant and Tenant agrees to pay to Landlord promptly upon demand therefor by Landlord for all such water, gas, and electric current consumed as shown by said meters, at the rates charged for such services by the local public utility furnishing the same plus any additional expense incurred in keeping account of the water, gas, and electric current so consumed. If a separate meter is not installed, such excess cost for such water, gas, and electric current shall be established by an estimate made in good faith by Landlord.

7.5 Access. Tenant shall permit access to the Premises during normal business hours to installers or repairmen of utility services, whether in furtherance of Tenant's services or those of others.

7.6 Waiver of Liability. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental by reason of Landlord's failure to furnish any of the foregoing services 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.

7.7 HVAC Controls. Tenant has been informed and acknowledges that the HVAC controls for the Premises may be shared with adjacent 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.

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. 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 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 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 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. Landlord shall indemnify and hold Tenant harmless against and from any and all liability, claims, judgments or demands arising from the negligence or willful misconduct of Landlord, its agents, contractors or employees.

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 negligence 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 Date of Acceptance 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 ($1,000,000.00) 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.

(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 ($1,000,000.00) 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 ($5,000,000.00).

(d) Rental value insurance, payable to Landlord, insuring the loss of the fully monthly 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. 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 from time to time in, on, or about the Premises, in an amount not less than full replacement value, providing protection against 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.

(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 ($1,000,000.00) 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; and

(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).

(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 from Tenant's use of the Premises, whether or not Landlord shall have consented to such use on the part of Tenant.

10.5 Landlord's Insurance and Reimbursement of Insurance Premiums by Tenant. 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 Landlord's Insurance may be brought within the coverage of any so-called blanket policy or policies of insurance carried and maintained by Landlord, at Landlord's discretion. If Landlord maintains such a blanket policy(ies), the cost of Landlord's Insurance allocable to the Premises shall be deemed to be that portion of the premiums for the blanket policy(ies) allocated by Landlord to the Premises. Tenant agrees to pay to Landlord, as Additional Rental, 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 minimum monthly rental next due. Any excess payment shall be credited against Tenant's payment of estimated premiums next due.

10.6 Indemnity. To the fullest extent permitted by law, Tenant covenants with Landlord that Landlord, Landlord's property manager, and their respective officers, directors, shareholders, partners, agents, affiliates, related groups or entities, and employees shall not be liable for, and Tenant hereby protects, defends, indemnifies, and holds Landlord, Landlord's property manager, if any, and their respective officers, directors, shareholders, members, partners, agents, affiliates, related groups or entities, and employees harmless from and against any and all claims, expenses, liabilities, losses, damages and costs, including reasonable attorneys' fees, and any actions or proceedings in connection therewith, incurred in connection with, arising from, due to, or as a result of (a) the death of any person or any accident, injury, loss or damage (i) howsoever caused, to any person or property as shall occur in or about the Premises on or after the date that Tenant is given access to the Premises, or (ii) caused by the occupancy or use of the Premises or the willful act or omission of Tenant, any person holding under Tenant, or Tenant's agents, servants, or employees, wherever the same may occur, or (b) noncompliance with the Americans with Disabilities Act of 1990 as it may be amended from time to time and the regulations issued thereunder relating to the design, construction, alteration, and renovation of the Premises and the arrangement of fixtures and furniture therein, except claims resulting from the sole negligence or sole willful act or omission of Landlord or one or more of the other indemnified parties, or the agents, servants, or employees of Landlord or an indemnified party wherever the same may occur. This obligation to indemnify shall include reasonable attorneys' fees (including charges of in-house counsel) and incidental costs, investigation costs and all other reasonable costs, expenses, and liabilities incurred by Landlord, another indemnified party, or their counsel from the date the first notice that any claim or demand is to be made or may be made.

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.

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 Rental. 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(b) 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.

(b) Service Contracts. Tenant shall, at Tenant's sole expense, procure and maintain contracts with licensed vendors, 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 Date of Acceptance 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.

(c) Replacement. Subject to Tenant's indemnification of Landlord as set forth in Section 24.3, and without relieving Tenant of liability resulting from Tenant's failure to exercise and perform, maintenance practices if the Basic Elements described in Paragraph 11.1 (b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such Basic Elements, then such Basic Elements shall be replaced by Landlord, and the cost thereof shall be prorated between the Parties and Tenant shall only be obligated to pay, each month during the remainder of the term of this Lease, on which minimum monthly rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is the number of months of the useful life of such replacement as such useful life is specified pursuant to Federal income tax regulations or guidelines for depreciation thereof (including interest on the unamortized balance as is then commercially reasonable in the judgment of Landlord's accountants), with Tenant reserving the right to prepay its obligation at any time.

11.2 Landlord's Repair and Maintenance. Subject to the provisions of Article 14 (Reconstruction), 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.

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 casualty damage excepted. Any construction within the Premises must be permitted. Any construction which is not permitted must be returned to the 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 Substantial Completion of the Premises. 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.

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 upon reasonable notice (except in an emergency, in which case no notice shall be required). Tenant further covenants and agrees that the Landlord may go upon the Premises and make any necessary repairs to the Premises and perform any work therein:

(a) which may be necessary to comply with any laws, ordinances, rules, or regulations of any public authority or of the insurance carrier or of any similar body; or

(b) that the Landlord may deem necessary to prevent waste or deterioration in connection with the Premises if the Tenant does not make or cause such repairs or work to be performed promptly after receipt of written demand from the Landlord; or

(c) that the Landlord may deem necessary to perform construction work incidental to any portion of the Premises. 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. 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 Rental. 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 Rental 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. No exercise by the Landlord of any rights herein reserved shall entitle Tenant to any damage for any injury or inconvenience occasioned thereby not 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 therefor, except for that work as provided herein which will be at the sole cost and expense of Landlord.

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 ($100,000.00). 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. Landlord may remove at Tenant's expense any signs and other displays installed or maintained by or for Tenant in violation of this section.

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.

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; or

(b) The cost of repair exceeds ten percent (10%) of the full replacement cost.

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 ($2,000.00) 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 Premises to the condition required for Substantial Completion at the inception of the Term. 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 and Relocation.

(a) 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, Minimum Annual Rent 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.

(b) Relocation. Intentionally Deleted

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.

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. In the event Tenant incurs a late charge on any Rent payment, 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 minimum monthly rent. 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 Paragraph 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 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 Premises 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, Rental, 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 Premises is taken and neither party elects to terminate as herein provided, the Rental thereafter to be paid shall be equitably reduced based upon the ratio which the square feet of floor area in the Premises taken bears to the total square feet of floor area in the Premises 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 five (5) business 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 (provided, however, any notice 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);

(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).

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 Rental. The term "Rental" shall be deemed to be the minimum monthly rental, Additional Rental, 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 sixty (60) month period, except that if it becomes necessary to compute these sums before a sixty (60) 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 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 the Lease.

(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 Lease. 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 Lease, 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.

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 Rental 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.

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 Leased 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 Leased Premises by anyone with, through or under it, without first procuring the written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. 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 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, 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 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 conflict with uses existing in the Premises at the time of the proposed assignment;

(c) that the proposed use will not violate competitive restriction clauses, if any;

(d) that total Rental payable to Landlord after such assignment or subletting will be not less than total Rental payable before such transfer, taking into account rent increases, Operating Expense adjustments, or any other factors applicable to the existing tenancy;

(e) that all provisions of this Agreement would apply to and be ratified by the proposed transferee; and

(f) 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.

(g) that the proposed transferee is not less creditworthy than the Tenant.

(h) 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, Percentage Rental, or additional rental or other payment to be paid to Tenant from a transfer exceeds the rental and additional rental Tenant is required to pay Landlord under this Lease, 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 rental.

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 Attorney's Fees. In the event Tenant shall assign or sublet the Premises or request the consent of Landlord to any assignment or subletting or if Tenant shall request the consent of Landlord for any act Tenant proposes to do, then Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection therewith.

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 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 other party.

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.

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 Exhibit. Exhibit A is 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.

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 near the Building entrances.

20. Use of portable electric heaters and toasters are prohibited.

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: /s/ Hezy Shaked Hezy Shaked Manager	By: /s/ William Langsdorf William Langsdorf Senior Vice President & CFO

TABLE OF CONTENTS

EXHIBIT A

PREMISES

Exhibit 10.10

AMENDMENT NO. 1 TO

OFFICE AND WAREHOUSE LEASE AGREEMENT

THIS AMENDMENT NO. 1 is entered into as of February 21, 2011 (the "Amendment") between Amnet Holdings, LLC (the "Landlord") and World of Jeans & Tops, dba Tilly's, (the "Tenant") to the Office and Warehouse Lease agreement dated as of November 1, 2010 (the "Lease").

RECITAL

Whereas Landlord and Tenant desire to amend the terms of the Lease to provide Tenant with less square feet in the Building (as defined in the Lease).

AGREEMENT

Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledge by both the parties, Tenant and Landlord agree to amend the Lease as follows:

1. Section 1.6 Premises Address is amended by adding the following additional sentence at the end of the paragraph:

Beginning March 1, 2011, Landlord will decrease the size of warehouse space available in the Premises to approximately 13,270 square feet, as shown on Exhibit B attached.

2. Section 1.9 Minimum Monthly Rental and Minimum Rental Amount is amended by adding the following additional sentence to the end of the paragraph:

Beginning March 1, 2011, Tenant will pay Landlord the Minimum Monthly Rental amount of Fifteen Thousand Five Hundred Sixty One and 60/100 Dollars ($15,561.60).

3. Section 1.11 Security Deposit is amended by adding the following additional sentence at the end of the paragraph:

Beginning March 1, 2011, the Security Deposit will be reduced to Thirty Five Thousand Four Hundred Ninety Nine and 80/100 Dollars ($35,499.80).

4. Section 4.1 Minimum Monthly Rental is deleted in its entirety and replaced with:

Minimum Monthly Rental. Tenant agrees to pay to Landlord as minimum monthly rental, without prior notice or demand and without setoff or deduction for the premises the amount set forth in Section 1.9 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-fifth of the minimum monthly rental amount for each day of such early occupancy, and (b) such early occupancy shall not affect the termination date of this Agreement.

5. Section 5 Security Deposit is amended by deleting the first sentence and replacing it with the following sentence:

Tenant has deposited with Landlord the sum set forth in Section 1.11, which represents the security deposit ("Security Deposit").

6. This Amendment together with the Lease contain all of the agreements and conditions made between the parties and may not be modified orally or in any other manner other than by agreement in writing signed by all parties or their respective successors in interest. This Amendment will be governed by California law.

IN WITNESS WHEREOF the undersigned have executed this Amendment No. 1 as of the date written above.

Landlord	Tenant
/s/ Hezy Shaked	/s/ William Langsdorf
Name: Hezy Shaked	Name: Bill Langsdorf
Title: Manager	Title: Senior Vice President and Chief Financial Officer

Exhibit 10.18

January 15, 2011

VIA EMAIL

Mr. Daniel J. Griesemer

Dear Dan:

On behalf of World of Jeans & Tops, d/b/a Tilly's (the "Company"), I am pleased to offer you the position of President and Chief Executive Officer of the Company, reporting to the Board of Directors. You will have the duties, responsibilities and authority commonly associated with these positions, in addition to those set forth in the Company's by-laws. Your first day of work at the Company will be February 21, 2011 ("Employment Start Date"). Your employment with the Company will be subject to the terms of this Agreement.

1. Annual Base Salary. Your starting annual base salary rate ("Base Salary") will be $700,000, less applicable taxes and withholdings, paid in accordance with the Company's normal payroll practices and subject to annual review. In addition, you will receive an annual car allowance of $18,000, paid ratably every pay period. The Company's Board of Directors will evaluate your performance annually and, during the time the Company is not a public company, the Board of Directors will evaluate your performance based upon input from the Company's Advisory Board. Your annual review will coincide with the annual review cycle of the Company's management team, which at this time occurs within 90 days after the fiscal year end.

2. Annual Incentive Bonus. You will be eligible to receive an annual incentive bonus ("Incentive Bonus"), which at target is 100% of your Base Salary and up to 200% of your Base Salary at maximum. The Incentive Bonus for the first fiscal year that you are with the Company (the year ending January 28, 2012, "fiscal 2011") will be based upon budgeted operating income. You would receive the maximum payout on that year's Incentive Bonus if the Company's actual operating income equals or exceeds 130% of its fiscal 2011 budgeted operating income. You would receive no Incentive Bonus for this period if the Company's actual operating income was less than 80% of the fiscal 2011 budgeted operating income. The Incentive Bonus payout will be calculated in a linear fashion for achievement between 80% and 130% of target. For the first fiscal year of your employment, your bonus would be prorated based upon your Employment Start Date. The Compensation Committee of the Board of Directors will, at its discretion, establish the Incentive Bonus opportunity for subsequent years based upon the Company's

performance compared to bonus targets established for the relevant year. In establishing bonus targets for your Incentive Bonus, we expect the Compensation Committee to use the Company's performance metrics such as, but not limited to, budgeted operating income, pre-tax income or net income in order to align your incentive compensation with the interests of the shareholders.

Your Incentive Bonus payments will be subject to applicable taxes and withholdings. To earn an Incentive Bonus you must remain continuously employed with the Company and be in good standing through the date that any bonus is approved for payment by the Compensation Committee of the Board of Directors, or by the Board of Directors if the Company is not yet a public company, subject to the provisions of this Agreement. The Company intends to pay the Incentive Bonus following completion of the year-end audit of the Company's financial statements during the fiscal year following the fiscal year for which the Incentive Bonus criteria applied. It is also the Company's intent that all compensation satisfies the requirements of Section 162(m) of the Internal Revenue Code in order to preserve the Company's tax benefit for compensation expenses.

3. Stock Option Grant. As a part of the Company's team, we strongly believe that ownership of the Company by our employees is an important factor to our success. Therefore, as part of your compensation, the Board of Directors will grant you non-qualified stock options to purchase 400,000 shares of the Company's common stock (the "Option Grant"). Because the Company is not yet publicly traded, the per share exercise price for this Option Grant will be established through a third party valuation of the Company. The Company will have this valuation performed soon after your Employment Start Date, but vesting will begin as of your Employment Start Date.

Your Option Grant will be issued pursuant to the terms and conditions of the Company's 2007 Stock Plan (the "Plan"). Your Option Grant will vest in four equal installments with the first installment vesting on the first anniversary of your Employment Start Date and the remaining three installments each vesting on the subsequent anniversaries of your Employment Start Date. In addition, you will not be able to exercise the Option Grant until the Company becomes a publicly traded company. The Option Grant will expire 10 years after the date of grant, subject to earlier termination as provided by this Agreement, provisions in the Plan and in the related stock option grant documents.

4. Nomination to the Company's Board of Directors; Serving on Other Boards of Directors. You will be offered a seat on the Company's Advisory Board of Directors on your Employment Start Date and nominated to the Company's Board of Directors, subject to legal limitations, upon the consummation of an initial public offering.

During your employment, you will devote your full business efforts and time to the Company. Therefore, you may not serve on the board of directors of any other company until after the third anniversary of your Employment Start Date. Subsequently, you may serve on the board of directors of only one other company, provided your service on the other company board does not create a conflict of interest or an appearance of conflict of interest (e.g., a competitor or supplier of the Company). In addition, your service on the other company board must be

pre-approved by the Company's Board of Directors. These extra-curricular activities must not interfere or conflict with your responsibilities or your ability to perform your duties of employment to the Company.

5. Relocation Reimbursement. The Company will reimburse you for all reasonable moving expenses incurred as a result of your, and your family's, relocation to California. Costs eligible for reimbursement include all reasonable costs to move personal possessions, reasonable temporary living expenses for yourself until August 31, 2011, transportation expenses for you to return on weekends to Idaho up to twice a month until August 31, 2011 and up to three house hunting trips. You will need to provide the Company with appropriate receipts or other documentation reasonably acceptable to be reimbursed. You agree to complete you and your family's relocation to California by August 31, 2011, otherwise you agree to return all relocation reimbursements to the Company at that time.

6. Benefits. You will be eligible to participate in the benefit package available to all of the Company's senior executives when you satisfy standard eligibility conditions. These benefits include health insurance benefits (medical, dental and vision), life insurance, short term and long term disability, and a 401(k) Plan. Please refer to benefit plan documents for eligibility. Of course, the Company may change its benefits at any time.

You will be entitled to 20 days of paid time off per year in accordance with the Company's paid time off policy. You will begin accruing your paid time off on your Employment Start Date.

7. At-Will Employment; Termination.

(a) At-Will Employment. This Agreement does not constitute a contract of employment for any specific period of time, but will create an employment at-will relationship that may be terminated by the Company at any time, with or without Cause (as defined below) and by you with or without Good Reason (as defined below). However, you agree to provide the Company with at least 30 days written notice of any voluntary resignation. The at-will nature of your employment relationship may not be modified or amended except by written agreement of the Company's Board of Directors and you. You agree that if your employment is terminated for any reason, you will immediately resign from all officer and director positions you hold with the Company and any of its affiliates.

(b) Cause. For purposes of this Agreement, and as reasonably determined by a majority of the full Board of Directors, you will be deemed terminated for Cause if you have: (1) been determined by a court of law to have committed any felony; (2) been convicted, or entered a plea of no contest, for violation of any criminal statute constituting a felony, provided that the Board of Directors reasonably determines that the continuation of your employment after such event would have an adverse impact on the operation or reputation of the Company or its affiliates; (3) engaged in an act of fraud, theft, embezzlement, or misappropriation against the Company; (4) committed one or more acts of gross negligence or willful misconduct, either within or outside the scope of your 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; (5) 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 you from the Board of Directors of the need to cure); (6) allowed the Company's performance to be materially weaker than its competitors and the retail industry generally (as determined by the Board of Directors); (7) materially breached the Company's Code of Ethics and Business Conduct or other written Company policies; (8) breached this Agreement, after we have provided you notice and given you a reasonable opportunity to cure; or (9) failed to use reasonable efforts to relocate you and your family to the Orange County, California area by September 15, 2011.

(c) Good Reason. For purposes of this Agreement, Good Reason means you terminated your employment within 90 days of: (1) a material diminution in your duties, responsibilities or authority as President and Chief Executive Officer of the Company; or (2) the Company failed to pay you material compensation or benefits that are required to be provided under this Agreement. However, your termination will not be treated as for Good Reason unless you have given the Company 30 days advance written notice of your intention to terminate your employment and the Company has failed to cure the acts within this 30 day period.

(d) Claw-backs. If you choose to leave your employment with the Company (other than for Good Reason, as defined above) or you are terminated by the Company for Cause (as defined above) during the 12 months following your Employment Start Date, you will be required to repay to the Company all relocation expenses reimbursed to you by the Company.

8. Severance

(a) Termination without Cause or Resignation for Good Reason. If the Company terminates your employment without Cause or you terminate your employment for Good Reason you will be entitled to:

1. Your Base Salary through your final date of employment, plus any accrued but unused paid time off;
2. 12 months of your Base Salary (paid as salary continuation for the next 12 months);
3. Your annual Incentive Bonus, either the amount yet to be paid for the most recently completed fiscal year, or if the Incentive Bonus for the most recently completed fiscal year has already been paid, then you will receive your annual Incentive Bonus pro-rated for the number of days of the fiscal year you were employed and based upon the Company's performance, paid after the Company receives an audit of its financial results for that year-end;
4. One year acceleration of vesting of the Option Grant and any subsequent equity grants;
5. To the extent permissible under the Company's health and other insurance plans, continued benefits for 12 months, unless you are re-employed earlier. The Company may satisfy its obligation to provide this benefit by making a lump sum payment to you equal to the present value of the contributions that the Company would have made had you continued your employment; and

6. For any exercisable stock options that remain unexercised as of your employment termination date, you may exercise these options for up to 90 days following that date, but in any event no later than the option expiration date.

(b) Termination for death or Disability. If your employment is terminated because of death or Disability (as defined below), you will be entitled to:

1. Your Base Salary through your final date of employment, plus any accrued but unused paid time off;
2. 12 months of your Base Salary (paid as salary continuation for the next 12 months);
3. Your annual Incentive Bonus, either the amount yet to be paid for the most recently completed fiscal year, or if the Incentive Bonus for the most recently completed fiscal year has already been paid, then you will receive your annual Incentive Bonus pro-rated for the number of days of the fiscal year you were employed and based upon the Company's performance, paid after the Company receives an audit of its financial results for that year-end; and
4. To the extent permissible under the Company's health and other insurance plans, continued benefits for 12 months.

(c) Termination upon a Change in Control. If upon a Change in Control (as defined below), your employment is terminated without Cause or for Good Reason, you will be entitled to receive:

1. Your Base Salary through your final date of employment, plus any accrued but unused paid time off;
2. 18 months of your Base Salary;
3. One and a half times your annual Incentive Bonus, either one and a half times the amount yet to be paid for the most recently completed fiscal year, or if the Incentive Bonus for the most recently completed fiscal year has already been paid, then you will receive one and a half times your annual Incentive Bonus at the target rate for the fiscal year in which you are terminated;
4. Full acceleration of vesting of the Option Grant and any subsequent equity grants; and
5. To the extent permissible under the Company's health and other benefit plans, continued benefits for the earlier of 12 months or until you are re-employed. The Company may satisfy its obligation to provide this benefit by making a lump sum payment to you equal to the present value of the contributions that the Company would have made had you continued your employment.

(d) Change in Control. A "Change in Control" means an event or a series of related events (collectively, a "Transaction") 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 (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 events. Further, any transfer or sale of voting stock between the Company's founders and affiliated entities which the Company's founders control, or by the founders or their affiliated entities to the public market, will not be considered a Transaction. The Board of Directors will have the right to determine whether multiple sales or exchanges of voting stock of the Company or multiple events are related, and its determination shall be final, binding and conclusive.

(e) Disability. Disability means you are unable to perform your material duties to the Company by reason of any medically determinable physical impairment for either a continuous period of 90 days or for 180 days (including weekends and holidays) during any 365-day period. Notwithstanding the foregoing, if as a result of an earlier absence because of physical impairment you incur a "separation from service" within the meaning of Section 409A, you will be automatically terminated from employment on that date as a Disability termination.

(f) General Release. In order to receive any severance benefits described in this section, other than in the case of your death, you will need to deliver to the Company a signed general release of all known and unknown claims. However, you will not be required to release any rights you may have to be indemnified by the Company under this Agreement or under any other indemnification agreement entered into between you and the Company.

(g) Right to offset. The Company may offset any severance benefits you are owed under this section if you owe the Company any proceeds after your date of termination. Further, the Company may terminate your severance benefits if you are not in compliance with any provision of this Agreement.

9. Parachute Payments. In the event that the payments and benefits provided to you herein or otherwise by the Company constitute "parachute payments" within the meaning of Internal Revenue Code Section 280G and would, but for this provision, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then your payments and benefits shall be either (i) delivered in full or (ii) delivered as to such lesser extent, as you may elect, as would result in no portion of such amounts being subject to the Excise Tax, whichever of the foregoing results in the receipt by you on an after-tax basis of the greatest amount, notwithstanding that all or some of the amounts may be taxable under Section 4999 of the Code. If a reduction is to occur pursuant to the prior sentence, unless an alternative election is permitted by, and does not result in taxation under, Section 409A and timely elected by you, the payments and benefits shall be cut back in the following order: any cash severance you are entitled to (starting with the last payment due), then other cash amounts that are parachute payments (starting with the last payment due), then any stock options that have exercise prices higher than the then fair market value price of the stock (based on the latest vesting tranches).

10. Proprietary Information & Ownership of Works-for-Hire Agreements. As an employee of the Company, you will become knowledgeable about confidential and/or

proprietary information related to the operations, products and services of the Company. Further, during your employment with the Company you may create intellectual property that is the Company's property. To protect the interests of the Company, you will need to read and sign employee confidentiality and works for hire agreements prior to beginning employment. A copy of these agreements will be provided for you to read and sign.

11. Restatements. In the event of a restatement of financial results, the Compensation Committee of the Board of Directors will review all incentive awards for performance periods during the restated period (whether in cash or equity), and all equity grants vesting or paid based upon achievement of performance goals or stock price related in whole or part to the restated financial period. If any such award would have been lower had the level of achievement of applicable financial goals been calculated based upon such restated financial results or a grant not have vested or not been paid, the Compensation Committee may, if it determines appropriate in its sole discretion, to the extent permitted by applicable law, require you to reimburse the Company the incremental portion of the bonus in excess of that which would have been paid to you based on the restated financial results, unvest equity grants and require repayment of profits on equity that was vested or paid on such results and realized by you. You shall promptly comply with any such request of the Compensation Committee. This provision is in addition to, and not in lieu of, any requirements under the Sarbanes-Oxley Act or any other law, Company plan, award or grant.

12. Non-Competition During Employment and in First Year Following End of Employment. You agree that, during your employment with the Company and for one year immediately following your termination, you will not engage in, nor have any direct or indirect interest in any person, firm, corporation or business (whether as an employee, officer, director, agent, security holder, creditor, consultant, partner or otherwise) that is competitive with the Company. Notwithstanding the foregoing, you may have ownership interests in publicly traded companies subject to the limitations in the Company's Code of Ethics.

13. Non-Solicitation. You agree that at no time during your employment with the Company and for a period of one year immediately following your termination will you directly or indirectly, on behalf of yourself or any other person or entity, solicit, recruit or encourage any employee to leave the employ of the Company.

14. Cooperation. During your employment and thereafter, you agree to reasonably cooperate with and make yourself available on a continuing basis to the Company and its representatives and legal advisors in connection with any matters in which you are or were involved or any existing or future claims, investigations, administrative proceedings, lawsuits and other legal and business matters, as reasonably requested by the Company. You also agree that within five business days of receipt (or more promptly if reasonably required by the circumstances) you will send to the Company, attention General Counsel, copies of all correspondence (for example, but not limited to, subpoenas) received by you in connection with any legal proceedings involving or relating to the Company, unless you are expressly prohibited by law from so doing. You agree that you will not voluntarily cooperate with any third party in any actual or threatened claim, charge, or cause of action of any nature whatsoever against the Company or affiliates. You

understand that nothing in this Agreement prevents you from cooperating with any government investigation.

15. Code of Conduct and Company Policies. The Company is committed to creating a positive work environment and conducting business ethically. As an employee of the Company, you will be expected to abide by the Company's policies and procedures.

16. Indemnification. The Company and you will enter into the Company's standard form of indemnification agreement for executive officers. You will be provided with director's and officer's liability insurance coverage to the same extent as other executive officers and as provided in such policies for executive officers serving as directors. This coverage will continue after your service with the Company ceases while you have continuing liability with regard to your actions or inactions on behalf of the Company on the same basis as coverage for other former officers and directors.

17. Non-Disparagement. You agree that both during and for five years after your employment with the Company terminates, not to knowingly disparage the Company or its officers, directors, employees or agents in any manner likely to be harmful to it or to them or to the Company's or their business, business reputation or personal reputation. However, this provision does not include statements made regarding Company employees if these statements were made in the good faith performance of your duties and statements made in connection your fiduciary duties or otherwise required by applicable law. The Company will direct its named executive officers to abide by these same restrictions with regard to you. You will not violate this section by making statements which are truthful, complete and made in good faith in response to any question, inquiry or request for information required by legal process or governmental inquiry.

18. Entire Agreement; Notice; Severability.

(a) This Agreement constitutes the entire agreement between you and the Company with respect to your employment and supersedes all prior or contemporaneous oral or written representations, understandings, agreements or communications between you and the Company concerning those subject matters. It may only be terminated or modified in a writing executed by you and an authorized representative of the Board of Directors. This Agreement will be interpreted under, and governed by, the laws of the state of California without regard to its conflict of law provisions.

(b) Notices will be delivered in writing either personally or by overnight delivery service and will be deemed given on the date delivered if delivered personally or the day after the day sent if sent by overnight delivery service. Notices will be delivered as follows (or to such other address as the party shall notify the other by notice sent as aforesaid): (a) if to the Company, at the Company's executive offices (attn: Chairman) with a copy to the General Counsel; and (b) if to you, at your last home address on file with the Company.

(c) If a court should determine that any provision of this Agreement is invalid or unenforceable, in whole or in part, the invalidity or unenforceability of that provision will not make any other provision of this Agreement invalid or unenforceable.

19. General 409A Compliance; Income Tax Withholding.

(a) The intent of the parties is that payments and benefits under this Agreement comply with or be exempt from Section 409A and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If you notify the Company (with specificity as to the reason therefore) that you believe that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause you to incur any additional tax or interest under Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the Company will, after consulting with you, to the extent legally permitted and to the extent it is possible to timely reform the provision to avoid taxation under Section 409A, reform such provision to try to comply with Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to you and the Company of the applicable provision without violating the provisions of Section 409A. The Company shall have no liability to you with regard to any additional tax, penalties or interest you are required to pay pursuant to Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits which is nonqualified deferred compensation under Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If you are deemed on the date of termination to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B), then with regard to any payment that is considered deferred compensation under Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six month period measured from the date of such "separation from service" of you, and (ii) the date of your death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to you in a lump sum without interest, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(c) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the

amount of expenses eligible for reimbursement, of in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated without regard to expenses reimbursed under any arrangement covered by Code Section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect and (iii) such payments shall be made on or before the last day of your taxable year following the taxable year in which the expense occurred. Tax gross-up payments, if any, shall be made no later than the end of the calendar year immediately following the calendar year in which you remit the related taxes. Any reimbursement of expenses incurred due to a tax audit or litigation shall be made no later than the end of the calendar year immediately following the calendar year in which the taxes subject of the audit or litigation are remitted to the taxing authority or the audit or litigation is completed, whichever occurs later.

(d) For purposes of Section 409A, your right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within 30 days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

(e) All payments hereunder shall be subject to applicable federal, state and local income tax withholding, provided that all equity grants shall provide for net share withholding at the minimum applicable statutory withholding rates upon exercise or settlement, as the case may be, unless otherwise agreed in writing by the parties.

20. Accepting this Offer; Conditions. Our offer to you is conditioned upon:

(a) Returning this signed offer letter to us by January 28, 2011;

(b) us completing your background check and being satisfied with the results;

(c) us checking your references;

(d) you meeting with an industrial psychologist whom we select, and our receipt and approval of that evaluation; and

(e) you starting employment at the Company on or before the Employment Start Date.

To accept this offer, please sign this letter in the space provided below and return it to our General Counsel, Patrick Grosso, via email at pgrosso@tillys.com or facsimile at (949) 609-5508.

We look forward to your joining us and hope that you find your employment with Tilly's enjoyable and professionally rewarding.

Very truly yours,

/s/ Hezy Shaked
Hezy Shaked
Chairman of the Board

I accept this offer of employment with the Company and agree to the terms and conditions outlined in this Agreement.

/s/ Daniel Griesemer
Dan Griesemer

January 15, 2011

Cc: Patrick Grosso

Exhibit 21.1

Tilly's, Inc.
Subsidiaries

Subsidiary	State of Incorporation / Formation
World of Jeans & Tops	California

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement 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
July 1, 2011

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement 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
July 1, 2011