

Revised and re-adopted as of: January 2012

CORPORATE GOVERNANCE GUIDELINES

INTRODUCTION

The following Corporate Governance Guidelines (the "Guidelines") have been adopted by the Board of Directors (the "Board") of the Company to assist the Board in the exercise of its responsibilities. These Guidelines reflect the Board's commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing shareholder value over the long term. The Guidelines are subject to modification from time to time by the Board.

BOARD SIZE, INDEPENDENCE AND LEADERSHIP

The by-laws provide that the Board will have not less than five nor more than nine members. The Board will fix the exact number of directors at any time after considering the recommendation of the Nominating and Governance Committee.

A majority of the directors shall be independent. For a director to be independent, the Nominating and Governance Committee must affirmatively determine that an individual is independent, taking into account any applicable regulatory requirements and such other factors as such Committee may deem appropriate; provided, however, that there shall be a "cooling off" period of at least three years, during which former employees of the Company or of its independent auditor shall not be deemed independent. Upon his or her resignation or retirement from the Company, any Chief Executive Officer then serving on the Board must resign from the Board. Additionally, any director appointed by the Board to fill a vacancy shall be subject to shareholder vote at the first Annual Meeting of Shareholders held after the appointment.

The Board of Directors shall designate one of its independent members to serve as the Chairman of the Board. The Chairman shall serve for such term as the Board shall determine.

BOARD MEMBERSHIP

The Nominating and Governance Committee has the responsibility for identifying and recommending to the Board individuals to serve as directors of the Company. Prior to making its recommendations for new board members, such Committee shall discuss the qualifications of the individuals being considered with other directors and with the Chairman of the Board and Chief Executive Officer of the Company.

The Nominating and Governance Committee shall consider all director nominations annually.

No independent director may serve on the Board for more than a total of twelve (12) years. Directors who reach the age of 75 will not be nominated for election to the board after they reach that age.

RESPONSIBILITIES OF THE BOARD

Each member of the Board shall have the responsibility to exercise his or her business judgment in good faith and in a manner that he or she reasonably believes to be in the best interests of the Company.

BOARD MEETINGS

The Board shall meet at least quarterly and may meet more frequently if the Chairman of the Board deems it appropriate.

Non-management directors shall meet without management in regular executive sessions at each Board meeting. The Committee Chairman of the Board shall chair the meetings of the non-management directors.

Directors are expected to attend all meetings of the Board and of the committees on which they serve. Directors should devote the time and effort necessary to fulfill their responsibilities. Information important to directors' understanding of issues to come before the Board or a committee will be provided sufficiently in advance of the meeting to permit directors to inform themselves. Directors are expected to review these materials before the meeting.

BOARD COMMITTEES

The Board utilizes an active committee structure. The Committees are the Audit, Compensation and Nominating and Governance Committees, each of which is to be chaired by, and comprised entirely of, independent directors.

COMMITTEE ASSIGNMENTS

The Nominating and Governance Committee is charged with recommending committee assignments to the Board each year. In developing these recommendations, it takes into account the background and experiences of the individual members of the Board and the desirability of rotating assignments in appropriate situations.

BOARD COMPENSATION

The Compensation Committee is responsible for determining Board compensation. Management reviews with the Compensation Committee on an annual basis the status of Board compensation.

Director compensation is a combination of cash and Company stock options or stock appreciation rights. Directors who are employees receive no additional pay for serving as directors. Director's compensation must be the sole remuneration from the Company for members of the Audit, Compensation and Nominating and Governance Committees.

BOARD AND COMMITTEE AGENDA

The Chairman of the Board, in consultation with other Board members and senior management, develops the agenda for Board meetings. The Chairperson of the applicable committee, in consultation with the Chairman of the Board or Lead Director, sets the agenda for committee meetings. In general, time at Board meetings should focus on strategic and major potential problem areas rather than on operational/reporting issues. The Board expects to receive candid and timely information on potential problems and be given an opportunity

to discuss strategic decisions before they are made.

DIRECTOR ACCESS TO MANAGERS AND OUTSIDE ADVISORS

Each director may consult with any manager or employee of the Company or with any outside advisor to the Company at any time. If appropriate, it is expected that the director will inform the Chairman of the Board when significant issues are being discussed.

The Board, as well as each Committee of the Board, shall have the right to retain, at the Company's expense, such outside advisors as the Board or applicable Committee shall deem appropriate.

STRATEGIC PLANNING

The Board shall dedicate a substantial portion of one meeting per year to presentations by management and a discussion of the Company's strategic plan. The Board also expects management to periodically report to the Board on the Company's programs and actions to implement the strategic plan.

SUCCESSION PLANNING

Succession planning for the top positions in the Company shall be an agenda item for at least one Board meeting annually and shall include a discussion of policies and principles for selection and performance review and succession plan policies in the event of an emergency or the retirement of the Chief Executive Officer of the Company.

OUTSIDE DIRECTORSHIPS BY DIRECTORS AND EXECUTIVE OFFICERS

Each director and executive officer shall advise the Board, through the Secretary of the Company, of all of his or her directorships in publicly held companies. No director or executive officer may hold directorships at more than five public companies in addition to serving as a director of the Company, unless specifically approved by the Board. The Board may further limit the number of such directorships for any director or executive officer if it believes that they will interfere with the director's or executive officer's responsibilities to the Company.

No director may concurrently serve as a member of the Board of Directors of any customer or competitor of the company.

CHANGE IN DIRECTOR OCCUPATION

In the event a director retires from his or her principal occupation or employment, or substantially changes his or her position, the director shall tender his or her resignation as a director for consideration by the Nominating and Governance Committee. The Nominating and Governance Committee will evaluate the change based on a review of whether the individual continues to satisfy the Board's membership criteria in light of his or her new occupational status, and recommend to the Board whether the director should continue serving as a member of the Board.

DIRECTOR ORIENTATION AND CONTINUING EDUCATION

The Board will implement and maintain an orientation program for newly elected directors. One board member must participate in recognized director education programs every year and report on such programs to the entire Board.

ASSESSING THE BOARD'S PERFORMANCE

The Board continuously assesses its performance through its actions in guiding the affairs of the Company.

In addition, the Board conducts a semi-annual peer review of the performance of individual directors. The Nominating and Governance Committee of the Board is responsible for overseeing this review and for providing to the full Board an assessment of the Board's performance based on the results of the review. The Board also annually assesses the Board's overall effectiveness and the areas in which the individual directors believe the Board can most effectively make an impact on the Company. The primary purpose of the foregoing evaluations is to increase the effectiveness of the Board. The Nominating and Governance Committee will also utilize the results of this evaluation process to determine the characteristics and critical skills to be required of prospective candidates for election to the Board, and for making recommendations to the Board concerning assignments of Board members to various committees.

PERIODIC REVIEW

The operation of a Board of Directors is a dynamic and evolving process and so these Corporate Governance Guidelines need also to be periodically reviewed and revised. While no guidelines can cover each and every issue that may surface, we believe these principles set the proper tone for the operation of the Board and will assist us in fulfilling our obligations to the diverse group of owners and other stakeholders of the Company.

EXECUTIVE OFFICER STOCK OWNERSHIP AND RETENTION GUIDELINES

Covered Executives:	CEO and Senior Vice Presidents
Share Ownership Guidelines:	<p style="text-align: center;">Multiple of <u>Base Salary*</u></p> <p>CEO Shares valued at 2x SVPs Shares valued at 1x</p> <p>*The guidelines are initially calculated using the executive's base salary as of the later of (i) the date the guidelines are adopted, or (ii) the date the person became a covered executive. The guidelines are re-calculated whenever an executive receives a change in base salary. The guidelines are suggestive, not mandatory, and no covered executive shall be disciplined for failing to achieve or abide by any portion of the guidelines.</p>
Time by Which Share Guidelines are intended to be Satisfied:	Five years from the later of (i) the effective date of these guidelines (January 18, 2011), or (ii) the date on which the executive is elected to the listed position.

Ownership Definition:	“Ownership” includes: <ul style="list-style-type: none">▪ Shares owned outright either directly or indirectly through trusts, partnerships or corporations controlled by the executive▪ Shares owned by lineal descendants of the covered executive pursuant to trusts established for the benefit of such descendants▪ Vested and unvested stock options and vested and unvested restricted stock▪ Shares held in benefit plans, such as the PacSun 401(k) Plan
Retention:	The officer should hold 33 1/3% of any shares under any equity award, net of (i) any exercise price of stock options, and (ii) shares that would need to be sold to satisfy any applicable income and employment taxes relating to award, until the share guidelines have been satisfied.