

DUCKWALL-ALCO STORES, INC.

AMENDED AND RESTATED AUDIT COMMITTEE CHARTER

(Adopted December 4, 2007)

I. Purpose

The primary function of the Audit Committee of the Board of Directors (the "Board") of Duckwall-ALCO Stores, Inc. (the "Corporation") is to assist the Board in fulfilling its oversight of (a) the integrity of the Corporation's financial statements, financial reporting process and internal control system, (b) the Corporation's compliance with legal and regulation requirements, (c) the independent auditor qualifications and independence, (d) the performance of the Corporation's independent accountants, and (e) the system of internal controls over financial reporting and disclosure controls and procedures established by management. The Audit Committee is expected to maintain and encourage free and open communication with the independent accountants, management of the Corporation and the Board, and should foster adherence to the Corporation's policies, procedures and practices at all levels.

II. Composition of the Audit Committee

A. Independence. The Audit Committee shall be comprised of three or more independent directors as determined by the Board. The Audit Committee shall report to the Board. No member of the Audit Committee may be an "affiliated person" of the Corporation or any of its subsidiaries or receive any advisory, consulting or compensatory fee except as a Board or Committee member. Each member shall also be free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment as a member of the Audit Committee. Examples of such relationships include, but are not limited to:

1. an Audit Committee member who is employed by the Corporation or any of its affiliates for the current year or any of the past three years;

2. an Audit Committee member who is a member of the immediate family of an individual who is, or has been in any of the past three years, employed by the Corporation or any of its affiliates as an executive officer. Immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home;

3. an Audit Committee member who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the Corporation made, or from which the Corporation received, payments (other than those arising solely from investments in the corporation's securities) that exceed 5% of the Corporation's or business organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three years;

4. an Audit Committee member who is employed as an executive of another entity where any of the Corporation's executives serve on that entity's compensation committee.

B. Qualifications. All members of the Audit Committee shall have a working knowledge of basic finance, accounting and auditing practices and shall be capable of reading and understanding fundamental financial statements, including a company's balance sheet, income statement and cash flow statement or will be able to do so within a reasonable period of time after his or her appointment to the Audit Committee.

At least one member shall have accounting or related financial management expertise and be a "financial expert." If no member qualified as a "financial expert," the Company shall disclose such fact and the reasons in its annual report on Form 10-K.

Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant. The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until the next annual organizational meeting of the Board or until their successors shall be duly elected and qualified.

C. Chairperson. The Board shall elect one member of the Audit Committee to serve as the Chairperson. The Chairperson shall be responsible for the overall leadership of the Audit Committee, including presiding over the meetings, reporting to the Board and acting as a liaison with the Chief Executive Officer, and the lead independent audit partner.

III. Meeting Requirements

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. During at least two of these meetings, separate executive sessions will be held with the independent accountants and corporate management to discuss privately any matters these groups or the Audit Committee deem necessary. In addition, the Audit Committee or at least its Chair should meet with the independent accountants and management quarterly to review the Corporation's financial statements and disclosures consistent with Section IV.B.2 below. A quorum is required for all meetings. When a majority of the members are present, a quorum exists.

IV. Responsibilities and Duties.

A. Independent Accountants. The Audit Committee is responsible for appointing, compensating, terminating and overseeing the work of the independent accountants employed by the Corporation for the purpose of preparing and issuing an audit report or related work. The independent accountants shall report directly to the Audit Committee and shall, in all respects, be accountable to the Audit Committee. Accordingly, the Audit Committee is responsible for:

1. Selecting the Corporation's independent accountants, after considering their independence and effectiveness, and approving the fees and other compensation to be paid to the independent accountants.

2. Reviewing the performance of the independent accountants and approving any proposed discharge of the independent accountants when circumstances warrant.

3. At least annually, consulting with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the Corporation's financial statements.

4. Resolving disagreements, if any, between management and the independent accountants regarding financial reporting.

5. At least annually, reviewing and discussing with the accountants all significant relationships the accountants have with the Corporation and obtaining a written statement from the independent accountants to determine and confirm the accountants' independence in relation to the Corporation, consistent with Independent Standards Board Standard 1.

6. Reviewing and approving the overall nature and scope of the audit process.

7. Receive and review all reports and recommendations of the independent accountants and providing the accountants complete access to the Audit Committee and the Board to discuss all appropriate matters.

8. Approving all permitted non-audit services; provided, however, the following services cannot be provided even with Audit Committee approval, unless the Public Accounting Oversight Board (established pursuant to the Sarbanes-Oxley Act of 2002) approves an exemption on a case by case basis: (A) bookkeeping or other services related to the accounting records or financial statements of the issuer; (B) financial information systems design and implementation; (C) appraisal or valuation services, fairness opinions or contribution-in-kind reports; (D) actuarial services; (E) internal audit outsourcing services; (F) management functions or human resources; (G) broker-dealer, investment adviser, or investment banking services; (H) legal services and expert services unrelated to the audit; and (I) any other service that the Public Accounting Oversight Board determines, by regulation is not permissible.

9. At least annually, obtaining and reviewing a report from the independent accountant describing: (A) the internal quality-control procedures of the Company's independent accounting firm; and (B) any material issues raised by the most recent internal quality-control review, or peer review, of the Company's independent accounting firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

B. Internal Audit. The internal auditing function shall report directly to the Audit Committee and shall, in all respects, be accountable to the Audit Committee. Accordingly, the Audit Committee is responsible for:

1. Participating in the selection process of the Corporation's Director of Internal Audit considering the individual's qualifications and independence and reviewing internal audit staff composition, qualifications and background.

2. Reviewing the performance of the internal auditing function and participating in the annual review of the Director of Internal Audit.

3. At least semi-annually, consulting with the Director of Internal Audit out of the presence of management about internal controls, management's control awareness and to receive assurance with regard to the continued independence and objectivity of the internal auditing function.

4. At least annually, reviewing and approving the Internal Audit Charter to determine and confirm the internal auditing function is independent in relation to the Corporation and is appropriately focused on risk to the organization.

5. Reviewing and approving the overall nature and scope of the annual audit plan and associated risk assessment presented by Internal Audit to evaluate the adequacy of corporate coverage and scope during the fiscal year.

6. Receiving and reviewing all summaries and reports of the Internal Audit department and providing Internal Audit complete access to the Audit Committee and the Board to discuss all appropriate matters.

7. Reviewing the allocation of resources and overall budget of the internal audit function to ensure the proper focus is being given to the function.

C. Financial Reporting Process. The Audit Committee is responsible for:

1. Reviewing and discussing with management the annual audited financial statements, including any opinion, certification, annual report on Form 10-K submitted to the SEC or other annual report sent to stockholders, along with the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to determine that they are satisfied with the disclosures and content of the financial statements for presentation to the stockholders and others.

2. Reviewing and discussing with management, when needed, the quarterly financial statements, including any opinion, certification, quarterly report on Form 10-Q submitted to the SEC or other quarterly report sent to stockholders, along with the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to determine that they are satisfied with the disclosures and content of the financial statements for presentation to the stockholders and others; provided, however, this review and discussion may be performed by the entire Audit Committee or, in the alternative, the Chairperson of the Audit Committee or designee Audit Committee member, and other members as deemed appropriate by the Chairperson.

3. Reviewing and discussing, if needed, with management earnings press releases (paying

particular attention to any use of “pro forma,” or “adjusted” non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.

4. Discussing with management the content of the Corporation’s financial statements including quality of earnings, review of reserves and accruals, suitability of accounting principles, quality and adequacy of internal controls and disclosure controls and procedures, review of highly judgmental areas, recorded and unrecorded audit adjustments and other inquiries as may be appropriate.

5. Instructing management to notify at least one member of the Audit Committee prior to the date the Corporation issues its quarterly press release as to whether or not either management is aware of any of the following matters and, if so, the details regarding any matter:

(a) A change in a significant accounting policy.

(b) A change in the process for determining significant estimates.

(c) Significant adjustments as a result of the limited review by the independent accountants.

(d) Disagreements between the independent accountants and management regarding accounting principles, estimates, scope of work or disclosures.

D. Process Improvement. In conjunction with the Audit Committee’s review of financial statements and reports, the Audit Committee shall:

1. Obtain and review reports from Management regarding internal controls and disclosure controls and procedures.

2. Obtain and review reports from Management regarding internal controls.

3. Obtain and review reports submitted by the CFO regarding the Corporation’s critical accounting policies and alternative treatment of financial information.

4. Obtain and review information from each of management and/or the independent accountants regarding any significant management judgments or significant adjustments made in preparation of the financial statements and the view of each as to appropriateness of such judgments and adjustments.

5. Discuss policies with respect to risk assessment and risk management.

6. Meet separately with management and with independent accountants, in each case, on a periodic basis.

7. Review with the independent accountants any audit problems or difficulties and management’s response.

8. Set clear policies for the Corporation with respect to hiring current or former employees of the independent accountants.

E. Ethical and Legal Compliance. The Audit Committee shall:

1. Adopt and implement a policy to receive, handle, retain complaints regarding accounting, internal controls, disclosure controls and procedures or auditing matters, keeping confidential certain complaints, keeping confidential the identity of certain employees making such complaints and permitting anonymous reporting of complaints.

2. Monitor and oversee the Company's policy in and codes of business conduct and ethics for directors and senior officers and handle reported violations of such codes.

3. Investigate, as it deems appropriate, any matter brought to its attention, with full power to retain outside counsel or other experts for this purpose, as deemed necessary.

4. Review, with the Corporation's counsel, legal compliance matters including corporate securities trading policies.

5. Review, with the Corporation's counsel, any legal matter that could have a significant impact on the Corporation's financial statements.

6. Perform any other activities consistent with this charter, the Corporation's By-laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

F. Other Functions. The Audit Committee shall also:

1. As appropriate, obtain advice and assistance from outside legal, accounting or other advisors.

2. Perform annual evaluation of its performance which encompasses: (A) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, (B) major issues as to the adequacy of the Corporation's internal controls, disclosure controls and procedures and any special audit steps adopted in light of material control deficiencies, (C) analyses prepared by management and/or the independent accounts setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements, (D) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation, and (E) earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies,

3. Review, reassess and approve the adequacy of the Audit Committee Charter on an annual basis and adopt amendments as needed.

4. Prepare minutes of all Audit Committee meetings and regularly report all Audit Committee activities to the full Board of Directors with the issuance of an annual Audit Committee Report to be included in the proxy statement for submission to the shareholders.

5. Review with management and the independent accounts any legal matters, risks or exposures that could have a significant impact on the financial statements and what steps management has taken to minimize the corporation's exposure.