

Duckwall-ALCO Stores, Inc.
Compensation Committee Charter

Purpose

The Compensation Committee (the "Committee"), in order to assist the Board of Directors (the "Board") in the discharge of its fiduciary responsibilities relating to the fair and competitive compensation of the executives and other key employees of the Company and the Board of Directors shall:

- Review and recommend to the Board for approval the Company's compensation philosophy;
- Review and recommend to the Board for approval the executive and Director compensation programs and plans of the Company, and review and approve equity awards under such programs and plans;
- Review and recommend to the Board for approval the base compensation and cash bonuses of the Chief Executive Officer, and executive officers and compensation of Directors;
- Administer the Company's short- and long-term incentive plans and other stock or stock-based plans; and
- Issue an annual report on executive compensation in accordance with applicable rules and regulations of the Securities and Exchange Commission for inclusion in the Company's proxy statement.

Duties & Responsibilities

Executive Compensation

The Committee will:

- Periodically review the Company's philosophy regarding executive compensation and counsel with the CEO and Board relative to different compensation approaches.
- Annually review market data as it deems appropriate to assess the Company's competitive position for the three components of executive compensation (base salary; annual incentives; and long-term incentives)
- Administer and make recommendations to the Board regarding the adoption, amendment or rescission of incentive compensation plans and stock-related plans (including specific provisions) in which the CEO and other senior executives and key employees may be participants, including:
 1. approving option guidelines and general size of overall grants
 2. making grants
 3. interpreting the plans
 4. determining rules and regulations relating to the plans
 5. designating employees eligible to participate in the long-term plans
 6. imposing limitations, restrictions and conditions upon any award as the Committee deems appropriate and which are permissible under the plan.
- Review the total compensation paid to the Company's principal officers and other key employees to determine whether it is appropriate and competitive.
- Monitor awards under the long-term incentive plans for conformance with any restrictions placed thereon by the Board and shareholders.

- Review and recommend to the Board for approval all cash compensation of the Chief Executive Officer and the Board of Directors and review and recommend to the Board for approval recommendations made by the CEO for the cash compensation of the Company's principal executives and other key employees.
- Annually issue a report on executive compensation in accordance with applicable rules and regulations of the Securities and Exchange Commission for inclusion in the Company's proxy statement.

Executive Compensation

Short-Term Compensation. Annually, the Committee will:

- review and recommend to the Board for approval appropriate goals and objectives for the Executive Officers for the next year, which are then discussed with the entire Board;
- evaluate the performance of the Executive Officers in meeting those goals and objectives with input from the full Board at year end; and
- review and recommend to the Board for approval the compensation level of the Executive Officers based upon these evaluations. The Chief Executive Officer will not be present during deliberations or voting concerning his compensation.

Long-Term Equity-Based Compensation. Annually, the Committee will:

- review and approve long-term equity incentive awards for the executive officers, taking into account such matters as
 - the performance of the Company and relative total shareholder return;
 - the value of such awards granted to other Executive Officers in the retail industry and industry in general; and
 - the number of stock options and common stock units granted in prior years.

Membership

- The Committee will have a minimum of three directors.
- All Committee members shall (i) meet the independence requirements of the NASDAQ rules, (ii) meet the definition of a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and (iii) meet the definition of an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and any vote cast by any such person while so disqualified to act shall be deemed a nullity and shall not adversely affect any vote or action taken pursuant to the affirmative votes of a majority of the remaining members of the Committee who at such time were not so disqualified.
- The Board will at least annually evaluate each Committee member's eligibility to serve on the Committee.
- The Board will appoint the Committee members and a Chairperson.
- The Board may fill vacancies on the Committee.

- The Board may remove a Committee member from the membership of the Committee at any time with or without cause.

Committee Meetings and Action

- A majority of the Committee members will be a quorum for the transaction of business.
- Committee meetings may be held by telephonic conference.
- The affirmative vote of a majority of those present at a meeting at which a quorum is present will be the act of the Committee.
- The Chairperson of the Committee will report to the Board on Committee actions at the Board's next regular meeting following such action. The Chairperson of the Committee will also report to the Board from time to time on the fulfillment of the Committee's duties under its Charter.
- The Committee Secretary (who will be the Corporate Secretary) or another person so appointed at each meeting will keep minutes of all Committee meetings, which minutes will be distributed to all Board members.
- The Committee will meet at least three times per year and at such other times as may be requested by its Chairperson.
- The Committee Chairperson will normally prepare a preliminary agenda for each meeting of the Committee as far in advance of the meeting day as practicable.
- The Committee Secretary should coordinate all mailings to the Committee members to the extent practicable.

Authority

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including authority to retain special counsel and or other experts or consultants of its selection to advise it at the expense of the Company.

Adopted April 4, 2007