

DUCKWALL-ALCO STORES, INC.
AND SUBSIDIARIES
CODE OF BUSINESS CONDUCT AND ETHICS
FOR DIRECTORS AND SENIOR OFFICERS

I. Mission

Our mission is to be the best general merchandise retailer serving smaller "home town" communities with a broad selection of the quality merchandise our customers want at competitive prices. Our heritage, born in farm country in the Midwest, is one of hard work, family values, honesty and dedication to our customers. Our team is focused on listening to our customers and responding to their needs. Success requires setting high standards of customer service and continued improvement in how we serve our customers.

We value and recognize the contributions of our associates and our vendors who have assisted us in our success. Our equation for success also includes goals for profit growth so our shareholders achieve the returns they deserve. As such, we are always looking for opportunities that will result in improved performance. These include things like improved productivity but may also include expanded products or services for our customers.

To foster a culture of honesty and accountability, we have adopted this Code of Business Conduct and Ethics (this "Code").

A. General. This Code sets forth specific corporate policies governing the conduct of the business of Duckwall-ALCO Stores, Inc. and its subsidiaries (collectively, the "Company" or "we" "our" or "us"). These policies were developed and are intended to be applied in good faith with reasonable business judgment to enable us to achieve our operating and financial goals within the framework of the law.

We are committed to conducting our business with honesty and integrity and to maintaining the high standards of conduct reflected in our Code. We are committed to creating a free and open environment in which compliance with this Code is considered the responsibility of each member of the Board of Directors of the Company and each Senior Officer (all "Subject Persons"). We require our Subject Persons to act in a manner which promotes:

1. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. Avoidance of conflicts of interest, including disclosure to an appropriate person or persons identified in this Code of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
3. Full, fair, accurate, timely, and understandable disclosure in reports and documents that a company files with, or submits to, the Securities and Exchange Commission ("SEC") and in other public communications made by the company;
4. Compliance with applicable governmental laws, rules and regulation;
5. The prompt internal reporting to an appropriate person or persons identified in this Code of violations of this Code; and
6. Accountability for adherence to this Code.

The Company recognizes that rapid changes in business constantly pose new ethical and legal considerations. No set of guidelines, therefore, should be considered the absolute last word under all circumstances. We encourage our Subject Persons to consult with any supervisor, manager or officer of the Company, or any member of our Legal Department or the Audit Committee if there is any doubt as to the proper course of action. (See "Reporting Procedures" in Section XVIII (G)). Willingness to raise ethical

concerns is essential. We are confident each of our Subject Persons shares our sense of determination in this area.

Our policy requires our Subject Persons to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Each Subject Person must obey the law, practice honesty and integrity and act ethically in every aspect of dealing with other Subject Persons, employees, agents, the public, the business community, stockholders, customers, suppliers and government authorities. Our Chief Executive Officer (“President”) and Senior Officers are responsible for setting standards of business ethics and overseeing compliance with these standards. Our Subject Persons frequently encounter a variety of ethical and legal questions. The way we decide these issues should be consistent with our basic values and principles. This Code provides general guidance for resolving a variety of legal and ethical questions for our Subject Persons.

The topics discussed in this Code may not cover every situation and are in addition to our other policies and programs. For example, we have adopted specific policies and procedures concerning insider trading, the Foreign Corrupt Practices Act, antitrust compliance and workplace harassment.

B. Anti-Retaliation. No one will suffer any adverse effects to his or her job or career as a result of raising an ethical concern or questioning a Company practice. It is a violation of this Code to discriminate or retaliate against any employee for reporting a suspected violation. Supervisory personnel have a special responsibility to demonstrate high ethical standards in their behavior and to handle reports of suspected violations properly. Each supervisor is expected to take all necessary actions to ensure compliance with this Code and to bring problems to the attention of higher management or officers of the Company and any member of the Audit Committee.

C. Failure to Comply. Failure to comply with this Code can have severe consequences for both a Subject Person and the Company. We will impose appropriate discipline, which may include discharge, for violations of this Code. Conduct that violates this Code may also violate national or state laws and can subject both a Subject Person and the Company to civil and criminal penalties. No Subject Person should be misguided by any sense of loyalty to the Company or a desire for profitability that might cause him or her to disobey any applicable Law or our policies. Violation of our policies will constitute grounds for disciplinary action, including, when appropriate, termination of employment.

D. Definitions. As used in this Code, the following terms have the meanings set forth below:

1. “Foreign Official” shall have the same meaning as the phrase is used in connection with the Foreign Corrupt Practices Act and any case law interpreting that Statute including, but not limited to, any person acting in an official capacity on behalf of a foreign government, agency, department or instrumentality, including government owned and operated businesses

2. “Fraud” includes, but is not limited to, misappropriation and other irregularities including such things as any:

- dishonest or fraudulent act;
- defalcation, criminal fraud;
- embezzlement;
- forgery or alteration of negotiable instruments such as Company checks and drafts;
- misappropriation of Company, Subject Persons, customer, partner or supplier assets;
- conversion to personal use of cash, securities, supplies or any other Company asset;
- unauthorized handling or reporting of Company transactions; and
- falsification of Company records or financial statements for personal or other reasons.

The above list is not all-inclusive but intended to be representative of situations involving Fraud. Fraud may be perpetrated not only by Company employees, but by agents and other outside parties as well. All such situations require specific action by the Company.

3. "Internal Controls" means internal controls and procedures regarding financial reporting.
4. "Laws" means laws, rules, regulations, orders, directives and judgments of governmental agencies, authorities, courts and administrative bodies.
5. "Legal Department" means the Vice President and Secretary.
6. "Material Nonpublic Information" shall have the same meaning as the phrase is used in connection with the Securities Exchange Act of 1934 and any case law interpreting that Statute, including any information which could reasonably be expected to affect the price of the Company's stock should it become public knowledge.
7. "Quarterly Blackout Period" is a period during which the Company allows no trading in its stock from a date fifteen (15) days before the end of each fiscal quarter and ending after the market closes the second trading day after the release of the results of operations for that quarter.
8. "Senior Officers" means all executive officers, the principal financial officer, the controller or the principal accounting officer, the Vice President and Secretary or any person performing similar functions.
9. "Sensitive information" includes confidential and proprietary information, customer lists, materials developed for in-house use, administrative and manufacturing processes, business plans, pricing strategies and any formulas, devices and compilations of information which give the Company a competitive advantage.

II. Standards of Conduct

1. Subject Persons shall exercise honesty, objectivity, and diligence and act ethically in the performance of their duties and responsibilities. Subject Persons shall be ever mindful of their obligation to maintain the high standards of competence, morality and dignity.
2. Subject Persons shall exhibit loyalty in all matters pertaining to the affairs of the Company. However, Subject Persons shall not knowingly be a party to any Fraud or other illegal or improper activity. All Subject Persons are expected to adhere to high standards of personal integrity. For example, perjury or any other illegal act taken to "protect" the Company and sales made by deception or production quotas achieved through questionable means or figures are wrong and will not be tolerated by the Company.
3. Subject Persons shall not knowingly engage in acts of activities which are discreditable to the Company.
4. Subject Persons shall refrain from entering into any activity which may be in conflict with the interest of the Company or which would prejudice their ability to carry out objectively their duties and responsibilities.
5. Subject Persons shall not accept anything of value from another Subject Persons or any employee, customer, suppliers, or business association of the Company which would impair or be presumed to impair their professional judgment. Subject Persons shall not accept costly entertainment or gifts (excepting

mementos and novelties of nominal value) from dealers, suppliers and others with whom the Company does business, without the approval of the Audit Committee.

6. Subject Persons shall be prudent in the use of information acquired in the course of their duties. They shall not use sensitive information for any personal gain, nor in any manner which would be contrary to law or detrimental to the welfare of the Company.

7. Subject Persons, when reporting on the results of their work, shall reveal all material facts known to them which, if not revealed, could either distort reports of operations or conceal unlawful practices.

8. Subject Persons shall continually strive for improvement in the proficiency, and in the effectiveness and quality of their service to the Company.

9. Subject Persons shall not become involved in circumstances that produce, or reasonably appear to produce, conflict between personal interests of an employee and interests of the Company, including, without limitation, investments in suppliers, customers or competing companies (except insubstantial securities investments in publicly traded companies), outside employment which would affect working efficiency, and direct or indirect ownership of property or other tangible items which may be sold or leased to the Company.

10. The integrity of the Company's accounting and financial records is based on the validity, accuracy and completeness of basic information supporting entries to the Company's books of account. All Subject Persons involved in creating, processing or recording such information are held responsible for its integrity and are responsible for full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the Company.

11. Every accounting or financial entry should reflect exactly that which is described by the supporting information. There must be no concealment of information from (or by) management, or from the Company's independent auditors.

12. Subject Persons who become aware of possible omission, falsification or inaccuracy of accounting or financial entries or basic data supporting such entries, are held responsible for reporting such information.

13. All Subject Persons are encouraged to take part in public matters of their individual choice. The Company may, to the extent legally permissible, support committees aimed at encouraging political contributions by individuals.

14. In dealing with public officials and private business associates, the Company will utilize only ethical commercial practices. The Company and its Subject Persons will not seek to influence sales of its products or services (or other events impacting on the Company) by payments of bribes, kickbacks or other questionable inducements. Payments or commitments (whether cast in the form of commissions, payment or fees for goods or services received, or otherwise) made with the understanding or under circumstances that would indicate that all or part thereof is to be paid (directly or indirectly) to a public official or employee to induce such individual to fail to perform their duties, to perform them in an incorrect manner, or to cause any privilege or favor toward the Company or its products are strictly prohibited.

15. While the Company may hire individuals who have knowledge and experience in various technical areas, it is not the Company's intent to employ such persons as a means of gaining access to the trade secrets of others. Subject Persons will not ask new employees or other Subject Persons to divulge such trade secrets.

Similarly, we require that Subject Persons not make unauthorized disclosure of our trade secrets, either during their employment or thereafter.

III. Compliance with Laws

Our policy is to comply fully with all Laws, both domestic and foreign, applicable to our business. Subject Persons must become familiar with and comply with the Laws which govern their area of responsibility. In some situations the applicable Law of the United States may conflict with the applicable Law of another country. In such cases, we will endeavor to resolve such conflict following the guidance of the Legal Department. Where such a conflict cannot be resolved, the applicable Law of the United States will be observed and complied with by the Company. If a Subject Person is in doubt about the application or interpretation of any legal requirement, such person should seek the advice of the Legal Department. Subject Persons are not authorized by the Company to take any action which the Legal Department has advised would constitute a violation of Law.

Each Subject Person is personally responsible for adhering to the standards and restrictions, whether imposed by Law or this Code, applicable to his or her assigned duties and responsibilities and to conduct himself or herself accordingly. Such standards and restrictions require each Subject Person to avoid any activities which would involve the Company in any practice which is not in compliance with this Code. Any Subject Person who does not adhere to such standards and restrictions is acting outside the scope of his or her employment or agency.

Beyond legal compliance, all Subject Persons are expected to observe high standards of business and personal ethics in the discharge of their assigned duties and responsibilities. This requires the practice of honesty and integrity in every aspect of dealing with other Subject Persons, employees, the public, the business community, stockholders, customers, suppliers and governmental and regulatory authorities.

Company policy prohibits subject persons from discriminating against Subject Persons, employees, agents, stockholders, directors, officers, customers or suppliers on account of race, color, age, sex, religion or national origin except as may be required by applicable law. All of such persons shall be treated with dignity and respect and they shall not be unreasonably interfered with in the conduct of their duties and responsibilities.

The Company will endeavor to provide a work environment free of all forms of harassment or discrimination, and it is each Subject Person's obligation to assist the Company in that endeavor.

The Company and Subject Persons will comply with all health and safety Laws covering Company facilities and otherwise strive to maintain a safe and happy working environment.

IV. Defalcation, Misappropriation and Similar Irregularities (Fraud)

This Code establishes and communicates the Company's policy regarding the prohibition, recognition, reporting and investigation of suspected Fraud and other similar irregularities.

The Company prohibits all Fraud. In accordance with the "Audit Committee – Financial Matters Complaint Policy," situations involving suspected Fraud shall be reported to any supervisor, manager, or officer of the Company, the Chief Financial Officer, or any member of the Legal Department or the Audit Committee. All Fraud investigations will be conducted under the authorization and direction of the Audit Committee.

The Vice President and Secretary and the Chief Financial Officer will maintain close liaison with the Audit Committee and will assist in investigations as deemed appropriate under the circumstances.

V. Conflict of Interest

Subject Persons must deal with suppliers, customers, auditors and others doing business with the Company in a manner that avoids even the appearance of conflict between personal interests and those of the Company. This requirement applies equally to business relationships as well as personal activities. Subject Persons have a duty of loyalty to the Company to advance its legitimate interests when the opportunity to do so arises.

Although not all situations in which a conflict may arise can be defined precisely, Subject Persons should avoid situations which interfere with their ability to act in an honest and ethical manner. Subject Persons must avoid situations where their private interests, or the private interests of members of their family conflict with the interests of the Company. Subject Persons should not have any business or financial relationship with customers, suppliers or competitors that could influence or appear to influence in carrying out their responsibilities. Subject Persons should not acquire any interests or participate in any activities that would deprive the Company of the time or attention required to perform their duties properly, or create an obligation of distraction that would affect their judgment or ability to act solely in the company's best interest. Any Subject Person who becomes aware of a potential conflict of interest should communicate this to the Audit Committee in accordance with the Reporting and Compliance Procedures set forth in Section XVIII (G). Subject Persons are required to ethically handle actual or apparent conflicts of interest between personal and professional relationships.

Prior to engaging in any activity which may conflict with a Subject Person's duties to the Company, a Subject Person must obtain the Audit Committee's approval. Examples of the types of situations, which must be approved by the Company and should be avoided are set forth below:

- Obtaining a significant financial or other beneficial interest in one of the Company's outside accounting firms, suppliers, customers or competitors. None of our executive officers or directors may have been previously employed by our current independent auditor within the most recent five years.
- Engaging in a significant personal business transaction involving the Company for profit or gain.
- Obtaining a loan or guarantee from the Company for personal benefit.
- Accepting money, gifts of other than nominal value, excessive hospitality, loans or other improper personal benefits from any supplier, customer or competitor of the Company (excluding loans from lending institutions at prevailing interest rates) as a result of his or her position in the Company.
- Participating in the use, sale, loan or gift of Company property, information or position for personal gain.
- Learning of a business opportunity through association with the Company and disclosing it to a third party or investing in the opportunity without first offering it to the Company.
- Competing with the Company.
- Holding a directorship in a company other than the Company.
- Using the Company property or services for personal benefit.
- Working for a competitor, customer or supplier as an employee, consultant or member of its Board of Directors.

VI. Entertainment, Gifts and Payments

The Company considers that in the interests of avoiding even the appearance of impropriety, Subject Persons, may not furnish on behalf of the Company expensive gifts or provide excessive entertainment or benefits to other persons. In addition, Subject Persons may not use their employment status to obtain gain from the Company's auditors, suppliers or customers doing or seeking to do business with the Company.

Family members of Subject Persons, may not accept any gift or gratuity in any form from any auditor, supplier or customer of the Company unless the gift is a commonly distributed item of nominal value given for advertising or promotional purposes or is of modest value and consistent with local business custom. Subject Persons may not solicit gifts, gratuities, tickets or entertainment from auditors, suppliers or customers regardless of their value.

Subject Persons may not take, use or divert Company property, equipment or services for their own personal benefit. The unauthorized use or removal of property or equipment belonging to the Company is theft and will be treated as such.

VII. Insider Trading

The Company has a written policy entitled "Policy Applicable to Covered Persons Regarding Securities Trading and Handling of Nonpublic Information and Policy on Section 16 Reporting" dealing with insider trading and reporting of trades by Senior Officers and directors. This policy is intended to enforce the securities laws of the United States which prohibit insiders from buying or selling securities of the Company while in possession of Material Nonpublic Information relating to the Company or from using Material Nonpublic Information. This policy is also intended to assist executive officers and directors with reporting obligations to the SEC regarding transactions in Company's securities.

Our policy prohibits Subject Persons and all employees from engaging in any action to take advantage of, or pass on to others, Material Nonpublic Information. Our prohibition applies to Material Nonpublic Information obtained in the course of an employment affiliation with the Company relating to any auditors, customers, suppliers and companies with whom the Company is considering a transaction. We will hold the Subject Persons and all employees responsible for the compliance of his or her family members and for the actions of any other party who has received the Material Nonpublic Information from the Subject Person or employee as a "tip". Subject Persons and all employees may not buy or sell securities of the Company while in possession of Material Nonpublic Information relating to the Company.

We require pre-clearance by the Legal Department of all trades in Company securities by Senior Officers and all members of the board of directors. We have adopted a quarterly blackout period during which these persons may not trade in Company stock. As a Subject Person, you are subject to this policy. Please contact the Legal Department with questions concerning specific transactions and to review the Company's policy in its entirety.

The policy also prohibits Executive Officers and Directors from engaging in any of the following activities with respect to securities of the Company:

- trading on a short-term basis (i.e., purchase and sale within a six month period);
- short sales; or
- buying or selling puts or calls.

VIII. Concerns Regarding Disclosure

The Company is dedicated to fully complying with the applicable securities laws, including reporting requirements, and to ensuring that information contained in its public communications and its publicly filed financial statements and periodic reports fairly present, in all material respects, the matters disclosed and, as applicable, the financial condition, results of operations and cash flows of the Company.

The Company's books and records will reflect, in an accurate, fair and timely manner, the transactions and disposition of assets of the Company. All funds and assets will be properly recorded and disclosed. Subject Persons may not use the books and records to mislead those who receive them, or to conceal anything that is improper (e.g., secret funds). Those responsible for the accounting and record-keeping functions must be vigilant in ensuring that the Company's funds or assets are not used for any unlawful or improper purpose. Subject Persons are required to promote full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by us and in all public communications.

Accordingly, the Company is committed to providing an environment which is receptive to receiving and effectively dealing with complaints regarding its accounting, internal accounting controls, or auditing matters and maintaining the confidentiality and anonymity of employees who submit concerns regarding questionable accounting or auditing matters.

Under the "Audit Committee – Financial Matters Complaint Procedure" the board of directors and the audit committee of the Company maintain an "open door" policy to receive, retain and handle complaints and notification regarding the Company's accounting, internal accounting controls, auditing matters and other reportable offenses as described in this policy. We encourage the prompt reporting of such complaints or concerns so that rapid and constructive action can be taken.

IX. Improper Influence over Auditors

The Company recognizes the importance of preventing improper influence on the conduct of auditors. Accordingly, the Company prohibits any Subject Persons from conducting any action to fraudulently influence, coerce, manipulate, or mislead any of our auditors during their review or examination of our financial statements for the purpose of rendering the financial statements materially misleading. Such conduct is prohibited even if it does not succeed in affecting our audit or review. Improper influence would include, but is not limited to, directly or indirectly:

1. Offering or paying bribes or other financial incentives, including offering future employment or contracts for non-audit services.
2. Providing an auditor with inaccurate or misleading legal analysis.
3. Threatening to cancel or canceling existing non-audit or audit engagements if the auditor object to the proposed accounting.
4. Seeking to have a partner removed from the audit engagement because the partner objects to the proposed accounting.
5. Blackmailing; and
6. Making physical threats.

X. Disclosure Controls and Procedures

The Company shall maintain disclosure controls and procedures to ensure that the information required to be disclosed by the issuer in its periodic reports, current reports and proxy statements (“Exchange Act Reports”) filed by the Company under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is:

- Recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms; and
- Accumulated and communicated to the management, including the President and Chief Financial Officer (“CFO”) to allow timely decisions regarding required disclosure.

The Company shall maintain a system of internal accounting control to ensure reliability and adequacy of its books and records and proper recording of all transactions including dispositions of assets. The Company has established guidelines and procedures related to the keeping of books and records that in reasonable detail accurately and fairly reflect the Company’s transactions and dispositions of assets. The Company guidelines and procedures are intended to prevent the records from being misleading or concealing anything that is improper.

Subject Persons must strictly comply with disclosure controls and procedures and internal controls and must be vigilant in ensuring that the Company’s funds or assets are not used for any unlawful or improper purpose. Subject Persons may only enter into transactions which are those which are executed in accordance with the Company’s specific authorization or established formalized policies and procedures. Subject Persons must not allow any transaction to be recorded in the accounts of the Company unless it is within the scope of written policies and procedures or is specifically and formally approved by an appropriate and designated employee. Such approval requires the determination that the transaction:

- has been authorized in accordance with Company policy, and
- is supported by documentary evidence to verify the validity of the transaction.

All transactions that have been accounted for in accordance with Company policy will be accumulated and processed in a manner which will permit preparation of financial statements, reports and data for purposes of internal, public and regulatory reporting. Such statements, reports and data must be in a form sufficient to reflect accurately and fairly the results of transactions entered into by the Company and to permit proper accountability for assets.

The implementation and maintenance of disclosure controls and procedures and internal controls are the primary responsibility of the CFO. All failures regarding these should be reported to Audit Committee, the President or the CFO, so that deficiencies can be corrected and assurance of compliance can be maintained.

XI. Confidential, Proprietary Information and Fair Dealing

Subject Persons have access to and become knowledgeable about sensitive information regarding the Company and our customers that is confidential, private or proprietary and which is valuable to us. Disclosure of confidential and proprietary information outside the Company either during and after a Subject Persons’ employment with the Company could be irreparably harmful to the Company or a customer or be helpful to a competitor. The Company regularly receives sensitive information from those with whom it does business. Confidential and proprietary information of a customer is often received under the terms of a written agreement that specifies the Company’s obligations for the use and protection of the customer’s information (“Customer Confidentiality Agreements”).

Subject Persons should endeavor to deal fairly with the Company's customers, suppliers, competitors, other Subject Persons and employees and should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. Subject Persons entrusted with or otherwise knowledgeable about information of a confidential or proprietary nature, shall not disclose such information to non-employees without written Company authorization. Subject Persons shall disclose sensitive information to other Subject Persons and employees of the Company only on a need to know basis.

Subject Persons must use or disclose the customer's sensitive information only for Company purposes and not for personal benefit or a competing interest. Access to sensitive information will be limited to those having a need to know. Subject Persons have a continuing duty to the Company to maintain the confidentiality of sensitive information both during and after employment. Subject Persons must protect the confidentiality of any such information, whether or not such a Customer Confidentiality agreement exists, and limit use of it to what is authorized. Subject Persons must protect the confidentiality of such customer sensitive information, whether or not such customer confidentiality agreement exists, and limit the use of such information to the extent authorized by the customer.

XII. Improper Influence or Payments; Political Contributions

In dealing with public officials and private business associates, the Company will utilize only ethical commercial practices. Improper influence over auditors, suppliers or customers through accepting or giving bribes, kickbacks or other payoffs and other questionable inducements is illegal, unethical and dishonest. Accordingly, the Company prohibits Subject Persons from using such schemes to influence sales of its products or services (or other events impacting on the Company).

Subject Persons must not take any action to fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged to perform an audit of the financial statements of the Company for the purpose of rendering such financial statements materially misleading. The Company strictly prohibits Subject Persons from accepting or taking any kickbacks, bribes and other illegal payments.

Without our prior approval, Subject Persons may not directly or indirectly offer, solicit, provide or accept any kind of payments, commitments (whether cast in the form of commissions, payments, fees or goods or services received or otherwise) or contribution of a significant value (other than salary, wages or other ordinary compensation from the Company) for the purpose of:

- influencing customers, suppliers or governmental entities including their officers or employees to cause any privilege or favor toward the Company or its products,
- obtaining, giving or keeping business,
- persuading any officials or employees for another company to fail to perform or improperly perform their duties, or
- influencing legislation or regulations.

The Company policy does not prohibit expenditures of nominal amounts by Subject Persons for meals and entertainment of suppliers and customers which are ordinary and customary business expenses, if they are otherwise lawful. The lawful expenditures incurred in this way should be properly accounted for in an expense report. Subject Persons may not use Company's funds, goods or services as contributions for political parties, candidates or campaigns, unless previously authorized in writing by the Company.

XIII. Foreign Corrupt Practices Act (“FCPA”)

The FCPA makes it a criminal offense for U.S. companies, their stockholders, directors, agents, officers, subsidiaries and employees, to make or authorize the payment of any money or give authorization to transfer anything of value, directly or indirectly, to a foreign official for the purpose of influencing the official’s discretion in connection with an official act or decision or to use his influence to assist in obtaining business for or directing business to any person. Stated simply, this is a prohibition against any direct or indirect bribery or attempt to bribe any foreign country official in order to obtain business.

The FCPA also has certain requirements that U.S. companies and their domestic and foreign subsidiaries must accurately reflect transactions in conformity with accepted methods of accounting for economic events. This requirement prohibits any false, artificial or misleading documentation, books or records, and no unrecorded funds or other assets.

To ensure compliance with the FCPA, Subject Persons must not engage in any activity that they know or should reasonably suspect involves a bribe or an improper payment. A Subject Person may not appoint a distributor, agent, representative or consultant in connection with the solicitation or sale of Company products or services outside the United States until all agreements or arrangements relating to the distributor, agent, representative or consultant have been approved by the Company. The Subject Persons must submit to the Company a detailed submission concerning the potential distributor, agent, representative or consultant and all proposed agreements and arrangements with such party, and approval by the Legal Department before entering into any agreement or arrangement with such distributor, agent, representative or consultant.

XIV. Product Quality

Our policy is to produce products of the finest quality for our customers and the consuming public. The quality standards which are established by management are meant to be consistent with applicable Laws and regulations, and match or exceed recognized good manufacturing practices. Each Subject Persons is responsible for maintaining the highest integrity and quality of our products and for reporting any actions that may jeopardize these standards.

XV. Environmental

The Company has a written Environmental Policy which includes the obligation to adhere to all national, state and local environmental laws, regulations and standards. Violations of environmental laws, even if unintentional, can expose both a Subject Person and the Company to severe criminal and civil penalties. In light of the potential liability for violations, the cost of clean-up and the increase in environmental auditing and accountability of the business community, a Subject Person must report to the Legal Department (i) all circumstances in which toxic substances are spilled or released into the environment, and (ii) any failure to operate in accordance with applicable permits, laws or regulations.

XVI. Antitrust

The antitrust laws are intended to preserve competition by prohibiting actions that unreasonably restrain the functioning of a free and competitive marketplace. Any agreement that could limit competition in a specific market may be a violation of these laws and must be reviewed by the Legal Department.

Because verbal exchanges can be deemed an agreement, a Subject Person must exercise caution whenever meeting with competitors. Avoid discussions with competitors related to market share, projected sales

of any product or service, revenues and expenses, production schedules, inventories, pricing strategies, marketing, and, of course, proprietary information of the Company. These guidelines also apply to informal contacts with competitors, including those at trade shows or meetings of professional organizations.

The following are possible violations of these laws which should be reviewed in advance by the Legal Department: (i) agreements between competitors to agree or “cooperate” on prices, allocate markets or customers, limit production or quantity, or boycott suppliers; and (ii) agreements with customers to control resale prices, require tie-in sales (i.e., require purchase of one product as a condition of selling another), engage in reciprocal dealing, restrict their marketing territory, or discriminate as to prices.

XVII. Antiboycott

Antiboycott laws are primarily of U.S. origin and carry criminal penalties and loss of tax benefits for cooperation with foreign country boycotts that discriminate against U.S. firms or citizens. These laws also prohibit compliance with requests for information or action which would foster the boycott of those countries friendly to the United States. These laws relate principally to the Arab boycott of Israel. More specifically, U.S. antiboycott laws prohibit U.S. firms and persons from providing information concerning business relationships with boycotted countries, information concerning the U.S. firms’ or person’s own business relationships and information concerning any other person’s relationships in or with a boycotted country.

A Subject Person must not provide such boycott information or agree to provide it, even if it relates to a past relationship.

A boycott request can take many forms including (i) a direct request to furnish information, (ii) a request to take action, or (iii) a request to refrain from taking any action. A request can appear in an invitation to bid, a contract, a purchase order or, in many cases, in a letter of credit or other financial document. No information with regard to a request may be furnished and the mere receipt of a request for such information often is required to be reported to the U.S. government. The complexities of the law in this area are such that a Subject Person is required to immediately report to the Legal Department any boycott request which calls for or even appears to involve, any prohibited information.

XVIII. Administration of Code of Business Conduct

This Code of Business Conduct of the Company shall be administered as follows:

A. Scope. The Audit Committee shall, periodically, in light of the experience of the Company, review this Code, and when necessary or desirable, make recommendations to the Board of Directors (i) to ensure its continued conformance to applicable Law, (ii) to ensure that it meets or exceeds industry standards, and (iii) to ensure that any weaknesses revealed through monitoring, auditing and reporting systems are eliminated or corrected.

B. Allocations of Responsibility. The Audit Committee shall be responsible for the administration of this Code. The Audit Committee shall establish such procedures as it shall deem necessary or desirable in order to discharge this responsibility. Such procedures shall provide for obtaining advice of legal counsel where appropriate. In discharging these responsibilities, the Audit Committee may delegate authority to such committees, officers and other employees and may engage such agents and advisors as it shall deem necessary or desirable.

C. Delegation of Substantial Discretionary Authority. No Subject Person shall delegate substantial discretionary authority to any individual who such Subject Person knows, or through the exercise of due diligence should know, has a propensity to engage in illegal activities.

D. Communication of Policies. To ensure the continued dissemination and communication of this Code, the Audit Committee shall take, or cause to be taken, reasonable steps to communicate effectively the standards and procedures included in this Code to employees and agents of the Company.

E. Monitoring and Auditing. The Audit Committee shall take reasonable steps to monitor and audit compliance with this Code, including the establishment of monitoring and auditing systems that are reasonably designed to detect conduct in violation of this Code by employees and agents of the Company.

To the extent so directed by the Audit Committee, the information developed by the Company's independent accountants in performing their engagement or by the Company in the performance of their assigned responsibilities shall be made available to the Audit Committee in its capacity as administrator of this Code as a means of monitoring and auditing compliance with this Code.

To the extent so directed by the Audit Committee, the results of the periodic health, safety and environmental audits and export administration audits of the Company's facilities shall be made available to the Audit Committee in its capacity as the administrator of this Code as a means to monitor and audit compliance with this Code.

F. Board Committees. The Vice President and Secretary shall report to the Audit Committee of the Board of Directors, at least once each year, regarding the general effectiveness of this Code.

G. Reporting Procedures. The Company expects Subject Persons to report possible violations of this Code. No retaliatory action will be taken against Subject Persons who report in good faith suspected criminal activity or ethical violations. A Subject Person should first consult with their immediate supervisor. Supervisors are responsible for maintaining a workplace environment that encourages and solicits frank and open communication regarding the importance of operating under this Code.

Subject Persons that feel uncomfortable raising a concern with their immediate supervisor should notify the head of their operation. If this course of action is not acceptable under the circumstances, Subject Persons may contact any member of the Audit Committee. The purpose of the Audit Committee is to ensure compliance with this Code and to provide a confidential method for Subject Persons to report questionable behavior. Subject Persons may write directly to the Audit Committee at the following address:

Audit Committee
Duckwall-ALCO Stores, Inc.
401 Cottage Street
Abilene, Kansas 67410-2832
Attn: Vice President and Secretary

Subject Persons may also make reports anonymously if the Subject Persons deem it necessary. Subject Persons are, however, encouraged to identify themselves, in the knowledge that there will be no retaliation where reports are made in good faith, to enable the Company to clarify details and take appropriate action.

The Company will promptly forward all financial matters complaints to the Audit Committee to investigate as appropriate and, as appropriate, will investigate any report of alleged misbehavior, take the appropriate action and respect the rights of all parties concerned.

H. Investigation of Violations. If, through operation of the Company's compliance monitoring and auditing systems or its violation reporting systems or otherwise, the Company receives information regarding an alleged violation of this Code, the person or persons authorized by the Audit Committee to investigate alleged violations of this Code shall, as appropriate, in accordance with procedures established by the Audit Committee:

1. evaluate such information as to gravity and credibility;
2. initiate an informal inquiry or a formal investigation with respect thereto;
3. prepare a report of the results of such inquiry or investigation, including recommendations as to the disposition of such matter;
4. make the results of such inquiry or investigation available to the Board of Directors or the Policy Committee for action (including disciplinary action by the Policy Committee);
5. recommend discipline or changes in this Code necessary or desirable to prevent further similar violations; and
6. ensure reporting of any change or waiver this Code within 2 business days of the change or waiver on a Form 8-K or on the Company's website.

The Company may disclose the results of investigations to law enforcement agencies.

I. Documentation. Subject to the applicable document retention program, the Company shall document its compliance efforts and results to evidence its commitment to comply with the standards and procedures set forth above.

XIX. Compliance With Code

The Company encourages strict compliance with this Code. Failure to comply with this Code can have severe consequences for both Subject Persons and the Company. The Audit Committee will impose appropriate discipline, which may include discharge, for violations of this Code. Conduct that violates this Code may also violate national or state laws and can subject both Subject Persons and the Company to civil and criminal penalties. Only with the approval of our board of directors or any committee created by our board of directors, the Company may, in special and appropriate circumstances, waive compliance with this Code by individual Executive Officers or Directors. Such waiver will be promptly disclosed to stockholders of the Company on a Form 8-K filed with SEC and/or on our website.

XX. Dissemination; Distribution and Acknowledgment

This Code will be attached to the Company's annual report as an exhibit and notice of this Code will be physically posted at the Company's headquarters in appropriate locations. Amendments to this Code will be filed with the SEC on Form 8-K or posted on our website within 2 business days of the amendment. Copies of this Code and any amendment will also be physically available at each Company office and facility in designated locations.

At commencement of employment or affiliation, or when this Code is adopted or amended, all exempt Subject Persons will be provided with a copy of this Code and will be required to sign the prescribed form of acknowledgment. The acknowledgments will be returned to the Vice President and Secretary of the Company who will confirm that the Subject Persons has read the current version of this Code. In addition, in cases where, as an alternative to employment, a Subject Person is engaged under contract to provide services to the Company, such individual will be provided with a copy of this Code and will sign the

prescribed form of acknowledgment, and in connection with the provision of services to the Company, this Code will apply to such individual as fully as if he or she were an employee of the Company.

I acknowledge that I have received a copy of the Duckwall-ALCO Stores, Inc. and Subsidiaries Code of Business Conduct and Ethics for Directors and Senior Officers and that I have read this Code and understand its provisions.

Date

Signature

Printed Name

CCMDOCS 487036v3