

DEB SHOPS, INC.
AUDIT COMMITTEE CHARTER

(As of February 2, 2004)

I. PURPOSE

The principal purpose of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to the integrity and audits of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the performance of the Company's systems of internal accounting and financial controls, and the qualifications and independence of the Company's outside auditor.

In discharging its oversight role, the Committee is empowered to address any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. Specifically, in accordance with the Sarbanes-Oxley Act of 2002 (the "Act"), rules promulgated by the U.S. Securities and Exchange Commission (the "Commission") thereunder and the rules of The Nasdaq Stock Market, Inc. ("Nasdaq"), the Committee shall be responsible for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall treat such complaints confidentially and anonymously, as required by the Act, the rules promulgated thereunder and the rules of Nasdaq.

II. MEMBERSHIP

The Committee shall be comprised of no fewer than three members of the Board, one of whom shall be appointed as the Committee's chairperson. The Committee's composition and members shall meet the requirements of the rules of Nasdaq. All of the members shall meet the independence and experience requirements of Nasdaq, and at least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

The members of the Committee shall be elected by the Board at its annual organizational meeting and shall serve until their successors shall be duly elected and qualified. Unless a chairperson is elected by the Board, the members of the Committee may designate a chairperson by majority vote of the full Committee membership. The Committee shall report through its chairperson to the Board following meetings of the Committee.

III. KEY RESPONSIBILITIES

The Committee shall have the sole authority to select the outside auditors (subject, if applicable, to shareholder ratification) who will perform the audit of the Company, considering independence and effectiveness, and approve the fees and other compensation to be paid to the outside auditors. The Company shall provide for

appropriate funding, as determined by the Committee, for payment of compensation to the outside auditors for the performance of such services. The Committee shall be responsible for and have the authority to resolve disagreements between management and the auditors regarding financial reporting. The outside auditors shall report directly to the Committee.

At least annually, the Committee shall obtain and review a report by the outside auditors describing the following: (1) the firm's internal quality-control procedures; (2) any material issues raised by the most recent internal quality-control review, or peer review, of the 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, consistent with Independence Standards Board Standard 1, and any steps taken to deal with any such issues; and (3) in order to assess the outside auditors' independence, all relationships between the outside auditors and the Company. The Committee shall be responsible for actively engaging in a dialogue with the outside auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors and for taking, or recommending that the full Board take, appropriate action to oversee the independence of the outside auditors.

The Committee shall pre-approve or establish policies and procedures pre-approving all audit and permitted non-audit services provided by the outside auditors, both as to the permissibility of the auditors performing such services and as to the amount of fees to be paid in connection therewith, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 (the "Exchange Act") which are approved by the Committee prior to the completion of the audit. The Committee may delegate preapproval authority to one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such designee(s) to grant preapprovals shall be presented to the full Committee at its next scheduled meeting. Policies and procedures for the pre-approval of audit and permitted non-audit services must be detailed as to the particular service and must not delegate the Committee's responsibilities to management. The Committee must be informed of each service rendered pursuant to any such policies or procedures.

The Committee shall have the authority to engage and determine funding for outside legal, accounting or other advisors to advise the Committee and shall, as appropriate, obtain advice and assistance from such advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to the outside auditors for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services, (ii) compensation to any outside legal, accounting or other advisors employed by the Committee, and (iii) ordinary administrative expenses to the Committee that are necessary or appropriate in carrying out its duties. The Committee may request any officer or employee of the Company or the Company's outside counsel or outside auditor to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.

The Committee shall review and approve all related-party transactions.

The Committee shall make regular reports to the Board. The Committee shall review and reassess this Charter at least annually and recommend any proposed changes to the Board for approval. The Committee shall have this Charter published, in

its then current form, at least every three years in accordance with, and to the extent required by, regulations promulgated by the Commission. The Committee shall annually review the Committee's own performance.

Consistent with the above, the Committee shall, to the extent it deems necessary or appropriate:

A. Financial Statement and Disclosure Matters

1. provide an open avenue of communication among management, appropriate Company personnel, the outside auditors and the Board.
2. review with management and the outside auditors the audited financial statements and disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Annual Report on Form 10-K (or the Annual Report to Shareholders if distributed prior to the filing of the Form 10-K) including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. In connection therewith, the Committee shall review and consider with the outside auditors the matters required to be discussed by Statement of Auditing Standards ("SAS") No. 61, as it may be modified or supplemented.
3. prior to the Company's filing of each quarterly report on Form 10-Q with the Commission, review with the outside auditors the Company's interim financial statements and disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in such Form 10-Q and the matters required to be discussed by SAS No. 71, as it may be modified or supplemented.
4. discuss with management and the outside auditors significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls, disclosure controls and procedures and/or internal control over financial reporting and any special steps adopted in light of material control deficiencies.
5. receive and review regular reports from the outside auditors with respect to: (1) the critical accounting policies and practices of the Company; (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the outside auditors; and (3) other material written communications between the outside auditors and management, such as any management letter or schedule of unadjusted differences.
6. discuss with management earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and ratings agencies.

7. discuss with management and the outside auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures, if any, on the Company's financial statements.
8. discuss policies with respect to risk assessment and risk management.
9. review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.

B. Oversight of the Company's Relationship with its Outside Auditors

10. review the proposed scope of the audit, the proposed staffing of the audit to ensure adequate coverage, as well as appropriate coverage consistent with Sections 203 and 206 of the Act, and the fees proposed to be charged for such audit.
11. ensure the rotation of the audit partners as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the outside auditors on a regular basis.
12. set clear hiring policies for employees or former employees of the Company's outside auditors.

C. Financial Reporting Process

13. discuss with management, appropriate Company personnel and, without management present, the outside auditors, the quality and adequacy of the Company's internal accounting and financial controls, including internal control over financial reporting and disclosure controls and procedures, and elicit any recommendations for the improvement of such controls or particular areas where new or more detailed controls or procedures are desirable.
14. review management's assertion on its assessment of the effectiveness of the Company's internal control over financial reporting as of the end of the most recent fiscal year and the outside auditors' report on management's assertions.
15. in consultation with the outside auditors, review the integrity of the financial reporting processes, both internal and external.
16. consider the outside auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
17. consider and, if appropriate, make changes to the Company's auditing and accounting principles and practices as suggested by the outside auditors or management.

D. Process Improvement

18. review with the Company's outside auditors any audit problems or difficulties and management's response.
19. review any significant disagreement between management and the outside auditors in connection with the preparation of the financial statements.
20. review with the outside auditors and with management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented; this review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as determined by the Committee.

E. Ethical and Legal Compliance

21. obtain from the outside auditors assurance that Section 10A(b) of the Exchange Act has not been implicated.
22. review and update periodically the Company's Code of Business Conduct & Ethics and insure that management has established a system to enforce such codes.
23. review management's monitoring of the Company's compliance with such code and periodically determine that management has the proper review system in place to ensure that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
24. review legal compliance matters, including corporate securities trading policies, with Company counsel.
25. review with Company counsel any legal matter that could have a significant impact on the financial statements.
26. review and update periodically the Company's procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or audit matters.
27. annually prepare a report to the Company's shareholders as required by Item 306 of Regulation S-K, and submit such report for inclusion in the Company's annual proxy statement.
28. maintain minutes of meetings of the Committee and periodically report to the Board on significant results of the foregoing activities.
29. perform any other activities consistent with this Charter, the Company's By-laws, and governing law, as the Committee or the Board deems necessary or appropriate.

IV. LIMITATION OF COMMITTEE'S ROLE

The Committee is to serve in an oversight capacity and is not intended to be part of the Company's operational or managerial decision-making process. The Company's management is responsible for preparing the Company's financial statements and the outside auditors are responsible for auditing the financial statements. Additionally, the Committee recognizes that the Company's financial management, as well as the Company's outside auditors, have more time, knowledge and detailed information concerning the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any certification as to the outside auditors' work.