

Continental Materials Corporation

Charter and Powers of the Audit Committee

(Revised May 2014)

I PURPOSE

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by the Company to any governmental body or the public; the Company’s systems of internal controls regarding finance, accounting, legal and regulatory compliance and ethics that management and the Board have established; and the Company’s auditing, accounting and financial reporting processes generally. The Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company’s accounting and financial reporting process and control system.
- Appoint, compensate, retain and oversee the work of any registered public accounting firm engaged. In this respect, the independent auditor will report directly to the Committee and the Committee has ultimate authority to approve all audit engagement fees and terms.
- Provide an open avenue of communication among the independent auditors, internal auditors (if appropriate), financial and senior management and the Board.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter. The duties and responsibilities of a member of the Committee are in addition to those duties set out for a member of the Board. Standards relating to the Committee may change from time-to-time as the SEC, NYSEMKT and the Public Company Accounting Oversight Board further define and interpret the Sarbanes-Oxley Act. In addition, new laws may be passed that affect the responsibilities of the Committee. The Committee shall endeavor to meet all mandatory standards and responsibilities that may become effective during the period after this document is adopted and prior to its formal update. In all cases where the law or mandatory standards may differ from or exceed those written in this document, the law or mandatory standard shall be deemed to take precedence, and be effective for the Committee.

The Committee will have the authority and adequate funding, as determined by the Committee, provided by the Company to engage independent counsel and other advisors, as it determines necessary to carry out its duties. In addition, the Committee will receive appropriate funding for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

II COMPOSITION

The Committee shall be comprised of three or more directors as determined and appointed by the Board, each of whom shall be independent directors and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Further, each member of the Committee will satisfy both the NYSEMKT independence standards as well as the heightened standards applicable to audit committee members as mandated by the NYSEMKT and SEC Rule 10A-3. Each member of the Committee shall be financially literate. Financially literate means that each Committee member must be able to read and understand fundamental financial statements or will become able to do so within a reasonable time after appointment to the Committee. Additionally, at least one member of the Committee shall have accounting or related financial

management expertise, such as past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual's financial sophistication, including, but not limited to, being or having been a chief executive officer or other senior officer with financial oversight responsibilities, or an active participant on one or more public company audit committees. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The members of the Committee shall be appointed annually by the Board or may serve until their successors are duly appointed and qualified. Unless a Chairperson is appointed by the full Board, the members of the Committee may designate a Chairperson by majority vote of the full Committee membership.

III MEETINGS

The Committee shall hold meetings at least quarterly and may hold special meetings as may be called by the Chairperson of the Committee or at the request of the independent auditors or management. The Committee will meet at least annually with management and the independent auditors in separate sessions to discuss any matters that the Committee or either of these groups believes should be discussed privately.

IV RESPONSIBILITIES AND DUTIES

The primary responsibility of the Committee is to oversee the Company's accounting and financial reporting and disclosure process on behalf of the Board and report the results of their activities to the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, determine if the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles or perform other accounting procedures. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing the statements.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate:

Documents/Reports Review

1. Review this Charter annually (or more frequently, if warranted) and propose any necessary changes to the Board.
2. Review with management and the independent auditors the Company's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, that includes a certification, report, opinion, or review rendered by the independent auditors. Their review shall include the Committee's judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgment and the clarity and presentation of the disclosures in the financial statements, plus any matters required to be communicated under generally accepted accounting principles.

3. Review with management and the independent auditors the 10-Q prior to its filing or prior to the release of earnings, and discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted accounting principles. The Chairperson of the Committee or a majority of the Committee members may represent the entire Committee for purposes of this review.
4. To recommend to the Board that the audited financial statements be included in the Company's Form 10-K and produce the audit committee report required to be included in the Company's proxy statement.
5. Review with management any reports of other financial information of the Company submitted to any governmental body, analysts, rating agencies or the public, including correspondence with the SEC, to discuss the type of information to be disclosed, including the presentation provided and use of any pro forma or adjusted non-GAAP information.
6. Review related party transactions brought to its attention by management, the independent auditors or learned from any other source.

Independent Auditors

7. Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report, or performing other audit, review or attest services for the Company, and each such registered public accounting firm will report directly to the Committee.
8. Discuss with the independent auditors the overall scope and plans for the audit including the adequacy of staffing.
9. On an annual basis, the Committee will ensure receipt and review of a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard No.1. The Committee will discuss with the independent auditors all significant relationships the auditors have with the Company to determine the auditors' independence and impact upon objectivity. This includes a review of management consulting services, tax services and any other services along with their related fees giving special attention to the SEC's final ruling adopting amendments to its existing requirements regarding auditor independence.
10. Review and discuss with the Company's independent auditors any other matters required to be discussed by PCAOB Auditing Standards No. 16, Communications with Audit Committees.
11. Pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditors or other registered public accounting firms, and establish policies and procedures for the Committee's pre-approval or permitted services by the Company's independent auditors or other registered public accounting firms on an ongoing basis.

12. Meet separately with the independent auditors, with and without management present, to discuss the results of their examinations and provide sufficient opportunity for the internal auditors, if any, to meet privately with the Committee members when circumstances warrant.

Financial Reporting Processes

13. In consultation with the independent auditors, review the integrity of the Company's financial reporting processes, both internal and external.
14. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
15. Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditors or management.

Process Review

16. Confer with the independent auditors concerning the scope of their examinations of the books and records of the Company and its subsidiaries; review and approve the independent auditors' annual engagement letter; annual audit plans and budgets; and authorize the independent auditors to perform such supplemental reviews or audits as the Committee may deem desirable.
17. Establish regular and separate systems of reporting to the Committee by each of management and the independent auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
18. Following completion of the annual audit, review separately with each of management and the independent auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
19. Review any significant disagreement between management and the independent auditors in connection with the preparation of the financial statements.
20. Review with the independent auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented, such review to be conducted within an appropriate amount of time subsequent to implementation of the changes or improvements, as decided by the Committee.

Ethical and Legal Compliance

21. Ensure that management has a 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.
22. Review with the Company's counsel, as deemed appropriate in the circumstances, legal compliance matters including corporate securities trading policies.
23. Review with the Company's counsel, as deemed appropriate in the circumstances, any legal matter that could have a significant impact on the Company's financial statements.
24. Perform any other activities consistent with this Charter, the Company's By-laws and governing laws, that the Committee or the Board deems necessary or appropriate.
25. The Committee is empowered and has the authority to directly retain and oversee independent outside counsel, auditors or other advisers as the Committee deems necessary to assist it in the conduct of any investigation or any other duties of the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment of any such adviser retained by the Committee.
26. Approve procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.