

CONTINENTAL MATERIALS CORPORATION

Charter of the Compensation Committee of the Board of Directors

(Revised May 2014)

1. Purpose of the Committee

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Continental Materials Corporation (the “Company”) is to assist the Board in discharging its responsibilities relating to executive compensation.

2. Committee Organization

(a) Composition. The Committee shall consist of at least two (2) members of the Board who satisfy the membership requirements set forth in Section 2(c) below.

(b) Appointment and Removal. The Committee members shall be appointed by the Board, upon the recommendation of the Nominating Committee of the Board, to serve for a one (1) year term or until their successors shall be duly elected and qualified. Each Committee member may be removed by the Board in its sole discretion.

(c) Membership Requirements. The Company qualifies as a “Controlled Company” under Part 8, Section 801 of the NYSEMKT rules. As such, the Company is not required to comply with the Compensation Committee provisions set out in Part 8, Section 805 of the NYSEMKT rules which requires that each Committee member must qualify as an “independent” director under the rules applicable to companies listed on the NYSEMKT.

As such, the Board, in its’ sole discretion, may appoint a director, not qualifying as “independent” to serve on the Committee if the Board determines that such individual’s membership on the Committee serves the best interests of the Company and its stockholders.

(d) Committee Chairman. The Board may designate a chairman of the Committee (the “Chairman”). If the Board does not designate a Chairman, the Committee members shall elect a Chairman by a vote of a majority of the Committee.

3. Meetings

(a) The Committee shall meet at least one (1) time per year, or more frequently, as circumstances dictate.

(b) Each Committee member shall have the authority to call a meeting of the Committee. The notice of meeting need not state the purpose for which the meeting has been called. In order to transact business, at least two (2) Committee members must be present. In the alternative, the Committee may take action without a meeting by unanimous written consent in accordance with applicable law.

(c) The Chairman shall be responsible for establishing the agenda for each meeting and shall coordinate the distribution of briefing and/or background material to the Committee members. Additional items may be added to the agenda at the request of any Committee member. Minutes of all meetings shall be prepared by or under the supervision of the Chairman and approved by the Committee. Meetings may be held via conference call or in person.

4. **Duties of the Committee**

The Committee shall perform the following duties:

- (a) Assist the Board in developing and evaluating potential candidates for executive positions, including the Chief Executive Officer.
- (b) Review director compensation levels and practices and, from time to time, recommend changes in such compensation levels and practices, as appropriate.¹
- (c) Evaluate, on an annual basis, the Chief Executive Officer's performance in light of certain established goals, and to establish the Chief Executive Officer's compensation package based on such performance. This compensation package shall encompass base salary, cash bonuses, other incentive compensation, stock options, other equity-based compensation, and other benefit programs. In establishing the compensation package, the Committee will consider the results of the "say on pay" voting results in years that this proposal is included in the proxy. The Committee will also consider a risk analysis of the compensation package to assure that its structure is aligned with the best interests and goals of the Company and its shareholders.
- (d) Develop, on an annual basis, an executive compensation structure for the Company's other senior executive officers. This structure shall encompass base salary, cash bonuses, other incentive compensation, stock options, other equity-based compensation, and other benefit programs. These compensation packages and any proposed amendment, termination or discontinuance of such packages will be recommended to and reviewed by the entire Board. As in (c), the Committee will consider a risk analysis of the compensation packages to assure that its structure is aligned with the best interests and goals of the Company and its shareholders.
- (e) Assume responsibility for review and administration of the Company's stock option plans, if such authority is delegated to the Committee by the Board pursuant to the terms of the relevant stock option plan.
- (f) Review, on a periodic basis: (1) competitive market analyses of the Company's executive compensation program (including benefits and perquisites paid or available to executives); and (2) executive compensation alternatives and significant new trends and issues.
- (g) Review and approve, on an annual basis, the Company's contributions to the profit sharing (401-K) plan awarded to the Company's qualified employees as well as to those qualifying employees of the Company's subsidiaries.
- (h) Review and approve the terms of any severance, change in control or employment agreements with officers or other key executives of the Company, including the designation of individuals to enter into such agreements.
- (i) Establish, prepare and review an annual executive compensation report in the Company's Annual Report on Form 10-K and Proxy Statement.

¹ This review may include a consideration of the impact of tax, accounting and regulatory requirements on such compensation with respect to both the Company and the director/officer.

- (j) Perform any other activities consistent with this Charter, the Company's Certificate of Incorporation or By-laws and any other governing law or regulation, as the Committee or the Board deems necessary or appropriate.

5. **Compensation Consultants**

- (a) The Compensation Committee shall have the authority to retain or obtain, in its sole discretion, the advice of a compensation consultant, independent legal counsel or other adviser.
- (b) The Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the Compensation Committee.
- (c) The Company will provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the Compensation Committee.
- (d) The Compensation Committee may select a compensation consultant, legal counsel or other adviser to the Compensation Committee only after taking into consideration all relevant factors, including those specified in Part 8, Section 805(a)(4) of the NYSEMKT rules.

6. **Reports to the Board**

The Committee shall report all material findings and all recommendations that may arise at a meeting of the Committee, including but not limited to those enumerated in Section 4 above, to the entire Board. Such report shall be made at the Board meeting immediately following the relevant Committee meeting. Although such report shall be made to the Board, the Board has granted the Committee the authority to implement such findings and recommendations without formal Board approval.

7. **Performance Evaluation and Charter Review**

Due to the controlled nature of the Company, the Committee shall, as often as it deems necessary:

- (a) Evaluate its performance and report its conclusions to the Board; and
- (b) Review this Charter and recommend any proposed changes thereto to the Board for approval.