

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.

COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee (“Committee”) of Appliance Recycling Centers of America, Inc. (“Company”) is appointed by the Board of Directors (“Board”) in fulfilling its responsibilities relating to Executive Officers and Board member compensation. The Committee has overall responsibility for approving and evaluating all compensation plans, policies, and programs of the Company as they affect Executive Officers. The Committee is also appointed to oversee the development and evaluation of, and to approve, equity-based compensation plans.

Membership and Organization

The Committee shall consist of at least three directors each of whom shall (a) qualify as an Independent Director under Rule 5605 of the Listing Standards of The NASDAQ Stock Market LLC, (b) be a “non-employee” director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, (c) be an “outside director” under Section 162(m) of the Internal Revenue Code of 1986, as amended and (d) otherwise be 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.

The Committee members and Chairperson will be appointed by the Board pursuant to the recommendations of the nominating committee of the Board and may be removed by the Board in its discretion. The Committee will have authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate, provided the subcommittees are composed entirely of independent directors.

Meetings

The Committee will meet at least two times during each fiscal year. All Committee members are expected to attend each meeting, in person or via telephone on a conference call. A majority of the Committee will comprise a quorum when all Committee members are unable to attend. The Committee may request that other Board members, or officers or other employees of the Company, or any other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide pertinent information. Periodically, the Committee may meet in executive session separately without management and with its chosen independent compensation consultant. If practicable, meeting agendas will be prepared in advance of the meeting and distributed to members, along with appropriate briefing materials.

Duties and Responsibilities

To carry out its purposes, the Committee shall have the following responsibilities and duties:

1. In accordance with Nasdaq listing standards 5605 (a), (b) and (d), provide ongoing oversight of the compensation of the Company's Chief Executive Officer and other executive officers along with benefit practices and policies to ensure that they provide the appropriate motivation to achieve superior corporate performance and shareholder value.
2. Review and approve goals and objectives for the Chief Executive Officer, conduct an annual performance evaluation of the Chief Executive Officer against such goals and objectives, and discuss the results of this review in executive session of the Board of Directors.
3. Recommend to the Board all compensation actions for the Chief Executive Officer based on its evaluation, including base salary changes, incentive targets, and any cash and stock-based incentive awards.
4. Recommend to the Board appropriate compensation and benefit programs and levels for non-employee directors of the Company.
5. Approve base salary amounts, incentive targets, and any cash and stock-based incentive awards, for other corporate officers.
6. Approve the adoption of, or significant changes to, all material incentive plans, and all stock-based compensation plans, including any material changes thereto, subject to Board and shareholder approval as appropriate.
7. Approve the grant of stock options and any other stock-based awards under the Company's incentive and share-based plans.
8. Review periodic external competitive analyses to ensure the Company's executive compensation levels and opportunities are aligned with stated competitive objectives.
9. Retain, as deemed necessary, and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or executive compensation. The Committee shall have sole authority to select such consultant and approve the consultant's fees and other retention terms.
10. Annually review the report on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations.

11. Report Committee actions and other significant matters to the Board with such recommendations as the Committee may deem appropriate.
12. Review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board.
13. Perform all other duties and responsibilities delegated to the Committee by the Board.