

SCHMITT INDUSTRIES, INC.
COMPENSATION COMMITTEE CHARTER

PURPOSE

The purpose of the Compensation Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Schmitt Industries, Inc (the "**Company**") is to (a) discharge the Board's fiduciary responsibilities relating to compensation of the Company's executive officers, employees, and independent non-employee directors, (b) oversee the administration of the Company's executive and director compensation plans and equity-based plans, (c) oversee the management of the Company's retirement, welfare and other benefit plans, (d) oversee and evaluate the performance of the Chief Executive Officer ("**CEO**"), and (e) as may be required by applicable rules and regulations of the Securities and Exchange Commission (the "**SEC**"), oversee the preparation of executive compensation disclosures included in the Company's proxy statement in accordance with such rules and regulations.

COMPOSITION AND DELEGATION

The Committee shall be comprised of at least three members of the Board. Each member of the Committee shall be (a) "independent" within the meaning of NASDAQ Marketplace Rule 4200(a)(15), (b) a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, and (c) an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code. (A director meeting these three criteria is referred to herein as an "**Independent Director**.") Members of the Committee shall be appointed by the Board, and all vacancies shall be filled by the Board. Each Committee member shall serve until such member's successor is duly appointed or until such member's earlier resignation or removal. The Board shall designate one of the Committee members as Committee Chair. The Board may remove a member from the Committee at any time with or without cause. The Committee shall have the authority to retain outside third parties, as it deems appropriate, to assist in fulfilling its responsibilities. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee, the Board or Company officers. In connection with discharging its responsibilities, the Committee may request any officer or employee of the Company to meet with any members of, or consultants to, the Committee.

MEETINGS OF THE COMMITTEE

The Committee shall meet with such frequency and at such intervals as it determines is necessary to carry out its duties and responsibilities, and Committee meetings shall be conducted in the following manner:

1. Meetings may be called by the Committee Chair or any two Committee members and the Chair shall determine the agenda and conduct the meetings.
2. The Committee will act (i) by affirmative vote of a majority of the members present at the meeting at which a quorum is present (which quorum shall consist of a majority of the members of the Committee) or (ii) by the written consent of all members of the Committee.
3. The Committee may permit attendance at meetings by management and consultants as the Committee may determine appropriate or advisable from time to time.
4. The Committee shall report regularly to the Board on matters within the Committee's responsibilities and shall maintain minutes of Committee meetings, including all matters considered and actions taken.
5. Minutes of each meeting will be prepared and sent to the Committee members, and upon review and approval by the Committee members, the minutes will be retained by the corporate secretary in the minute book of the Company.

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee shall have responsibility for all matters relating to the compensation of the Company's executives, including the determination of the CEO's compensation, and shall:

1. Annually review and approve the Company's compensation strategy to ensure that employees of the Company are rewarded appropriately for their contributions to Company growth and profitability.
2. Annually review and approve performance goals and objectives with respect to the compensation of the CEO and other executive officers, including executive officers designated by the Board for purposes of Section 16 of the Securities Exchange Act, consistent with compensation plans approved by the Committee.
3. Annually review, determine, and approve in view of corporate goals and objectives, the individual elements of total compensation including base, bonus, incentive and equity compensation, for the CEO and other executive officers, including:
 - a) Evaluate the CEO's performance in view of the Company's evolving corporate goals and objectives and determine and approve the CEO's compensation level based on this evaluation;
 - b) Approve all special perquisites, special cash payments, and other special compensation and benefit arrangements for the Company's executive officers;
 - c) Establish and periodically review the salary limit above which Committee approval or ratification is required for salary increases or new hires;

- d) Oversee the administration of the Company's incentive and stock-based compensation plans with respect to the participation in the plans by the executive officers, and approve all awards;
 - e) Review all incentive and stock-based compensation plans and report to the Board any recommended changes, additions or deletions; and
 - f) Review and approve employment, severance, change-in-control, termination, and retirement agreements for executive officers.
4. To the extent required by the rules and regulations of the SEC in effect from time to time, direct the preparation of and approve the annual Committee report on executive compensation and the Compensation Discussion and Analysis for inclusion in the Company's annual proxy statement in conformity with such SEC rules and regulations, including the factors and criteria on which the CEO's and all other executive officers' compensation for the last year was based.
 5. Provide oversight regarding the Company's retirement, welfare and other benefit plans, policies and arrangements on an as-needed basis.
 6. Formulate long-range compensation plans for the retention and development of key executives and senior management for Board review and endorsement.
 7. Retain consultants to assist the Committee in performance of its duties and responsibilities, independent of consultants retained by management if it deems it appropriate and necessary. The Committee has sole authority approve the consultant's fees and other retention terms.
 8. Establish, administer and review the compensation and benefits policies and programs for the Company's Independent Directors, including compensation paid to Committee members and Committee chairs.
 9. Annually review its own performance and report to the Board the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies and procedures related to compensation matters.
 10. Perform such other duties and responsibilities as the Board may, from time to time, assign to the Committee.
 11. Have full access to all books, records, facilities, and personnel of the Company as it deems necessary or appropriate in order to discharge its responsibilities.

"Compensation" for purposes of this Charter means all forms of compensation including, without limitation, salaries, bonuses, fringe benefits, incentive compensation, equity-based compensation, retirement benefits, severance pay and benefits, and compensation and benefits in the event of a change in control of the Company.