

COLONIAL COMMERCIAL CORP.

Compensation Committee Charter

This Compensation Committee Charter was adopted by the Board of Directors (the "Board") of Colonial Commercial Corp. (the "Company") on August 8, 2006.

This Charter is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Restated Certificate of Incorporation, as amended from time to time, and By Laws, it is not intended to establish by its own force any legally binding obligations.

I. PURPOSES

The Compensation Committee (the "Committee") shall assist the Board in overseeing the Company's management compensation policies and practices, including (i) determining and approving the compensation of the Company's Chief Executive Officer ("CEO"); (ii) reviewing and approving compensation levels for such executive officers or other members of management as the Board or Committee deems appropriate; (iii) reviewing and approving management incentive compensation policies and programs; (iv) reviewing and approving equity compensation programs for employees, and exercising discretion in the administration of such programs; and (iv) producing an annual report on executive compensation for inclusion in the proxy statement.

In discharging its role, the Committee is empowered to inquire into any matter that it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Company.

II. COMMITTEE MEMBERSHIP

The Committee shall consist of three or more members of the Board, each of whom the Board has selected and determined to be "independent" in accordance with applicable standards. In addition, no director may serve unless he or she (i) is a "Non-employee Director" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended,¹³ and (ii) satisfies the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code.

The members of the Committee shall be appointed by the Board and continue to be members until their successors are elected and qualified or until their earlier resignation or removal. Any member may be removed by the Board, with or without cause, at any time. The Chairman of the Committee shall be appointed from among the Committee members by, and serve at the pleasure of, the Board to convene and chair meetings of the Committee, set agendas for meetings, and determine the Committee's information needs. In the absence of the Chairman at a duly convened meeting, the Committee shall select a temporary substitute from among its members.

III. COMMITTEE MEETINGS

The Committee shall meet on a regularly-scheduled basis at least two times per year, or more frequently as circumstances dictate.

The Committee shall establish its own schedule and rules of procedure. Meetings of the Committee may be held telephonically. A majority of the members of the Committee shall constitute a quorum sufficient for the taking of any action by the Committee.

The Committee shall meet at least annually with the CEO and any other corporate officers the Board and Committee deem appropriate to discuss and review the performance criteria and compensation levels of key executives.

IV. KEY RESPONSIBILITIES

The following responsibilities are set forth as a guide for fulfilling the Committee's purpose, with the understanding that the Committee's activities may diverge as appropriate given the circumstances. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time.

The Committee may form, and delegate any of its responsibilities to, a subcommittee so long as such subcommittee is solely comprised of one or more members of the Committee.

To fulfill its purposes, the Committee shall:

1. establish and review the Company's overall management compensation philosophy and policy;
2. review and approve corporate goals and objectives relevant to CEO compensation, including annual performance objectives;
3. evaluate at least annually the performance of the CEO against corporate goals and objectives, including the annual performance objectives for the CEO and, based on this evaluation, determine and approve the compensation level (including any discretionary incentive awards) for the CEO, reviewing as appropriate, any agreement or understanding relating to the CEO's employment, incentive compensation, or other benefits based on this evaluation;
4. review at least annually, and recommend to the Board, the compensation of such executive officers or other members of management as the Board and Committee determine appropriate;
5. review on a periodic basis the Company's management compensation programs, including any management incentive compensation plans, to determine whether they are appropriate, properly coordinated and achieve their intended purpose(s), and recommend to the Board any appropriate modifications or new plans or programs;
6. review and recommend to the Board incentive and equity-based compensation plans of the Company and any modifications of such plans (whether or not final approval rests with the Company's shareholders) and review all grants of awards, including the award of shares or share options, pursuant to such plans;
7. administer and monitor compliance by executives with the rules and guidelines of the Company's equity-based plans;

8. review and recommend to the Board any changes in employee retirement plans or programs, and other employee benefit plans and program;
9. prepare a report to be included in the Company's annual proxy statement, in accordance with applicable rules and regulations of the SEC and other applicable regulatory bodies;
10. conduct an annual self-evaluation of the performance of the Committee, including its effectiveness and compliance with this Charter;
11. review and reassess the adequacy of this Charter annually, and recommend to the Board amendments as the Committee deems appropriate; and
12. report regularly to the Board on Committee findings and recommendations and any other matters the Committee deems appropriate or the Board requests, and maintain minutes or other records of Committee meetings and activities.