

CONTINENTAL MATERIALS CORP
Form DEF 14A
May 06, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant X

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Continental Materials Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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CONTINENTAL MATERIALS CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

On behalf of the Board of Directors, you are cordially invited to attend the 2011 Annual Meeting of Stockholders of Continental Materials Corporation (the Company). The meeting will be held in the Orange and Blue Room on the first floor of 200 South Wacker Drive, Chicago, Illinois 60606 on Wednesday, May 25, 2011, at 10:00 a.m. CST, to consider and act upon the following matters:

- (a) The election of three directors to serve until the 2014 annual meeting or until their successors are duly elected and qualified;
- (b) The ratification of the appointment of BKD LLP (BKD) as independent registered public accounting firm for the Company for the 2011 fiscal year; and
- (c) The transaction of such other business as may properly be presented at the meeting.

Only stockholders of record at the close of business on April 14, 2011 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. A list of these stockholders will be available to any stockholder, for any germane reason, at the Company's office, 200 South Wacker Drive, Chicago, Illinois, for ten days preceding the meeting and will also be available for inspection at the meeting.

Accompanying this notice are the Annual Report on Form 10-K for the fiscal year ended January 1, 2011, a proxy statement, a form of proxy, and an envelope for returning the executed proxy to the Company. Even if you plan to attend the Annual Meeting in person, please read these proxy materials and cast your vote on the enclosed proxy as soon as possible. Be sure to sign and date the proxy prior to returning it. Any proxy given by a stockholder may be revoked by such stockholder at any time prior to the voting of the proxy at the annual meeting.

By Order of the Board of Directors,

Mark S. Nichter
Secretary

Chicago, Illinois
May 6, 2011

CONTINENTAL MATERIALS CORPORATION

200 South Wacker Drive

Chicago, Illinois 60606

Annual Meeting of Stockholders

PROXY STATEMENT

GENERAL INFORMATION

The enclosed proxy is solicited by and on behalf of the Board of Directors (the *Board*) of Continental Materials Corporation, a Delaware corporation (the *Company*), for use at the Annual Meeting of the Company's stockholders to be held at 10:00 a.m. CST on May 25, 2011, in the Orange and Blue Room on the first floor of 200 South Wacker Drive, Chicago, Illinois 60606. Any properly executed proxy may be revoked by the executing stockholder at any time before it is exercised. Such revocation may be effected by written notice to the Secretary of the Company, by executing a subsequent proxy or by voting at the meeting in person. All proxies duly executed and received will be voted on all matters presented at the meeting. Where a specification as to any matter is indicated, the proxy will be voted in accordance with such specification. Where, however, no such specification is indicated, the proxy will be voted for the named nominees, for the ratification of BKD LLP (*BKD*), and in the judgment of the proxies (named on the accompanying proxy card) on any other proposals. The approximate date on which this proxy statement and the enclosed proxy are first sent or given to stockholders is May 6, 2011.

The stockholders of record on April 14, 2011, of the 1,610,674 outstanding shares of common stock of the Company, are entitled to notice of and to vote at the annual meeting. Each such share is entitled to one vote on each matter properly proposed at the annual meeting.

The three nominees who receive the greatest number of votes cast for the election of directors at the 2011 annual meeting by the holders of the Company's common stock entitled to vote at the meeting, a quorum being present, shall become directors at the conclusion of the tabulation of votes. The affirmative vote of the holders of a majority of the voting power of the Company's common stock, present in person or represented by proxy and entitled to vote at the meeting, a quorum being present, is necessary to approve the ratification of the appointment of BKD as independent registered public accounting firm to the Company for the 2011 fiscal year. Under Delaware law and the Company's Restated Certificate of Incorporation and By-Laws, the aggregate number of votes entitled to be cast by all stockholders present in person or represented by proxy at the meeting will be counted for purposes of determining the presence of a quorum. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum. If a quorum is present at the meeting, the total number of votes cast FOR each of these matters will be counted for purposes of determining whether sufficient affirmative votes have been cast. Because the election of directors is determined on the basis of the greatest number of votes cast, abstentions and broker non-votes have no effect on the election of directors. With respect to other matters, shares present in person or by proxy but not voted, whether by abstention, broker non-vote, or otherwise, have the same legal effect as a vote AGAINST the matter even though the stockholder or interested parties analyzing the results of the voting may interpret such a vote differently.

Stockholders may change their vote at any time prior to the vote at the Annual Meeting. Record holders may accomplish this by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to the Secretary of the

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Company prior to the Annual Meeting, or by attending the Annual Meeting and voting in person. Beneficial owners may change their vote by submitting new voting instructions to their broker, trustee or nominee, or, if the beneficial owner has obtained a proxy from his or her broker or nominee giving the beneficial owner the right to vote the shares, by attending the meeting and voting in person.

PROPOSAL 1**BOARD OF DIRECTORS****Election of Directors**

The Company has a Board of Directors consisting of nine persons, divided into three classes. The directors of each class serve terms of three years. At this year's Annual Meeting, three directors are nominated for election to a three-year term to the class of directors with terms expiring in 2014. The Board has nominated Ralph W. Gidwitz, Peter E. Thieriot, and Theodore R. Tetzlaff for election, all of whom are current directors.

Information regarding each of the nominees is presented in the chart below. All of the nominees have indicated their willingness to serve if elected, but if any should be unable or unwilling to stand for election, proxies may be voted for a substitute nominee designated by the Board of Directors who would be expected to continue, as nearly as possible, the existing management goals of the Company. No nominations for directors were received from stockholders, and no other candidates are eligible for election as directors at the 2011 Annual Meeting.

The Proxy holders (named in the accompanying Proxy Card) intend to vote in favor of all of the Board's nominees, except to the extent a stockholder withholds authority to vote for any of the nominees.

Name	Served as Director Since	Position with the Company or Committee Memberships	Age
NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS FOR A THREE YEAR TERM			
Ralph W. Gidwitz	1984	Director	75
Peter E. Thieriot	2001	Director, Chairman of Audit Committee and Member of Nominating Committee	68
Theodore R. Tetzlaff	1981	Director and Chairman of Compensation Committee	67

The Board of Directors recommends that stockholders vote FOR the Company's nominees as Directors.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2012 ANNUAL MEETING

Thomas A. Carmody	1994	Director, Chairman of Nominating Committee and member of the Audit Committee	64
Ronald J. Gidwitz	1974	Director	66
Darrell M. Trent	1997		71

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Director and member of the Audit Committee and member
of the Compensation Committee

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2013 ANNUAL MEETING

William D. Andrews	2004	Director	63
Betsy R. Gidwitz	1996	Director	70
James G. Gidwitz	1978	Chairman of the Board and Chief Executive Officer of the Company since 1983.	64

Board Composition and Qualifications

William D. Andrews is retired and has served on the Board since 2004. Mr. Andrews previously served as a Senior Vice President and the Executive Vice President of Fixed Income for Stein, Roe and Farnham, an investment management firm during the period from 1986 to 2002. Mr. Andrews has served on numerous Boards of non-profit organizations and private companies involved in a variety of activities. As a result of his professional experience, the Board has concluded that Mr. Andrews adds invaluable and extensive business, investment banking, finance and corporate management experience, as well as his in-depth understanding of the financial markets and mergers and acquisitions to the collective experience of the Board.

Thomas H. Carmody has served on the Board since 1994. Mr. Carmody is the Chief Executive Officer of Summit International, LLC, a sports marketing and distribution company he founded in 1999. He also serves as the Chairman of the Board of Ameridream, a charitable organization providing housing down payment assistance for qualifying individuals, since 2003. Mr. Carmody has also served as Vice President of U.S. Operations and Vice President of the Sports Division of a publicly traded footwear, apparel and fitness company. The Board has concluded that Mr. Carmody adds invaluable and extensive marketing and business experience to the Board as well as adding an entrepreneurial approach to situations that have or may face the Company.

Betsy R. Gidwitz is the daughter of one of the founders of the Company and has served on the Board since 1996. She is retired having previously been an instructor at Massachusetts Institute of Technology until 1992. The Board has concluded that Ms. Gidwitz adds in-depth insight and knowledge about the short and long-term issues that affect the Company as well as adding a unique academic thought process to the Board's deliberations while also representing the Company's majority stockholder family.

James G. Gidwitz is the son of one of the founders of the Company and has served on the Board since 1978. He has served as the Chairman of the Board and its Chief Executive Officer since 1983. Mr. Gidwitz also serves on the Boards of several non-profit institutions involved in such diverse activities as medical research and political analysis as well as serving on the Board of the Hoover Institution, an organization associated with Stanford University. Mr. Gidwitz formerly served as Chairman of the Endowment Committee of The Hotchkiss School and continues to serve on the Committee. The Board has concluded that Mr. Gidwitz possesses strong leadership experience and knowledge of the Company and its business obtained through his long tenure with the Company. In addition, the Board believes that Mr. Gidwitz possesses the highest degree of integrity while also representing the Company's majority stockholder family.

Ralph W. Gidwitz is the son of one of the founders of the Company and has served on the Board since 1984. Mr. Gidwitz is retired having previously started Capital Results LLC, a financial consulting company, for which he also served as the Managing Partner and Chief Executive Officer until 2009. Mr. Gidwitz has also served as the President and Chief Executive Officer of a private company engaged in manufacturing. Mr. Gidwitz currently serves on the Board of Trustees for a local college as well as serving as its Treasurer and Chairman of its Finance and Investment Committees. He also serves as a Director for three community associations and is a Governor for a Chicago cultural group. The Board has concluded that Mr. Gidwitz adds invaluable and extensive business and financial experience as well as possessing experience in mergers and acquisitions. Mr. Gidwitz also represents the Company's majority stockholder family.

Mr. Ronald J. Gidwitz is the son of one of the founders of the Company and has served on the Board since 1974. Mr. Gidwitz is currently a partner in GCG Partners, a strategic consulting and equity capital firm he co-founded in 1998. Mr. Gidwitz served as President and Chief Executive Officer of the Unilever HPC Helene Curtis Business Unit from 1996 to 1998. Prior to that, Mr. Gidwitz served as President (since 1979) and Chief Executive Officer (since 1985) and member of the Board of Directors of Helene Curtis, a Fortune 500 consumer products company. Before being appointed President, Mr. Gidwitz held a number of positions within the company, with responsibilities ranging from sales to manufacturing. Mr. Gidwitz currently serves as a director on the Board of Kapstone Paper and Packaging Corporation, a publicly traded company as well as serving on the Board of numerous non-profit organizations including Rush University Medical Center, the Museum of

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Science and Industry and the Lyric Opera of Chicago. Mr. Gidwitz has also been appointed to various state and Chicago boards, commission and chambers. In addition, in 2006 Mr. Gidwitz was a candidate for Governor of the State of Illinois. The Board has concluded that Mr. Gidwitz adds invaluable and extensive business and leadership experience as well as diverse experience in politics and state and local organizations which have provided key contacts to the Company on numerous occasions. Mr. Gidwitz also represents the Company's majority stockholder family.

Theodore R. Tetzlaff has served on the Board since 1981. He is currently of counsel to the law firm of Ungaretti & Harris LLP, which he joined as a partner in 2005. He has previously been a partner at other law firms where he served as the Managing Partner of one firm's Chicago office and as a member of another firm's Executive Committee. He served as General Counsel of Tenneco, Inc., a large publicly traded oil and gas company from 1992 to 1999 and General Counsel for Peoples Energy Corporation, a large publicly traded diversified energy company from 2003 to 2006. Mr. Tetzlaff has also served as Chairman of the Board of a large Chicago civic organization. The Board has concluded that Mr. Tetzlaff's experience adds invaluable and extensive business experience as well as an in-depth understanding of legal issues that have or may affect the Company.

Peter E. Thieriot has served on the Board since 2001. He is currently the General Manager of EMR Land Co., a privately owned land and livestock company. He has served in that capacity since 2006. He previously served in the same capacity for the predecessor company, Elk Mountain Ranch Company, LLC, from 1993 to 2006. Mr. Thieriot possesses extensive and diverse experience having served in numerous capacities for The Chronicle Publishing Company (The Chronicle), a closely held, family, national media company. His roles have included President, Vice President, Publisher and Station Manager for newspapers and television stations owned by The Chronicle. Over the years, Mr. Thieriot has served as a director or trustee for numerous cultural, civic and other types of non-profit organizations as well as serving as a director of The Chronicle from 1977 - 1993. The Board has concluded that Mr. Thieriot's diverse experience in various industries, including The Chronicle, adds a unique perspective to many of the issues and tasks that are the responsibility of the Company's Board.

Darrell M. Trent has served as a Director since 1997. Mr. Trent is currently Chairman of the Board of Directors and Chief Executive Officer of Acton Development Company, Inc., a privately held real estate development and property management company since 1988. Mr. Trent was also Chairman of the Board and Chief Executive Officer of Clean Earth Technologies, Inc., an environmental management venture from 1992 to 1994. Mr. Trent took a leave of absence for part of 2003 to serve as a volunteer with the Coalition Provisional Authority in Iraq. Mr. Trent, a former U.S. Undersecretary of Transportation, was in Iraq to oversee the recreation of Iraq's Ministry of Transportation. The Board has concluded that Mr. Trent brings invaluable and extensive business experience in real estate development, a segment of the economy that directly impacts the Company's Concrete, Aggregates and Construction Supply (CACS) business as well as affecting other products offered by the Company. He also provides a unique insider's experience with the federal government to which the CACS business often supplies products through general contractors in the southern portion of the Front Range in Colorado.

Family Relationships

James G. Gidwitz and Ronald J. Gidwitz, together with their siblings and all descendants, and Ralph W. Gidwitz and Betsy R. Gidwitz, together with their sibling and all descendants, are herein referred to as the Gidwitz Family. See SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Corporate Governance/Board of Directors

The Board of Directors recognizes the importance of good corporate governance as a means of addressing the needs of the Company's stockholders, employees, customers and community. Pursuant to the Delaware General Corporation Law, under which the Company is organized, the business, property and affairs of the Company are managed under the direction of the Board. Members of the Board are kept informed of the Company's business through discussions with the Chairman and management, by reviewing monthly financial and operational summaries and other materials prepared for them by management and by participating in meetings of the Board and its committees. During 2010, the Board held five meetings and the committees held a total of eight meetings. All directors attended 75% or more of the aggregate number of meetings of the Board of Directors and the Committees of the Board of Directors during the time when they served. The Company's policy is to invite and encourage all directors to attend the annual meeting of stockholders. All current directors except Ralph Gidwitz attended the 2010 meeting of stockholders.

In furtherance of its corporate governance responsibilities, during April 2004, the Board of Directors adopted a formal Code of Ethics for the CEO and Senior Financial Officers and a formal General Code of Business Conduct and Ethics which is intended to provide guidelines regarding the actions of all of the Company's directors, officers and employees. A copy of The Code of Ethics for the CEO and Senior Financial Officers as well as the Code of Business Conduct and Ethics were included as Appendix A and B, respectively, to the Company's Proxy Statement dated May 7, 2010 and are included herein by reference. They are also available on the SEC's website at www.sec.gov.

Board Leadership Structure and Role in Risk Oversight

The Company's chief executive officer, Mr. James G. Gidwitz, also serves as chairman of the Board of Directors. The Board of Directors believes that this leadership structure is optimal for the Company at this time because Mr. Gidwitz's extensive experience and history with the Company, together with his family's controlling equity interest provides the Company with strong and consistent leadership representing the interests of the stockholders while also balancing short-term goals with long-term opportunities.

Management is responsible for managing the Company's risk and for bringing to the Board's attention areas of risk which are most material to the Company. The Board, including its Audit Committee, which is comprised solely of independent directors, regularly reviews areas of risk to the Company and advises and directs management on the scope and implementation of policies, strategies and other actions designed to mitigate risk. The Company's Audit Committee also reviews risks and works with management and the Company's independent auditors to identify and address areas of significant risk to the Company.

Director Independence

The Company qualifies as a controlled company under the NYSE Amex corporate governance listing standards because more than 50% of the voting power is held by the Gidwitz family. As such, the Company is exempt from compliance with certain NYSE Amex corporate governance rules such as the requirement that the Board of Directors be composed of a majority of independent directors and that the Compensation and Nominating committees of the Board be comprised exclusively of independent directors. In spite of this exemption, the Company has chosen to strictly comply with these rules and others required of a listed company on the NYSE Amex. The Board, therefore, consists of a majority of independent directors. The Company's Board of Directors has affirmatively determined, after careful review, that William D. Andrews, Thomas H. Carmody, Theodore R. Tetzlaff, Peter E. Thieriot and Darrell M. Trent are independent members as defined by the NYSE Amex corporate governance rules. Board member independence is reviewed at least annually. Based upon the Board's determination of member independence, the Board composition satisfies the NYSE Amex requirement for non-controlled companies that a majority of the Board qualify as independent.

Committees of the Board

The Company's Board of Directors has established an Audit Committee, Compensation Committee and a Nominating Committee. As with the composition of the Board of Directors discussed above, the Company has elected to comply with the NYSE Amex corporate governance rules and the Sarbanes-Oxley Act such that each Board committee consists solely of independent directors. The Company has developed written charters for each of the committees and believes that each charter complies with the applicable rules of the NYSE Amex and the requirements of the Sarbanes-Oxley Act. A copy of the three committee charters are attached hereto as Appendix A, B and C, respectively. The Committee charters are also available in print upon request by writing to the Corporate Secretary, Continental Materials Corporation, 200 South Wacker Dr. Suite 4000, Chicago, Illinois 60606.

Audit Committee

The primary function of the Audit Committee is to assist the Board of Directors 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 compliance and ethics that management and the Board have established; and the Company's auditing, accounting and financial reporting processes generally. A written charter defining the responsibilities of the Committee has been adopted. During 2010, the Audit Committee was (and it still is) composed of Peter E. Thieriot, Chairman, Darrell M. Trent and Thomas H. Carmody. Also see **AUDIT COMMITTEE REPORT** below for discussion of the Audit Committee's responsibilities. There were five Audit Committee meetings in fiscal year 2010. A copy of the Charter and Powers of the Audit Committee, which is reviewed and revised as appropriate, is attached to this Proxy Statement as Appendix A.

Compensation Committee

The primary function of the Compensation Committee is to establish and administer compensation policy and plans with respect to the officers of the Company and its subsidiaries. A written charter defining the responsibilities of the Compensation Committee has been adopted. During 2010, the Compensation Committee was (and it still is) composed of Theodore R. Tetzlaff, Chairman, and Darrell M. Trent. See **COMPENSATION COMMITTEE REPORT** for discussion of responsibilities. The Compensation Committee held two meetings in fiscal year 2010. A copy of the Charter of the Compensation Committee, which is reviewed and revised as appropriate, is attached to this Proxy Statement as Appendix B.

Nominating Committee

The primary function of the Nominating Committee is to (a) review the composition of the Board for succession planning purposes, as well as to ensure that the Board members collectively possess the skills and expertise deemed necessary for effective performance by the Board of its leadership responsibilities; (b) identify individuals qualified to serve as members of the Board; (c) recommend to the Board director nominees to be presented at the annual meeting of stockholders and nominees to fill vacancies on the Board, whether caused by retirement, resignation, death or otherwise; and (d) develop and recommend to the Board such corporate governance policies as the Nominating Committee believes appropriate and desirable. A written charter defining the responsibilities of the Nominating Committee has been adopted. A copy of the Charter of the Nominating Committee, which is reviewed and revised as appropriate, is attached to this Proxy Statement as Appendix C.

Director nominees are generally identified through recommendations from members of the Board or management, however, candidates recommended by stockholders will be considered. To recommend a candidate for consideration by the Nominating Committee, a stockholder must submit the recommendation in writing to the Company's Corporate Secretary at the following address:

Corporate Secretary

Continental Materials Corporation

200 South Wacker Dr. Suite 4000

Chicago, Illinois 60606

The Nominating Committee requires that the recommendation include the following:

- the name and address of the stockholder making the recommendation and evidence of his or her ownership of Company stock, including the number of shares and period of ownership;
- the name and address of the director candidate, and his or her resume or listing of qualifications, taking into account the criteria described below; and
- the candidate's signed consent to be named in the proxy statement and to serve as a director if elected.

For a candidate to be considered by the Nominating Committee for inclusion in the slate of nominees proposed by the Board at the next annual meeting of stockholders, the stockholder's recommendation must be received by the Corporate Secretary no later than January 10, 2012. The Company does not intend to evaluate nominees proposed by stockholders any differently than other nominees to the Board.

The Nominating Committee maintains formal criteria for selecting directors to assure that each candidate:

- possesses fundamental qualities of intelligence, honesty, business acumen, good judgment, maturity, high ethics and standards, integrity, fairness and responsibility;
- has a genuine interest in the Company and recognizes that as a member of the Board, each director is accountable to all Company stockholders;
- has a background that demonstrates an understanding of business and financial affairs;
- is or has been in a senior position in a business, university or major unit of government;
- has no conflict of interest or legal impediment that would interfere with the duty of loyalty owed to the Company and its stockholders;
- has the ability and is willing to spend the time required to function effectively as a director;

- is compatible and able to work well with other directors and executives in a team effort with a view to a long-term relationship with the Company as a director; and
- has independent opinions and is willing to state them in a constructive manner.

In addition to the individual qualities discussed above, the Nominating Committee seeks to ensure that the Board, in the aggregate, is diverse in background and expertise such that the composite Board possesses various viewpoints, strengths and abilities that are of importance to the Company. Nominees are selected on the above criteria and are not selected or discriminated against on the basis of gender, national origin, disability, race, religion, sexual orientation or any other basis proscribed by law.

During 2010, the Nominating Committee was (and it still is) composed of Thomas H. Carmody, Chairman, and Peter E. Thieriot. The Nominating Committee held one meeting, attended by both members, in fiscal year 2010. The Nominating Committee approved the inclusion of the three directors standing for re-election on the Company's proxy card for the 2011 annual meeting.

Executive Sessions

The Company's Board of Directors has determined that, in order to satisfy its corporate governance responsibilities, the Board will meet in executive session without management or any employee director present as often as deemed appropriate and at least annually. The Audit Committee is also required by its charter to meet at least annually in separate executive sessions with the independent auditor and management. These requirements were met during 2010.

Annual Assessment of Board and Committee Performance

The Board performs an informal annual review of its own performance, structure and processes in order to assess its effectiveness. Each committee of the Board also conducts a similar annual self-evaluation. The Board and the Committees have begun this review which is expected to be completed prior to the Annual Meeting of Shareholders scheduled for May 25, 2011.

Contacting the Board of Directors

The Company has established a process for sending communications to members of the Board. Specifically, stockholders and other interested parties may contact any of the Company's directors, including the Chairman, by mail at the following address:

Name of Continental Materials Director

c/o Corporate Secretary

Continental Materials Corporation

200 South Wacker Dr. Suite 4000

Chicago, Illinois 60606

All communications will be forwarded by the Company's Corporate Secretary directly to the named director or the Chairman of the Board, if no individual director is specified.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis as set forth below with management and, based on such review and discussion, recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee of the Board of Directors

Theodore R. Tetzlaff (Chairman)

Darrell M. Trent

This Compensation Committee Report is not to be deemed soliciting material or deemed to be filed with the SEC or subject to Regulation 14A of the Securities Exchange Act of 1934, as amended, except to the extent specifically requested by the Company or specifically incorporated by reference in documents otherwise filed.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy

The Compensation Committee makes recommendations to the Board concerning compensation for the named executive officers and determines compensation for other officers. The Committee also oversees benefit plans in which the named executive officers participate. The Compensation Committee is comprised of independent directors, as discussed above under Corporate Governance, Committees of the Board, and Director Independence. A copy of the Charter of the Compensation Committee of the Board of Directors, which is reviewed and revised as appropriate, is attached to the Proxy Statement as Appendix B.

The Company believes that executive compensation should be closely linked to corporate performance. Accordingly, in years in which performance goals are achieved or exceeded, executive compensation should be higher than in years in which the performance is below expectations. At the same time, the Compensation Committee is cognizant of its need to offer compensation that is competitive. By providing the opportunity for compensation that is comparable to the levels offered by other similarly situated companies, the Company is able to attract and retain key executives. The Committee regularly reviews the Company's compensation programs to ensure that pay levels and incentive opportunities are competitive and reflect the performance of the Company. The Committee periodically engages an independent compensation consulting firm to assist it in determining the competitiveness of the Company's overall compensation structure. Compensation is reviewed from a base salary standpoint as well as considering the total compensation package received by each executive. A written report of the conclusions of the independent compensation consulting firm is provided to management and the Compensation Committee. In years that compensation is not reviewed by an independent compensation consultant, the Committee tends to consider the consumer price index as a benchmark for base salary increases. No independent compensation consultant was engaged during the fiscal year ended January 1, 2011.

Compensation Program Components

To achieve its compensation goals, the executive compensation program consists primarily of the following components:

- base salary
- cash bonus
- defined contribution profit sharing plan
- perquisites and other benefits

All components are reviewed annually, individually and in the aggregate, considering corporate performance and individual initiative and performance. While each component is discussed in more detail below, it is the Committee's intention to establish base salaries commensurate with those paid by companies of similar size and complexity while providing the named executive officers with the ability to receive a significant portion of their total compensation through the Company's bonus program contingent on meeting corporate and personal performance goals related to the Company's operations. This places a large percentage of their compensation at risk while more closely aligning their interests with the interests of the Company's stockholders. The employee benefits and perquisites offered by the Company have generally been established in response to competitive offerings and also with the goal of enabling the executives to focus on their job duties. As noted above, the Compensation Committee considers the written report from the independent compensation consulting firm in years when a formal review is performed, the recommendations of the Chief Executive Officer and the Committee's own discretion in establishing both the base salary and total compensation packages for the executives.

Base Salaries

Base salaries are used to provide annual cash income to executives to compensate them for services rendered during the fiscal year. The Compensation Committee establishes salaries annually based on a review of each officer's individual responsibilities, performance and through comparisons with companies of similar size and complexity. Officer salaries are typically reviewed and adjusted each year at the Committee's meeting in either March or May. However, at the suggestion of management, the Committee has not awarded salary increases to the Company's officers since July 2007. Management's suggestion to defer officer increases was based upon the Company's operating results, liquidity and capital resources. The last formal review of salary levels performed by an independent compensation consultant was in early 2006. In preparing its recommendations, the consultant considered each individual's responsibilities and salaries paid by companies of similar size and complexity for similar positions. The Compensation Committee has determined that salary levels be targeted at the median of industry salary levels. For those years that no independent review is performed, increases are generally based upon the Department of Labor index of increases in general compensation levels except for the past three years as noted above. As of the date of this proxy statement, the Committee had not yet met to consider increases for 2011.

Cash Bonuses

The bonus program is intended to provide an opportunity to receive additional cash compensation but only if it is earned through achievement of specified performance goals. At the beginning of each year, the Compensation Committee establishes the annual target goals for earnings and return on net investment considering the Company's annual business plan, the Company's prior year's performance and the performance of other

companies in the industry segments in which the Company competes. In this context, return on net investment is defined as earnings before interest, income taxes and amortization of intangible assets as a percentage of the sum of the average shareholders' equity plus the average funded debt for the year. Other Company-wide goals and personal goals are also considered to the extent these goals further the objectives of the Company. The Committee relies primarily on mathematical formulae in calculating the portion of the bonuses to be granted related to the goals established for earnings and return on net investment. The level of achievement of personal goals is more subjective and is often based on the successful achievement of certain transactions or other goals which may be measured by the Committee on a discretionary, non-quantifiable basis. The Committee also considers the Company's liquidity and capital resources. The Committee believes that these performance measures serve to align the interests of executives with the interests of stockholders.

The Committee's policy and belief is that eligible employees should have a reasonable likelihood of achieving the target level of performance such that, over time, the bonuses paid should be at or near the target level.

Profit Sharing Plan, Benefits and Perquisites

Executives participate in each of the benefit plans or arrangements that are made available to all salaried employees generally, including medical and dental benefits, life and disability insurance, and the profit sharing plan which is qualified under Internal Revenue Code Section 401(k). The Compensation Committee considers all of these plans and benefits when reviewing total compensation of the named executive officers. With respect to life insurance, officers receive coverage of three and a half times their

salary to a maximum of \$650,000. The premium associated with this coverage is added to the individual's taxable wages. Life insurance in excess of those amounts is at the discretion of the employee and the associated premiums are paid by the employee. With respect to the 401(k) plan, any individual whose compensation is in excess of the amount eligible for the Company matching contribution to the 401(k) plan as established by the Internal Revenue Service, participates in an unfunded Supplemental Profit Sharing Plan as described below. The Company does not provide any benefit plans intended to benefit only the named executive officers.

The Company provides company-leased cars to the executive officers named in the Executive Compensation Table below for their use. An annual bonus is paid, and included in the individual's taxable wages, which is used to reimburse the Company for the lease expense incurred for the year. This bonus is grossed up for the related taxes. In providing the cars to the executives, the Committee considered the frequency that the executives found it necessary to work outside of normal business hours when other forms of transportation were less available or convenient.

The Company has, on occasion, provided the named executive officers with an insignificant amount of tax or legal service. During 2010, no such services were incurred by any of the named officers. The Company does not provide any other perquisites to the named executive officers such as club memberships or personal travel.

Stock Option and Long-Term Equity Plans

There are no equity compensation plans, whether approved by security holders or not, existing as of January 1, 2011 related to the named executive officers. The Compensation Committee believes that equity compensation plans are not a necessary component of executive compensation at the present time due to the number of shares currently held by affiliates of the Company and the limited market liquidity for our shares.

Conclusion

After reviewing all of the components of its existing compensation program, including perquisites, the Compensation Committee has determined that, after giving consideration to the effects of the economy on the Company's operating performance during the past few years, the total annual compensation received by the named executive officers and other officers of the Company is reasonable and competitive with the compensation programs provided by other corporations of similar size and complexity while also considering the liquidity and capital resources currently available to the Company. Moreover, the Committee believes that it has maintained compensation at levels that reflect each executive officer's contribution towards the Company's objectives.

Compensation Committee Interlocks and Insider Participation in Compensation Decisions

There are no interlocks or other relationships among the Company's executive officers and directors that are required to be disclosed under applicable executive compensation disclosure requirements.

EXECUTIVE SUMMARY COMPENSATION TABLE

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The following table summarizes the compensation of the Company's principal executive officer, principal financial officer and the Company's only other executive officer for 2010. The amounts shown include all compensation for services to the Company and its subsidiaries in all capacities.

Name and Principal Position	Year	Salary	Bonus	All Other Compensation (4)	Total
James G. Gidwitz Chairman and Chief Executive Officer(1)	2010	\$ 442,000	\$	\$ 64,410	\$ 506,410
	2009	520,000	75,000	148,154	743,154
Joseph J. Sum Vice President and Chief Financial Officer(2)	2010	203,000		43,354	246,354
	2009	239,000	24,000	57,141	320,141
Mark S. Nichter Secretary and Controller(3)	2010	141,500	8,500	7,772	168,795
	2009	141,500	11,000	16,295	168,795

(1) Mr. Gidwitz, age 64, has served as a director of the Company since 1978, and has been Chairman of the Board and Chief Executive Officer of the Company since 1983.

(2) Mr. Sum, age 63, currently serves as Chief Financial Officer, Vice President and Treasurer of the Company, and has been an officer of the Company since 1978. Mr. Sum has been Vice President and Treasurer of the Company since 1988. Mr. Sum previously served as Assistant Treasurer of the Company from 1978 through August 1988, Controller from 1979 through January 1989 and Secretary from 1983 through February 1993.

(3) Mr. Nichter, age 60, currently serves as Secretary and Controller of the Company. Mr. Nichter has been an officer of the Company since 1989. Mr. Nichter has served as the Company's Secretary since 1992 and Corporate Controller since 1989.

(4) All Other Compensation includes other compensation not required to be included in any other column. The items comprised by these totals are set forth in the following table:

Name	Year	Contributions to 401(k) Plan	Contributions to Supplemental Profit Sharing Plan	Imputed Gain (Loss) on Supplemental Balance (1)	Company Provided Auto or Auto Allowance (2)	Other	Total
James G. Gidwitz	2010	\$ 3,250	\$	\$ 29,170	\$ 31,990	None	\$ 64,410
	2009	7,350	8,250	98,601	33,953	None	148,154
Joseph J. Sum	2010	1,494		23,649	18,211	None	43,354
	2009	7,170		46,792	3,179	None	57,141
Mark S. Nichter	2010	884	None	None	6,888	None	7,772
	2009	4,245	None	None	12,050	None	16,295

(1) The imputed gain or loss is determined by applying the same rate of return to the deferred balances as the employee has realized on his 401(k) Plan investments exclusive of investments in the Company's common stock, if any.

(2) The amounts paid to Messrs. Gidwitz, Sum and Nichter represent payments to them from which they, in turn, reimbursed the Company for the annual amount expended for the leased cars. The 2010 amounts included a gross-up for taxes of \$12,620, \$6,820 and \$2,235, respectively. The 2009 amounts included a gross-up for taxes of \$13,394, \$1,190 and \$3,910, respectively.

Retirement Benefits

401(k) Plan: The Company has various contributory profit sharing retirement plans qualified pursuant to Internal Revenue Code Section 401(k) for the benefit of qualifying employees, including the named executives. Up until March 2010, the Company matched employees

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contributions up to 3%. Due to the losses incurred since the third quarter of 2009, the Company suspended the 3% match in March 2010. The Compensation Committee together with management will review all of the relevant factors, primarily profitability, at year-end and decide whether to make a contribution for the year.

Unfunded Supplemental Profit Sharing Plan: The Company also maintains an unfunded supplemental profit sharing plan for salaried employees which enables the Company to pay, to any person whose contribution to the 401(k) plan has been restricted as a result of the limitations imposed by Section 401 of the Internal Revenue Code, an amount equal to the difference between the amount the person would have received as Company matching contributions to his account under the 401(k) plan had there been no limitations and the amount the person will actually receive under the 401(k) plan giving effect to the limitations.

The Supplemental Plan provides for the employees' balances to be credited or charged with a gain or loss determined by applying the same rate of return to the deferred balances as the employees realized on their 401(k) plan investments exclusive of investments in the Company's common stock.

The Supplemental Profit Sharing Plan is unfunded and amounts owed to the employees covered thereby are considered to be general obligations of the Company. The Supplemental Plan was amended in 2007 to remain in compliance with Internal Revenue Service Rule 409A. Two separate plans were created for each participant whose account was credited with contributions both before and after December 31, 2004. The original Supplemental Plan for contributions made prior to 2005 was amended to add provisions which allow an employee to take an in-service withdrawal of amounts accumulated in the Supplemental Plan prior to December 31, 2004 provided the employee forfeits 10% of his then current Supplemental Profit Sharing Plan account balance. The forfeited amount reverts back to the Company. The new Supplemental Plan for contributions after 2004 does not permit in-service withdrawals. Contributions and earnings or loss imputed on the balance are disclosed in the above table.

Equity Compensation Plans

The Company has no equity compensation plans for its employees, whether approved by security holders or not, existing as of January 1, 2011; however effective December 30, 2010, the 2010 Non-Employee Directors Stock Plan was established after being approved by a majority of the security holders.

DIRECTOR COMPENSATION

The Board's policy is to pay each director who is not an officer or employee of the Company an annual retainer (as described below) plus the following fees:

- \$750 for each Board meeting attended;
- \$750 for each committee meeting attended;
- \$6,000 Audit Committee chair retainer fee; and
- \$3,000 retainer fee for all other committee chairs.

At the Board's March 2010 meeting, in acknowledgement of the continuing difficult economic climate and the operating challenges facing the Company, the Directors unanimously voted to extend the 25% reduction in their annual retainer, which had been implemented for 2009, for the 2010 year. This Board was paid \$5,625 for the first six months of service for 2010. The original annual retainer had been \$15,000 per year (\$11,250 per year after the 25% reduction). In December 2010 the holders of shares representing a majority of the voting power of the Company's common stock gave their written consent to a resolution by the Company's Board of Directors adopting the Company's Non-Employee Director Stock Plan, pursuant to which the non-employee directors of the Company will receive their annual base retainer payment in the form of Common Stock, instead of cash. The Plan became effective December 30, 2010. Also during December 2010, the Compensation Committee approved a grant of 1,500 shares of Common Stock to each qualifying director, in lieu of a cash payment for the remaining unpaid annual base retainer for 2010 (\$5,625 per qualified director). The grant date was set as January 1, 2011. The fair market value of this grant, determined by reference to the closing price of the Company's Common Stock as quoted on the NYSE Amex exchange as of Friday, December 31, 2010 (January 1, 2011 being a Saturday) was, \$33,525. The number of shares to be granted for future years' service will be determined annually. Notice of this resolution was sent to all shareholders by the mailing of a copy of the Information Statement Pursuant to Section 14 of the Securities Exchange Act of 1934 and Regulation 14C and Schedule 14C Thereunder together with a cover letter on December 10, 2010.

Director Summary Compensation Table

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The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended January 1, 2011. The Company does not currently compensate the Board members except as discussed above.

Name (1)	Total Fees Earned or Paid in Cash (2)	Total Fees Earned or Paid in Stock (3)	Total
William D. Andrews	\$ 9,375	\$ 33,525	\$ 42,900
Thomas H. Carmody	16,125	33,525	49,650
Betsy R. Gidwitz	9,375	33,525	42,900
Ralph W. Gidwitz	8,625	33,525	42,150
Ronald J. Gidwitz	8,625	33,525	42,150
Theodore R. Tetzlaff	13,875	33,525	47,400
Peter E. Thieriot	19,875	33,525	53,400
Darrell M. Trent	13,875	33,525	47,400

(1) James G. Gidwitz, Chief Executive Officer and Chairman of the Board, is not included in this table as he is an employee of the Company and receives no additional compensation for his service as director. Mr. Gidwitz compensation is shown in the above Executive Summary Compensation Table.

(2) None of the directors received perquisites or other personal benefits.

(3) Represents 1,500 shares at \$22.35 per share issued January 1, 2011.

**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The following information is furnished as to the Common Stock of the Company owned beneficially as of April 15, 2011 by (i) each director, (ii) the named executive officers, (iii) directors and named executive officers as a group, and (iv) persons that have reported beneficial ownership of more than 5% of the Company's Common Stock.

Name and Address of Beneficial Owner	No. of Shares	Percent of Class (1)
Gidwitz Family (2) 200 South Wacker Drive, Suite 4000 Chicago, Illinois 60606	894,172(3)	55.5%
Warren G. Lichtenstein 590 Madison Ave, 32nd Floor New York, New York 10023	144,762(4)	9.0%
Franklin Advisory Services, LLC One Parker Plaza, 16th Floor Fort Lee, NJ 07024	130,000(5)	8.1%
William D. Andrews	17,700	1.1*
Thomas H. Carmody	1,700	*
James G. Gidwitz	100,596(3)(6)	6.2%
Betsy R. Gidwitz	7,502(7)	*
Ralph W. Gidwitz	7,502(8)	*
Ronald J. Gidwitz	7,502(9)	*
Mark S. Nichter		*
Joseph J. Sum	19,218(10)	1.2%
Theodore R. Tetzlaff	1,500	*
Peter E. Thieriot	3,500	*
Darrell M. Trent	3,500	*
All directors, nominees and named officers as a group (includes ten persons)	960,875(11)	59.7%

* Percentage of shares beneficially owned does not exceed 1%.

(1) Calculations are based on 1,610,674 shares of Common Stock outstanding as of April 1, 2010.

(2) The Gidwitz family includes James G. Gidwitz, Ronald J. Gidwitz and their three siblings, and Ralph W. Gidwitz, Betsy R. Gidwitz and their sibling. These eight family members, together with their descendants, are herein referred to as the Gidwitz Family. The Gidwitz Family holdings include the shares identified in the table above and directly owned by James G. Gidwitz, Betsy R. Gidwitz, Ralph W. Gidwitz and Ronald J. Gidwitz, as well as the following shares:

(a) 727,126 shares owned by the CMC Partnership whose managing partners are Betsy R. Gidwitz, James G. Gidwitz, Ralph W. Gidwitz, and Ronald J. Gidwitz;

(b) 13,614 shares owned by the CMC-GFAM Partnership whose beneficial owners are certain members of the Gidwitz Family, including trusts created for the benefit of the children of James G. Gidwitz and Ronald J. Gidwitz; and

(c) 30,330 shares held directly by members of the Gidwitz family other than named directors and executive officers listed in the security ownership above. James G. Gidwitz, Betsy R. Gidwitz, Ralph W. Gidwitz and Ronald J. Gidwitz disclaim beneficial ownership of the shares referenced in this Note as indirectly owned, except to the extent of their respective beneficial ownership interests in the entities that hold such shares. The combined reporting of the shares referenced in this Note does not constitute an admission on the part of any individual member of the Gidwitz Family that the Gidwitz Family constitutes a group within the meaning of SEC Rule 13D.

With respect to the shares referenced in this Note, the beneficial owners indicated in (c) have sole voting and investment power and the beneficial owners indicated in (a) and (b) have shared voting and investment power.

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- (3) Includes 34,594 shares credited to James G. Gidwitz's account in the Employees Profit Sharing Retirement Plan.
- (4) Includes 144,762 shares held by Steel Partners II, L.P. By virtue of his position with Steel Partners II, Mr. Lichtenstein has sole power to vote and dispose of such 144,762 shares based upon Schedule 13D/A filed with the SEC on July 17, 2009.
- (5) Represents ownership of 130,000 shares reported in a Schedule 13G dated December 31, 2009, by Franklin Resources, Inc. (FRI), Charles B. Johnson, Rupert H. Johnson, Jr. and Franklin Advisory Services, LLC (FAS). According to the Schedule 13G, the shares are beneficially owned by one or more open or closed-end investment companies or other managed accounts which are advised by direct and indirect investment advisory subsidiaries of FRI. FAS, as the investment adviser, retains sole investment and voting power over the shares.
- (6) Does not include 727,126 shares held indirectly by James G. Gidwitz through CMC Partnership or 13,614 shares held indirectly by James G. Gidwitz through CMC-GFAM Partnership, over which he has shared voting and investment power.
- (7) Does not include 727,126 shares held indirectly by Betsy R. Gidwitz through CMC Partnership over which she has shared voting and investment power.
- (8) Does not include 727,126 shares held indirectly by Ralph W. Gidwitz through CMC Partnership over which he has shared voting and investment power.
- (9) Does not include 727,126 shares held indirectly by Ronald J. Gidwitz through CMC Partnership or 13,614 shares held indirectly by Ronald J. Gidwitz through CMC-GFAM Partnership, over which he has shared voting and investment power.
- (10) Includes 14,218 shares credited to Joseph J. Sum's account in the Employees Profit Sharing Retirement Plan.
- (11) Includes 68,397 shares held by the Company's Employees Profit Sharing Retirement Plan, which includes: (a) 34,594 shares credited to James G. Gidwitz's account and 14,218 shares credited to Joseph J. Sum's account and (b) 19,585 shares credited to other employees accounts, as to which James G. Gidwitz, Mark S. Nichter and Joseph J. Sum share voting power (with respect to certain matters) as trustees of such Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

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Section 16(a) of the Securities Exchange Act of 1934 generally requires the Company's directors, executive officers and owners of more than 10% of a registered class of the Company's equity securities to file with the SEC reports of beneficial ownership and changes in ownership, on Forms 3, 4 and 5, generally within two business days of the date of a purchase or sale transaction. Such officers, directors and 10% owners are required by SEC regulations to furnish to the Company copies of all Section 16(a) reports that they file. To the Company's knowledge, based solely on review of copies of such reports furnished to the Company and representations that no other reports were required to be filed during the fiscal year ended January 1, 2011, all officers, directors and 10% owners of the Company complied with the Section 16(a) filing requirements during fiscal year 2010, with the exception of James G. Gidwitz, Betsy R. Gidwitz, Ralph W. Gidwitz and Ronald W. Gidwitz who each filed one late filing with respect to the purchase of 100 shares by the CMC-GFAM Partnership. In addition, Betsy R. Gidwitz, Ralph W. Gidwitz, Ronald W. Gidwitz, William D. Andrews, Thomas H. Carmody, Theodore R. Tetzlaff, Peter E. Thieriot and Darrell M. Trent each filed one late filing with regard to the 1,500 share grant to each non-employee Board Director for service related to the last six months of 2010. See Director Compensation discussion above. To the Company's knowledge, as of the date of this proxy statement, all such reporting obligations have been satisfied.

Certain Relationships and Related Transactions

The Company purchases insurance coverage for workers' compensation, general and product liability together with another company controlled by the Gidwitz Family to minimize insurance costs and to obtain other more favorable terms. The cost of such insurance is allocated based upon a formula that considers, among other things, nature of risk, loss history and size of operations. From time to time, the Company will advance payments to the insurance carriers on behalf of the other company. The Company invoices the other company its respective share of each payment. During fiscal 2010, the other company paid its respective share in the same month that it was invoiced. The Company's participation in this arrangement has, in management's opinion, resulted in significant savings to the Company in terms of the cost of insurance premiums and other related charges.

Theodore R. Tetzlaff has served as a director of the Company since 1981. Mr. Tetzlaff is of counsel to the law firm of Ungaretti & Harris LLP. During fiscal 2010 and the prior fiscal year, the Company retained Ungaretti & Harris to provide it with legal services. During fiscal 2010, the dollar amount of fees paid to Ungaretti & Harris was \$227,000 which exceeds the SEC's threshold for reporting, however, based upon information supplied by Ungaretti & Harris, this amount did not exceed 5% of the firm's gross

annual revenues. Although the following policy and procedures are not in writing, the Board of Directors evaluates the types of transactions that are assigned to Ungaretti & Harris other than routine corporate matters such as reviews of reports and information submitted to the SEC.

AUDIT COMMITTEE REPORT

Management is responsible for Continental Materials' internal controls and financial reporting process. BKD is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing an opinion on the fairness of the presentation of those statements in accordance with accounting principles generally accepted in the United States. The Audit Committee's responsibility is to monitor and oversee these processes. The Audit Committee consists of three directors, each of whom the Board has determined meets the independence criteria of the NYSE Amex and the Sarbanes-Oxley Act. The members of the Audit Committee are Peter E. Thieriot, Chairman, Darrell M. Trent and Thomas H. Carmody. The Board has determined that Peter E. Thieriot qualifies as an audit committee financial expert as defined by the Securities and Exchange Commission.

Charter

The Audit Committee's duties and responsibilities are set forth in a written charter, which was initially adopted and approved by the Board on May 24, 2000 and amended in January 2004 to address the requirements of the Sarbanes-Oxley Act and the NYSE Amex corporate governance rules. A copy of the Charter and Powers of the Audit Committee, which is reviewed and revised as appropriate, is attached to the Proxy Statement as Appendix A.

In the course of fulfilling its responsibilities, the Audit Committee has:

- engaged BKD LLP (BKD) as the Company's independent auditors;
- reviewed and discussed the Company's audited financial statements with management;
- reviewed and discussed with management the selection, application and disclosure of critical accounting policies of the Company and the Company's internal control procedures;
- discussed with BKD the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended, regarding the auditor's judgments about the quality of the Company's accounting principles as applied in its financial reporting;

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- discussed with BKD the selection, application and disclosure of the Company's critical accounting policies;
- discussed with BKD the audit plan, scope, identification of audit risks and the Company's internal control procedures;
- received written disclosures and the letter from BKD required by the Public Company Accounting Oversight Board regarding BKD's communications with the Audit Committee concerning independence;
- discussed with representatives of BKD the public accounting firm's independence from the Company and management; and
- considered whether the provision by BKD of non-audit services is compatible with maintaining BKD's independence.

Conclusion

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2011 for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors

Peter E. Thieriot (Chairman)

Darrell M. Trent

Thomas H. Carmody

INDEPENDENT AUDITORS

The fees charged to the Company for services and expenses reported below for BKD related to the audit of the 2010 fiscal year and the audit of the 2009 fiscal year or other services performed during 2009. The fees and expenses reported below for Deloitte & Touche (D&T) related to the audit of the 2009 fiscal year until September 18, 2009 (D&T were the Company's auditors of record until September 18, 2009) and also work performed during the fourth quarter of 2009 to assist the Company with its responses to the Securities and Exchange Commission's (SEC) review of the Company's annual report filed on Form 10-K for fiscal 2008 and the Company's Form 10-Q for the fiscal quarter ended July 4, 2009.

	BKD		BKD		D&T
	2010		2009		2009
Audit Fees(1)	\$ 300,431	\$	314,414	\$	126,979
Audit Related Fees(2)	3,575		12,700		7,900
Tax Fees(3)	47,960		29,000		1,725
All Other Fees(4)			3,465		36,000
Total	\$ 351,966	\$	359,579	\$	172,604

(1) Consists of fees for the audit of our financial statements and the review of the financial statements included in the quarterly reports on Form 10-Q and the provision of attestation services in connection with statutory and regulatory filings or engagements.

(2) Consists of fees for services relating to the audit of the consolidated annual financial statements and accounting consultations.

(3) Consists of fees for services related to tax compliance, tax advice and tax planning.

(4) Fees incurred with regard to the Company's response to the SEC (see discussion above).

In accordance with the applicable rules of the SEC, the Audit Committee has established policies and procedures for pre-approval of all audit and permitted non-audit services to be provided by its independent registered public accounting firm. The Audit Committee must separately pre-approve the engagement of the independent registered public accounting firm to audit the Company's consolidated financial statements. The Audit Committee has established a pre-approval policy for engaging the independent registered public accounting firm for other audit and permissible non-audit services. Under the policy, the Audit Committee has specified audit, audit-related, tax and regulatory services that may be performed by the independent registered public accounting firm. The engagement for those services specified in the policy requires the further, separate pre-approval of the Chairman of the Audit Committee or the entire Audit Committee, if specific dollar thresholds set forth in the policy are exceeded. Services not specified in the policy will require separate pre-approval by the Audit Committee. The audit, audit-related, tax and other services provided by BKD in 2010 and 2009 and D&T in 2009, described above, were all approved by the Audit Committee in accordance with this policy.

PROPOSAL 2

RATIFICATION OF ENGAGEMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and the Audit Committee recommend ratification of the continued engagement of BKD as independent registered public accounting firm for the Company for the fiscal year ending December 31, 2011. Although ratification by stockholders is not required by law, the Audit Committee has determined that it is desirable to request ratification of this selection by stockholders. Therefore, an appropriate resolution ratifying the engagement will be submitted to the stockholders at the Annual Meeting. Notwithstanding its selection, the Audit Committee, in its discretion, may appoint a new independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of the Company and its stockholders. If the stockholders do not ratify the appointment of BKD, the Audit Committee will consider the selection of another independent registered public accounting firm for 2010 and future years.

A representative of BKD is expected to be present at the stockholders annual meeting to respond to appropriate questions and to make a statement if he/she so desires.

The Audit Committee recommends that stockholders vote FOR the ratification of BKD as independent registered public accounting firm for the Company for the 2011 fiscal year.

STOCKHOLDER PROPOSALS AND OTHER MATTERS

The deadline for receipt of stockholder proposals for inclusion in the Company's proxy statement for its 2012 annual meeting is January 10, 2012. We will decide whether to include a proposal in the proxy statement in accordance with SEC rules governing the solicitation of proxies.

EXPENSES OF PROXY SOLICITATION

The entire expense of preparing, printing and mailing the form of proxy and the material used for the solicitation thereof will be borne by the Company. In addition, the Company has retained the services of InvestorCom, Inc. to solicit proxies from nominees and brokers' accounts at a cost of approximately \$4,250 plus out-of-pocket expenses. Solicitation of proxies will be made by mail but also may be made through oral communications by directors, officers or employees of the Company who will receive no additional compensation for such efforts.

By Order of the Board of Directors,

James G. Gidwitz
Chairman of the Board

Chicago, Illinois
May 6, 2011

Continental Materials Corporation

Charter and Powers of the Audit Committee

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 Corporation to any governmental body or the public; the Corporation's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Corporation'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 Corporation's 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, AMEX 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 Corporation 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

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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, by May 26, 2004, each member of the Committee will satisfy both the general AMEX independence standards as well as the heightened standards applicable to audit committee members as mandated by 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, by May 26, 2004, 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 Corporation or an outside consultant.

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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 executive 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 Corporation's financial reporting 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 or to determine if the Corporation's financial statements are complete and accurate and in accordance with generally accepted accounting principles. Management is responsible for preparing the Corporation'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 Corporation'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 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 may represent the entire Committee for purposes of this review.

Independent Auditors

4. 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 Corporation, and each such registered public accounting firm will report directly to the Committee.

5. Discuss with the independent auditors the overall scope and plans for the audit including the adequacy of staffing.

6. 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 Corporation, consistent with Independence Standards Board Standard No.1. The Committee will discuss with the independent auditors all significant relationships the auditors have with the Corporation 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.

7. Pre-approve all services provided by the independent auditors.

8. 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

9. In consultation with the independent auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.

10. Consider the independent auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

11. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent auditors or management.

Process Review

12. Confer with the independent auditors concerning the scope of their examinations of the books and records of the Corporation 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.

13. 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.

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14. 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.

15. Review any significant disagreement between management and the independent auditors in connection with the preparation of the financial statements.

16. 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

17. Ensure that management has a review system in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.

18. Review with the Corporation's counsel, as deemed appropriate in the circumstances, legal compliance matters including corporate securities trading policies.

19. Review with the Corporation's counsel, as deemed appropriate in the circumstances, any legal matter that could have a significant impact on the Corporation's financial statements.

20. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing laws, that the Committee or the Board deems necessary or appropriate. The Committee is empowered to retain independent counsel, auditors or others to assist it in the conduct of any investigation.

21. Approve procedures for the receipt, retention, and treatment of complaints received by the Corporation 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.

CONTINENTAL MATERIALS CORPORATION

Charter of the Compensation Committee of the Board of Directors

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. Each Committee member must qualify as an independent director under the rules applicable to companies listed on the AMEX.

Notwithstanding the membership requirements set forth in this Section 2(c), if the Committee consists of three (3) members, one director who does not qualify as independent under the rules applicable to companies listed on the AMEX may still serve as a member of the Committee if the Board determines that, under exceptional and limited circumstances, such individual's membership on the Committee is required by the best interests of the Company and its stockholders and such individual meets certain alternate criteria established by the AMEX rules.(1)

(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 two (2) times 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.

(1) Such individual must not be a current officer or employee of the Company or an immediate family member of such officer or employee. Such individual may be appointed to the Committee for a term of not more than two (2) years. If the foregoing exception is applied to any Committee member, the Company will be required to disclose in its next proxy statement the nature of the relationship and the reasons for the Board's determination.

(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, to recommend changes in such compensation levels and practices, as appropriate.(2)

(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.(2) This compensation package shall encompass base salary, cash bonuses, other incentive compensation, stock options, other equity-based compensation, and other benefit programs. This compensation package will be recommended to and reviewed by the entire Board.

(d) Develop, on an annual basis, an executive compensation structure for the Company's other senior executive officers.(2) 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.

(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 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.

(h) Establish, prepare and review an annual executive compensation report in the Company's Annual Report on Form 10-K and Proxy Statement.

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

(2) 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.

5. **Consultants**

The Committee shall have the authority to retain such consultants, outside counsel or other advisors as the Committee may deem appropriate, in its sole discretion.

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.

7. **Performance Evaluation and Charter Review**

On an annual basis, the Committee shall:

- (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.

CONTINENTAL MATERIALS CORPORATION

Charter of the Nominating Committee

1. Purpose of the Committee

The purpose of the Nominating Committee (the Committee) of the Board of Directors (the Board) of Continental Materials Corporation (the Company) is to:

- (a) Identify individuals qualified to serve as members of the Board;
- (b) Recommend to the Board director nominees to be presented at the annual meeting of shareholders and nominees to fill vacancies on the Board, whether caused by retirement, resignation, death, increase in the number of authorized directors or otherwise; and
- (c) Develop and recommend to the Board such corporate governance policies as the Committee believes appropriate and desirable.

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 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. Each Committee member must qualify as an independent director under the rules applicable to companies listed on the AMEX.

Notwithstanding the membership requirements set forth in this Section 2(c), if the Committee consists of at least three (3) members, one director who does not qualify as independent under the rules applicable to companies listed on the AMEX may still serve as a member of the Committee if the Board determines that, under exceptional and limited circumstances, such individual's membership on the Committee is required by the best interests of the Company and its stockholders and such individual meets certain alternate criteria established by the AMEX rules.(1)

(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.

(1) Such individual must not be a current officer or employee of the Company or an immediate family member of such officer or employee. Such individual may be appointed to the Committee for a term of not more than two (2) years. If the foregoing exception is applied to any Committee member, the Company will be required to disclose in its next proxy statement the nature of the relationship and the reasons for the Board's determination.

3. Committee 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) Establish criteria for Board and Board committee membership.
- (b) Oversee searches for and identify individuals qualified to serve as members of the Board.
- (c) Recommend to the Board (i) nominees for election to the Board and (ii) directors for appointment to Board committees. In making its recommendations, the Committee shall:
- (i) review each new candidate's experience and qualifications for membership on the Board or the Board committees (including the independent status of the candidate) based on the criteria established by the Committee;
- (ii) in evaluating current directors for re-nomination to the Board or re-appointment to any Board committees, (A) assess the performance, participation and contribution of such director as a member of the Board or such committee and (B) assess the experience, qualifications and independent status of such director based on the criteria established by the Committee; and

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(iii) periodically review the composition of the Board and its committees in light of the current challenges and needs of the Board, the Board committees and the Company.

(d) Consider and make recommendations to the Board regarding shareholder nominations for directors that are submitted in accordance with the Company's By-laws and applicable law.

(e) Develop and recommend to the Board a set of corporate governance guidelines applicable to the Company. The Committee shall, from time to time, as it deems appropriate, review and assess the adequacy of such corporate governance guidelines and recommend any changes to the Board for approval.

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(f) Oversee the Board's annual self-assessment process whereby the Board considers its effectiveness, the effectiveness of its committees and the contribution of its individual members. In connection therewith, the Committee shall solicit comments from all directors, solicit comments from management (if necessary), prepare a report for the Board and make recommendations for improvement of the Board's operations.

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

5. Consultants

The Committee shall have the authority to retain such consultants, outside counsel or other advisors as the Committee may deem appropriate, in its sole discretion.

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.

7. Performance Evaluation and Charter Review

On an annual basis, the Committee shall:

(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.

