

**INDUSTRIAL SERVICES OF AMERICA, INC.**  
**COMPENSATION COMMITTEE CHARTER**

**1. Designation and Membership**

The Board of Directors (the “Board”) of Industrial Services of America, Inc. (the “Company”) will appoint from among its members a Compensation Committee (the “Committee”) and will designate one such member to serve as the Chairman of the Committee. The Committee will consist of at least two directors. Unless an exception is expressly adopted and approved by the Board, each Committee member must:

- 1.1 Be determined by the Board to be “independent” as that term is defined under the listing standards of the NASDAQ Capital Market (“NASDAQ”).
- 1.2 Meet any applicable criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the Securities and Exchange Commission (the “SEC”).
- 1.3 Qualify as both (i) a “non-employee director” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 and (ii) an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code.
- 1.4 Not be part of a compensation committee interlock within the meaning of SEC Regulation S-K.

**2. Purposes**

The primary purposes of the Committee are to:

- 2.1. Assist the Board in fulfilling its responsibilities relating to the establishment, administration and oversight of compensation policies, goals and programs that govern both annual cash compensation and stock-based incentive compensation plans of the Company’s executive officers.
- 2.2. In light of the above purpose, on an annual basis review the performance of the Company’s executive officers.
- 2.3. Discharge the Board’s duties relating to compensation of the Company’s directors.

### **3. Duties and Responsibilities**

The Committee shall conduct meetings as it deems necessary or advisable and shall:

- 3.1. Determine and approve annual base and incentive compensation, benefit plans and perquisites for directors and for the Company's Chief Executive Officer and other executive officers, including performance targets and incentive awards; the Chief Executive Officer may not be present during voting or deliberation on his or her compensation.
- 3.2. Administer any executive officer incentive compensation plans.
- 3.3. Review and approve procedures for reviewing the performance of the Company's executive officers.
- 3.4. Review and report on risks arising from the Company's compensation policies and practices for employees as required by SEC rules.
- 3.5. Report on compensation policies and practices with respect to the Corporation's executive officers as required by SEC rules.
- 3.6. Establish and review any annual performance criteria and goals to be used in the executive and Company bonus plans and evaluate executives in light of these objectives.
- 3.7. Take action to disgorge Chief Executive Officer and Chief Financial Officer compensation to the extent required by law if the Company is required to restate its financial statements.
- 3.8. Exercise all authority delegated by the Board to the Committee under the Company's equity incentive plans, including the authority to approve periodic stock award grants.
- 3.9. At the Company's expense and in the Committee's sole discretion, retain or obtain advice and assistance from internal and external legal, accounting, and other advisers or compensation consultants (collectively, "Compensation Advisers") as necessary or advisable to assist in the Committee's duties, after first taking into consideration any factors affecting the independence of such Compensation Advisers identified in the listing standards of any national securities exchange on which the Company's securities are listed; be directly responsible for the appointment, compensation and oversight of the work of any Compensation Adviser.
- 3.10. Periodically review the effectiveness of the Company's and its affiliates' compensation, benefits and perquisites programs.

- 3.11. Review and approve disclosures relating to shareholder votes on equity compensation plans.
- 3.12. Review and discuss with management the Company's disclosures under "Compensation Discussion and Analysis" (the "CD&A"), if any, and based on such review and discussion, make a recommendation to the Board as to whether the CD&A should be included in the Company's annual report on Form 10-K and, as applicable, the Company's proxy statement.
- 3.13. Produce an annual report of the Compensation Committee for inclusion in the Company's annual report and proxy statement in compliance with and to the extent required by applicable SEC rules and regulations and relevant listing authority.
- 3.14. Delegate to a subcommittee any of its duties as it deems necessary or advisable.
- 3.15. Perform such other functions as may be assigned by the Board from time to time.
- 3.16. Cooperate with the Board in an annual evaluation of the Committee's performance.
- 3.17. Periodically assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

Approved by the Board of Directors July 5, 2013.