

MAC-GRAY CORPORATION

COMPENSATION COMMITTEE CHARTER

Purpose

The purposes of the Compensation Committee of the Board of Directors (the “Committee”) of Mac-Gray Corporation (the “Company”) are to: (1) review and approve corporate goals and objectives relevant to the compensation of the Company’s Chief Executive Officer (the “CEO”), evaluate the CEO’s performance in light of such goals and objectives, and determine and approve the compensation of the CEO based on such evaluations, (2) approve the compensation of the Company’s executive officers other than the CEO, (3) in consultation with the Governance and Nominating Committee, recommend to the Board of Directors (the “Board”) for approval the compensation of the Company’s non-employee directors, (4) oversee the Company’s incentive-compensation plans and equity-based plans, and (5) produce the Compensation Committee report required by the Securities and Exchange Commission (the “SEC”) for inclusion in the Company’s proxy statement relating to its annual meeting of stockholders or annual report on Form 10-K.

Membership

The number of individuals serving on the Committee shall be fixed by the Board from time to time but shall consist of at least three members of the Board. Each member shall:

- (a) satisfy the independence requirements set forth in Section 303A of the New York Stock Exchange Listed Company Manual;
- (b) be a "non-employee director" as that term is defined under Rule 16b-3 of the Securities Exchange Act of 1934, as amended; and
- (c) be an "outside director" as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Board shall approve the members of the Committee on an annual basis at its first meeting following the Company’s annual meeting of stockholders. The Board shall designate one member of the Committee to serve as Chair. Committee members may be replaced or removed from the Committee by the Board at any time with or without cause. Resignation or removal of a Director from the Board, for whatever reason, shall automatically constitute resignation or removal, as applicable, from the Committee. Vacancies occurring on the Committee, for whatever reason, may be filled by the Board.

Duties and Responsibilities

CEO Compensation

The Committee shall be responsible for:

- Reviewing and approving the annual corporate goals and objectives that may be relevant to compensation for the CEO;
- Evaluating the performance of the CEO in meeting those goals and objectives, taking into account qualitative as well as quantitative elements, including, among other things:
 - The overall financial performance of the Company;
 - Growth in shareholder value;
 - Management development; and
 - The value of compensation granted to chief executive officers of comparable companies.
- Based on such evaluation, determine and approve the CEO's compensation and long-term compensation awards. In connection with determining the long-term incentive component of the CEO's compensation, the Committee may consider the Company's performance and relative stockholder return, the value of similar incentive awards to chief executive officers at comparable companies and the awards given to the CEO in past years.

Executive Officer Compensation

The Committee shall also be responsible for:

- Periodically reviewing the Company's compensation plans, counseling with the CEO relative to different compensation approaches;
- Annually reviewing market data to assess the Company's competitive position for the components of its executive compensation by reviewing current industry compensation surveys and other relevant supplemental compensation information;
- Reviewing and approving grants and awards under all incentive-based compensation plans and equity-based plans (other than to non-employee directors) unless the Committee deems it advisable for the Board to approve any such grants or awards. The Committee shall make recommendations to the Board with respect to grants and awards to non-employee directors or other grants and awards that it deems advisable for the Board to approve;
- Administering and making recommendations to the Board regarding the adoption, amendment, rescission of, or other matters regarding, all incentive compensation plans and equity-based plans;
- Assuring that total compensation paid to the Company's officers, division managers and other highly compensated individuals is reasonable;
- Assuring that payments under the incentive plans comply with the requirements set forth in such plans; and
- Reviewing and approving the non-equity based compensation of the Company's executive officers other than the CEO.

Board Compensation

The Committee shall further be responsible for making recommendations, in consultation with the Governance and Nominating Committee, to the Board regarding the compensation of non-employee directors, including with respect to incentive compensation plans and equity-based plans.

Compensation Committee Report and Compensation Discussion and Analysis

The Committee shall:

Review and discuss with management the Compensation Discussion and Analysis to be included in the Company's proxy statement or annual report on Form 10-K ("CD&A");

Based on the Committee's review and discussions with management of the CD&A, make a recommendation to the Board as to whether the CD&A should be included in the Company's proxy statement or annual report on Form 10-K; and

Prepare the Compensation Committee report required by Item 407(e)(5) of Regulation S-K (or any successor provision) promulgated by the SEC to be included in the Company's proxy statement relating to its annual meeting of stockholders or annual report on Form 10-K filed with the SEC.

Other Committee Functions

The Committee shall:

- Review and reassess the adequacy of this Charter annually and submit any proposed changes to the Board for approval;
- Report to the Board after each of the Committee's meetings;
- Perform an annual evaluation of the Committee's performance and report to the Board on the results of such evaluation; and
- Perform such other functions as may be requested by the Board from time to time.

Meetings

The Committee shall meet in person or by conference telephone as often as it determines is appropriate to carry out its responsibilities under this Charter. A majority of the members of the Committee shall constitute a quorum for purposes of holding a meeting and the Committee may act by a vote of a majority of members present at such meeting. In lieu of a meeting, the Committee may act by unanimous written consent. The Chair of the Committee shall establish such rules as may from time to time be necessary and proper for the conduct of the Committee's business. The Committee shall have authority to delegate a portion of its authority to subcommittees, as the Committee deems necessary.

Consultants

The Committee shall have sole authority, at Company expense, to retain, terminate and obtain the advice of compensation consultants, legal counsel and/or other advisors of its selection to be

used by the Company or the Committee to assist in the evaluation of director, CEO or executive officer compensation, including the sole authority to approve the consultant's fees and other retention terms. The Committee is responsible for ensuring that the use of any such consultants is in compliance with all SEC and NYSE regulations regarding outside compensation consultants, including considering the independence of such consultants.

General

In carrying out its responsibilities, the Committee shall be entitled to rely upon advice and information that it receives in its discussions and communications with management and such experts, advisors and professionals with whom the Committee may consult. The Committee shall have the authority to request that any officer or employee of the Company, the Company's outside legal counsel, the Company's independent auditor or any other professional retained by the Company to render advice to the Company attend a meeting of the Committee or meet with any members of or advisors to the Committee. The Committee shall also have the authority to engage legal, accounting or other advisors to provide it with advice and information in connection with carrying out its responsibilities hereunder.

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