

STERLING CONSTRUCTION COMPANY, INC.
COMPENSATION COMMITTEE CHARTER

November 2, 2005

1. **Membership.** The Compensation Committee (the "*Committee*") shall consist of three or more directors as determined by the Board of Directors of the Company (the "*Board*") each of whom shall be free from any relationship that in the opinion of the Board would interfere with the exercise of independent judgment as a member of the Committee. Each member shall be —
 - A non-employee director as defined in Rule 16b-3 of the Securities Exchange Act of 1934;
 - An outside director as defined in Section 162(m) of the Internal Revenue Code; and
 - An independent director as defined in Section 121A of the rules of the American Stock Exchange[†].
2. **Appointment & Removal.**
 - (a) The members of the Committee shall be appointed by the Board at the Annual Meeting of the Board for a one-year term and may be re-elected for successive terms. Each member shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal.
 - (b) One member of the Committee will be selected by the Board as Chairman and will be responsible for the scheduling of regular and special meetings and the functioning of the Committee.
 - (c) The Board may, pursuant to the By-laws of the Company, remove a member of the Committee at any time, with or without cause, provided that the Board must at all times ensure that the Committee has a Chairman and the required number of members who satisfy the requirements set forth in Section 1, above.
3. **Meetings & Minutes.** The Committee shall meet as often as is necessary to carry out its responsibilities. Meetings may be in person or by telephone as needed to conduct the business of the Committee. A majority of the members, but not less than two members, shall constitute a quorum. The Committee may take action by the unanimous written consent of the members in the absence of a meeting. The Committee shall cause to be kept adequate minutes of all its proceedings. The Chairman of the Committee shall report on each Committee meeting to the Board at its next regularly scheduled meeting or sooner if requested by the Board.
4. **Statement of Purpose & Authority.** The Committee shall assist the Board in fulfilling its oversight responsibilities to stockholders. In addition, the Committee shall —
 - Review and approve any corporate goals and objectives relating to the Chief Executive Officer's compensation;
 - Evaluate the Chief Executive Officer's performance in light of those corporate goals and objectives;
 - Either as a committee or together with the other independent directors (as directed by the Board),
 - determine and approve the compensation of the Chief Executive Officer and the other senior officers of the Company; and
 - together with the Boards of Directors of its subsidiary companies, determine and approve the compensation of their senior officers;
 - Either as a committee or together with the other independent directors (as directed by the Board)

[†] If the Company's securities cease to be traded on the American Stock Exchange, references to that exchange shall mean the principal national securities exchange or trading system on which the Company's shares are traded from time to time.

- review and approve any employment agreements, severance arrangements, change-in-control arrangements or special or supplemental employee benefits, and any material amendments to the foregoing that are applicable to senior officers of the Company and, together with the Boards of Directors of the Company's subsidiaries, that are applicable to their senior officers;
- Either as a committee or together with the other independent directors (as directed by the Board), administer the Company's stock plans and make grants of stock option and other awards thereunder as provided in such plans.
- Make recommendations to the Board regarding compensation, incentive compensation plans and equity-based plans for other senior officers of the Company and its subsidiaries;
- Advise the Corporate Governance & Nominating Committee on the compensation of directors, including the Chairman of the Board and the chairmen of the committees of the Board; and
- Provide the Report of the Compensation Committee on Executive Compensation for inclusion in the Company's annual proxy statement pursuant to the rules and regulations of the Securities and Exchange Commission.

5. Other Authority, Responsibilities & Procedures.

- (a) The Committee shall have the sole authority to retain and terminate any compensation consultant engaged to assist in the evaluation of compensation of directors and senior officers of the Company and its subsidiaries, including the sole authority to approve the consultant's fees and other retention terms.
- (b) The Committee shall —
 - Conduct an annual evaluation of its own performance;
 - Report periodically to the Board on its actions and recommendations; and
 - Annually review and assess the adequacy of this Charter and recommend any changes to the Board for approval.

Further responsibilities and procedures of the Committee may be required from time to time by applicable law, the rules of the American Stock Exchange, the Securities and Exchange Commission, the Company's By-laws and/or the Board.
