

**STERLING CONSTRUCTION COMPANY, INC.**  
**CORPORATE GOVERNANCE & NOMINATING COMMITTEE CHARTER**

*November 2, 2005*

1. **Purpose.** The purpose of the Corporate Governance & Nominating Committee (the "*Committee*") is to assist the Company's Board of Directors (the "*Board*") in fulfilling its responsibility with respect to the governance of the Company, principally including —
  - (a) The development and recommendation to the Board of appropriate corporate governance principles and rules.
  - (b) The recommendation of appropriate policies and procedures to ensure the effective functioning of the Board.
  - (c) The identification and nomination of qualified candidates for election to the Board and its committees.

The duties and responsibilities enumerated in this Charter are the recurring activities of the Committee in carrying out its responsibilities. The Committee also has such other duties and responsibilities as may be delegated to it by the Board from time to time.
2. **Committee Structure and Operation.**
  - (a) *Composition and Qualifications.* The Committee is comprised of three or more members of the Board, each of whom shall have been determined by the Board to be "independent" as that term is defined by the American Stock Exchange <sup>†</sup> (the "*AMEX*") subject to such other standards as may be established by law or the Board.
  - (b) *Appointment and Removal of Committee Members.* The members of the Committee shall be appointed by the independent directors and shall serve until such member's successor is duly elected and qualified or until such member's earlier death, resignation or removal. One or more members of the Committee may be removed and/or replaced by the independent directors with or without cause in their sole discretion.
  - (c) *Chairman.* The Committee's Chairman shall be designated by the independent directors or, if they do not do so, by a vote of the Committee's members.
  - (d) *Advisors.* The Committee shall have full authority to retain independent legal, accounting or other advisors in carrying out its duties and responsibilities, and full authority to retain and terminate any search firm to be used to identify director candidates. As part of this authority, the Committee is authorized to approve the fees payable to such advisors and any other terms of their retention, and the Company shall provide the funding determined appropriate by the Committee therefor.
  - (e) *Meetings.* The Chairman will preside at each meeting of the Committee and, in consultation with the other members of the Committee, shall set the date, time, place and length of each meeting and the agenda to be addressed at each meeting. The Committee shall meet as often as is deemed necessary or appropriate in its judgment, either in person or by telephone conference call. The Committee shall make regular reports to the Board on its activities.
3. **Corporate Governance Principles.** The Committee shall develop and recommend to the Board initial corporate governance principles covering all subjects required by the AMEX and by other applicable laws, rules and regulation to be addressed by the Company, as well as procedures for stockholders to communicate with the Board.

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

4. **Periodic Evaluations and Reviews.**

- (a) *The Committee & This Charter.* The Committee shall conduct and present to the Board an annual self-evaluation and an evaluation of the adequacy of this Charter. It will then recommend to the Board any actions arising out of such evaluations. All amendments of this Charter shall be subject to Board approval.
- (b) *The Board & Other Committees.* The Committee will assist the Board in developing and maintaining an annual self-evaluation process for the Board and its other committees and will oversee those evaluations. Based on the results of the annual evaluations, as well as on any other matters that the Committee deems relevant, the Committee will make such recommendations to the Board regarding Board processes, policies and other matters that are designed to improve the effective functioning of the Board.
- (c) *Company Policies.* The Committee will periodically review the Company's Code of Ethics and Insider Trading Policy to ensure that they remain responsive both to legal requirements and to the nature and size of the Company's business.

5. **Selection Criteria, Evaluation and Recruitment of Directors.** The Committee shall determine the criteria for the qualification and selection of nominees for election to the Board; shall apply those criteria in identifying and evaluating possible candidates; and shall manage the recruitment and retention of qualified directors.

- (a) *Director Nominees.* The Committee shall recommend to the Board the slate of nominees for election by the stockholders and any nominee proposed to be selected by the Board to fill a vacancy or a newly-created directorship.
- (b) *Committee Members.* When appropriate, the Committee will recommend directors for membership on Board committees.
- (c) *Director Independence.* The Committee shall develop and make recommendations to the Board regarding standards and processes for determining the independence of Board members under the AMEX and other applicable laws, rules and regulations.
- (d) *Director Orientation and Education.* The Committee shall develop and oversee the operation of an orientation program for new directors and determine whether and what form and level of continuing education for directors is appropriate.
- (e) *Director Remuneration.* The Committee shall determine the remuneration of non-employee directors, committee members and committee chairpersons.

THIS CHARTER SHALL BE MADE AVAILABLE TO THE PUBLIC ON THE COMPANY'S WEBSITE AT

[WWW.STERLINGCONSTRUCTIONCO.COM](http://WWW.STERLINGCONSTRUCTIONCO.COM).

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