

STERLING CONSTRUCTION COMPANY, INC.
CHARTER OF THE COMPENSATION COMMITTEE

1. The Compensation Committee.

- (a) The Compensation Committee (sometimes referred to herein as the "*Committee*") is a standing committee of the Board of Directors (the "*Board*") that is charged with assisting the Board in fulfilling its responsibility to oversee the Company's compensation policies and practices.
- (b) The Board shall ensure that the Company provides the Committee with the resources needed to carry out its responsibilities and to exercise its authority under this Charter, including staff, administrative support, legal counsel and outside consultants, as well as continuing education.
- (c) Without limiting the generality of the foregoing, the Committee shall have —
 - (i) The authority to appoint, retain, compensate and oversee the work of compensation consultants, independent legal counsel and other compensation advisers;
 - (ii) The authority to fund the compensation of such advisers; and
 - (iii) The responsibility to consider all of the independence factors as set forth in Appendix A before selecting such legal counsel and advisers, other than in-house legal counsel.

2. Compensation Committee Membership. Anything in the By-Laws of the Company to the contrary notwithstanding —

- (a) The Committee shall consist of not less than three members, each of whom shall be an independent director of the Company (as defined below). Committee members and the chairperson of the Committee shall be elected by the affirmative vote of no less than a majority of the Company's independent directors and shall serve until his or her replacement, resignation or death.
- (b) An independent director for purposes of membership on the Committee is one who —
 - (i) The Board has affirmatively determined does not have a material relationship with the Company that would interfere with the exercise of his or her independent judgment;
 - (ii) Does not receive, directly or indirectly, any consulting, advisory or other compensation from the Company other than in his or her capacity as a director or as a member of one or more committees of the Board;
 - (iii) Is not an affiliated person of the Company or of any subsidiary of the Company, other than by reason of his or her status as a director or as a member of one or more committees of the Board;
 - (iv) Is a "non-employee director" as defined in Rule 16b-3 of the Securities Exchange Act of 1934;
 - (v) Is an "outside director" as defined in Section 162(m) of the Internal Revenue Code; and
 - (vi) Does not otherwise fall within the category of persons that are not considered independent for purposes of compensation committee membership under the rules of the exchange or trading system on which the Company's common stock is traded, or under applicable rules and regulations of the Securities and Exchange Commission.

3. Compensation Committee Governance.

- (a) *Quorum & Voting.* Anything in the By-Laws of the Company to the contrary notwithstanding, at meetings of the Committee, the presence of a majority of all members shall be necessary to constitute a quorum for the transaction of business, and the affirmative vote of a majority of all members of such quorum shall be necessary to take any action.
- (b) *Delegation.* The responsibilities of the Committee may be delegated to one or more members of the Committee except to the extent prohibited by applicable law and the rules and regulations of any exchange or trading system on which the common stock of the Company is traded.
- (c) Neither the Chief Executive Officer nor any other Officer (as defined below) may be present during voting or deliberations by the Committee on his or her compensation.

- (d) *Rules & Regulations.* The Committee may adopt such rules and regulations for the calling and holding of meetings of the Committee and for the transaction of business at its meetings as the Committee may deem necessary, appropriate or advisable provided that such rules and regulations are not inconsistent with —
 - (i) The laws, rules and regulations referred to in Section 2(b)(vi), above;
 - (ii) The Certificate of Incorporation or the By-Laws of the Company (except as otherwise expressly provided herein;)
 - (iii) Any resolution of the Board; or
 - (iv) The express terms of this Charter.
- (e) *Meetings.* The Committee shall meet as frequently as circumstances require. The Committee shall keep minutes of its meetings and shall report thereon to the other directors of the Company at the following meeting of the Board.

4. **Authority of the Compensation Committee.** In the performance of its duties and responsibilities, the Committee shall have the authority —

- (a) To determine the compensation of the Company's executive officers and other officers elected by the Board (the "*Officers*") but may delegate some of those responsibilities to members of the management of the Company (the "*Management*."). Without limiting the generality of the foregoing, the Committee shall have the authority to establish the type, amount, and manner and time of payment of Officers' compensation, as well as any written agreements pursuant to which compensation is paid to them.
- (b) To review and make recommendations on the compensation of the officers of the Company's subsidiaries.
- (c) To administer the Company's stock plans and make such determinations and decisions as are required thereunder.
- (d) To review and make recommendations on the Company's benefit plans.
- (e) To have access to all books, records, facilities and personnel of the Company.
- (f) To expend such funds of the Company as it deems necessary, appropriate or advisable in carrying out its responsibilities under this Charter.

For purposes of this Charter, the Committee's authority to approve any matter includes the authority not to approve it.

5. **Continuing Responsibilities of the Compensation Committee.** The following is a non-exclusive list of steps that the Committee should take to ensure that it is fulfilling its responsibilities. These steps may change from time to time as circumstances dictate.

- (a) *Risks.* The Committee shall periodically discuss with Management the risks that arise from the Company's compensation policies and practices, and particularly from its incentive compensation plans.
- (b) *Officers' Employment Agreements.* Review and approve any employment agreements, severance agreements, change in control agreements, or special or supplemental employee benefits and any applicable amendments to the foregoing that are applicable to Officers.
- (c) *Officers' Compensation.* The Committee shall periodically review the salary and incentive compensation of the Officers to determine whether they fulfill the Company's overall compensation objectives.
- (d) *Non-Employee Directors.*
 - (i) The Committee shall periodically review and advise the Corporate Governance & Nominating Committee on the compensation of non-employee directors.
 - (ii) The Committee shall, as required from time to time, fix the compensation of non-employee directors who serve on *ad hoc* committees of the Board.

- (e) *Annual Responsibilities.* The Committee shall annually —
- (i) Review and discuss with Management the Compensation Discussion and Analysis, and based on that review and those discussions, determine whether to recommend that it be included in the Company's Annual Report on Form 10-K.
 - (ii) Review and approve the goals and objectives of the Company's so-called named executive officers.
 - (iii) Determine the extent to which the named executive officers' personal goals and the Company's financial goals were achieved in the prior year.
 - (iv) Review and approve any special, supplemental or discretionary benefits granted to Officers such as incentive compensation, severance and change in control benefits.
 - (v) Review the compensation of the officers of the Company's subsidiaries.
 - (vi) Consider and approve grants of stock options and/or awards of stock under the Company's stock plans pursuant to —
 - (A) The standard compensation arrangements of the Company's non-employee directors.
 - (B) The employment agreements of employees of the Company and its subsidiaries.
 - (C) Recommendations for grants and awards made by Management.
 - (vii) Review and re-assess its own performance and the adequacy of this Charter, and recommend any changes to the Board.

Adopted November 2, 2005
Revised March 14, 2007
Revised March 12, 2010
Revised May 6, 2011
Revised November 7, 2012
Revised March 14, 2013

APPENDIX A

Independence factors

The Committee shall consider the following independence factors:

1. The provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
2. The amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
3. The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
4. Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
5. Any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and
6. Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

Nothing in this Charter shall be construed to require a compensation consultant, legal counsel or other compensation adviser to be independent; rather the Committee shall consider the enumerated independence factors before selecting, or receiving advice from a compensation adviser. Accordingly, after such consideration, the Committee may select, or receive advice from, any compensation adviser it chooses, including ones that are not independent.

The Compensation Committee shall not be required under this Charter to conduct an independence assessment for a compensation adviser that acts in a role limited to the following activities for which no disclosure is required under Item 407(e)(3)(iii) of Regulation S-K:

- (a) Consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; and/or
- (b) Providing information that either is not customized for a particular issuer or that is customized based on parameters that are not developed by the adviser, and about which the adviser does not provide advice.