

NORTHWEST PIPE CO  
Form DEF 14A  
April 18, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**NORTHWEST PIPE COMPANY**

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(1) Amount previously paid:

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(3) Filing Party:

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April 18, 2014

Dear Fellow Shareholder:

You are cordially invited to attend the 2014 Annual Meeting of Shareholders. We will hold our meeting on Thursday, May 29, 2014, at 9:00 a.m. Pacific Time at the Sheraton Portland Airport Hotel, located at 8235 NE Airport Way, Portland, Oregon.

**YOUR VOTE IS IMPORTANT.** As a shareholder of Northwest Pipe Company, you play an important role in our Company by considering and taking action on the matters set forth in the attached Proxy Statement. We appreciate the time and attention you invest in making thoughtful decisions.

I, along with my fellow Board members, wish to acknowledge the hard work and dedication of our former Chairman Bill Tagmyer, who passed away in September. Bill made a number of significant contributions to our success over the years and is greatly missed.

Thank you for your support and continued interest in Northwest Pipe Company.

Sincerely,

Scott J. Montross

*President and Chief Executive Officer*

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

To the Shareholders of Northwest Pipe Company:

The 2014 Annual Meeting of Shareholders (the "Annual Meeting") of Northwest Pipe Company will be held on Thursday, May 29, 2014, at 9:00 a.m. Pacific Time at the Sheraton Portland Airport Hotel, located at 8235 NE Airport Way, Portland, Oregon. The purposes of the Annual Meeting will be:

1. To elect two directors, each to serve for a three-year term;
  2. To hold an advisory vote on the Company's executive compensation;
  3. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2014; and
  4. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.
- Only shareholders of record at the close of business on April 11, 2014 are entitled to receive notice of, and to vote at, the Annual Meeting and any adjournments or postponements of the Meeting.

It is important that your shares be represented and voted at the meeting. Please complete, sign and return your proxy card, or use the Internet or telephone voting systems.

We are enclosing a copy of the 2013 Annual Report to Shareholders with this Notice and Proxy Statement.

By Order of the Board of Directors,

Scott J. Montross

*President and Chief Executive Officer*

Vancouver, Washington

April 18, 2014

**IMPORTANT NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS**

**FOR THE ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 29, 2014:**

**This Proxy Statement and the Company's 2013 Annual Report to Shareholders are also available at**

**[www.nwpipe.com/proxy](http://www.nwpipe.com/proxy)**

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**PROXY STATEMENT FOR THE  
2014 ANNUAL MEETING OF SHAREHOLDERS OF  
NORTHWEST PIPE COMPANY**

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**NORTHWEST PIPE COMPANY**

**5721 SE Columbia Way, Suite 200**

**Vancouver, Washington 98661**

**(360) 397-6250**

**PROXY STATEMENT FOR  
ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 29, 2014**

**INTRODUCTION**

This Proxy Statement and the accompanying 2013 Annual Report to Shareholders are being furnished to the shareholders of Northwest Pipe Company, an Oregon corporation (the "Company"), as part of the solicitation of proxies by the Company's Board of Directors (the "Board of Directors") for use at the Company's annual meeting of shareholders (the "Annual Meeting") to be held on Thursday, May 29, 2014, at 9:00 a.m. Pacific Time at the Sheraton Portland Airport Hotel, located at 8235 NE Airport Way, Portland, Oregon.

At the Annual Meeting, shareholders will be asked to vote on the following matters:

1. The election of two directors, each to serve for a three-year term;
2. An advisory vote on the Company's executive compensation;
3. The ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2014; and
4. Such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

This Proxy Statement, together with the enclosed proxy card and the 2013 Annual Report to Shareholders, are first being mailed to shareholders of the Company on or about April 29, 2014.

The Board of Directors has fixed the close of business on April 11, 2014 as the record date for the determination of the shareholders entitled to notice of and to vote at the Annual Meeting. Accordingly, only holders of record of shares of Common Stock at the close of business on such date will be entitled to vote at the Annual Meeting, with each such share entitling its owner to one vote on all matters properly presented at the Annual Meeting. On the record date, there were 9,508,917 shares of Common Stock then outstanding, with each share of Common Stock being entitled to one vote.

If the enclosed form of proxy is properly executed and returned in time to be voted at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. *Executed but unmarked proxies will be voted in accordance with the recommendations of the Board of Directors.*

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Shareholders who execute proxies retain the right to revoke them at any time prior to the exercise of the powers conferred thereby by filing a written notice of revocation with, or by delivering a duly executed proxy bearing a later date to: Corporate Secretary, Northwest Pipe Company, 5721 SE Columbia Way, Suite 200, Vancouver, Washington, 98661, or by attending the Annual Meeting and voting in person. All valid, unrevoked proxies will be voted at the Annual Meeting.

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### **CORPORATE GOVERNANCE**

Our Board of Directors and management have committed themselves to establishing a strong corporate governance environment and to adopting best practices as they most meet the needs and goals of the Company. As part of that commitment, we have adopted Corporate Governance Principles, which cover such topics as qualifications and independence of Board members, the selection, orientation, and continuing education of Board members, as well as other topics designed to promote effective governance by the Board of Directors. We have also adopted a Code of Business Conduct and Ethics, which applies to all employees, officers and directors of the Company and sets forth guidance to help in recognizing and dealing with ethical issues, to provide mechanisms for reporting unethical conduct, and to promote a culture of honesty and accountability. Copies of our Corporate Governance Principles and Code of Business Conduct and Ethics are available on the Company's website at [www.nwpipe.com](http://www.nwpipe.com) under the heading Corporate Governance, or by writing to Northwest Pipe Company, attn. Corporate Secretary, 5721 SE Columbia Way, Suite 200, Vancouver, WA 98661.

We also adopted a Policy for Reporting Financial Irregularities ( Whistleblower Policy ), which is intended to create a workplace environment that encourages the highest standards of ethical, moral, and legal business conduct. The Whistleblower Policy establishes procedures for any person to confidentially and anonymously report violations by us or any of our personnel of our Code of Ethics or any laws, rules or regulations without fear of retaliation. The Whistleblower Policy also contains procedures for submission of complaints involving our accounting practices and internal accounting controls.

#### **Director Elections**

While directors are elected by a plurality of votes cast, our Corporate Governance Principles include a director resignation policy, requiring a director who receives more votes withheld than in favor of election in an uncontested election to tender his or her resignation to the Board. The Nominating and Governance Committee shall recommend to the Board the action to be taken with respect to such offer of resignation, and the Board shall act promptly with respect to each such letter of resignation and publicly disclose its decision and rationale.

#### **Director Independence**

The current Board of Directors consists of seven directors, two of whom are currently employed by the Company (Messrs. Montross and Roman). The Board of Directors has affirmatively determined that all of the non-employee directors (Messrs. Declusin, Demorest, Franson, Kingsley and Larson) are independent in accordance with the standards of the Nasdaq Stock Market and as defined by the director independence guidelines included in our Corporate Governance Principles.

#### **Board Leadership Structure and Risk Oversight**

The Company's Corporate Governance Principles provide that the independent members of the Board of Directors will select a lead director from among the independent directors if the positions of Chairman of the Board and Chief Executive Officer are held by the same person or if the Chairman of the Board is not an independent director. The responsibilities of the Chairman of the Board include the following: set Board meeting agendas in collaboration with the CEO; preside at Board meetings and the annual shareholders meeting; assign tasks to the appropriate committees; and ensure that information flows openly between management and the Board. The responsibilities of the lead director include the following: coordinate the activities of the independent directors; make recommendations to the CEO in setting Board meeting agendas on matters concerning the independent directors; prepare the agenda for executive sessions of the independent directors, chair those sessions and be primarily responsible for communications between the independent directors and the CEO. Richard A. Roman, the Chairman of our Board of Directors, is not independent within the meaning of the applicable rules of the Nasdaq Stock Market. Accordingly, in December 2010, the remaining directors appointed James E. Declusin as the Board's Lead Director.

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The Board of Directors oversees management's Company-wide risk management activities. Management's risk management activities include assessing and taking actions necessary to manage risks incurred in connection with the long-term strategic direction of the Company and the operation of our business. The Board of Directors uses its committees to assist in its risk oversight function. The Compensation Committee is responsible for oversight of risk associated with our compensation plans. The Nominating and Governance Committee is responsible for oversight of board processes and corporate governance-related risk. The Audit Committee is responsible for oversight of our financial reporting process, financial internal controls and compliance activities, the qualification, independence and performance of our independent auditors, and compliance with applicable legal and regulatory compliance requirements. The Board of Directors maintains overall responsibility for oversight of the work of its various committees by having regular reports from the chairman of each Committee with respect to the work performed by his respective Committee. In addition, discussions about the Company's strategic plan, financial results, capital structure, merger and acquisition related activity and other business discussed with the Board generally includes discussion of the risks associated with the matters under consideration.

### **Board of Directors Meetings**

The Board of Directors met six times during 2013. Each director attended more than 75 percent of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board on which he served. Members of the Board of Directors are also encouraged to attend the Company's annual meeting of shareholders each year. All of the members of the Board of Directors attended the Company's 2013 Annual Meeting of Shareholders.

### **Board of Directors Committees**

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Each of the Committees consists of independent directors and each of the Committees has adopted a written charter which is available on the Company's website at [www.nwpipe.com](http://www.nwpipe.com) under the heading "Corporate Governance", or by writing to Northwest Pipe Company, attn. Corporate Secretary, 5721 SE Columbia Way, Suite 200, Vancouver, WA 98661.

The table below lists the current membership of each Committee.

<b>Name:</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Governance Committee</b>
James E. Declusin		X	
Harry L. Demorest	X*		X
Michael C. Franson		X	X*
Wayne B. Kingsley	X	X	X
Keith R. Larson	X	X*	

\* Committee Chairman

**Audit Committee.** The Audit Committee of the Board of Directors is responsible for the oversight and monitoring of: the integrity of the Company's financial reporting process, financial internal control systems, accounting and legal compliance and the integrity of our financial reporting; the qualifications, independence and performance of our independent auditors; our compliance with applicable legal and regulatory requirements; and the maintenance of open and private, if necessary, communication among the independent auditors, management, legal counsel and the Board. The Audit Committee met 8 times in 2013. Each member of the Audit Committee is independent as defined by applicable U.S. Securities and Exchange Commission (SEC) and Nasdaq Stock Market rules. The Board of Directors has determined that Mr. Demorest and Mr. Larson each qualifies as an audit committee financial expert as defined by the rules of the SEC.

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**Compensation Committee.** The Compensation Committee of the Board of Directors is responsible for the oversight and determination of executive compensation by reviewing and approving salaries and other compensation of the Company's executive officers, and administering the Company's equity incentive and compensation plans, including reviewing and approving stock option and other equity incentive and compensation awards to executive officers. In addition, the Compensation Committee is responsible for recommending to the Board the level and form of compensation and benefits for directors, and reviewing, recommending and taking action upon any other compensation practices or policies of the Company as the Board may request or the Committee may determine to be appropriate. The Committee has sole authority to retain and terminate a compensation consultant to assist in the evaluation of executive compensation. The Compensation Committee met seven times in 2013. Each member of the Compensation Committee is independent as defined by applicable Nasdaq Stock Market rules.

**Nominating and Governance Committee.** The Nominating and Governance Committee of the Board of Directors recommends to the Board of Directors corporate governance principles for the Company, identifies qualified candidates for membership on the Board of Directors, and proposes nominees for election as directors. The Nominating and Governance Committee met four times in 2013. Each member of the Nominating and Governance Committee is independent as defined by applicable Nasdaq Stock Market rules.

## **Communications with Directors**

Any shareholder who wants to communicate with members of the Board of Directors, individually or as a group, may do so by writing to the intended member or members of the Board of Directors, c/o Chairman of the Board, Northwest Pipe Company, 5721 SE Columbia Way, Suite 200, Vancouver WA 98661. Communications should be sent by overnight or certified mail, return receipt requested. All communications will be submitted to the Board of Directors in a timely manner.

**Nominations by Shareholders** In identifying qualified candidates for the Board of Directors, the Nominating and Governance Committee will consider recommendations by shareholders. Shareholder recommendations as to candidates for election to the Board of Directors may be submitted to Northwest Pipe Company, Attn: Corporate Secretary, 5721 SE Columbia Way, Suite 200, Vancouver, Washington, 98661. The Nominating and Governance Committee will evaluate potential nominees, including candidates recommended by shareholders, by reviewing qualifications, considering references, and reviewing and considering such other information as the members of the Nominating and Governance Committee deem relevant. The Company's Corporate Governance Principles specify that the criteria used by the Nominating and Governance Committee in the selection, review and evaluation of possible candidates for vacancies on the Board should include factors relating to whether the candidate would meet the definition of independent as well as skills, occupation and experience in the context of the needs of the Board. All candidates for election to the Board of Directors must be individuals of character, integrity and honesty. The Company does not have a formal policy with respect to the consideration of diversity in identifying director candidates; however, the Board does consider diversity in reviewing director nominee candidates. The Nominating and Governance Committee has not employed any third parties to help identify or screen prospective directors in the past, but may do so at their discretion.

The Company's Bylaws permit shareholders to make nominations for the election of directors, if such nominations are made pursuant to timely notice in writing to the Company's Secretary. To be timely, notice must be delivered to, or mailed to and received at, the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the date of the meeting, provided that at least 60 days notice or prior public disclosure of the date of the meeting is given or made to shareholders. If less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be received by the Company not later than the close of business on the tenth day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made. A shareholder's notice of nomination must also set forth certain information specified in the Company's Bylaws concerning each person the shareholder proposes to nominate for election and the nominating shareholder.

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At the Annual Meeting, two directors will be elected for three-year terms. Unless otherwise specified on the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the election of the nominees named below. The Board of Directors believes that the nominees will stand for election and will serve if elected as directors. However, if any of the persons nominated by the Board of Directors fail to stand for election or is unable to accept election, the proxies will be voted for the election of such other person as the Board of Directors may recommend.

The Company's Articles of Incorporation provide that the Board of Directors shall be composed of not less than six and not more than nine directors. The size of the Board is currently fixed at seven directors. The Company's directors are divided into three classes. The term of office of only one class of directors expires each year, and their successors are generally elected for terms of three years, and until their successors are elected and qualified. There is no cumulative voting for election of directors.

**Information as to Nominees and Continuing Directors**

The following table sets forth the names of and certain information about the Board of Directors' nominees for election as a director and those directors who will continue to serve after the Annual Meeting.

	Age	Director Since	Expiration of Current Term	Expiration of Term for Which Nominated
<b>Nominees:</b>				
Wayne B. Kingsley	71	1987	2014	2017
Scott J. Montross	49	2013	2014	2017
<b>Continuing Directors:</b>				
Keith R. Larson	56	2007	2015	
Richard A. Roman	62	2003	2015	
James E. Declusin	71	2010	2016	
Harry L. Demorest	72	2013	2016	
Michael C. Franson	59	2007	2016	

**Nominees for Director**

**Wayne B. Kingsley** has been a director of the Company since 1987. Mr. Kingsley is Chairman of the Board of Directors of American Waterways, Inc., a privately held passenger vessel excursion company. From 1985 to 2002, Mr. Kingsley served as Chairman of the Board of Directors of InterVen Partners, Inc., a venture capital management company, of which he was a founder and served as General Partner of the venture capital funds managed by InterVen Partners, Inc. Mr. Kingsley also serves on the Board of Directors of one not-for-profit entity. Currently, he is a member of our Audit Committee, our Compensation Committee, and our Nominating and Governance Committee. Mr. Kingsley brings to the Board over 25 years of experience as a member of the Board of Directors and investor in the Company, as well as his background as a manager and investor of venture capital funds, member of investee company boards of directors, and more recent experience as a founder of and chairman of a privately held passenger vessel excursion company.

**Scott J. Montross** has been a director of the Company since January 2013. Mr. Montross has served as our President and CEO since January 2013, and as our Chief Operating Officer from May 2011 until December 2012. Previously he served as Executive Vice President, Flat Products Group of Evraz, Inc. NA from March 2010 through April 2011. Mr. Montross served as Vice President, General Manager, Evraz Oregon Steel from February 2007 through February 2010. Prior to his General Manager role, Mr. Montross served as Vice President of Sales at Oregon Steel Mills, Inc. from June 2003 through February 2007. From 2002 to 2003, Mr. Montross was a Vice President of Sales for National Steel Corporation. Mr. Montross brings to the Board his extensive commercial and operational experience in the steel industry.

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**Table of Contents****Continuing Directors**

**Keith R. Larson** has been a director of the Company since May 2007. Mr. Larson is a Vice President of Intel Corporation and Managing Director of Intel Capital, Intel Corporation's venture investment group. Mr. Larson was appointed Vice President in 2006 and has served as a Managing Director of Intel Capital since 2004, managing a team of investment professionals focused on identifying, making, and managing strategic investments in the manufacturing and Intel Labs sectors. Mr. Larson has previously managed Latin America, Taiwan and Korea regions for Intel Capital, and for approximately three months in 2004, Mr. Larson managed the Western Europe and Israel investment team of Intel Capital. From 1999 to 2003, Mr. Larson was a Sector Director managing teams of investment professionals investing in communications, networking, and data storage sectors. Mr. Larson also currently serves on the board of regents of a university and one state government council, which oversees approximately \$80 billion in investments of various Oregon State agencies and funds such as the Oregon Public Employees Retirement Fund. Currently, he is the Chairman of our Compensation Committee and a member of our Audit Committee. Mr. Larson brings to the Board his experience as a senior executive in corporate development in a large multinational public company.

**Richard A. Roman** has been a director of the Company since 2003. Effective January 1, 2013, Mr. Roman became the Chairman of the Board of Directors. Mr. Roman has also served as our CEO from March 2010 until December 2012, and as President from October 2010 until December 2012. Previously, Mr. Roman was the President of Columbia Ventures Corporation, a private investment company which historically has focused principally on the international metals and telecommunications industries. Prior to joining Columbia Ventures Corporation in 1992, Mr. Roman was a partner at Coopers & Lybrand, an independent public accounting firm. Mr. Roman also serves on the Board of Directors of one privately held manufacturing company and one privately held communications company. Mr. Roman brings to the Company his knowledge and experience as a partner at a large national independent public accounting firm as well as his more recent management experience as an executive officer of a private investment company.

**James E. Declusin** has been a director of the Company since August 2010. Mr. Declusin served as President and CEO of Evraz Inc. NA until February 2010 and as President and CEO of Oregon Steel Mills, Inc. from August 2003 until Oregon Steel Mills was acquired by Evraz Group SA in January 2007. He served as a director of Oregon Steel Mills and, subsequently, Evraz Inc. NA from 2000 until 2010. Mr. Declusin spent 16 years with California Steel Industries, most recently serving as Senior Executive Vice President and Chief Operating Officer, retiring in October 2000. Prior to that time, he spent 17 years in various management positions in the commercial area of Kaiser Steel Corporation. Currently, he is the Board's Lead Director and a member of our Compensation Committee. Mr. Declusin brings to the Board over 40 years of experience in the steel industry, including, most recently, as president and chief executive officer of a large publicly-held steel manufacturing company.

**Harry L. Demorest** has been a director of the Company since February 2013. Mr. Demorest served as CEO of Columbia Forest Products from 1996 until 2007, as President from 1994 until 1996, and as Executive Vice President from 1992 until 1994. Prior to Columbia Forest Products, Mr. Demorest was the Office Managing Partner for Arthur Anderson and Co., an independent public accounting firm, from 1981 to 1991 in Portland, Oregon. Mr. Demorest is a current board member at Columbia Forest Products, serving on its compensation and audit committees, and a former board member and audit committee chairman of Oregon Steel Mills, Inc. Mr. Demorest has also served on the boards of several civic and charitable organizations. Currently, he is the Chairman of our Audit Committee and a member of our Nominating and Governance Committee. Mr. Demorest brings to the Board his extensive financial and managerial experience.

**Michael C. Franson** has been a director of the Company since January 2007. Mr. Franson is a founder and is President of St. Charles Capital LLC, an investment banking firm formed in 2005. St. Charles Capital provides expertise in mergers and acquisitions, raising private capital and financial advisory services for middle-market companies across the United States. Prior to founding St. Charles Capital, Mr. Franson was a Managing Director at The Wallach Company, which was subsequently sold to KeyCorp, the parent of KeyBanc Capital Markets.



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Prior to joining The Wallach Company, Mr. Franson was a partner at Boettcher and Company, a regional investment-banking firm located in Denver. Mr. Franson began his career as an equity analyst at Pacific Mutual Insurance Company, located in Newport Beach, California. Mr. Franson had previously served as a member of our Board of Directors from 2001 until 2005. Currently, he is the Chairman of our Nominating and Governance Committee and a member of our Compensation Committee. Mr. Franson brings to the Board his background and expertise in investment banking, including substantial experience in financial analysis and financial advisory services, merger and acquisition transactions and a wide variety of capital raising and financing transactions.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF ITS NOMINEES FOR DIRECTOR. PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR THE ELECTION OF THE BOARD'S NOMINEES UNLESS A VOTE WITHHOLDING AUTHORITY IS SPECIFICALLY INDICATED.**

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

This compensation discussion and analysis provides information about our compensation program for our 2013 Named Executive Officers:

Scott J. Montross, President and Chief Executive Officer;

Robin A. Gantt, Senior Vice President and Chief Financial Officer;

Robert L. Mahoney, Senior Vice President;

Richard A. Roman, Executive Chairman of the Board of Directors through the end of 2013, and currently the Chairman; and

Gary A. Stokes, Senior Vice President (through April 15, 2014).

Further information about each of our executive officers is available in Part III, Item 10 of our 2013 Annual Report on Form 10-K.

***Compensation Philosophy and Objectives.*** The Board of Directors and executive management at the Company believe that the performance and contribution of our executive officers are critical to our overall success. To attract, retain, and motivate the executives to accomplish our business strategy, the Compensation Committee establishes executive compensation policies and oversees executive compensation practices at the Company.

The Compensation Committee believes that the most effective executive compensation program is one that is designed to reward the achievement of our specific annual and long-term goals, and which aligns executives' interests with those of the shareholders by rewarding performance that exceeds established goals, with the ultimate objective of improving shareholder value.

The Compensation Committee also evaluates compensation programs to ensure that we maintain our ability to attract, retain and motivate superior employees in key positions and that compensation provided to key employees remains competitive. The Compensation Committee believes our executive compensation packages should include both cash and share-based compensation that reward performance as measured against established goals and market performance.

In 2011, the Compensation Committee engaged an independent compensation consultant, Mercer LLC ( Mercer ), to conduct a review of our executive compensation program, and to advise the Compensation Committee on the levels of base salary as well as on the design of the Company's performance-based cash incentive program and long-term equity incentive program. To that end, Mercer developed a competitive peer group and performed benchmarking analysis of the levels and mix of compensation. The Compensation Committee used the results from this peer group and benchmarking analysis as reference data in making judgments regarding executive compensation without the implementation of a formal policy. The following peer companies were included in the analysis:

Aegion Corp

Circor Intl Inc

Foster (LB) Co

Lufkin Industries Inc

Mueller Water Products Inc

Ampco-Pittsburgh Corp

Flow Intl Corp

Lindsay Corp

MFRI Inc

Synalloy Corp

Valmont Industries, Inc.

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**Process for Setting Executive Compensation.** The Compensation Committee annually reviews and approves compensation levels and pay mix for our executives.

The Compensation Committee exercises business judgment in determining the appropriate level and mix of executive compensation; cash compensation is used to provide a base salary, and to incentivize and reward our executives based on their contributions to the Company, and equity compensation is used to tie the interests of the executives to the interests of our shareholders. There is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation, which enables the Compensation Committee the flexibility to adjust allocations dynamically as business conditions warrant.

The Compensation Committee uses qualitative individual performance objectives as a factor in making its decisions. The Compensation Committee and the CEO annually review the performance of each executive officer (other than the CEO whose performance is reviewed by the Compensation Committee after an evaluation from the Chairman). Based on these reviews, the Compensation Committee makes compensation decisions, including salary adjustments and annual bonus awards, for the executive officers.

The Compensation Committee evaluates and considers the Company's annual performance within the context of its long-term strategic plan, identifying areas in which expectations were exceeded, achieved or fell below stated goals. The structure of all incentive compensation plans is reviewed periodically to assure their linkage to the current objectives, strategies and performance goals.

The Compensation Committee evaluates and considers a variety of growth and profitability measures relative to historical performance and internal plans for awarding performance-based cash incentive compensation.

The Compensation Committee evaluates and considers Total Shareholder Return, defined as the total increase in share price plus dividends, relative to peer performance and other performance criteria for awarding long-term equity incentive awards. In 2013, the members of the peer group were revised and expanded. Our 2013 performance share awards ( PSAs ) peer group differs from the companies identified by Mercer in their 2011 analysis, as the Compensation Committee performed a review in 2013 and updated the group to (i) expand the size to ensure a sufficient number of companies to stand up over time to changes in the marketplace, (ii) reflect a representation of the companies whose scope of operations were generally consistent with the Company's size and complexity, and (iii) represent the external market for senior talent. The 2013 PSA peer group was comprised of the following companies:

Aegion Corp	Ampco-Pittsburgh Corp	Badger Meter Inc
Circor Intl Inc	Dynamic Materials Corp	Foster (LB) Co
Hardinge Inc	Haynes International Inc	Insteel Industries Inc
Kaydon Corporation*	Lindsay Corp	MFRI Inc
Mueller Water Products Inc	NN, Inc	Orion Marine Group, Inc
Synalloy Corp	Tecumseh Products	Valmont Industries, Inc.
Watts Water Technologies Inc		

\* Kaydon Corporation entered in to a Merger Agreement in September 2013, and will not be included in the 2013 PSA peer group going forward.

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The Compensation Committee generally does not utilize specific benchmark levels. Rather, the Compensation Committee considers broad, market based survey data, such as that provided by Mercer, *salary.com* and *WorldatWork.org*, when assessing the competitiveness of compensation levels and pay mix for the CEO, CFO and other executives.

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From time to time, the Compensation Committee has retained Mercer to advise the Committee on executive or director compensation matters, to assess total compensation program levels and program elements for executive officers or directors, and to evaluate marketplace trends in executive or director compensation. For 2013, the Compensation Committee did not retain Mercer.

**Elements of Compensation.** For the year ended December 31, 2013, the principal components of compensation for executive officers were:

base salary;

performance-based cash incentive compensation;

long-term equity incentive awards (restricted stock units and performance share awards);

retirement benefits; and

perquisites and other personal benefits.

**Base Salary.** We provide executive officers and other employees with a base salary to compensate them for services rendered during the fiscal year. Base salaries are determined for each executive based on his or her experience, position and responsibilities, and takes in to consideration market data and conditions. In addition, we consider the individual performance of each executive, and conduct internal reviews of each executive's compensation to ensure equity among executive officers. Salary levels are typically reviewed annually as part of our performance review process as well as upon a promotion or other change in job responsibility. Merit based increases to salaries are based on the Compensation Committee's assessment of the individual executive's performance in conjunction with recommendations provided by the CEO.

Base salary is reflected in the Salary column in the Summary of Cash and Certain Other Compensation table on page 14.

**Performance-Based Cash Incentive Compensation.** We provide executive officers and other employees with incentive compensation to retain, incentivize and reward them for high performance and achievement of corporate goals. The incentive compensation program provides for an award of cash incentive compensation to executive officers and others as a reward for our growth and profitability, and places a significant percentage of each executive officer's compensation at risk. Awards are based on our achievement of certain financial performance measures each year.

The performance measure for 2013 for Messrs. Montross and Mahoney and Ms. Gantt was Adjusted Income before Income Taxes, for which the Compensation Committee established a target level of \$36.5 million. Adjusted Income before Income Taxes is calculated by adjusting our income before income taxes as reported in our audited financial statements for certain events that occur during the year, such as the acquisitions of businesses, the sales of significant capital assets, or other extraordinary or unusual developments. For 2013, Adjusted Income before Income Taxes excludes the loss on the impairment of fixed assets.

Performance measures for 2013 for Mr. Stokes were Adjusted Income before Income Taxes and Water Transmission Operating Income, for which the Compensation Committee established target levels of \$36.5 million and \$44.5 million, respectively. Fifty percent of Mr. Stokes's award is based on each performance measure. Operating Income is calculated by applying to our segment operating income as reported in our audited financial statements the same adjustments made to Adjusted Income before Income Taxes, as those adjustments relate specifically to the respective business segment.

Mr. Roman was not eligible to participate in our Performance-Based Cash Incentive Compensation.

The Compensation Committee also established a payout range for the awards for each executive officer based on the level of achievement of the performance measure. For Mr. Montross, the target payout for 2013 was



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seventy percent of 2013 annual base salary upon achievement of one hundred percent of the performance target, with the payout range extending from \$0 at or below fifty percent of target performance to one hundred and forty percent of 2013 base salary at or above one hundred and thirty percent of target performance. For Messrs. Mahoney and Stokes and Ms. Gantt, the target payout for 2013 was fifty percent of 2013 annual base salary upon achievement of one hundred percent of performance target, with the payout range extending from \$0 at or below fifty percent of target performance to one hundred percent of 2013 annual base salary at or above one hundred and thirty percent of target performance. Payouts for performance within the range will be interpolated on a straight line basis. Even if the performance measures are met, the Compensation Committee retains the right to adjust the actual amounts of the award to each individual at its discretion. Such adjustments may be based on individual performance, as well as external factors affecting us or the occurrence of unusual or infrequent events; in 2013, Mr. Montross's award was reduced by 5% for adjustments based on individual performance. The following table reflects, for each of the Named Executive Officers, the applicable performance target, actual performance and amount of award:

Name	2013 Performance Target (million \$)	2013 Actual Performance (million \$)	2013 Target Award (\$)	2013 Actual Award (\$)
Scott Montross	\$ 36.5	\$ 24.5	\$ 350,000	\$ 112,970
Robin A. Gantt	36.5	24.5	137,469	46,706
Robert L. Mahoney	36.5	24.5	152,353	51,763
Gary A. Stokes				
<i>Adjusted Income before Income Taxes</i>	36.5	24.5	76,197	25,889
<i>Water Transmission Operating Income</i>	44.5	40.3	76,197	61,961

Performance-based cash incentive compensation is reflected in the Non-Equity Incentive Plan Compensation column in the Summary of Cash and Certain Other Compensation table on page 14.

**Discretionary Incentive Compensation.** We provide, from time to time, additional discretionary incentive compensation in recognition of an executive officer's or other employee's success in attaining results that delivered value to the Company, but were not captured in the performance-based cash incentive compensation, or for other reasons as determined appropriate by the Compensation Committee. In 2013, Mr. Stokes received discretionary incentive compensation of \$2,870.

Discretionary incentive compensation is reflected in the Bonus column in the Summary of Cash and Certain Other Compensation table on page 14.

**Long-Term Equity Incentive Awards.** We provide long-term equity incentive awards to executive officers and certain designated key employees. The long-term equity incentive awards are designed to ensure that our executive officers and key employees have a continuing stake in our long-term success. In addition, the awards emphasize pay-for-performance. Terms and conditions of the awards are determined on an annual basis by the Compensation Committee. The amount of the equity award in 2013 was determined based on a percentage of the recipient's base salary; the equity award at target was eighty-five percent for the Named Executive Officers, other than the CEO, whose award was one hundred and fifty percent, and the Executive Chairman of the Board, who was not granted an award. Under the grant, twenty five percent of the award was in the form of restricted stock units (RSUs), and seventy five percent of the award was in the form of PSAs.

RSUs are service-based and entitle the holder to receive Common Stock at the end of the vesting period (one-third of the 2013 awards vested in seven months, one-third vest in nineteen months, and one-third vest in thirty-one months), subject to continued employment. RSUs are designed to attract and retain executive officers and others by providing them with the benefits associated with the increase in the value of the Common Stock during the vesting period, while incentivizing them to remain with us long-term.



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PSAs are service-based awards with a market-based vesting condition. PSAs serve several purposes. They have value to the holder only if the goals are achieved during their performance measurement period and they serve as a retention tool because certain of the 2013 awards performance measurement periods extend to December 31, 2015. Additionally, the holders benefit further if they are successful in increasing the value of our Common Stock. The 2013 PSAs were granted with a market-based vesting condition that entitle the holder to receive between zero and two hundred percent of the target award, based on our Total Shareholder Return compared to our 2013 PSA peer group.

The market-based PSAs vest in January 2016, following the 2013 – 2015 measurement period. The following scale shows the adjustment to the number of PSAs that may be awarded following the measurement period:

Total Shareholder Return	Payout as a Percentage
vs. Peer Group	of
	Target Award
85 <sup>th</sup> percentile or higher	200%
50 <sup>th</sup> percentile	100%
25 <sup>th</sup> percentile	25%
Less than 25 <sup>th</sup> percentile	0%

Payouts for performance between the rankings will be interpolated on a straight line basis.

Long-term equity incentive awards are reflected in the Stock Awards column in the Summary of Cash and Certain Other Compensation table on page 14.

**Retirement Benefits.** In order to provide competitive total compensation, we offer our executive officers and certain designated key employees a nonqualified retirement savings plan (the Deferred Compensation Plan), which provides executive officers and others with the opportunity to defer salary and bonus compensation for a period of years or until termination of employment. Executive officers who defer salary or bonus under the Deferred Compensation Plan are credited with market-based returns. We may make a discretionary matching contribution based on deferrals made by each participant. In addition, we will make a contribution based on a target benefit projected for each participant. The target benefit projected is 1% of base salary in the year before attaining normal retirement age per year of employment (up to 35 years) with us. For 2013, Company contributions to the Deferred Compensation Plan accounted for between one and four percent of the total compensation for each of the Named Executive Officers.

We also offer a qualified 401(k) defined contribution plan. The ability of executive officers to participate fully in this plan is limited under IRS and ERISA requirements. The 401(k) plan encourages employees to save for retirement by investing on a regular basis through payroll deductions.

Retirement benefits are reflected in the All Other Compensation column in the Summary of Cash and Certain Other Compensation table on page 14.

**Perquisites and Other Personal Benefits.** We provide executive officers with perquisites and other personal benefits that we and the Compensation Committee believe are reasonable and consistent with our overall compensation program to better enable us to attract, retain and motivate employees for key positions. We are selective in our use of perquisites, utilizing perquisites that are commonly provided, the value of which is generally modest. The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to executive officers. The primary perquisites are car allowances and life insurance premiums.

Perquisites and other personal benefits are reflected in the All Other Compensation column in the Summary of Cash and Certain Other Compensation table on page 14.

**Executive Compensation and Risk.** Although a substantial portion of the compensation paid to our executive officers is performance-based, we believe our executive compensation programs do not encourage

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excessive and unnecessary risk-taking by our executive officers because these programs are designed to encourage our executive officers to remain focused on both the short-term and long-term operational and financial goals of the Company. We achieve this balance through a combination of elements in our overall compensation plans, including: elements that reward different aspects of short-term and long-term performance; incentive compensation that rewards performance on a variety of different measures; awards that are paid based on results averaged out over several years; and awards paid in cash and awards paid in shares of the Company's stock, to encourage better alignment with the interests of shareholders.

***Clawback Provisions.*** Our performance-based cash incentive compensation program contains a provision that allows the Company to recapture amounts paid to the Named Executive Officers under certain circumstances. If the Company's financial statements are the subject of a restatement due to misconduct, to the extent permitted by governing law, in all appropriate cases, the Company will seek reimbursement of excess incentive cash compensation paid under the program for the relevant years. For purposes of this provision, excess incentive cash compensation means the positive difference, if any, between (i) the award paid to the Named Executive Officer and (ii) the award that would have been made to the Named Executive Officer, not including the effect of any discretionary reductions made by the Committee, had the target award been calculated based on the Company's financial statements as restated.

***Stock Ownership and Anti-Hedging/Pledging Policy.*** The Nominating and Governance Committee of the Board of Directors has adopted a stock ownership policy because it believes it is in the best interests of the Company and its shareholders to align the financial interests of our executive officers and directors with those of the Company's shareholders. Under the policy, the directors are expected to accumulate and own shares having a market value equal to three times their annual cash retainer; the CEO is expected to accumulate and own shares having a market value equal to three times his base salary; and each of the other Named Executive Officers is expected to accumulate and own shares having a market value equal to two times his or her base salary. Each executive officer or director has five years to accumulate the expected ownership level beginning from the later of September 2011 or their date of hire or promotion. In addition, executive officers and directors are expressly prohibited from engaging in hedging transactions related to the Company's stock, including trading in publicly-traded options, puts, calls, or other derivative instruments related to the Company's stock, and from pledging the Company's stock as collateral for a loan.

***Advisory Vote on Executive Compensation.*** The Compensation Committee carefully considers the voting results of this proposal each year, though the final vote is advisory in nature and therefore not binding on the Company. Our shareholders expressed strong support for our executive compensation program in the advisory vote at our 2013 Annual Meeting of Shareholders. Based upon these results, the Compensation Committee has determined to follow the shareholders' recommendation by continuing our present compensation policies and practices.

**Table of Contents****Summary of Cash and Certain Other Compensation**

The following table reflects compensation earned by our CEO, our CFO, and each of the three other most highly compensated executive officers, for the years ended December 31, 2013, 2012 and 2011 (the Named Executive Officers ).

**Summary Compensation Table**

Name and Principal Position	Year	Salary <sup>(1)</sup>	Bonus <sup>(2)</sup>	Stock Awards <sup>(3)</sup>	Non-Equity Incentive Plan Compensation	All Other Compensation	Total (\$)
Scott J. Montross <sup>(4)</sup>	2013	\$ 500,000		\$ 933,963	\$ 112,970	\$ 52,950 <sup>(5)</sup>	\$ 1,599,883
Director, Chief Executive Officer and President	2012	400,000		521,645	97,065	16,110 <sup>(5)</sup>	1,034,820
	2011	244,100		449,542	236,607	9,623 <sup>(5)</sup>	939,872
Robin A. Gantt	2013	274,938		294,536	46,706	34,737 <sup>(6)</sup>	650,917
Senior Vice President, Chief Financial Officer	2012	265,000	\$ 25,000 <sup>(7)</sup>	279,759	51,036	32,548 <sup>(6)</sup>	653,343
	2011	221,900		202,292	153,616	15,180 <sup>(6)</sup>	592,988
Robert L. Mahoney	2013	304,705		324,898	51,763	50,937 <sup>(8)</sup>	732,303
Senior Vice President	2012	298,000		314,603	57,392	52,354 <sup>(8)</sup>	722,349
	2011	264,600		267,938	101,476	44,972 <sup>(8)</sup>	678,986
Richard A. Roman	2013	505,000				26,591 <sup>(9)</sup>	531,591
Director, Executive Chairman of the Board of Directors	2012	530,000		310,504	135,756	59,742 <sup>(9)</sup>	1,036,002
	2011	530,000	125,000 <sup>(10)</sup>	1,381,267	513,726		2,549,993
Gary A. Stokes	2013	304,787	2,870 <sup>(11)</sup>	324,971	87,849	58,504 <sup>(12)</sup>	778,981
Senior Vice President	2012	298,000		314,689	48,796	57,173 <sup>(12)</sup>	718,658
	2011	295,600		268,008	250,096	55,019 <sup>(12)</sup>	868,723

- (1) Includes amounts earned in each of the respective years, even if deferred.
- (2) Annual bonus represents amount earned for the year. Actual payments may be made over subsequent years.
- (3) The amounts included in this column represent the aggregate grant date fair value of RSUs and PSAs granted during the years reported in accordance with FASB ASC Topic 718. The assumptions used to calculate the grant date fair value for the stock awards are in Note 12 to the Consolidated Financial Statements included in Part II Item 8, Financial Statements and Supplementary Data of our 2013 Annual Report on Form 10-K. These amounts do not correspond to the actual value that will be recognized by the named executives.
- (4) Mr. Montross was named Director, Chief Executive Officer and President in January 2013.
- (5) Amount includes \$28,055 in 2013 contributed by us to Mr. Montross's nonqualified retirement savings plan, and amounts paid by us for contributions to Mr. Montross's qualified 401(k) defined contribution plan, life insurance premiums and annual automobile allowance.
- (6) Amount includes \$12,692 and \$12,071 in 2013 and 2012, respectively, contributed by us to Ms. Gantt's nonqualified retirement savings plan, and amounts paid by us for contributions to Ms. Gantt's qualified 401(k) defined contribution plan, life insurance premiums and annual automobile allowance.

- (7) Amount is a discretionary cash bonus awarded to Ms. Gantt by the Compensation Committee for her efforts and individual performance in 2012.
  
- (8) Amount includes \$26,233, \$25,737 and \$20,894 in 2013, 2012 and 2011, respectively, contributed by us to Mr. Mahoney's nonqualified retirement savings plan, and amounts paid by us for contributions to Mr. Mahoney's qualified 401(k) defined contribution plan, life insurance premiums and annual automobile allowance.

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- (9) Amount includes \$13,747 and \$47,304 in 2013 and 2012 contributed by us to Mr. Roman's nonqualified retirement savings plan, and amounts paid by us for contributions to Mr. Roman's qualified 401(k) defined contribution plan and life insurance premiums.
- (10) Amount is a discretionary cash bonus awarded to Mr. Roman by the Compensation Committee for his efforts and individual performance in 2011.
- (11) Amount is a discretionary cash bonus awarded to Mr. Stokes by the Compensation Committee for his efforts and individual performance in 2013.
- (12) Amount includes \$31,278, \$30,406 and \$32,220 in 2013, 2012 and 2011, respectively, contributed by us to Mr. Stokes' nonqualified retirement savings plan, and amounts paid by us for contributions to Mr. Stokes' qualified 401(k) defined contribution plan, annual automobile allowance and life insurance premiums.

**2013 Grants of Plan-Based Awards**

The following table reflects grants of long-term equity incentive awards granted to each of the eligible Named Executive Officers for the year ended December 31, 2013.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			Grant Date Fair Value of Stock Awards <sup>(1)</sup>
		Threshold (#)	Target (#)	Maximum (#)	
Scott J. Montross	05/31/2013 <sup>(2)</sup>		6,821	6,821	\$ 187,509
	05/31/2013 <sup>(3)</sup>		20,462	40,924	746,454
Robin A. Gantt	05/31/2013 <sup>(2)</sup>		2,151	2,151	59,131
	05/31/2013 <sup>(3)</sup>		6,453	12,906	235,405
Robert L. Mahoney	05/31/2013 <sup>(2)</sup>		2,373	2,373	65,234
	05/31/2013 <sup>(3)</sup>		7,118	14,236	259,665
Richard A. Roman					
Gary A. Stokes	05/31/2013 <sup>(2)</sup>		2,373	2,373	65,234
	05/31/2013 <sup>(3)</sup>		7,120	14,240	259,738

- (1) The amount included in this column represents the aggregate grant date fair value of awards granted in accordance with FASB ASC Topic 718. The assumptions used to calculate the grant date fair value for the stock awards are in Note 12 to the Consolidated Financial Statements included in Part II - Item 8, Financial Statements and Supplementary Data of our 2013 Report on Form 10-K.
- (2) Awards represent the RSUs granted under the long-term equity incentive plan. The methodology applied in determining these awards and how they are earned is discussed under "Long-Term Equity Incentive Awards" above.
- (3) Awards represent the PSAs granted under the long-term equity incentive plan. The methodology applied in determining these awards and how they are earned is discussed under "Long-Term Equity Incentive Awards" above.

**Table of Contents****Outstanding Equity Awards at 2013 Fiscal Year End**

The following table sets forth, for each of the Named Executive Officers, the equity awards made to each such Named Executive Officer that were outstanding at December 31, 2013.

Name	Option Awards			Stock Awards		
	Number of Securities Underlying Unexercised Options (#)		Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(1)</sup>
Scott J. Montross					1,893 <sup>(2)</sup>	\$ 71,480
					3,788 <sup>(3)</sup>	143,035
					2,991 <sup>(4)</sup>	112,940
					4,487 <sup>(5)</sup>	169,429
					8,975 <sup>(6)</sup>	338,896
					6,821 <sup>(7)</sup>	257,561
Robin A. Gantt					20,462 <sup>(8)</sup>	772,645
					851 <sup>(2)</sup>	32,134
					1,705 <sup>(3)</sup>	64,381
					1,604 <sup>(4)</sup>	60,567
					2,407 <sup>(5)</sup>	90,888
					4,813 <sup>(6)</sup>	181,739
Robert L. Mahoney					2,151 <sup>(7)</sup>	81,222
					6,453 <sup>(8)</sup>	243,665
					1,128 <sup>(2)</sup>	42,593
					2,258 <sup>(3)</sup>	85,262
					1,804 <sup>(4)</sup>	68,119
					2,706 <sup>(5)</sup>	102,179
Richard A. Roman	2,000 <sup>(9)</sup> 2,000 <sup>(10)</sup> 2,000 <sup>(11)</sup> 2,000 <sup>(12)</sup> 24,000 <sup>(13)</sup>		\$ 14.000 22.070 28.310 34.770 24.150	5/11/2014 5/10/2015 5/9/2016 5/30/2017 3/29/2020	5,413 <sup>(6)</sup>	204,395
					2,373 <sup>(7)</sup>	89,604
					7,118 <sup>(8)</sup>	268,776
					4,016 <sup>(2)</sup>	151,644
					8,030 <sup>(3)</sup>	303,213
					1,781 <sup>(4)</sup>	67,251
Gary A. Stokes					2,671 <sup>(5)</sup>	100,857
					5,342 <sup>(6)</sup>	201,714
					1,129 <sup>(2)</sup>	42,631
					2,259 <sup>(3)</sup>	85,300
					1,805 <sup>(4)</sup>	68,157
					2,707 <sup>(5)</sup>	102,216
					5,414 <sup>(6)</sup>	204,433
					2,373 <sup>(7)</sup>	89,604
					7,120 <sup>(8)</sup>	268,851

- (1) Market value is based on the closing market price of \$37.76 of our common stock on December 31, 2013.
- (2) These RSUs were granted on October 10, 2011 and vested on January 1, 2014.

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- (3) These PSAs were granted on October 10, 2011 and 148% vested on January 1, 2014, based upon performance of our Total Shareholder Return from January 1, 2011 through December 31, 2013.
- (4) These RSUs were granted on June 14, 2012 and vest as follows: 50% on January 1, 2014 and 50% on January 1, 2015.
- (5) These PSAs were granted on June 14, 2012 and 75% vested on January 1, 2014, based upon performance of our Total Shareholder Return from January 1, 2012 through December 31, 2013.
- (6) These PSAs were granted on June 14, 2012 and will vest on January 1, 2015, dependent upon performance of our Total Shareholder Return from January 1, 2012 through December 31, 2014.
- (7) These RSUs were granted on May 31, 2013 and vest as follows: 33.33% on January 1, 2014, 33.33% on January 1, 2015 and 33.33% on January 1, 2016.
- (8) These PSAs were granted on May 31, 2013 and will vest on January 1, 2016, dependent upon performance of our Total Shareholder Return from January 1, 2013 through December 31, 2015.
- (9) These options were granted on May 11, 2004 and vested immediately.
- (10) These options were granted on May 10, 2005 and vested immediately.
- (11) These options were granted on May 9, 2006 and vested immediately.
- (12) These options were granted on May 30, 2007 and vested immediately.
- (13) These options were granted on March 29, 2010 and vested immediately.

**2013 Option Exercises and Stock Vesting**

The following table sets forth, for each Named Executive Officer, the number of shares acquired upon option exercises and vesting of stock awards during 2013, and the related value realized upon such exercises and vesting.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#) <sup>(2)</sup>	Value Realized on Vesting (\$) <sup>(3)</sup>
Scott J. Montross			11,951	\$ 285,151
Robin A. Gantt			5,507	131,397
Robert L. Mahoney			7,133	170,193
Richard A. Roman	7,000	\$ 116,830	23,054	550,068
Gary A. Stokes			7,134	170,217



- (1) The value realized is based on the difference between the market price at the time of exercise of the options and the applicable exercise price.
- (2) This column shows the number of shares acquired on vesting in 2013 by the Named Executive Officers. The actual number of shares received by these individuals from shares vested in 2013 (net of shares used to cover the applicable income taxes, if so elected) was as follows: Mr. Montross 7,531, Ms. Gantt 3,030, Mr. Mahoney 4,424, Mr. Roman 11,298 and Mr. Stokes 4,354.
- (3) The value realized on vesting is based on the closing market price multiplied by the number of shares of stock vested on the applicable vesting date.

**Table of Contents****2013 Nonqualified Deferred Compensation**

The following table sets forth, for each Named Executive Officer under our Deferred Compensation Plan, the amounts of the contributions made by each executive, the contributions made by us, the earnings generated by the investments within the Plan, and the balance of each Named Executive Officer's account under the Deferred Compensation Plan for the year ended December 31, 2013.

Name	Executive Contributions in Last Fiscal Year	Company Contributions in Last Fiscal Year <sup>(1)</sup>	Aggregate Earnings (Loss) in Last Fiscal Year (\$)	Aggregate Balance at Last Fiscal Year-End <sup>(2)</sup>
Scott J. Montross	\$	\$ 28,055	\$ 1,644	\$ 29,699
Robin A. Gantt		12,692	2,909	28,232
Robert L. Mahoney	12,191	26,233	92,352	958,205
Richard A. Roman		13,747	8,171	71,418
Gary A. Stokes	15,239	31,278	84,856	900,279

- (1) These contributions are also included in the amounts reported in the All Other Compensation Column of the Summary Compensation Table.
- (2) The following portion of the amounts in the Aggregate Balance at Last Fiscal Year-End column were reported in the Summary Compensation Table of previous years in the Salary column (in the case of executive contributions) or in the All Other Compensation column (in the case of Company contributions), respectively: Ms. Gantt \$0 and \$12,071, respectively in 2012; Mr. Mahoney \$11,921 and \$25,737, respectively in 2012 and \$10,584 and \$20,894, respectively in 2011; Mr. Roman \$0 and \$47,304, respectively in 2012; Mr. Stokes \$14,905 and \$30,406, respectively in 2012 and \$14,778 and \$32,220, respectively in 2011.

**Employment Agreements**

**Gary A. Stokes** On March 31, 2014, we entered into an Executive Employment Agreement (the "Stokes Employment Agreement") with Mr. Stokes. Pursuant to the Stokes Employment Agreement, Mr. Stokes, who has resigned his position as the Company's Senior Vice President of Sales and Marketing effective as of April 15, 2014, will be employed by the Company on a part-time basis as Water Transmission Sales Advisor beginning on the same date. The Stokes Employment Agreement has a three-year term and provides for a base salary of \$8,333 per month. Mr. Stokes will also receive coverage under the Company's health benefit plans and will continue to vest in all long-term equity incentive awards granted to him before April 15, 2014 in accordance with the terms of the grants. The Stokes Employment Agreement will terminate upon the death or disability of Mr. Stokes, and the Company may terminate the Stokes Employment Agreement for Cause (as defined in the Stokes Employment Agreement). In the event of a Change in Control (as defined in the Stokes Employment Agreement), Mr. Stokes would be entitled to receive his base salary for the remainder of the term of the Stokes Employment Agreement. During the term of the Stokes Employment Agreement, Mr. Stokes will be prohibited from engaging in any activities or employment that may conflict with the interests of the Company and will be required to comply with certain confidentiality and nonsolicitation requirements. Mr. Stokes did not previously have an employment agreement with the Company, other than the Change in Control Agreement discussed below.

**Richard A. Roman.** We entered into an Amended and Restated Employment Agreement (the "Roman Employment Agreement") with Mr. Roman effective April 21, 2011. The Roman Employment Agreement provided for an annual base salary of \$530,000 and eligibility to participate in our cash and stock incentive plans and all other employee benefit plans available to our employees. The Roman Employment Agreement was originally for a term ending on June 30, 2012; however, the terms of the agreement continued in effect through December 31, 2012. Effective January 1, 2013, Mr. Roman entered into an Executive Employment Agreement (the "Roman Executive Employment Agreement") pursuant to which Mr. Roman served as the Company's

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Executive Chairman of the Board of Directors. The Roman Executive Employment Agreement provided that Mr. Roman's initial annual base salary was \$240,000, and that he would not be eligible to participate in any of the Company's bonus plans or short-term or long-term incentive plans, but that he would continue to vest in any bonus or incentive awards made to him before January 1, 2013, so long as he continued to serve as an employee of the Company. Effective January 1, 2014, Mr. Roman entered into an Amended Executive Employment Agreement (the Amended Roman Executive Employment Agreement) pursuant to which Mr. Roman will serve as the Company's Chairman of the Board of Directors. The Amended Roman Executive Employment Agreement provides that Mr. Roman's annual base salary will be \$150,000, and that he will no longer continue to vest in any bonus or incentive awards made to him before January 1, 2013, with the exception of the awards which vested on January 1, 2014. Mr. Roman also will not be eligible to participate in any of the other employee benefit plans that are generally available to the Company's employees, with the exception of the medical and dental plans. The Amended Roman Executive Employment Agreement may be terminated by either Mr. Roman or the Company upon sixty days written notice. The Amended Roman Executive Employment Agreement will also terminate in the event of Mr. Roman's death or disability. Upon termination of the Amended Roman Executive Employment Agreement for any reason, the Company will be required to pay Mr. Roman's base salary through the date of termination.

During the two-year period beginning on January 1, 2013, the Company will pay Mr. Roman additional compensation in the amount of \$66,250 on the first day of each calendar quarter, provided that no further payments will be made to Mr. Roman after the date he ceases to be a member of the Company's Board of Directors for any reason other than a Change in Control (as defined in the Roman Executive Employment Agreement) or Mr. Roman's death or disability (Involuntary Termination). In the event of an Involuntary Termination, Mr. Roman would be entitled to a lump-sum payment of the amounts he would have received if he had continued to serve as a member of the Board of Directors through December 31, 2014. The Roman Executive Employment Agreement also includes standard confidentiality, non-solicitation and nondisclosure provisions.

### **Change in Control Agreements**

We have entered into change in control agreements (the Agreements) with certain of our executive officers. The Agreements for Messrs. Montross, Stokes and Mahoney are for a term ending July 19, 2014, provided that on that date and each anniversary thereafter, the term of the Agreements will be automatically extended by one year unless either party gives 90 days prior written notice that the term of an agreement shall not be so extended. The Agreement for Ms. Gantt is for a term ending April 21, 2014, provided that on that date and each anniversary thereafter, the term of the Agreement will be automatically extended by one year unless either party gives 90 days prior written notice that the term of an agreement shall not be so extended. If a Change in Control (as defined in the Agreements and described below) occurs during the term of Agreements, the Agreements will continue in effect until two years after the Change in Control.

If an executive officer's employment is terminated within two years after a Change in Control either by us without Cause (as defined in the Agreements and described below) or by the executive officer for Good Reason (as defined in the Agreements and described below), the executive officer will be entitled to receive his or her full base salary through the date of termination and any benefits or awards (both cash and stock) that have been earned or are payable through the date of termination plus (i) a lump sum payment equal to two years' base salary and (ii) an amount equal to two times the average cash bonuses paid to the executive officer during the previous three years. In addition, the executive officer would be entitled to the continuation of health and insurance benefits for certain periods and all outstanding unvested stock options would immediately become fully vested. In the event that the payments made to an executive officer would be deemed to be a parachute payment under the Internal Revenue Code of 1986, an executive officer may choose to accept payment of a reduced amount that would not be deemed to be a parachute payment. If the payment made to an executive officer is deemed to be a parachute payment, the executive officer is responsible for the payment of any resulting taxes.

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If an executive officer's employment is terminated within two years after a Change in Control either by us for Cause or as a result of the executive officer's disability or death, the executive officer will be entitled to receive his or her full base salary through the date of termination plus any benefits or awards (both cash and stock) that have been earned or are payable through the date of termination.

For purposes of the Agreements, a Change in Control includes (i) any merger or consolidation transaction in which we are not the surviving corporation, unless our shareholders immediately before such transaction have the same proportionate ownership of common stock of the surviving corporation in the transaction, (ii) the acquisition by any person of 30 percent or more of our total combined voting power, (iii) the liquidation or the sale or other transfer of substantially all of our assets, and (iv) a change in the composition of the Board of Directors during any two-year period such that the directors in office at the beginning of the period and/or their successors who were elected by or on the recommendation of two-thirds of the directors in office at the beginning of the period do not constitute at least a majority of the Board of Directors. For purposes of the Agreements, Good Reason includes (i) an adverse change in the executive officer's status, title, position(s) or responsibilities or the assignment to the executive of duties or responsibilities which are inconsistent with the executive officer's status, title or position, (ii) a reduction in the executive officer's base salary or the failure to pay compensation otherwise due to the executive officer, (iii) a requirement that the executive officer be based anywhere other than within 10 miles of his or her job location before the Change in Control, (iv) our failure to continue any compensation or employee benefit plan or program in effect before the Change in Control or any act or omission that would adversely affect the executive officer's continued participation in any such plan or program or materially reduce the benefits under such plan or program, and (v) our failure to require any of our successors to assume our obligations under the Agreements within 30 days after a Change in Control. For purposes of the Agreements, Cause means the willful and continued failure to satisfactorily perform the duties assigned to the executive officer within a certain period after notice of such failure is given and commission of certain illegal conduct.

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The following table shows the potential payments to Named Executive Officers upon termination for the reasons described below. The amounts shown assume that the employment of each executive was terminated effective as of December 31, 2013.

Executive Benefits and Payments Upon Termination	Termination Without Cause or Voluntary Termination for Good Reason	Termination Without Cause or Voluntary Termination for Good Reason, after a Change in Control	Termination For Cause or Voluntary Termination Without Good Reason	Termination as a Result of Disability or Death
<b>Scott J. Montross</b>				
Base Salary	\$	\$ 1,000,000	\$	\$
Bonus		297,761		
Health and Insurance Benefits		37,000		
Earned Vacation	19,000	19,000	19,000	19,000
<b>Robin A. Gantt</b>				
Base Salary	\$	\$ 556,500	\$	\$
Bonus		167,572		
Health and Insurance Benefits		22,000		
Earned Vacation	18,000	18,000	18,000	18,000
<b>Robert L. Mahoney</b>				
Base Salary	\$	\$ 613,880	\$	\$
Bonus		140,421		
Health and Insurance Benefits		37,000		
Earned Vacation	27,000	27,000	27,000	27,000
<b>Richard A. Roman</b>				
Base Salary	\$	\$ 265,000	\$	\$ 265,000
Bonus				
Health and Insurance Benefits				
Earned Vacation	23,000	23,000	23,000	23,000
<b>Gary A. Stokes</b>				
Base Salary	\$	\$ 614,044	\$	\$
Bonus		257,828		
Health and Insurance Benefits		24,000		
Earned Vacation	13,000	13,000	13,000	13,000

**Compensation Committee Interlocks and Insider Participation**

Messrs. Declusin, Franson, Kingsley and Larson served on the Compensation Committee in 2013 (Kingsley joined the Committee on May 30, 2013). All members of the Committee were independent directors, and no member has ever been an officer or employee of the Company. During 2013, none of our executive officers served on the compensation committee (or its equivalent) or board of directors of another entity whose executive officer served on our Compensation Committee.

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**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee has recommended to the full Board of Directors that the Compensation Discussion and Analysis be included in the proxy statement for filing with the SEC.

COMPENSATION COMMITTEE

Keith R. Larson, Chairman

James E. Declusin

Michael C. Franson

Wayne B. Kingsley

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**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**(Proposal No. 2)**

In accordance with Section 14A of the Securities Exchange Act of 1934, the Board of Directors is asking shareholders to approve an advisory resolution on executive compensation. The advisory vote is a non-binding vote on the compensation of our Named Executive Officers. The vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement. The text of the resolution is as follows:

RESOLVED, that the shareholders of Northwest Pipe Company approve, on an advisory basis, the compensation paid to the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2014 Annual Meeting of Shareholders pursuant to the executive compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative disclosure.

The Company urges you to read the disclosure under Compensation Discussion and Analysis, which begins on page 8 and discusses how our compensation policies and procedures implement our compensation philosophy. You should also read the Summary Compensation Table and other related compensation tables and narrative disclosure which provide additional details about the compensation of our Chief Executive Officer, our Chief Financial Officer and our three other most highly-compensated executive officers for 2013. We have designed our executive compensation structure to attract, retain and motivate executives who can accomplish our business strategy, and whose interests are aligned with those of our shareholders. We believe that our executive compensation program does not encourage excessive and unnecessary risk-taking by our executives but, rather, encourages our executives to remain focused on both the short-term and long-term operational and financial goals of the Company.

While we intend to carefully consider the voting results of this proposal, the final vote is advisory in nature and therefore not binding on the Company, our Board or the Compensation Committee.

We currently hold our advisory vote on executive compensation annually. Accordingly, the next advisory vote on executive compensation will be held at our 2015 Annual Meeting of Shareholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING FOR THE APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT AND AS DESCRIBED ABOVE PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE EXCHANGE ACT.**

**Table of Contents****DIRECTOR COMPENSATION**

The Compensation Committee is responsible for recommending to the Board the level and form of compensation and benefits for directors. In 2012, Mercer was engaged to conduct a review of our director compensation program. Members of the Board of Directors who are also our employees do not receive additional compensation for serving as directors. Each nonemployee director receives a \$30,000 annual retainer, \$2,000 for each Board meeting attended and \$500 for each meeting of a committee of the Board attended. The Lead Director receives an additional retainer of \$15,000. The Audit Committee Chairman receives an additional annual retainer of \$7,500, and the Compensation Committee Chairman and Nominating and Governance Committee Chairman each receive an additional annual retainer of \$5,000. In addition, in 2013 each nonemployee director received an award of \$45,000, payable in cash, shares of the Company's Common Stock, or a combination thereof, at each director's election. The members of our Board of Directors are also reimbursed for travel expenses incurred in attending board meetings.

**Director Compensation Table** The following table reflects compensation earned by the directors for the year ended December 31, 2013, with the exception of Messrs. Montross and Roman, whose compensation is included in the Summary of Cash and Certain Other Compensation table above.

Name <sup>(1)</sup>	Fees Earned or Paid in		Stock	All Other	Total
	Cash	Awards <sup>(2)</sup>	Awards <sup>(2)</sup>	Compensation	
James E. Declusin	\$ 60,500	\$ 45,000	\$	\$	\$ 105,500
Harry L. Demorest	47,000	45,000			92,000
Michael C. Franson	77,000	22,500			99,500
Wayne B. Kingsley	102,500				102,500
Keith R. Larson	73,000	22,500			95,500
William R. Tagmyer <sup>(3)</sup>				97,953	97,953

- (1) As of December 31, 2013, each director had the following number of options outstanding: Mr. Declusin 0; Mr. Demorest 0; Mr. Franson 2,000; Mr. Kingsley 6,000; Mr. Larson 0; Mr. Tagmyer 0.
- (2) On May 31, 2013, 1,638 shares of Common Stock were granted to Messrs. Declusin and Demorest, and 818 shares of Common Stock were granted to Messrs. Franson and Larson. The amount included in this column represents the amount recognized by us in 2013 for financial statement reporting purposes for the fair value of the common stock awarded. The assumptions used to calculate the grant date fair value for the stock awards are in Note 12 to the Consolidated Financial Statements included in Part II Item 8, Financial Statements and Supplementary Data of our 2013 Report on Form 10-K.
- (3) Amount includes Mr. Tagmyer's base salary, amounts contributed to Mr. Tagmyer's qualified 401(k) defined contribution plan and amounts paid by us for life insurance premiums until Mr. Tagmyer passed away in September 2013.



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**AUDIT COMMITTEE REPORT**

Management is responsible for preparing the Company's financial statements. The independent registered public accounting firm is responsible for performing an independent audit of the Company's financial statements in accordance with generally accepted auditing standards and issuing a report thereon, and for performing an independent audit of the effectiveness of the Company's internal controls over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes. The Audit Committee serves a board-level oversight role in which it provides advice, counsel and direction to management and the independent accountants on the basis of the information it receives, discussions with the independent accountants and the experience of the Audit Committee's members in business, financial and accounting matters.

In this context, the Audit Committee has reviewed and discussed the audited financial statements with management and the independent accountants. The Audit Committee also has discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Company's independent accountants also provided to the Audit Committee the written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and the Audit Committee discussed with the independent accountants that firm's independence.

Based on the above discussions and review with management and the independent accountants, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the U.S. Securities and Exchange Commission.

Respectfully submitted by the Audit Committee of the Board of Directors.

AUDIT COMMITTEE

Harry L. Demorest, Chairman

Wayne B. Kingsley

Keith R. Larson

**Table of Contents****INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****Disclosure of Fees Paid to Independent Registered Public Accounting Firm**

Fees for services billed by the Company's principal accountant, PricewaterhouseCoopers LLP, for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Audit fees <sup>(1)</sup>	\$ 715,000	\$ 690,000
Audit-related fees		
Tax fees <sup>(2)</sup>	17,348	16,426
All Other fees		
<b>Total fees</b>	<b>\$ 732,348</b>	<b>\$ 706,426</b>

(1) Audit fees include fees for audits of the annual financial statements, including required quarterly reviews and the audit of the Company's internal control over financial reporting. In addition, we reimbursed PricewaterhouseCoopers LLP \$20,000 and \$14,000 for out-of-pocket expenses incurred in the performance of their services for the years ended December 31, 2013 and 2012, respectively.

(2) Tax fees represent fees for assistance with international income tax compliance and advice.

**Pre-approval Process**

To help assure independence of the independent auditors, the Audit Committee has established a process for the pre-approval of all audit and permissible non-audit services provided by the independent auditor; provided, however, that de minimis services may instead be approved by the Chief Executive Officer or the Chief Financial Officer. One hundred percent of the fees shown in the principal accountant fees schedule for 2013 and 2012 were approved by the Audit Committee.

**Changes in Accountants**

On August 20, 2012, the Audit Committee dismissed Deloitte & Touche LLP ( Deloitte & Touche ) as the Company's independent registered public accounting firm. The report of Deloitte & Touche on the consolidated financial statements of the Company for the fiscal years ended December 31, 2011 and 2010 did not contain any disclaimers of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles, except that the audit report included an explanatory paragraph with respect to the restatement of the Company's consolidated financial statements as of December 31, 2010 and for the fiscal years ended December 31, 2010 and 2009. The report of Deloitte & Touche on the Company's internal control over financial reporting based on their audit for the fiscal year ended December 31, 2011 contained an adverse opinion due to material weaknesses. During the fiscal years ended December 31, 2011 and 2010 and through August 20, 2012: (i) there have been no disagreements with Deloitte & Touche on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Deloitte & Touche would have caused them to make reference thereto in their reports on the financial statements for such years; and (ii) there were no reportable events within the meaning of Item 304(a)(1)(v) of Registration S-K, except for the material weaknesses in internal control over financial reporting described below, which resulted in the expansion of the scope of the audits.

In its Annual Report on Form 10-K for the year ended December 31, 2011, filed April 27, 2012, the Company reported material weaknesses in the Company's internal control over financial reporting as follows: several of the Company's review controls were not designed to operate at a sufficiently precise level, and the Company's monitoring process did not identify these deficiencies; the Company's review controls for its computation of revenue recognized on the percentage-of-completion method did not evaluate the accuracy of certain key inputs to the revenue recognition model; the Company's review controls for existence and

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completeness of inventory did not operate effectively which could result in a misstatement of inventories and cost of sales; control activities related to the reviews which were recently established to periodically assess useful lives, units of production and the existence of the Company's property and equipment did not operate for a sufficient period of time to be able to conclude whether they were operating effectively; and the Company's control activities related to the accounting for complex or non-routine transactions did not operate effectively.

For the year ended December 31, 2010, the Company reported material weaknesses in the Company's internal control over financial reporting as follows: ineffective control environment, as evidenced by an insufficient number of personnel with an appropriate level of GAAP knowledge and experience or ongoing training in the application of GAAP commensurate with the Company's financial reporting requirements, including an insufficient number of personnel appropriately qualified to perform an appropriately detailed review of the accounting for nonroutine transactions; lack of effective controls to ensure regular validation of management assumptions used in accounting estimates; ineffective controls over spreadsheets; and lack of effective controls to ensure timely internal notification of business transactions and decisions requiring accounting entries.

The Audit Committee and management discussed the material weaknesses in internal control described above with Deloitte & Touche and authorized Deloitte & Touche to respond fully to any inquiries about the Company's material weaknesses over financial reporting as may be made by the Company's successor independent registered public accounting firm. The Company provided Deloitte & Touche with a copy of the foregoing disclosure and requested that Deloitte & Touche furnish the Company with a letter addressed to the SEC stating whether or not Deloitte & Touche agreed with the statements made in the foregoing disclosure. A copy of Deloitte & Touche's letter, dated August 24, 2012, was filed with the SEC on August 24, 2012 as an exhibit to the Company's Current Report on Form 8-K filed on that date.

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**RATIFICATION OF THE APPOINTMENT OF  
PRICEWATERHOUSECOOPERS LLP**

**(Proposal No. 3)**

The audit committee of our Board has engaged PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2014, and is seeking ratification of such appointment by our shareholders. PricewaterhouseCoopers LLP has most recently audited our financial statements since the year ending December 31, 2012. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting and will be given an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our bylaws nor other governing documents or law require shareholder ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm. However, the audit committee is submitting the appointment of PricewaterhouseCoopers LLP to our shareholders for ratification as a matter of good corporate practice. If our shareholders fail to ratify the appointment, the audit committee will reconsider whether or not to retain PricewaterhouseCoopers LLP. Even if the appointment is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and our shareholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING FOR THE RATIFICATION OF THE AUDIT COMMITTEE'S APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2014.**

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Since January 1, 2013, there has not been any transaction or series of transactions to which we were or are to be a party in which the amount involved exceeds \$120,000 and in which any director, executive officer or holder of more than 5% of our common stock, or members of any such person's immediate family, had or will have a direct or indirect material interest, other than compensation arrangements with the Company's executive officers and directors, all on terms described under "Executive Compensation" above.

The Audit Committee is responsible for the review and approval of all related party transactions. Although the Audit Committee does not have written policies and procedures with respect to the review of related party transactions, we intend that any such transactions will be reviewed by the Audit Committee and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities, to file initial reports of ownership and reports of changes in ownership of shares with the SEC. Such persons also are required to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on its review of the copies of such reports received by us with respect to 2013, or written representations from certain reporting persons, we believe that all filing requirements applicable to our directors, officers and persons who own more than ten percent of a registered class of the Company's equity securities have been complied with for 2013, with the exception of the following; (i) untimely Form 4s were filed for Messrs. Baum, Carrier, Jenkins, Mahoney, Montross, Roman, Stokes and Stone and Ms. Gantt on January 11, 2013, which should have been filed on January 3, 2013, each with respect to the vesting of RSUs and PSAs and the withholding of a portion of the shares to cover the applicable income taxes, and (ii) a Form 5 was filed for Mr. Mahoney on May 16, 2013, which included charitable gift transactions that occurred between 2009 and 2012.

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The table below sets forth certain information, as of April 11, 2014, regarding the beneficial ownership of the Common Stock by: (i) each person known by the Company to be the beneficial owner of 5% or more of its outstanding Common Stock, (ii) each of the Named Executive Officers, (iii) each of the Company's directors and director nominees, and (iv) all directors, director nominees and executive officers as a group. The address of each of the Named Executive Officers and directors is c/o Northwest Pipe Company, 5721 SE Columbia Way, Suite 200, Vancouver, Washington, 98661.

	Shares Beneficially Owned <sup>(1)</sup>	
	Shares	Percent
<b>Certain Beneficial Owners:</b>		
Eagle Asset Management, Inc. <sup>(2)</sup> 880 Carillon Parkway St. Petersburg, FL 33716	1,201,635	12.6%
Dimensional Fund Advisors LP <sup>(3)</sup> Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	763,628	8.0%
BlackRock, Inc. <sup>(4)</sup> 40 East 52nd Street New York, NY 10022	611,788	6.4%
First Trust Portfolios LP <sup>(5)</sup> 120 East Liberty Drive, Suite 400 Wheaton, IL 60187	516,222	5.4%
Royce & Associates LLC <sup>(6)</sup> 745 Fifth Avenue New York, NY 10151	500,689	5.3%
<b>Directors and Nominees:</b>		
James E. Declusin	7,240	*
Harry L. Demorest	4,182	*
Michael C. Franson	11,062	*
Wayne B. Kingsley	34,867	*
Keith R. Larson	4,893	*
<b>Named Executive Officers:</b>		
Scott Montross	17,410	*
Robin A. Gantt	12,396	*
Robert L. Mahoney	17,976	*
Richard A. Roman	74,580	*
Gary A. Stokes	25,478	*
<b>All directors and executive officers as a group (15 persons):</b>	<b>235,076</b>	<b>2.5%</b>

(\*) Represents beneficial ownership of less than one percent of the outstanding Common Stock.

(1) Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting power and investment power with respect to shares. Shares issuable upon the exercise of outstanding stock options that are currently exercisable or become exercisable within 60 days from April 11, 2014 are considered outstanding for the purpose of calculating each person's percentage of Common Stock owned, but not for the purpose of calculating the percentage of Common Stock owned by any other person. The number of stock options that are exercisable within 60 days of April 11, 2014 is as follows: Mr. Declusin 0; Mr. Demorest 0; Mr. Franson 2,000; Ms. Gantt 0; Mr. Montross 0; Mr. Kingsley 6,000; Mr. Larson 0; Mr. Mahoney 0; Mr. Roman 32,000; Mr. Stokes 0; and all directors and executive officers as a group 40,000.



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- (2) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC by Eagle Asset Management, Inc. on January 14, 2014, reflecting its beneficial ownership of Common Stock as of December 31, 2013. The Schedule 13G/A states Eagle Asset Management, Inc. has sole voting and dispositive power with respect to 1,201,635 shares of Common Stock.
  
- (3) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC by Dimensional Fund Advisors LP on February 10, 2014, reflecting its beneficial ownership of Common Stock as of December 31, 2013. The Schedule 13G/A states Dimensional Fund Advisors LP has sole voting power with respect to 742,194 shares of Common Stock and sole dispositive power with respect to 763,628 shares of Common Stock.
  
- (4) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC by BlackRock, Inc. on January 30, 2014, reflecting its beneficial ownership of Common Stock as of December 31, 2013. The Schedule 13G/A states BlackRock, Inc. has sole voting power with respect to 585,701 shares of Common Stock and sole dispositive power with respect to 611,788 shares of Common Stock.
  
- (5) The information as to beneficial ownership is based on a Schedule 13G filed with the SEC by First Trust Portfolios L.P. on January 8, 2014, reflecting its beneficial ownership of Common Stock as of December 31, 2013. The Schedule 13G states First Trust Portfolios L.P. has shared voting power with respect to 164,213 shares of Common Stock and shared dispositive power with respect to 516,222 shares of Common Stock.
  
- (6) The information as to beneficial ownership is based on a Schedule 13G/A filed with the SEC by Royce & Associates, LLC on January 13, 2014, reflecting its beneficial ownership of Common Stock as of December 31, 2013. The Schedule 13G/A states Royce & Associates, LLC has sole voting and dispositive power with respect to 500,689 shares of Common Stock.



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**DATE FOR SUBMISSION OF SHAREHOLDER PROPOSALS**

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, some shareholder proposals may be eligible for inclusion in the Company's 2014 proxy statement. Any such proposal must be received by the Company not later than December 30, 2014, which the Company believes is a reasonable time before it will begin to print and send its proxy materials. Shareholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of the applicable securities law. The submission of a shareholder proposal does not guarantee that it will be included in the Company's proxy statement. Alternatively, under the Company's bylaws, a proposal or nomination that a shareholder does not seek to include in the Company's proxy statement pursuant to Rule 14a-8 may be delivered to the Secretary of the Company not less than 60 days nor more than 90 days prior to the date of an annual meeting, unless notice or public disclosure of the date of the meeting occurs less than 60 days prior to the date of such meeting, in which event, shareholders may deliver such notice not later than the 10th day following the day on which notice of the date of the meeting was mailed or public disclosure thereof was made. A shareholder's submission must include certain specified information concerning the proposal or nominee, as the case may be, and information as to the shareholder's ownership of Common Stock of the Company. Proposals or nominations not meeting these requirements will not be entertained at the annual meeting. If the shareholder does not also comply with the requirements of Rule 14a-4(c)(2) under the Securities Exchange Act of 1934, the Company may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any such proposal or nomination submitted by a shareholder.

**OTHER MATTERS**

As of the date of this Proxy Statement, the Board of Directors does not know of any other matters to be presented for action by the shareholders at the 2014 Annual Meeting. If, however, any other matters not now known are properly brought before the meeting, the persons named in the accompanying proxy will vote such proxy in accordance with the determination of a majority of the Board of Directors.

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**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING**

Although we encourage you to read this Proxy Statement in its entirety, we include this question and answer section to provide some background information and brief answers to several questions you might have about the Annual Meeting.

**Q: Why is the Company providing these materials?**

**A:** The Company's Board of Directors is providing these proxy materials to you in connection with the Company's Annual Meeting of Shareholders, which will take place on May 29, 2014, at 9:00 a.m. (local time) at the Sheraton Portland Airport Hotel, located at 8235 NE Airport Way, Portland, Oregon. Shareholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement.

**Q: What information is contained in these materials?**

**A:** The information included in this Proxy Statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the compensation of directors and our most highly paid officers, and other required information.

**Q: What proposals will be voted on at the Annual Meeting?**

**A:** There are three proposals scheduled to be voted on at the Annual Meeting:

the election of two members of the Board of Directors (Proposal No. 1);

the advisory vote on executive compensation (Proposal No. 2); and

the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2014 (Proposal No. 3).

We will also consider other business that properly comes before the Annual Meeting.

**Q: How does the Board of Directors recommend that I vote?**

**A:** The Board of Directors recommends that you vote your shares **FOR** the election of the Board's nominees for election to the Board of Directors, **FOR** the advisory vote on executive compensation, and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP.

**Q: What shares owned by me can be voted?**

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**A:** All shares of the Company's Common Stock owned by you as of the close of business on April 11, 2014 (the Record Date) may be voted by you. You may cast one vote per share of Common Stock that you held on the Record Date. These shares include shares that are: (i) held directly in your name as the shareholder of record, and (ii) held for you as the beneficial owner through a stockbroker, bank or other nominee.

**Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

**A:** Most of the Company's shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

### **Shareholder of Record**

If your shares are registered directly in your name with the Company's transfer agent, Computershare, you are considered the shareholder of record of those shares and these proxy materials are being sent directly to you by the Company. As the shareholder of record, you have the right to grant your voting proxy

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directly to the Company or to vote in person at the Annual Meeting. You may also vote your shares as described below under **How can I vote my shares without attending the Annual Meeting?**

### **Beneficial Owner**

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee who is considered the shareholder of record of those shares. As the beneficial owner, you have the right to direct your broker on how to vote and are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a legal proxy from your broker or other nominee authorizing you to vote your shares at the Annual Meeting. Your broker or nominee has sent you instructions for how you can direct the broker or nominee to vote your shares.

### **Q: How can I vote my shares in person at the Annual Meeting?**

**A:** Shares held directly in your name as the shareholder of record may be voted in person at the Annual Meeting. If you choose to do so, please bring your proxy card or proof of identification. Even if you plan to attend the Annual Meeting, the Company recommends that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the Annual Meeting. Shares held in street name may be voted in person by you only if you obtain a legal proxy from the record holder (your broker, bank or other nominee) giving you the right to vote the shares.

### **Q: How can I vote my shares without attending the Annual Meeting?**

**A:** To vote shares held directly in your name as the shareholder of record, without attending the meeting, please sign, date and return the enclosed proxy card, or follow the instructions for Internet or telephone voting on the enclosed proxy card. This way your shares will be represented whether or not you are able to attend the meeting.

To vote shares held in street name, without attending the meeting, please follow the instructions provided by your broker.

### **Q: Can I change my vote?**

**A:** You may change your proxy instructions at any time prior to the vote at the Annual Meeting. You may accomplish this by entering a new vote by Internet, by telephone, by delivering a written notice of revocation to the Company's Corporate Secretary, by granting a new proxy card or new voting instruction card bearing a later date (which automatically revokes the earlier proxy instructions), or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request. If your shares are held in a stock brokerage account or by a bank or other nominee, you must obtain a legal proxy from your broker or other nominee authorizing you to vote your shares at the Annual Meeting.

### **Q: How are votes counted?**

**A:** In the election of directors, you may vote **FOR** or **WITHHOLD AUTHORITY** from voting for each of the director nominees. If you vote your shares without providing specific instructions, your shares will be voted **FOR** the nominees for election to the Board of Directors. If you vote to **WITHHOLD AUTHORITY** to vote for a nominee for election as a director, the shares represented will be counted as present for the purpose of determining a quorum, but they will not be counted and will have no effect in determining whether the nominee is elected.

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With respect to the proposals for the advisory vote on executive compensation and the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting

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firm, you may vote FOR or AGAINST or ABSTAIN. If you vote your shares without providing specific instructions, your shares will be voted in accordance with the recommendations of the Board. If you vote to ABSTAIN, the shares represented will be counted as present for the purpose of determining a quorum, but with respect to any proposal on which there was a vote to ABSTAIN they will not be counted and will have no effect in determining whether the proposal is approved.

If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote or votes cast on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained.

Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, brokers have discretion to vote these shares on routine matters but not on non-routine matters. Thus, if you do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares FOR routine matters but expressly instructing that the broker is not voting on non-routine matters. A broker non-vote occurs when a broker expressly instructs on a proxy card that the broker is not voting on a matter, whether routine or non-routine. Proposal No. 3 is considered a routine matter, so unless you have provided otherwise, your broker will have discretionary authority to vote your shares on this proposal. Proposals No. 1 and 2 are considered non-routine matters, so unless you have provided instructions to your broker with respect to Proposals No. 1 and 2, your broker will not have authority to vote your shares on any of those proposals and your shares will constitute broker non-votes. Broker non-votes are counted for the purpose of determining the presence or absence of a quorum but are not counted for determining the number of shares entitled to vote or votes cast for or against a proposal.

### **Q: What is the quorum requirement for the Annual Meeting?**

**A:** The quorum requirement for holding the Annual Meeting and transacting business is a majority of the outstanding shares entitled to be voted. The shares may be present in person or represented by proxy at the Annual Meeting. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum.

### **Q: What is the voting requirement to approve the proposals?**

**A:** Proposal No. 1: The election of the director nominees requires the affirmative FOR vote of a plurality of the votes cast in the election. Proposal No. 2: The proposal for the advisory vote on executive compensation requires the affirmative FOR vote of a majority of the votes cast on the proposal.

Proposal No. 3: The proposal for the ratification of the appointment of PricewaterhouseCoopers LLP for the year ending December 31, 2014 requires the affirmative FOR vote of a majority of the votes cast on the proposal.

### **Q: Who are the proxyholders and what do they do?**

**A:** The two persons named as proxyholders on the proxy card, Scott J. Montross, our President and Chief Executive Officer, and Richard A. Roman, our Chairman of the Board, were designated by the Board of Directors. The proxyholders will vote all properly tendered proxies (except to the extent that authority to vote has been withheld) and where a choice has been specified by you as provided in the proxy card, it will be voted in accordance with the instructions you indicate on the proxy card. If you vote your shares without providing specific instructions regarding each of the proposals, your shares will be voted on each proposal as recommended by the Board of Directors.

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### **Q: What does it mean if I receive more than one set of proxy materials?**

**A:** You may receive more than one set of proxy materials. For example, if you hold your shares in more than one brokerage account, you may receive a separate set of proxy materials for each brokerage account in which you hold shares. If you are a shareholder of record and your shares are registered in more than one name, you will receive more than one set of proxy materials. Please vote your shares for each set of proxy materials that you receive by following the instructions on the enclosed proxy card.

### **Q: How may I request multiple sets of proxy materials if two or more shareholders reside in my household?**

**A:** To minimize our expenses, one proxy statement and one annual report to shareholders may be delivered to two or more shareholders who share an address unless we have received contrary instructions from one or more of the shareholders. We will deliver promptly upon written or oral request a separate copy of the proxy statement and annual report to a shareholder at a shared address to which a single copy of the proxy statement and annual report was delivered. Requests for additional copies of the proxy statement and annual report, and requests that in the future separate documents be sent to shareholders who share an address, should be directed by writing to Corporate Secretary, Northwest Pipe Company, 5721 SE Columbia Way, Suite 200, Vancouver WA 98661 or by phone at (360) 397-6250.

### **Q: How can I revoke my proxy?**

**A:** You may revoke your proxy at any time before it is voted at the Annual Meeting. In order to do this, you may do any of the following:

sign and return another proxy card bearing a later date;

enter a new vote by Internet or by telephone following the instructions on the proxy card;

provide written notice of the revocation to the Company's Corporate Secretary, Northwest Pipe Company, 5721 SE Columbia Way, Suite 200, Vancouver WA 98661, prior to the vote at the Annual Meeting; or

attend the meeting and vote in person. If your shares are held in a stock brokerage account or by a bank or other nominee, you must obtain a legal proxy from your broker or other nominee authorizing you to vote your shares at the Annual Meeting.

### **Q: Where can I find the voting results of the Annual Meeting?**

**A:** We will announce preliminary voting results at the Annual Meeting and publish final results in the Company's Current Report on Form 8-K filed by the Company within four business days after the Annual Meeting.

### **Q: What happens if additional proposals are presented at the Annual Meeting?**

**A:** Other than the proposals described in this Proxy Statement, the Company does not expect any additional matters to be presented for a vote at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, Scott J. Montross, the Company's President and Chief Executive Officer, and Richard A. Roman, the Company's Chairman of the Board, will vote your shares on any additional matters properly

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presented for a vote at the Annual Meeting in a manner directed by a majority of the Board of Directors.

**Q: Who will count the vote?**

**A:** Computershare, the Company's transfer agent, has been appointed to act as the inspector of election and will tabulate the votes. In the event Computershare is unable to do so, a representative of the Company's outside legal counsel, Ater Wynne LLP, will act in this role.



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**Q: Is my vote confidential?**

**A:** Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties except (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, or (3) to facilitate a successful proxy solicitation by the Board of Directors. Occasionally, shareholders provide written comments on their proxy card, which are then forwarded to the Company's management.

**Q: Who will bear the cost of soliciting proxies for the Annual Meeting?**

**A:** The Company will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by the Company's directors, officers, and employees, who will not receive any additional compensation for such solicitation activities. The Company may also engage a proxy solicitation firm or other professional advisors to assist in the solicitation of proxies and provide related advice and support. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners.

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**ADDITIONAL INFORMATION**

A copy of the Company's Annual Report to Shareholders (including Form 10-K) for the year ended December 31, 2013 accompanies this Proxy Statement. The Company will provide, without charge, on the written request of any beneficial owner of shares of the Company's Common Stock entitled to vote at the Annual Meeting, additional copies of the Company's Annual Report. Written requests should be mailed to Northwest Pipe Company, Attn: Corporate Secretary, 5721 SE Columbia Way, Suite 200, Vancouver, Washington, 98661.

By Order of the Board of Directors,

Scott J. Montross

*President and Chief Executive Officer*

Vancouver, Washington

April 18, 2014

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