

STERLING CONSTRUCTION CO INC
Form DEF 14A
April 09, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION

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:

(Amendment No. 1)

- 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

STERLING CONSTRUCTION COMPANY, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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1) Title of each class of securities to which transaction applies:
2) Aggregate number of securities to which transaction applies:
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4) Proposed aggregate value of transaction:
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1) Amount previously paid:
2) Form, Schedule or Registration Statement No.:
3) Filing Party:
4) Date Filed:

Sterling Construction Company, Inc.
20810 Fernbush Lane
Houston, Texas 77073
Telephone: (281) 821-9091

Notice of the 2014 Annual Meeting of Stockholders

Notice is hereby given that the 2014 Annual Meeting of Stockholders of Sterling Construction Company, Inc., a Delaware corporation, will be held as follows:

Date: May 9, 2014
Place: One Hughes Landing
1800 Hughes Landing Boulevard — 2nd Floor
The Woodlands, Texas 77380
Time: 9:00 a.m. local time
Purposes: 1. To elect the following directors:

Three Board nominees as Class I directors, each to serve for a term of three years.

One Board nominee as a Class II director to serve until the expiration of the Class II term in 2015.

One Board nominee as a Class III director to serve until the expiration of the Class III term in 2016.

2. To approve the adoption by the Board of Directors of an amendment of Article IV of the Company's Certificate of Incorporation to increase the number of shares of common stock that the Company is authorized to issue from 19 million shares to 28 million shares.
3. To approve the adoption by the Board of Directors of an amendment of Article VI of the Company's Certificate of Incorporation to declassify the directors of the Company.
4. To approve the adoption of an amendment of the Company's Stock Incentive Plan to increase the number of shares of common stock that may be issued under the plan by 900,000 shares.
5. To ratify the selection of Grant Thornton LLP as the Company's independent registered public accounting firm for 2014.
6. To approve the compensation of the Company's named executive officers for 2013 (an advisory vote) as set forth in the Proxy Statement.
7. To transact any other business that properly comes before the meeting.

Only the stockholders of record at the close of business on March 11, 2014 are entitled to notice of the meeting and to vote at the meeting or any adjournment of it.

April 9, 2014

By Order of the Board of Directors
Roger M. Barzun, Secretary

Important notice regarding the availability of proxy materials for the Annual Meeting of Stockholders to be held on May 9, 2014:

the proxy statement, the form of proxy and the annual report to stockholders for the year ended December 31, 2013 are available at the company's internet website www.sterlingconstructionco.com on the "investor relations" page.

STERLING CONSTRUCTION COMPANY, INC.
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STERLING CONSTRUCTION COMPANY, INC.

20810 Fernbush Lane

Houston, Texas 77073

Tel.: (281) 821-9091

proxy statement

FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

In this Proxy Statement, Sterling Construction Company, Inc. is sometimes referred to as the Company, and the Board of Directors of the Company is sometimes referred to as the Board. The Company is making this Proxy Statement, the form of proxy and the Company's 2013 Annual Report on Form 10-K available to stockholders starting on April 9, 2014 in connection with the solicitation of proxies by the Board for the 2014 Annual Meeting of Stockholders. The Annual Meeting will be held on Friday, May 9, 2014 at 9:00 a.m. local time at One Hughes Landing, 1800 Hughes Landing Boulevard — 2nd Floor, The Woodlands, Texas 77380.

On April 9, 2014, the Company posted the proxy materials on the Company's website:

www.SterlingConstructionCo.com

as well as on the website of the Company's Transfer Agent:

<http://www.astproxyportal.com/ast/04770>

The Company is mailing to all stockholders of record on March 11, 2014, the Record Date, a printed set of the proxy materials, including a proxy card on which stockholders can indicate how they wish their shares voted.

The Record Date. The Company has established March 11, 2014 as the Record Date. The persons or entities whose names appear on the records of the Company as holders of the Company's common stock on the Record Date are entitled to notice of the Annual Meeting and to vote at the Annual Meeting or at any adjournment of the meeting. On the Record Date, there were 16,670,372 shares of the Company's common stock outstanding.

Methods of Voting. As a holder of common stock of the Company on the Record Date, you may vote your shares either by coming to the Annual Meeting and voting in person, or by appointing someone to vote your shares for you by giving that person a proxy.

Voting in Person. To vote your shares in person, come to the meeting at the date, time and address set forth above in the Notice of the 2014 Annual Meeting of Stockholders and you will be given a ballot on which you can vote your shares on each of the proposals.

Voting by Proxy. In this Proxy Statement, you are being asked to appoint each of Patrick T. Manning, the Company's Chairman of the Board of Directors; Thomas R. Wright, the Company's Executive Vice President & Chief Financial Officer; and Roger M. Barzun, the Company's Senior Vice President & General Counsel, as your proxy to vote your shares the way you direct, both at the Annual Meeting and at any adjournment of the meeting. Stockholders have the option to vote by proxy in three ways:

· Via the Internet: You may vote via the Internet by following the instructions on the proxy card.

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By Telephone: You may vote by telephone by calling toll-free 1-800-PROXIES (1-800-776-9437) in the United States, or 1-718-921-8500 from a foreign country using a touch-tone telephone, and by following the instructions given to you. You should have your proxy card with you when you make the call so that you can input the numbers found on your proxy card when asked to do so.

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·By Mail: You may vote by mail by completing, signing and dating the proxy card and mailing it in the envelope that will be provided to you.

If your shares are held by a bank, a broker or by another nominee holder of record, please refer to the information provided to you by the nominee about your voting options.

If you vote by proxy, your shares will be voted as you direct if —

- Your proxy is properly completed;
- Your proxy is received by the Company before the Annual Meeting; and
- Your proxy is not revoked by you before the voting.

If you do not specify on your proxy how you want your shares voted, they will be voted in the following way:

FOR the election of three Class I nominees, one Class II nominee and one Class III nominee (Proposal 1).

FOR the approval of an amendment of Article IV of the Company's Certificate of Incorporation to increase the shares of common stock the Company is authorized to issue from 19 million shares to 28 million shares (Proposal 2)

FOR the approval of an amendment to the Company's Certificate of Incorporation to declassify directors (Proposal 3).

FOR the approval of an amendment of the Company's Stock Incentive Plan to increase the shares of common stock issuable under the plan by 900,000 shares (Proposal 4).

FOR the ratification of the selection of Grant Thornton LLP as the Company's independent registered public accounting firm for 2014 (Proposal 5).

FOR the approval of the compensation of the Company's named executive officers for 2013 as set forth in this Proxy Statement (Proposal 6) (an advisory vote).

The Board does not know of any other proposal that will be presented for consideration at the Annual Meeting.

Revocation of a Proxy. You may revoke a proxy you have already given in any one of the following three ways:

- By sending to the Secretary of the Company, at the Company's address set forth above, a written statement that you wish to revoke your proxy;
- By submitting another proxy dated later than a previous proxy; or
- By attending the Annual Meeting in person and notifying the chairman of the meeting that you wish to vote in person.

Quorum, Vote Required and Method of Counting

The Quorum for the Meeting. A quorum must be present in order to hold the Annual Meeting. A quorum consists of the holders of a majority of the shares of common stock issued and outstanding on the Record Date. Holders of shares of common stock who are either present at the Annual Meeting in person or through representation by a proxy (including those who furnish a proxy, but who abstain from voting or who do not vote on one or more of the

proposals) will be counted for purposes of determining whether there is a quorum present at the meeting.

Vote Required. Each share of common stock entitles the record holder to one vote on each of the matters to be voted on at the Annual Meeting.

Proposal 1. To be elected a director, a nominee must receive more votes for his or her election than against.

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Proposals 2 & 3. The approval of two amendments of the Company's Certificate of Incorporation requires the affirmative vote of the holders of a majority of the outstanding shares of common stock of the Company.

Proposal 4, 5 & 6. The approval of an amendment of the Company's Stock Incentive Plan to increase the shares issuable under the plan;

The ratification of the selection of Grant Thornton LLP as the Company's independent registered public accounting firm for 2014; and

The advisory vote to approve the compensation of the named executive officers for 2013 —

all require the affirmative vote of the holders of a majority of the common stock represented and entitled to vote at the meeting.

As described below, under the heading Amendment of the Stock Incentive Plan (Proposal 4), the Board of Directors has made the approval of the amendment of the Plan contingent upon the approval by stockholders of the increase in the number of shares of common stock the Company is authorized to issue, Proposal 2.

Under the heading Ratification of the Selection of Independent Registered Public Accounting Firm (Proposal 5) there is more information on the effect of your vote on that proposal.

Method of Counting. The Company will not count as votes cast on a proposal either the shares of stockholders who abstain from voting on that proposal, or the shares held in "street" name by banks, brokers or nominees who indicate on their proxies that they do not have the discretionary authority to vote the shares on the proposal. The latter are known as broker non-votes.

Proposal 1. Election of Directors. The election of a director does not require a minimum number of votes. Therefore, abstentions and broker non-votes will have no effect on the voting for the election of directors.

Proposals 2 & 3. Amendments of the Certificate of Incorporation. An abstention or broker non-vote on Proposals 2 and 3 has the effect of a no vote because of the requirement that the proposal receives the affirmative vote of the holders of at least a majority of the shares of the Company's outstanding common stock.

Proposals 4, 5 & 6. Approval of an Amendment of the Company's Stock Incentive Plan.
Ratification of the Appointment of Grant Thornton LLP.
Approval of the Named Executive Officer Compensation for 2013.

Because each of these three proposals requires an affirmative vote of the holders of a majority of the shares that make up the meeting's quorum, abstentions and broker non-votes will have the effect of votes against the proposal.

The Solicitation of Proxies and Solicitation Expenses. In addition to the solicitation of proxies by means of this Proxy Statement, directors, officers and employees of the Company and a third-party solicitation agent may solicit proxies using personal interviews, telephone calls, facsimile transmissions and e-mails. The cost of the proxy solicitation agent, Georgeson Inc., will be borne by the Company and is anticipated to be no more than \$8,500 plus reimbursement of out-of-pocket expenses. The Company will request banks, brokerage houses and other custodians, nominees and fiduciaries to solicit votes from their customers who are beneficial owners, but not record holders, of common stock, and to forward or make available proxy solicitation materials to those beneficial owners. The Company will reimburse them for the reasonable out-of-pocket expenses they incur in doing so and will pay the expenses of preparing, printing and mailing this Proxy Statement, the form of proxy, the Company's Annual Report on Form 10-K for 2013, and any other solicitation materials.

The 2013 Annual Report. A copy of the Company's Annual Report on Form 10 K for the year ended December 31, 2013, which has been filed with the Securities and Exchange Commission (SEC), contains financial statements and other information of interest to stockholders. The Annual Report and all other proxy materials are being mailed to stockholders, but may also be obtained from the Company's website, www.SterlingConstructionCo.com on the "Investor Relations" page.

ELECTION OF DIRECTORS (Proposal 1)

The Composition of the Board. The Company's Certificate of Incorporation provides for the division of directors into three classes, each class to be as nearly equal in number as reasonably possible. The term of each class is three years, and the terms are staggered so that at each Annual Meeting of Stockholders, the terms of one class of directors expires. A director holds office until the expiration of his or her term and until a successor is elected and qualified unless the director dies, resigns or is removed from the Board. In any of those circumstances, the Board has the authority to appoint a replacement director. To be elected by stockholders, a director must receive more votes for his or her election than against.

The Board has decided to phase out the classification of directors, which requires an amendment of the Company's Certificate of Incorporation. See the information below on the proposal to declassify the directors of the Company under the heading Amendment of Article VI of the Certificate of Incorporation (Proposal 3).

The Bylaws of the Company permit the Board to determine from time to time how many directors the Company will have. The Board has set the current size of the Board at ten directors, and from and after the Annual Meeting (until a further change is made) the size of the Board has been set at nine directors.

the board of directors recommends that stockholders vote for
each director nominee

Director Independence. The following table shows the Company's incumbent independent directors at the date of this Proxy Statement and the committees of the Board on which they serve.

Each director listed satisfies the Nasdaq Stock Market's definition of an independent director. None of them has been an employee of the Company within the past three years and none of them (or their family members) have any connection with the Company other than as directors. No other factors affected the Board's determination that these directors are independent. Each member of the Company's three standing committees, the Audit Committee, the Compensation Committee and the Corporate Governance & Nominating Committee, satisfies Nasdaq's independence standards for service on those committees. The members of the Audit Committee also satisfy the independence requirements of the SEC's Regulation §240.10A-3. The independent directors have elected Maarten D. Hemsley the Board's Lead Director.

Independent Directors(1)	Board Committee Assignments
Marian M. Davenport	Compensation Committee
Robert A. Eckels	Audit Committee, Compensation Committee, Corporate Governance & Nominating Committee
Maarten D. Hemsley	Audit Committee, Compensation Committee, Corporate Governance & Nominating Committee
Charles R. Patton	Compensation Committee
Richard O. Schaum	Audit Committee, Compensation Committee
Milton L. Scott	Audit Committee, Corporate Governance & Nominating Committee
Paul J. Varello	Audit Committee

(1) John D. Abernathy retired from the Board in January 2014.

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The Nominees and Continuing Directors. The following table lists the nominees for election as directors as well as the directors whose terms do not expire at the Annual Meeting. Each of the nominees has stated a willingness to serve if elected. If any nominee is unable to serve, the proxy holders may vote for a substitute nominee. The Board has no reason to believe that any of the nominees will be unable to serve. A proxy cannot be voted by the proxy holders for more persons than the number of nominees named in this Proxy Statement. Information about the number of shares of common stock of the Company owned by the nominees and the continuing directors can be found below under the heading Stock Ownership Information.

Nominees	Current Position	Age	Class	Year Term	
				Director Since	Expires (if elected)
Marian M. Davenport	Director	60	I	2014	2017
Robert A. Eckels	Director	56	I	2010	2017
Joseph P. Harper, Sr.	Director	68	I	2001	2017
Charles R. Patton	Director	54	III	2013	2016
Paul J. Varello	Director	70	II	2014	2015
Incumbent Directors*		Age	Class	Director Since	Year Term Expires
Maarten D. Hemsley	Director (Lead Director)	64	III	1998	2016
Peter E. MacKenna	President & Chief Executive Officer, Director	51	III	2012	2016
Richard O. Schaum	Director	67	II	2010	2015
Milton L. Scott	Director	57	II	2005	2015

*Patrick T. Manning, who is an incumbent Class I director and Chairman of the Board, has not been nominated for re-election because he is retiring when his term expires at the 2014 Annual Meeting.

Background of the Nominees.

Marian M. Davenport. Ms. Davenport is currently the Executive Director of the Houston, Texas office of Genesys Works, a nationally-recognized nonprofit organization that trains and employs economically disadvantaged high school students to work as professionals in major corporations during their senior year. From September 2004 to March 2013, Ms. Davenport was associated with Big Brothers Big Sisters, a non-profit organization that provides one-to-one mentoring for children. She held various positions in its affiliated organizations, including serving from September 2004 to June 2010 as President & Chief Executive Officer of Big Brothers Big Sisters of Greater Houston, and from June 2010 to March 2013 as Senior Vice President, Operations and Capacity Building of Big Brothers Big Sisters Lone Star. From April 1997 to December 2002, Ms. Davenport was employed by Dynegy Inc., a publicly-traded company in the business of power distribution, marketing and trading of gas, power and other commodities, midstream services and electric distribution. She joined Dynegy as General Counsel, Commercial Development and rose to the position of Senior Vice President, Legislative and Regulatory Affairs.

Ms. Davenport holds a Bachelor of Arts, Liberal Arts and Sciences degree from The Colorado College, of Colorado Springs, Colorado, and a JD degree from the University of Denver, College of Law, in Denver, Colorado. Ms. Davenport is a member of the bar of Texas.

Robert A. Eckels. Mr. Eckels is President of Texas Central High-Speed Railway, LLC, a high-speed rail development company linking the Texas cities of Houston and Dallas/Fort Worth. He is also a member of the Texas-based law firm of Gray, Reed & McCraw, LLC. His practice concentrates on Corporate Law, Finance, Public-Private Partnerships and Homeland Security and Disaster Law. Before joining Gray, Reed, from March 2009 through March 2011, Mr. Eckels operated his own independent legal practice. From March 2007 through March 2009, Mr. Eckels

was a partner in the international law firm of Fulbright & Jaworski, LLP (now known as Norton Rose Fulbright). For twelve years before joining Fulbright & Jaworski, from January 1995 to March 2007, Mr. Eckels was County Judge of Harris County, Texas, which includes the city of Houston, as well as Chairman of the Harris County Toll Road Authority. As Harris County Judge, Mr. Eckels was the presiding officer of the Commissioners Court, which is the governing body of the county, and was responsible for the executive, legislative and judicial functions of a county of nearly four million residents. Mr. Eckels has also served on several boards and councils in the Houston-Galveston region, as well as on state boards and commissions and federal advisory commissions. He serves as a member and chair of the Texas County and District Retirement System board, a governor-appointed, non-paid board, with responsibility for the oversight of a more than \$24 billion public pension fund. From January 1983 to January 1995, Mr. Eckels served as a member of the Texas House of Representatives. Mr. Eckels received a B.S. degree from the University of Houston, a J.D. degree from South Texas College of Law and is a member of the bar in Texas, New York, Colorado and the District of Columbia.

Joseph P. Harper, Sr. Mr. Harper has been a director of the Company since July 2001. He was employed by Texas Sterling Construction Co. (TSC) from 1972 until January 2013 and was Chief Financial Officer of TSC for approximately 25 years until August 2004, when he became Treasurer of TSC. In addition to his financial responsibilities, Mr. Harper performed both estimating and project management functions. He became the Company's President and Chief Operating Officer in July 2001 and Treasurer in May 2006. In January 2013, Mr. Harper retired as an employee and officer of the Company. Mr. Harper is a certified public accountant.

Charles R. Patton. Mr. Patton is the President & Chief Operating Officer of Appalachian Power Company, which serves approximately one million customers in West Virginia, Virginia and Tennessee, with responsibility for distribution operations and a wide range of customer and regulatory relationships, a position he has held since June 2010. Appalachian Power Company is a unit of American Electric Power Company, Inc. (AEP), one of the largest publicly-traded utilities in the United States. From June 2008 to June 2010, Mr. Patton served as Senior Vice President of Regulatory Policy and subsequently Executive Vice President of AEP's Western Utilities where he was responsible for oversight of utilities in Texas, Louisiana, Arkansas and Oklahoma. Prior to that, from May 2004 to June 2008, Mr. Patton was President and Chief Operating Officer of AEP Texas, and held various other executive roles, with responsibility for external affairs in Texas and in the Southwestern region of AEP. Before joining AEP in December 1995, Mr. Patton spent nearly 11 years in the energy and telecommunications business with Houston Lighting & Power Company. Mr. Patton also serves as a director of the Richmond Federal Reserve Bank. Mr. Patton received a bachelor's degree (cum laude) from Bowdoin College in Brunswick, Maine, and a master's degree from the LBJ School of Public Policy at the University of Texas in Austin.

Paul J. Varello. Mr. Varello is the Founder and former Chairman of Commonwealth Engineering & Construction, LLC (CEC) of Houston, Texas, an engineering and construction management company specializing in the design and construction of major capital projects for the oil & gas, refining, alternative fuels, power, and related energy industries. Prior to founding CEC in May 2003, Mr. Varello was Senior Partner of Varello & Associates, a company that provided technical assessments, economic evaluations, estimates and constructability reviews to project lenders, plant operators and engineering companies from September 2001 to May 2003. From May 1990 to September 2001, Mr. Varello was Chairman of the Board and Chief Executive Officer of American Ref-Fuel Company of Houston, Texas. The company was formed as a joint venture of two publicly-traded companies to develop, own and operate plants that convert solid municipal waste into energy. For the eighteen years prior to 1990, Mr. Varello was with Fluor Corporation, a Fortune 500 company that provides engineering, procurement, construction, maintenance, and project management services to a wide range of global clients. Mr. Varello started with Fluor as a project construction manager and rose to President of the Process Sector.

Mr. Varello has served on the board of directors of two public companies. From 2005 to 2012, he was a director of Sims Metal Management Limited (NYSE: SMS and ASX: SGM), a global recycler of metals and electronics headquartered in Sydney Australia. From 1992 to 1999, Mr. Varello served on the board of Ryland Group, Inc. (NYSE: RYL), a homebuilder and a mortgage-finance company located in the United States.

Mr. Varello is a Registered Professional Engineer in California, Texas and Louisiana, and holds a Bachelor of Civil Engineering from Villanova University. He is also a graduate of Harvard Business School's Advanced Management Program.

Background of the Continuing Directors.

Maarten D. Hemsley. Mr. Hemsley served as the Company's President and Chief Operating Officer from 1988 until 2001, and as its Chief Financial Officer from 1998 until August 2007. From January 2001 until March 2012, when he retired, Mr. Hemsley was a consultant to, or employee of, Harwood Capital LLP (Harwood) (formerly JO Hambro Capital Management Limited) an investment management company based in the United Kingdom. During that period, Mr. Hemsley served as a Fund Manager, Senior Fund Manager and Senior Advisor to several investment funds managed by Harwood. Mr. Hemsley is a director of Sevcon, Inc., a U.S. public company that manufactures electronic controls for electric vehicles and other equipment, and of a number of privately-held companies in the United Kingdom. Mr. Hemsley is a Fellow of the Institute of Chartered Accountants in England and Wales.

Peter E. MacKenna. Mr. MacKenna was elected the Company's Chief Executive Officer effective September 1, 2012 and its President on January 28, 2013. From April 1995 until he joined the Company, Mr. MacKenna was employed by Skanska AB as President and CEO of various of its operating companies. Skanska AB is a Fortune 500 public company and one of the ten largest construction companies in the world. Most recently, from March 2009 until September 2012, Mr. MacKenna served as Executive Vice President and Chief Strategy Officer of Skanska USA Civil where he was responsible for increasing its revenues through a combination of acquisitions and organic growth, and oversaw the development of its acquisition strategy and acquisition integration planning. Before that he had responsibility for integrating businesses separately acquired by Skanska into a cohesive organization.

Richard O. Schaum. Mr. Schaum has been General Manager of 3rd Horizon Associates LLC, a technology assessment and development company, since May 2003. From October 2003 until June 2005, he was Vice President and General Manager of Vehicle Systems for WaveCrest Laboratories, Inc. and led its vehicle systems development group. Prior to that, for more than thirty years, he was with DaimlerChrysler Corporation, and its predecessor, Chrysler Corporation, most recently, from January 2000 until his retirement in March 2003, as Executive Vice President, Product Development. Mr. Schaum is a fellow of the Society of Automotive Engineers and served as its President from 2007 to 2008. He earned a B.S. in Mechanical Engineering from Drexel University and an M.S. in Mechanical Engineering from the University of Michigan. Mr. Schaum is currently a director of BorgWarner Inc., a publicly-traded company that manufactures and sells technologies for engines and drive trains, and Gentex Corporation, a publicly-traded company that manufactures and sells automotive electro-chromic dimming mirrors, windows, camera-based driver assist systems, and commercial fire protection products.

Milton L. Scott. Mr. Scott is Chairman and Chief Executive Officer of the Tagos Group, LLC. The company provides expertise in Supply Chain Advisory Services, Oilfield Support Products & Services, Outsourced Technology and Procurement and Concrete Products and Services. Mr. Scott is also Chairman and Chief Executive Officer of CorrLine International, LLC, a private company that manufactures Corrx, a surface decontamination product that treats and destroys the primary cause of premature coating failures. He was previously associated with Complete Energy Holdings, LLC, a company of which he was Managing Director until January 2006 and which he co-founded in January 2004 to acquire, own and operate power generation assets in the United States. From March 2003 to January 2004, Mr. Scott was a Managing Director of The StoneCap Group, an entity formed to acquire, own and operate power generation assets. From October 1999 to November 2002, Mr. Scott served as Executive Vice President and Chief Administrative Officer at Dynegy Inc., a public company in the business of power distribution, marketing and trading of gas, power and other commodities, midstream services and electric distribution. From July 1977 to October 1999, Mr. Scott was a partner with the Houston office of Arthur Andersen LLP, a public accounting firm, where from 1996 to 1999, he served as partner in charge of the Southwest Region Technology and Communications practice. Within the past five years, Mr. Scott was, but is no longer, a director of W-H Energy

Services, Inc., which at the time was a publicly-traded company in the oilfield services industry.

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Experience, Qualifications, Attributes and Skills of Nominees and Directors.

The following describes the basis on which the Corporate Governance & Nominating Committee has concluded that the incumbent directors (listed alphabetically below) some of whom are nominees, should continue to serve as directors of the Company. As more fully described below in the section entitled Nomination of Directors under the heading Board Operations, the Corporate Governance & Nominating Committee typically does not look for a specific experience, qualification, attribute or skill in nominating a director for election or re-election, but rather tries to find a person whose overall combination of those factors would enable him or her to make valuable contributions to the Board.

Ms. Davenport. Ms. Davenport brings to the Board her background as a lawyer, with experience in corporate governance and securities compliance, having served as general counsel of a public company. In addition, she has extensive experience as an executive in the energy industry as a result of managing the development of large natural gas-fired power plants and where she served as a change agent to improve performance of critical company functions, including human resources. Ms. Davenport's more recent career in the non-profit sector providing mentoring and workforce development opportunities for disadvantaged youth will bring a new perspective and expertise to the Company, which is in an industry where finding competent candidates for employment at all levels is more and more competitive. In sum, Ms. Davenport's extensive background in both the for-profit and non-profit sectors will bring cognitive diversity to the Board and the Compensation Committee on which she serves.

Mr. Eckels has a long and distinguished background in the public sector as well as broad experience and a strong interest in transportation matters. These are two areas in which other directors have no particular experience or expertise and ones which enable Mr. Eckels to assist the Board as the Company seeks to expand its business into design-build, CM/GC (construction manager/general contractor) and other project delivery methods, which are alternatives to the traditional fixed unit price, low bid process, and in which success is based not only on bid price, but also on reputation, marketing and quality. In addition, Mr. Eckels's knowledge and experience described in his biographical data help the Board oversee the Company's efforts to bid successfully on the kind of large, transportation infrastructure projects on which it has worked in the past. In furtherance of his corporate governance education, in 2012 he became a Board Leadership Fellow of the National Association of Corporate Directors (NACD) by completing NACD's comprehensive program of study for corporate directors, which the Company believes will enhance his effectiveness as a member of the Company's Audit Committee, Compensation Committee and Corporate Governance & Nominating Committee.

Mr. Harper has forty years of experience in heavy civil construction with the Company. His operational skills combined with financial acumen developed as chief financial officer for many years enable him as a director to aid the Board in making assessments and decisions about the Company's annual budgets, its capital expenditures, and cash management; to assess the risks of entry into new types of construction projects; and to evaluate the strategic direction of the Company's acquisition program.

Mr. Hemsley has extensive financial experience and managerial skills gained over many years as chief financial officer of the Company for thirteen years and as its President for seven years; through his recent position managing investment funds; and his responsibilities during his career as chief financial officer of several medium-sized public and private companies in a variety of business sectors in the U.S. and Europe. His knowledge of the Company derived from more than twenty years' service, as well as his analytical skills honed as a fund manager in making investment decisions and overseeing the management of a wide range of portfolio companies, enable him to contribute to the Board's oversight of the Company's business, its financial risks, its executive compensation arrangements, the risks inherent in its acquisition program, and in post-acquisition integration issues.

Mr. MacKenna has more than 25 years of civil construction experience, which includes both operational experience in water, waste water, heavy highway, transit, marine, and foundation construction as well as extensive business experience in acquisition analysis and strategy, and post-acquisition integration. These are all areas that the Board believes are critical to the Company's future success and growth. His construction experience has been in an enterprise much larger than the Company, and as a result, he brings to the Board many of the techniques, processes and procedures that the Company will need as it integrates its operations and continues to grow.

Mr. Patton, as evidenced by his biographical data, above, has extensive experience in the utilities industry combined with high-level management experience, both of which have already and will continue to benefit the Board in its deliberations by bringing a different perspective than any other director.

Mr. Schaum has extensive executive and management experience at all levels in a Fortune 100 company, and knowledge of, and interest in, corporate governance matters, gained on the board of a Fortune 500 company. In addition, his technical background and his operating experience at all levels of management contribute to the breadth and depth of the Board's deliberations.

Mr. Scott has many years of experience as an audit partner at a large public accounting firm; leadership, managerial and corporate governance skills acquired during his tenure as a senior executive at a Fortune 500 company; and entrepreneurial skills developed through the founding of several companies in the energy and service sectors. He has also served as a chief executive officer of private companies and as a lead director at a public company. Mr. Scott's background and experience enable him to bring to the Board and its deliberations a broad range and combination of valuable insights as well as leadership skills, particularly in his role as Chairman of the Board's Audit Committee.

Mr. Varello's background encompasses a diversity of experience in engineering, construction, executive management and board service that will enhance both the scope and breadth of the Board's expertise as a group, thereby contributing to the overall performance of the Board's responsibilities.

AMENDMENT OF ARTICLE IV OF THE CERTIFICATE OF INCORPORATION (Proposal 2)

Adoption of the Amendment. On March 13, 2014, the Board of Directors adopted, subject to the approval of the stockholders, an amendment of Section 4.1(b) of Article IV of the Company's Certificate of Incorporation to increase the number of shares of common stock that the Company is authorized to issue from 19 million shares to 28 million shares. Pursuant to the Delaware General Corporation Law (DGCL), the Board has declared the amendment to be advisable. The text of the amendment is set forth in Appendix I to this Proxy Statement.

Required Approval. The approval of the amendment requires the affirmative vote of the holders of at least a majority of the Company's outstanding shares of common stock. At April 1, 2014, there were 16,677,094 shares of common stock outstanding. If the amendment is approved by stockholders, it will become effective when it is filed with the Secretary of State of the State of Delaware, which the Company intends to do promptly after the Annual Meeting. However, in accordance with the DGCL, notwithstanding the authorization of the proposed amendment by the stockholders, the Board is permitted to abandon the proposed amendment without further action by the stockholders, but it has no intention of doing so.

Reasons for the Amendment. The Board of Directors believes that an increase in the number of shares of common stock the Company is authorized to issue is needed for several reasons. There currently remain only 2.2 million shares of common stock available for issuance for general corporate purposes after deducting the approximately 120,000 shares currently reserved for issuances of common stock under the Company's Stock Incentive Plan. If the number of Stock Incentive Plan shares is increased by 900,000 shares as described in Proposal 4, below, without an increase in the total shares the Company is authorized to issue, there would be only 1.3 million shares available. For this reason, the Company has made the approval of the increase in the number of shares that may be issued under the Plan contingent upon the approval of this Proposal 2.

On March 14, 2014, the Company entered into an amendment of its credit agreement with its lending bank to obtain a waiver of a covenant default in the fourth quarter of 2014. One of the requirements of the amendment is to raise \$20 million in equity by September 30, 2014. At the Company's current stock price, the remaining 2.2 million authorized shares would be inadequate to raise that amount of equity. While the Company's primary goal is to satisfy the \$20 million requirement, the Company may also seek to raise additional capital to substantially reduce its outstanding debt, and thereby place the Company in a better position to pursue its acquisition strategy, which is described in the Company's Annual Report on Form 10-K. The Company has in the past made, and expects in the future to make, a portion of any acquisition purchase price payable in shares of common stock so that the seller has an incentive to support and contribute to the success of the Company after the acquisition, whether or not the seller remains part of the Company.

Effect of the Amendment. The issuance by the Company of additional shares of common stock would have the effect of diluting the percentage ownership of current stockholders of the Company. In addition, in the absence of a proportionate increase in the Company's earnings and book value, an increase in the number of outstanding shares of common stock would dilute the earnings per share and book value per share of currently outstanding shares of common stock.

The Board of Directors recommends that stockholders vote for the approval of the Amendment of Section 4.1(b) of Article IV of the Certificate of Incorporation

AMENDMENT OF ARTICLE VI OF THE CERTIFICATE OF INCORPORATION (Proposal 3)

Adoption of the Amendment. Section 6.2 of Article VI of the Company's Certificate of Incorporation currently provides that the Board of Directors is to be divided into three classes in accordance with Section 141(d) of the Delaware General Corporation Law (DGCL). The classes are designated Class I, Class II and Class III, with directors divided among the classes in as nearly equal numbers as possible. The directors in each class are elected to three-year terms with the terms of one of the classes expiring each year at the annual meeting of stockholders.

On November 8, 2013, the Board of Directors adopted an amendment of the Certificate of Incorporation, subject to stockholder approval, to phase out the classes. The amendment is designed to achieve this result over a three-year period beginning with the 2015 Annual Meeting of Stockholders so that it is completed by the 2017 Annual Meeting of Stockholders. The Board considered the practice of other companies in this regard when it adopted the amendment. Pursuant to the DGCL, the Board of Directors has declared the amendment of Section 6.2 of Article VI to be advisable.

Required Approval. The approval of the amendment requires the affirmative vote of the holders of at least a majority of the Company's outstanding shares of common stock. At April 1, 2014, there were 16,677,094 shares of common stock outstanding. If the amendment is approved by stockholders, it will become effective when filed with the Secretary of State of the State of Delaware, which the Company intends to do promptly after the Annual Meeting. However, in accordance with the DGCL, notwithstanding the authorization of the proposed amendment by the stockholders, the Board is permitted to abandon the proposed amendment without further action by the stockholders, but it has no intention of doing so.

Reasons for the Amendment. The Board believes that the declassification of directors should be accomplished in a way that does not shorten any incumbent director's current term of office so as to preserve the continuity of his or her service on the Board.

In both 2012 and 2013, the Board considered the advantages and disadvantages of retaining the classification of directors. Among the advantages the Board considered are the stability and continuity that result from having directors serve for more than a one-year term. The longer term, with its increased knowledge of the Company's business, also enhances directors' independence from management. Having directors serving in different classes also provides a measure of protection against hostile acquisitions and proxy contests that may not be in the best interests of stockholders, and it encourages directors to take a long-term perspective and thereby facilitates strategic planning.

On the other hand, directors noted that there is a growing investor sentiment in favor of the annual election of all directors because it is the primary means by which stockholders can influence corporate governance policies and hold management accountable for implementing those policies. In addition, declassifying the directors is consistent with the Company's ongoing commitment to corporate governance "best practices."

In late 2013, on the recommendation of the Corporate Governance & Nominating Committee, the Board decided that it was time to start the phase-out of the classification of directors because of a belief that the disadvantages of classification noted above outweigh the advantages.

The following summary of the amendment is qualified in its entirety by reference to the full text of the amendment, which is attached to this Proxy Statement as Appendix II.

Effect of the Amendment. If the amendment is approved by stockholders, the phase-out will proceed as follows:

· At the 2015 Annual Meeting of Stockholders, the current three-year terms of Class II directors expire. Their successors will be elected to one-year terms.

·At the 2016 Annual Meeting of Stockholders, the terms of Class III directors expire. Their successors and the other directors whose terms expire at that meeting will be elected to one-year terms.

·At the 2017 Annual Meeting of Stockholders, the terms of Class I directors expire. Their successors and the other directors whose terms expire at that meeting will be elected to one-year terms, at which time, the directors will no longer be divided into classes.

The provision of the Certificate of Incorporation that all directors hold office until the expiration of their terms and until their successors are elected and qualified, or their earlier death, resignation or removal will remain unchanged as it avoids a situation in which there might be no directors serving on the Board.

The Board of Directors recommends that stockholders vote for the approval of the adoption of the amendment of Section 6.2 of Article VI of the Certificate of Incorporation

AMENDMENT OF THE STOCK INCENTIVE PLAN (Proposal 4)

Adoption of the Amendment. On March 13, 2014, the Board of Directors adopted an amendment of the Company's Stock Incentive Plan, subject to stockholder approval, that authorizes the issuance of an additional 900,000 shares of common stock for grants and awards under the Plan.

Required Approval and Contingency. The approval of the amendment requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy at the meeting. However, the Board has made the approval of the amendment contingent upon the approval by stockholders of Proposal 2, which authorizes an increase of nine million shares in the number of shares of common stock the Company is authorized to issue. If that the increase is not approved, the Company will need all of the approximately 2.2 million shares that remain authorized for issuance to raise equity to satisfy the requirements of its amended credit agreement, as described above under Proposal 2.

Reasons for the Amendment. Of the original one million shares authorized for issuance under the Plan, at April 1, 2014, 880,000 shares had been issued as a result of stock option exercises or restricted stock awards, and 7,500 shares had been reserved for issuance under outstanding stock options that have an exercise price of \$3.10 per share. Of the issuances under the Plan, approximately 262,000 shares were still subject to restrictions on their transfer or other disposition at April 1, 2014. As a result there remain approximately 113,000 shares available for future grants and awards.

Effect of the Amendment. The increase in Plan shares will enable the Company to continue to make awards in the future to assist in attracting and retaining other personnel who have contributed, or who are expected to contribute, to the growth and development of the Company. No awards are currently planned to be made under the Plan.

The Board of Directors recommends that stockholders vote for the approval of the amendment of the Company's Stock Incentive Plan.

Summary of the Stock Incentive Plan. The following is a summary of the material features of the Plan as amended. The summary is qualified in its entirety by the full text of the Plan, a copy of which is available for review at the principal executive offices of the Company. In addition, the Company will send to any stockholder without charge a copy of the Plan upon written request to Craig B. Allen, Senior Vice President & Chief Human Resources Officer, at 20810 Fernbush Lane, Houston, Texas 77073.

Purpose. The purpose of the Plan is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who make, or who are expected to make important

contributions to the Company by providing those persons with opportunities for equity ownership and performance-based incentives, and thereby to better align the interests of those persons with the interests of the Company's stockholders. The Plan expires on May 6, 2021.

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Eligibility. Eligible participants include —

- The approximately 1,650 employees of the Company and its subsidiaries, of whom eight are officers of the Company and one is a director of the Company;
- The Company's eight non-employee directors; and
- Consultants and advisors of the Company.

On the date the Board adopted the amendment of the Plan, participants in the Plan consisted of six non-employee directors of the Company, one director who is an officer of the Company, six other officers of the Company, and approximately twenty-one employees of the Company and its subsidiaries who are neither directors nor officers of the Company. No new awards under the Plan have been made that are subject to stockholder approval.

Shares Issuable under the Plan. If this Proposal 4 is approved by stockholders, which, as noted above, is contingent upon the approval by stockholders of an increase in the Company's authorized shares (Proposal 2), the Plan will be authorized to issue a total of 1.9 million shares, of which approximately 880,000 have already been issued or are subject to issuance under outstanding stock options, and one million shares will be available for future issuances. Shares subject to stock options that expire unexercised and shares of restricted stock awards that are forfeited are returned to the pool of shares available for issuance under the Plan. Participants in the Plan are permitted to use shares subject to their options to pay the exercise price, and to use shares of their restricted stock awards that are being released from restrictions to satisfy the Company's tax withholding obligations occasioned by the release. Shares used for that purpose are also returned to the pool of shares available for issuance under the Plan.

Administration of the Plan. The Plan is administered by the Board of Directors, which has the authority to adopt, amend and repeal administrative rules, guidelines and practices relating to the Plan, and to interpret its provisions. So long as the Company's common stock is registered under the Securities Exchange Act of 1934, the Board of Directors is required to delegate and has delegated the administration of the Plan to the Board's Compensation Committee, which is made up of four independent directors.

Stock Options. The Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code as well as non-statutory stock options.

The Committee establishes and specifies the exercise price under an option in accordance with applicable laws, rules and regulations; the time or times at which the Option is exercisable; and the term of the option. Options are granted at an exercise price equal to the closing price of the common stock on the date of the grant. Options granted under the Plan typically will vest over time and can be exercised no more than ten years after the date of the grant. No consideration is payable to the Company by the recipient for the grant of a stock option.

Restricted Stock Awards. The Committee may make awards entitling the recipient to acquire shares of Common Stock subject to the right of the Company to repurchase from the recipient all or some of such shares at their issue price or other stated or formula price, or may make awards without requiring any payment therefor that are subject to forfeiture of the shares covered by the award in the event that conditions specified by the Committee in the award agreement are not satisfied prior to the end of a restriction period or periods established for the award.

Other Awards. The Committee also has the right to make any other awards of, and based on, the Company's common stock having terms and conditions that the Committee determines, including the grant of shares based upon certain conditions, the grant of securities convertible into common stock, and the grant of stock appreciation rights.

Amendment of Grants and Awards. The Board may amend or terminate any outstanding grant or award by substituting another award of the same or a different type; by changing the date of exercise or realization; and/or by converting an incentive stock option into a non-statutory stock option. The grant or award holder must consent to the amendment or termination unless the Board determines that it would not materially and adversely affect the holder.

Notwithstanding the authority to amend grants and awards, except in connection with a corporate transaction involving the Company such as a stock dividend, or distribution, stock split, extraordinary cash dividend, recapitalization, change in control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Common Stock or other securities, or similar transaction(s)), the Company may not without stockholder approval: (a) amend the terms of outstanding options or stock appreciation rights to reduce the exercise price of such outstanding options or stock appreciation rights; (b) cancel outstanding options or stock appreciation rights in exchange for options or stock appreciation rights with an exercise price that is less than the exercise price of the original options or stock appreciation rights; or (c) cancel outstanding options or stock appreciation rights with an exercise price above the current stock price in exchange for cash or other securities.

Calendar Year Per-Participant Limitation. In order to comply with current tax laws, the Company amended the per-participant limitations as follows:

- The maximum number of shares of the Company's common stock subject to options granted to any one participant in any calendar year was reduced from 350,000 to 100,000.
- The maximum number of shares of the Company's common stock which may be subject to restricted stock awards made to any one participant in any calendar year may not exceed 100,000. This is a limitation not found in the Plan prior to the amendment.
- The Plan provides a new maximum amount of any other compensation that may be paid to any participant pursuant to any grants or awards under the Plan in any calendar year. A grant or award —
 - o may not exceed the fair market value of 100,000 shares of the Company's common stock if the compensation under the award is denominated under the award agreement only in terms of shares of common stock, or a multiple of the fair market value per share of common stock; or
 - o in all other cases, may not exceed \$1,000,000.

Amendment of the Plan. The Board may amend, suspend or terminate the Plan and will seek stockholder approval of an amendment if required in order to comply with any applicable tax or regulatory requirements. Amendments that require stockholder approval become effective when adopted by the Board assuming stockholder approval is obtained.

Federal Income Tax Information. Set forth below is a general summary of the federal income tax consequences to the Company and to recipients of grants and awards under the Plan. The following summary is not intended to be exhaustive; it does not address certain special federal tax provisions; and it does not address state, municipal or foreign tax laws.

Tax Treatment of Non-Statutory Stock Options. Under Section 83 of the Internal Revenue Code, optionees realize no taxable income when a non-statutory stock option is granted to them. Instead, the difference between the fair market value of the stock on the date of exercise and the option price paid is taxed as ordinary compensation income as of the date of exercise if the stock is not subject at that time to a "substantial risk of forfeiture," as defined in Section 83.

The Company receives no tax deduction on the grant of a non-statutory stock option, but is entitled to a tax deduction when the optionee recognizes taxable income on or after exercise of the option in the same amount as the income

recognized by the optionee.

Tax Treatment of Incentive Stock Options. Under Section 422 of the Internal Revenue Code, an optionee incurs no federal income tax liability on either the grant or exercise of an incentive stock option. Provided that the stock is held for at least one year after the date of exercise of the option and at least two years after its date of grant, any gain realized on the subsequent sale of the stock will be taxed as long term capital gain. If the stock is disposed of within a shorter period, the optionee will be taxed, with respect to the gain realized, as if he or she had then received ordinary compensation income in an amount equal to the difference between the fair market value of the stock on the date of exercise of the option and its fair market value on the date on which the option was granted, but the Company has no tax withholding obligation. The balance of the gain realized will be taxed as capital gain, long term or short term depending on the holding period since the date of exercise.

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The Company receives no tax deduction on the grant or exercise of an incentive stock option, but is entitled to a tax deduction if the optionee recognizes ordinary compensation income on account of a premature disposition of stock under an incentive stock option in the same amount and at the same time as the optionee recognizes income.

Tax Treatment of Stock Awards.

- An employee who receives an award of stock generally will recognize taxable income at the time the stock is received equal to the value of the stock (less the purchase price, if any) and the applicable tax will be withheld by the Company from the employee.
- An employee who receives an award of restricted stock (that is, stock that is subject to one or more restrictions) generally will not recognize taxable income at the time the stock is received, but will recognize taxable income when the restrictions terminate or lapse.

The taxable income recognized when the restrictions terminate or lapse is equal to the fair market value of the stock at that date less the amount, if any, that the employee paid for the restricted stock.

The currently-required withholding by the Company is 25% of the taxable income recognized by the employee.

Plan Benefits. The benefits or amounts that will be received by, or allocated to, participants in the plan cannot be determined at this time. However, the Company has two programs under which restricted stock awards are made.

Directors' Standard Compensation Arrangements. The current standard compensation arrangements for non-employee directors provides for the award to each non-employee director on the date of each Annual Meeting of Stockholders restricted stock having an accounting income charge of \$50,000 per award. The awards are subject to the following basic terms:

Restrictions: The shares may not be sold, assigned, transferred, pledged or otherwise disposed of until they vest as described below. In addition, as a condition to the award, the director must agree that so long as he is a director of the Company, he will retain and not sell or otherwise dispose of at least that number of shares of the Company's common stock that have been awarded to him as director compensation that is equal in market value to the sum of the cash fees paid to him in the previous two calendar years.

Vesting: Vesting of the restricted stock (the expiration of the restrictions) occurs on the trading day immediately preceding the following year's Annual Meeting of Stockholders, but earlier upon the death or permanent disability of the director and upon a change in control of the Company.

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