MULTIMEDIA GAMES INC
Form 10-Q
August 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File Number: 000-28318

Multimedia Games, Inc.
(Exact name of Registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation or organization)	74-2611034 (IRS Employer Identification No.)
206 Wild Basin Road South, Building B, Fourth Floor Austin, Texas (Address of principal executive offices)	78746 (Zip Code)

(512) 334-7500
(Registrant’s telephone number, including area code)

Registrant’s website: www.multimediagames.com

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ý No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files):Yes ¨ No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer" "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer ¨	Accelerated Filer ý
Non-Accelerated Filer ¨	Smaller Reporting Company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

As of August 4, 2010, there were 27,572,407 shares of the Registrant's common stock, par value $0.01 per share, outstanding.

FORM 10-Q

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PART I

FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

MULTIMEDIA GAMES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2010 and September 30, 2009
(In thousands, except shares)
(Unaudited)

ASSETS	June 30, 2010	September 30, 2009
CURRENT ASSETS:		
Cash and cash equivalents	$30,814	$12,455
Accounts receivable, net of allowance for doubtful accounts of $2,945 and $3,676, respectively	11,099	13,424
Inventory	4,967	5,742
Deferred contract costs, net	—	1,826
Prepaid expenses and other	2,311	2,806
Current portion of notes receivable, net	13,419	15,780
Federal and state income tax receivable	5,930	6,246
Deferred income taxes	—	1,138
Total current assets	68,540	59,417
Restricted cash and long-term investments	737	804
Property and equipment and leased gaming equipment, net	55,505	69,050
Long-term portion of notes receivable, net	27,617	40,124
Intangible assets, net	30,943	33,361
Value added tax receivable	6,997	7,516
Other assets	2,285	2,379
Deferred income taxes	—	2,969
Total assets	$192,624	$215,620
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$750	$750
Accounts payable and accrued expenses	26,025	27,626
Deferred revenue	2,619	2,341
Total current liabilities	29,394	30,717
Revolving line of credit	15,000	15,000
Long-term debt, less current portion	44,063	59,250
Other long-term liabilities	737	789
Deferred revenue, less current portion	2,272	2,409
Total liabilities	91,466	108,165
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock:		
Series A, $0.01 par value, 1,800,000 shares authorized, no shares issued and outstanding	—	—
Series B, $0.01 par value, 200,000 shares authorized, no shares issued and outstanding	—	—

Common stock, $0.01 par value, 75,000,000 shares authorized, 33,348,687 and 33,121,337 shares issued, and 27,445,270 and 27,217,920 shares outstanding, respectively	334	331

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MULTIMEDIA GAMES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS – (Continued)
As of June 30, 2010 and September 30, 2009
(In thousands, except shares)
(Unaudited)

	June 30, 2010	September 30, 2009
Additional paid-in capital	88,766	86,317
Treasury stock, 5,903,417 common shares at cost	(50,128)	(50,128)
Retained earnings	63,437	72,803
Accumulated other comprehensive loss, net	(1,251)	(1,868)
Total stockholders' equity	101,158	107,455
Total liabilities and stockholders' equity	$ 192,624	$ 215,620

The accompanying notes are an integral part of the condensed consolidated financial statements.

MULTIMEDIA GAMES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended June 30, 2010 and 2009
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,	
	2010	2009
REVENUES:		
Gaming operations	$23,810	$27,407
Gaming equipment and system sales	4,935	3,786
Other	331	936
Total revenues	29,076	32,129
OPERATING COSTS AND EXPENSES:		
Cost of revenues (1)	3,302	2,137
Selling, general and administrative expenses	14,703	15,326
Write-off, reserve, impairment & settlement charges	381	299
Amortization and depreciation	12,760	15,581
Total operating costs and expenses	31,146	33,343
Operating loss	(2,070)	(1,214)
OTHER INCOME (EXPENSE):		
Interest income	830	1,156
Interest expense	(1,012)	(1,390)
Loss before income taxes	(2,252)	(1,448)
Income tax benefit	2,612	288
Net income (loss)	$360	$(1,160)
Basic earnings (loss) per common share	$0.01	$(0.04)
Diluted earnings (loss) per common share	$0.01	$(0.04)
Shares used in earnings (loss) per common share:		
Basic	27,437	26,693
Diluted	27,962	26,693

(1) Cost of revenues exclude depreciation and amortization of gaming equipment, content license rights and other depreciable assets, which are included separately in the amortization and depreciation line item

The accompanying notes are an integral part of the condensed consolidated financial statements.

MULTIMEDIA GAMES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Nine Months Ended June 30, 2010 and 2009
(In thousands, except per share data)
(Unaudited)

	Nine Months Ended June 30,	
	2010	2009
REVENUES:		
Gaming operations	$69,648	$82,636
Gaming equipment and system sales	16,354	9,907
Other	1,477	2,032
Total revenues	87,479	94,575
OPERATING COSTS AND EXPENSES:		
Cost of revenues (1)	9,139	6,311
Selling, general and administrative expenses	43,493	46,091
Write-off, reserve, impairment & settlement charges	3,896	10,271
Amortization and depreciation	39,984	46,085
Total operating costs and expenses	96,512	108,758
Operating loss	(9,033)	(14,183)
OTHER INCOME (EXPENSE):		
Interest income	2,798	3,692
Interest expense	(3,462)	(5,416)
Other income	-	74
Loss before income taxes	(9,697)	(15,833)
Income tax benefit	331	5,355
Net loss	$(9,366)	$(10,478)
Basic and diluted loss per common share	$(0.34)	$(0.39)
Shares used in loss per common share:		
Basic and diluted	27,340	26,653

(1) Cost of revenues exclude depreciation and amortization of gaming equipment, content license rights and other depreciable assets, which are included separately in the amortization and depreciation line item

The accompanying notes are an integral part of the condensed consolidated financial statements.

MULTIMEDIA GAMES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended June 30, 2010 and 2009
(In thousands)
(Unaudited)

	Nine Months Ended June 30,	
CASH FLOWS FROM OPERATING ACTIVITIES:	2010	2009
Net loss	$(9,366)	$(10,478)
Adjustments to reconcile net loss to cash provided by operating activities:		
Amortization	2,555	3,763
Depreciation	37,429	42,322
Accretion of contract rights	5,053	4,500
Adjustments to long-lived assets	704	1,316
Deferred income taxes	4,107	(1,879)
Share-based compensation	1,452	1,487
Provision for doubtful accounts	2,914	920
Interest income from imputed interest	(2,528)	(3,313)
Changes in operating assets and liabilities:		
Accounts receivable	2,124	(1,151)
Inventory	1,028	(555)
Deferred contract costs	1,826	(1,144)
Prepaid expenses and other	329	(385)
Federal and state income tax receivable	316	(1,900)
Notes receivable	1,679	1,176
Accounts payable and accrued expenses	(571)	2,547
Other long-term liabilities	15	(210)
Deferred revenue	141	(860)
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,207	36,156
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Acquisition of property and equipment and leased gaming equipment	(28,521)	(37,118)
Transfer of leased gaming equipment to inventory	4,573	846
Acquisition of intangible assets	(2,612)	(2,266)
Advances under development agreements	(3,040)	(7,000)
Repayments under development agreements	13,233	15,766
NET CASH USED IN INVESTING ACTIVITIES	(16,367)	(29,772)
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Proceeds from exercise of stock options, warrants, and related tax benefit	1,000	378
Principal payments of long-term debt	(15,187)	(925)
Proceeds from revolving lines of credit	15,000	10,000
Payments on revolving lines of credit	(15,000)	(13,000)
NET CASH USED IN FINANCING ACTIVITIES	(14,187)	(3,547)
EFFECT OF EXCHANGE RATES ON CASH	(294)	312
Net increase in cash and cash equivalents	18,359	3,149
Cash and cash equivalents, beginning of period	12,455	6,289
Cash and cash equivalents, end of period	$30,814	$9,438
SUPPLEMENTAL CASH FLOW DATA:		

Interest paid	$2,889	$4,879
Income tax refunded, net	$(5,405)	$(2,124)
NON-CASH TRANSACTIONS:		
Change in contract rights resulting from imputed interest on development agreement notes receivable	$(229)	$(342)

The accompanying notes are an integral part of the condensed consolidated financial statements.

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1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements should be read in conjunction with Multimedia Games, Inc. (the "Company," "we," "us," or "our") consolidated financial statements and footnotes contained within the Company's Annual Report on Form 10-K for the year ended September 30, 2009.

The unaudited condensed consolidated financial statements included herein as of June 30, 2010, and for each of the three and nine month periods ended June 30, 2010 and 2009, have been prepared by the Company pursuant to accounting principles generally accepted in the United States (U.S. GAAP), and the rules and regulations of the Securities and Exchange Commission, or SEC. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The information presented reflects all adjustments consisting solely of normal recurring adjustments which are, in the opinion of management, considered necessary to present fairly the financial position, results of operations, and cash flows for the periods. Operating results for the period ended June 30, 2010 are not necessarily indicative of the results which will be realized for the year ending September 30, 2010. References to specific U.S. GAAP within this report cite topics within the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). We have evaluated all subsequent events through the date that the condensed consolidated financial statements were issued. The condensed consolidated balance sheet as of September 30, 2009 was derived from the audited consolidated financial statements at that date.

Operations – The Company is a supplier of interactive systems, server-based gaming systems, interactive electronic games, player terminals, stand-alone player terminals, video lottery terminals, electronic scratch ticket systems, electronic instant lottery systems, player tracking systems, casino cash management systems, slot accounting systems, slot management systems, unified currencies and electronic and paper bingo systems for Native American tribes, racetrack casino, casino, charity and commercial bingo, sweepstakes, lottery and video lottery markets and the Company provides support and services and operations support for its customers and products. The Company designs and develops networks, software and content that provide its customers with, among other things, comprehensive gaming systems, some of which are delivered through a telecommunications network that links its player terminals with one another, both within and among gaming facilities. The Company's ongoing development and marketing efforts focus on Class II and Class III gaming systems and products for use by Native American tribes; video lottery terminals, video lottery systems, stand-alone player terminals, electronic instant scratch systems and other products for domestic and international lotteries; products for domestic and international charity and commercial bingo markets; and promotional, sweepstakes and amusement with prize systems. The Company's gaming systems are typically provided to customers under revenue-sharing arrangements, except for video lottery terminals in the Class III market in Washington State, which are typically sold for an up-front purchase price. The Company has undertaken a concerted effort to generate additional revenue through the sale of Class II and Class III gaming systems and products. The Company offers content for its gaming systems that has been designed and developed by the Company, as well as game themes the Company has licensed from others. The Company currently operates in one business segment.

Consolidation Principles – The Company's financial statements include the accounts of Multimedia Games, Inc. and its wholly-owned subsidiaries: MegaBingo, Inc., MGAM Systems, Inc., Innovative Sweepstakes Systems, Inc., MGAM Services, LLC, MGAM Systems International, Inc., MegaBingo International, LLC, Multimedia Games de Mexico 1, S. de R.L. de C.V., and Servicios de Wild Basin S. de R.L. de C.V. Intercompany balances and transactions have been eliminated in consolidation.

Accounting Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Examples include share-based compensation, provisions for

doubtful accounts, recoverability of notes and value added tax receivables, contract losses, estimated useful lives of property and equipment and intangible assets, impairment of property and equipment and intangible assets, valuation of deferred income taxes, and the provision for and disclosure of litigation and loss contingencies. Actual results may differ materially from these estimates in the future.

Reclassification – Reclassifications were made to the prior-period financial statements to conform to the current period presentation. Specifically, the presentation of revenue was changed to more closely reflect the manner in which Company management analyzes the performance of the business and charges for write-offs, reserves, impairments and settlements are separately presented on the condensed consolidated statement of operations. In addition, value added tax receivable from the Mexican government was reclassed from other assets (non-current) to a separate line item on the face of the balance sheet. These reclassifications did not have an impact on the Company's previously reported results of operations or earnings (loss) per share amounts. Additionally, these reclassifications did not impact compliance with any applicable debt covenants in the Company's credit agreement.

Revenue Recognition – In accordance with the provision of ASC Topic 605, "Revenue Recognition", the Company recognizes revenue when all of the following have been satisfied:

§ Persuasive evidence of an arrangement exists;
§ Delivery has occurred;
§ Price to the buyer is fixed or determinable; and
§ Collectibility is probable.

Revenue – The Company derives revenue from the following sources:

§ Gaming Operations	–	Participation revenue generated from the Company's games placed under the Oklahoma Compact, Native American Class II products, charity bingo and other bingo products, lottery systems and Class III back office systems
§ Gaming equipment and systems sales	–	Direct sales of player terminals, licenses, back office systems and other related equipment
§ Other	–	Maintenance and service arrangements and other

The majority of the Company's gaming revenue is generated under lease participation arrangements when the Company provides its customers with player terminals, player terminal-content licenses and back-office equipment, collectively referred to as gaming equipment. Under these arrangements, the Company retains ownership of the gaming equipment installed at customer facilities, and the Company receives revenue based on a percentage of the net win per day generated by the gaming equipment. Revenue from lease participation arrangements are considered both realizable and earned at the end of each gaming day.

Gaming revenue generated by player terminals deployed at sites under development agreements is reduced by the accretion of contract rights from those development agreements. Contract rights are amounts allocated to intangible assets for dedicated floor space resulting from development agreements, described under "Development Agreements." The related amortization expense, or accretion of contract rights, is netted against its respective revenue category in the condensed consolidated statements of operations.

The Company also generates gaming revenues from back-office fees with certain customers. Back-office fees cover the service and maintenance costs for back-office servers installed in each gaming facility to run its gaming equipment, as well as the cost of related software updates. Back-office fees are considered both realizable and earned at the end of each gaming day.

Gaming Equipment and System Sales – The Company sells gaming equipment and gaming systems under independent sales contracts through normal credit terms or may grant extended credit terms under contracts secured by the related equipment, with interest recognized at market rates.

For sales arrangements with multiple deliverables, the Company applies the guidance from ASC Topic 985, "Software" and ASC Topic 605, "Revenue Recognition." Deliverables are divided into separate units of accounting if: (i) each item has value to the customer on a stand-alone basis; (ii) there is objective and reliable evidence of the fair value of the undelivered items; and (iii) delivery of the undelivered item is considered probable and substantially in the Company's control.

The majority of the Company's multiple element sales contracts are for some combination of gaming equipment, player terminals, content, system software, license fees and maintenance. For multiple element contracts considered a single unit of accounting, the Company recognizes revenues based on the method appropriate for the last delivered item.

The Company allocates revenue to each accounting unit based upon its fair value as determined by Vendor Specific Objective Evidence, or VSOE. VSOE of fair value for all elements of an arrangement is based upon the normal pricing and discounting practices for those products and services when sold individually. The Company recognizes revenue when the product is physically delivered to a customer controlled location or over the period in which the service is performed and defers revenue for any undelivered elements.

§ In those situations where each element is not essential to the function of the other, the “multiple deliverables” are bifurcated into accounting units based on their relative fair market value against the total contract value and revenue recognition on those deliverables is recorded when all requirements of revenue recognition have been met.

§ If any element is determined to be essential to the function of the other, revenues are generally recognized over the term of the services that are rendered.

In those situations where VSOE does not exist for any undelivered elements of a multiple element arrangement, the aggregate value of the arrangement, including the value of products and services delivered or performed, is initially deferred until all hardware and software is delivered, and then the entire amount of the arrangement is recognized ratably over the period of the last deliverable, generally the service period of the contract. Depending upon the elements and the terms of the arrangement, the Company recognizes certain revenues under the residual method. Under the residual method, revenue is recognized when VSOE of fair value exists for all of the undelivered elements in the arrangement, but does not exist for one or more of the delivered elements in the arrangement. Under the residual method, the Company defers the fair value of undelivered elements, and the remainder of the arrangement fee is then allocated to the delivered elements and is recognized as revenue, assuming the other revenue recognition criteria are met.

Costs and Billings on Uncompleted Contract – During fiscal 2008, the Company entered into a fixed-price contract with a customer, pursuant to which it will deliver an electronic bingo system. Revenues from this fixed-price contract are being recognized on the completed-contract method in accordance with ASC Subtopic 605-35, “Construction-Type and Production-Type Contracts.” During the three month period ended June 30, 2010, the Company determined substantial completion of the contract occurred for revenue recognition purposes as all deliverables under the contract were provided to the customer, with the exception of a one year warranty, and the customer had approved the deliverables or the specified time allotted for testing had expired. Therefore, the Company began recognizing revenue ratably over the one year warranty period and thus recognized revenue and costs of $795,000 and $762,000, respectively, under the contract for the periods ended June 30, 2010.

Contract costs include all direct material and labor costs, and those indirect costs related to contract performance, such as indirect labor, supplies and tools. General and administrative costs are charged to expense as incurred.

Costs in excess of amounts billed were classified as current assets under “Deferred contract costs, net.”

At September 30, 2009, the following amounts were recorded in the Company’s condensed consolidated balance sheet:

	September 30, 2009 (in thousands)
Costs incurred on uncompleted contracts	$ 3,697
Billings on uncompleted contracts	(1,871)
Deferred contract costs, net	$ 1,826

Cash and Cash Equivalents – The Company considers all highly liquid investments (i.e., investments which, when purchased, have original maturities of three months or less) to be cash equivalents.

Restricted Cash and Long-Term Investments – Restricted cash and long-term investments at June 30, 2010 and September 30, 2009, amounted to $737,000 and $804,000, respectively, representing the fair value of investments held by the Company’s prize fulfillment firm related to outstanding MegaBingo® jackpot prizes.

Allowance for Doubtful Accounts – The Company maintains an allowance for doubtful accounts related to its accounts receivable and notes receivable that have been deemed to have a high risk of uncollectibility. Management reviews its accounts receivable and notes receivable on a quarterly basis to determine if any receivables will potentially be uncollectible. Management analyzes historical collection trends and changes in its customer payment patterns, customer concentration, and creditworthiness when evaluating the adequacy of its allowance for doubtful accounts. In its overall allowance for doubtful accounts, the Company includes any receivable balances where uncertainty exists as to whether the account balance has become uncollectible. Based on the information available, management believes the allowance for doubtful accounts is adequate; however, actual write-offs might exceed the recorded allowance.

Inventory – The Company's inventory consists primarily of completed player terminals, related component parts and back-office computer equipment expected to be sold over the next twelve months. Inventories are stated at average costs, which approximate the lower of cost (first in, first out) or market.

Property and Equipment and Leased Gaming Equipment – Property and equipment and leased gaming equipment are stated at cost. The cost of property and equipment and leased gaming equipment is depreciated over their estimated useful lives, generally using the straight-line method for financial reporting, and regulatory acceptable methods for income tax reporting purposes. Player terminals and related components and equipment are included in the Company’s rental pool. The rental pool can be further delineated as “rental pool – deployed”, which consists of assets deployed at customer sites under participation agreements, and “rental pool – undeployed”, which consists of assets with the Company that are available for customer use. Rental pool – undeployed consists of both new units awaiting deployment to a customer site and previously deployed units currently back with the Company to be refurbished awaiting re-deployment. Routine maintenance of property and equipment and leased gaming equipment is expensed in the period incurred, while major component upgrades are capitalized and depreciated over the estimated remaining useful life of the component. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in the Company’s results of operations.

Management reviews long-lived asset classes for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its fair value, which considers the future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs of disposal.

Deferred Revenue – Deferred revenue represents amounts from the sale of gaming equipment and systems that have been billed, or for which notes receivable have been executed, but which transaction has not met the Company’s revenue recognition criteria. The cost of the related gaming equipment and systems has been offset against deferred revenue. Amounts are classified between current and long-term liabilities, based upon the expected period in which the revenue will be recognized.

Other Long-Term Liabilities – Other long-term liabilities include investments held at fair value by the Company’s prize-fulfillment firm related to outstanding MegaBingo jackpot-prize-winner annuities. These annuities were $737,000 and $800,000 as of June 30, 2010 and September 30, 2009, respectively.

Fair Value of Financial Instruments – The carrying value of financial instruments reported in the accompanying condensed consolidated balance sheets for cash, accounts receivable, current portion of notes receivable, accounts payable, and accrued expenses payable and other liabilities, approximate fair value due to the immediate or short-term nature or maturity of these financial instruments. The carrying amount for our credit facility approximates fair value due to the fact that the underlying instrument includes provisions to adjust interest rates to approximate fair value.

Segment and Related Information – Although the Company has a number of operating divisions the Company reports as one segment, as these divisions meet the criteria for aggregation as permitted by ASC Topic 280, “Segment Reporting.” ASC 280-10-50-11, “Aggregation Criteria”, allows for the aggregation of operating segments if the segments have similar economic characteristics and if the segments are similar in each of the following areas:

1. The nature of the products and services
2. The nature of the production processes
3. The type or class of customer for their products and services
4. The methods used to distribute their products or provide their services
5. The nature of the regulatory environment, if applicable.

The Company is engaged in the business of designing, manufacturing and distributing gaming machines, video lottery terminals and associated systems and equipment, as well as the maintenance of these machines and equipment. Our production process is essentially the same for the entire Company and is performed via outsourced manufacturing partners, as well as in house manufacturing performed primarily at our warehouse and assembly facility in Austin, Texas. Our customers consist of entities in the business of operating gaming, bingo or lottery facilities, and include Native American Tribes, charity bingo operators and commercial entities licensed to conduct such business in their jurisdictions. The distribution of our products is consistent across the entire Company and is performed via an internal fleet of vehicles, as well as third party transportation companies. The regulatory environment is similar in every jurisdiction in that gaming is regulated and our games must meet the regulatory requirements established. In addition, the economic characteristics of each customer arrangement are similar in that we obtain revenue via a revenue share arrangement or direct sale of product or service, depending on the customer’s need. These sources of revenue are consistent with respect to both product line and geographic area.

In addition, discrete financial information, such as costs and expenses, operating income, net income and EBITDA (Earnings before interest expense, income taxes, depreciation, amortization and accretion of contract rights), are not captured or analyzed by product line or geographic area. Our "Chief Operating Decision Maker" analyzes our product performance based on average daily play on a game level basis, which is consistent across all product lines and geographic areas. This average daily performance data along with customer needs are the key drivers for assessing how the Company allocates resources and assesses operating performance of the Company.

Costs of Computer Software – Software development costs have been accounted for in accordance with ASC Topic 985, "Software." Under ASC Topic 985, capitalization of software development costs begins upon the establishment of technological feasibility and prior to the availability of the product for general release to customers. The Company capitalized software development costs of approximately $820,000 and $677,000 during the three month periods ended June 30, 2010 and 2009, respectively, and $2.5 million and $1.8 million for the nine month periods ended June 30, 2010 and 2009, respectively. Software development costs primarily consist of personnel costs. The Company began to amortize capitalized costs when a product is available for general release to customers. Amortization expense is determined on a product-by-product basis at a rate not less than straight-line basis over the product's remaining estimated economic life, not to exceed five years. Amortization of software development costs is included in amortization and depreciation in the accompanying condensed consolidated statements of operations.

Income Taxes – The Company accounts for income taxes using the asset and liability method and applies the provisions of ASC Topic 740, "Income Taxes". Under ASC Topic 740, deferred tax liabilities or assets arise from differences between the tax basis of liabilities or assets and their bases for financial reporting, and are subject to tests of recoverability in the case of deferred tax assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets to the extent realization is not judged to be more likely than not. Additionally, in accordance with ASC Topic 740, we are required to determine whether it is more likely than not (a likelihood of more than 50 percent) that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position in order to record any financial statement benefit. If that step is satisfied, then we must measure the tax position to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Treasury Stock – The Company utilizes the cost method for accounting for its treasury stock acquisitions and dispositions.

Share-Based Compensation – The Company accounts for share-based compensation under the provisions of ASC Topic 718, "Compensation – Stock Compensation." Among other items, ASC Topic 718 requires the Company to recognize in the financial statements, the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards. To measure the fair value of stock options granted to employees, the Company currently utilizes the Black-Scholes-Merton option-pricing model. The Company applied the "modified prospective" method, under which compensation cost is recognized in the financial statements beginning with the adoption date for all share-based payments granted after that date, and for all unvested awards granted prior to the adoption date. Expense is recognized over the required service period, which is generally the vesting period of the options.

The Black-Scholes-Merton model incorporates various assumptions, including expected volatility, expected life, and risk-free interest rates. The expected volatility is based on the historical volatility of the Company's common stock over the most recent period commensurate with the estimated expected life of the Company's stock options, adjusted

for the impact of unusual fluctuations not reasonably expected to recur. The expected life of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees.

There were 7,600 option grants issued to employees during the three months ended June 30, 2010 at an average fair value per share price of $4.50. Total pretax share-based compensation for the three and nine month periods ended June 30, 2010 were $230,000 and $1.5 million, respectively; and $363,000 and $1.5 million, respectively, for the three and nine month periods ended June 30, 2009. The Company did not recognize an income tax benefit for stock-based compensation arrangements in the three or nine month periods ended June 30, 2010. The total income tax benefit recognized in the statement of operations for share-based compensation arrangements was $89,000 and $384,000 for the three and nine month periods ended June 30, 2009. As of June 30, 2010, $4.9 million of unamortized stock compensation expense, including estimated forfeitures, remained, which will be recognized over the vesting periods of the various option grants.

Foreign Currency Translation. The Company accounts for currency translation in accordance with ASC Topic 830. “Foreign Currency Matters.” Balance sheet accounts are translated at the exchange rate in effect at each balance sheet date. Income statement accounts are translated at the average rate of exchange prevailing during the period. Translation adjustments resulting from this process are charged or credited to other comprehensive income (loss) a component of shareholder equity, in accordance with ASC Topic 220, “Comprehensive Income.” Transactional currency gains and losses arising from transactions in currencies other than the Company’s local functional currency are included in the condensed consolidated statement of operations in accordance with ASC Topic 830.

Comprehensive Income (Loss). Comprehensive income (loss) consists of the following:

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
	(in thousands)		(in thousands)	
Net income (loss)	$360	$(1,160)	$(9,366)	$(10,478)
Foreign currency translation adjustment	(448)	846	617	(1,443)
Comprehensive loss	$(88)	$(314)	$(8,749)	$(11,921)

Recent Accounting Pronouncements Issued. In June 2009, the Financial Accounting Standards Board("FASB"), issued Statement of Financial Accounting Standards No. 168, "The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles." FASB Accounting Standards Codification (ASC) has become the source of authoritative generally accepted accounting principles GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this statement, the codification will supersede all then-existing non-SEC accounting and reporting standards; and all non-grandfathered, non-SEC accounting literature not included in the codification will be superseded and deemed non-authoritative. The new codification standards have been adopted by the Company in its annual report on Form 10-K as of September 30, 2009. Reference to the new ASC topic, subtopic, or section has been provided in place of historical accounting literature. The adoption of codification standards did not impact our consolidated financial position, results of operation or cash flows.

In October 2009, FASB issued ASU No. 2009-13, "Revenue Recognition(Topic 605), Multiple-Deliverable Revenue Arrangements" and ASU No. 2009-14, "Software(Topic 985), Certain Revenue Arrangements that Include Software Elements," both consensus of the FASB Emerging Issues Task Force. ASU No. 2009-13 establishes the accounting and reporting guidance for arrangements under which the vendor will perform multiple revenue-generating activities; specifically, how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. ASU No. 2009-14 affects vendors that sell or lease tangible products in an arrangement that contains software that is more than incidental to the tangible product as a whole and clarifying what guidance should be used in allocating and measuring revenue. Upon adoption of these standards, a company can recognize revenue on delivered elements within a multiple elements arrangement based upon estimated selling prices, which is a departure from previous guidance. These standards are required to be implemented by October 1, 2010, We are currently evaluating the impact of implementation.

2. DEVELOPMENT AGREEMENTS

The Company enters into development agreements, including placement fees, to provide financing for new gaming facilities or for the expansion of existing facilities. In return, the facility dedicates a percentage of its floor space to placement of the Company's player terminals, and the Company receives a fixed percentage of those player terminals' win per unit over the term of the agreement. The agreements typically provide for some or all of the advances to be repaid by the customer to the Company. Amounts advanced in excess of those to be reimbursed by the customer are allocated to intangible assets and are generally amortized over the life of the contract, which is recorded as a reduction of revenue generated from the gaming facility. Certain of the agreements contain player terminal performance standards that could allow the facility to reduce a portion of the Company's floor space. In the past and in the future, the Company may by mutual agreement and for consideration, amend these contracts to reduce its floor space at the facilities. Any proceeds received for the reduction of floor space is first applied as a recovery against the intangible asset or property and development for that particular development agreement, if any.

Management reviews intangible assets related to development agreements for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no events or changes in circumstances during the three and nine month periods ended June 30, 2010, which would require an impairment charge to the carrying value of intangible assets recorded in connection with development agreements. See Notes 6 "Notes Receivable" and Note 10 "Write-off, reserve, impairment and settlement charges" for further discussion of reserves recorded on notes receivable from development agreements.

During the nine month periods ended June 30, 2010, the Company advanced under development agreements $3.0 million compared to $7.0 million for the same period of 2009. The following net amounts related to advances made under development agreements and were recorded in the following balance sheet captions:

	June 30, 2010	September 30, 2009			
Included in:					
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.

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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(1)	Aggregate Earnings (Loss) in Last Fiscal Year ($)	Aggregate Balance at Last Fiscal Year-End(2)
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

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.

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
Scott J. Montross				
Base Salary	$	$ 1,000,000	$	$
Bonus		297,761		
Health and Insurance Benefits		37,000		
Earned Vacation	19,000	19,000	19,000	19,000
Robin A. Gantt				
Base Salary	$	$ 556,500	$	$
Bonus		167,572		
Health and Insurance Benefits		22,000		
Earned Vacation	18,000	18,000	18,000	18,000
Robert L. Mahoney				
Base Salary	$	$ 613,880	$	$
Bonus		140,421		
Health and Insurance Benefits		37,000		
Earned Vacation	27,000	27,000	27,000	27,000
Richard A. Roman				
Base Salary	$	$ 265,000	$	$ 265,000
Bonus				
Health and Insurance Benefits				
Earned Vacation	23,000	23,000	23,000	23,000
Gary A. Stokes				
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.

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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[1]	Fees Earned or Paid in Cash	Stock Awards[2]	All Other Compensation	Total
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[3]			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

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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[(1)]	$ 715,000	$ 690,000
Audit-related fees		
Tax fees[(2)]	17,348	16,426
All Other fees		
Total fees	$ 732,348	$ 706,426

(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

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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STOCK OWNED BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS

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

(*) 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.

(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?

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

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.

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

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

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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