STERLING CONSTRUCTION CO INC
Form DEF 14A
March 27, 2015

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

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ]	Preliminary Proxy Statement
[ ]	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X]	Definitive Proxy Statement
[ ]	Definitive Additional Materials
[ ]	Soliciting Material Pursuant to §240.14a-12

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

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

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1)	Title of each class of securities to which transaction applies:
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1)	Amount previously paid:
2)	Form, Schedule or Registration Statement No.:
3)	Filing Party:
4)	Date Filed:

Sterling Construction Company, Inc.
1800 Hughes Landing Boulevard
The Woodlands, Texas 77380
Telephone: (281) 214-0800

Notice of the 2015 Annual Meeting of Stockholders

Notice is hereby given that the 2015 Annual Meeting of Stockholders of Sterling Construction Company, Inc., a Delaware corporation, will be held as follows:

Date:	May 8, 2015	
Place:	1800 Hughes Landing Boulevard — Suite 250	
	The Woodlands, Texas 77380	
Time:	8:30 a.m. local time	
Purposes:	1.	To elect three Board nominees each to serve for a term of one year and until their successors are duly elected and qualified.
	2.	To approve a special, one-time stock plan for the Company's Chief Executive Officer.
	3.	To ratify the selection of Grant Thornton LLP as the Company's independent registered public accounting firm for 2015.
	4.	An advisory vote to approve named executive officer compensation.
	5.	To transact any other business that properly comes before the meeting.
Record Date:	Only the stockholders of record at the close of business on March 10, 2015 are entitled to notice of the meeting and to vote at the meeting or any adjournment of it.	

By Order of the Board of Directors
March 27, 2015 Roger M. Barzun, Secretary

Important notice regarding the availability of proxy materials for the Annual Meeting of Stockholders to be held on May 8, 2015:

The proxy statement, the form of proxy and the Annual Report to Stockholders for the year ended December 31, 2014 are available at the Company's Internet website, www.StrlCo.com, on the "Investor Relations" page under the headings Proxy Statements and Annual Reports.

As indicated above, we are again using the "Notice and Access" method of delivery of proxy materials to save costs and to avoid wasting paper. Most stockholders will receive the Notice Regarding the Availability of Proxy Materials, which provides the Internet website address of our transfer agent where stockholders can both access electronic copies of the proxy materials and vote. This website also has instructions for voting by phone and for requesting paper copies of the proxy materials and a proxy card.

summary of how you can vote your shares

Via the Internet:	You may vote via the Internet by following the instructions in the Availability Notice or on your proxy card (if you receive one).
By Telephone:	Visit www.voteproxy.com to obtain the toll-free number to call.
By Mail:	If you request a paper copy of the proxy materials, you may vote by completing, signing, and dating the proxy card, and mailing it to the Company in the envelope that is provided to you.
In person:	You may attend the Annual Meeting of Stockholders and cast your vote on each item as it is presented.

STERLING CONSTRUCTION COMPANY, INC.

Proxy Statement for the 2015 Annual Meeting of Stockholders

Table of Contents

SUMMARY OF THE PROXY STATEMENT

Summaries of some of the information contained in this Proxy Statement for the 2015 Annual Meeting of Stockholders are set forth on the following five pages. The summary does not contain all the information that a stockholder should consider before voting. The entire Proxy Statement should be read before doing so. The Company's Annual Report is its Annual Report on Form 10-K for the year ended December 31, 2014, which has been filed with the Securities and Exchange Commission.

Matters to be Voted on at the Meeting

Proposal #1: The election of three Directors for one-year terms. See the section entitled Term of Office, Successors & Declassification of Directors under the heading Election of Directors on Page 4. The table below contains a summary of some of the information concerning each of the nominees. More detailed information can be found below under the heading Election of Directors (Proposal 1) at Page 4.

Nominees	Current Position	Age	Occupation	Board Committee(s)	Director Since
Richard O. Schaum	Director	68	General Manager, 3rd Horizon Associates LLC	Audit Compensation	2010
Milton L. Scott	Director	58	Chairman and Chief Executive Officer of the Tagos Group, LLC	Audit Corporate Governance	2005
Paul J. Varello	Director	71	Chief Executive Officer (1)	—	2014

(1) Mr. Varello was elected acting Chief Executive Officer on February 1, 2015 to replace Peter E. MacKenna, the Company's former President & Chief Executive Officer, who left the Company on January 31, 2015. Effective March 9, 2015, Mr. Varello was appointed Chief Executive Officer and entered into a three-year employment agreement with the Company.

Proposal #2: Approval of a special, one-time stock plan for the Company’s Chief Executive Officer. Paul J. Varello. Mr. Varello's employment agreement provides for a nominal annual salary of $1.00. Stockholders are being asked to approve this one-time stock plan to permit the Company to award him, in lieu of cash compensation, a 600,000-share restricted stock award that vests over the three-year period of his employment agreement.

Proposal #3: Ratification of the selection of Grant Thornton LLP as the Company's independent registered public accounting firm for 2015. Grant Thornton was also the Company's 2014 firm of auditors. More information about Grant Thornton and their fees can be found below under the heading Information About Audit Fees & Audit Services on Page 42.

Proposal #4:

Approval of the compensation of the Company's named executive officers. More information about the compensation of executives can be found in the following summary and below under the heading Executive Compensation on Page 24.

Summary of Executive Compensation

This summary is qualified by the information below under the heading Executive Compensation, which begins on Page 24.

The named executive officers are those officers who are named in the Summary Compensation Table for 2014 under the heading Executive Compensation. As noted below, three of the five 2014 named executive officers left the Company in early 2015. The salaries of the named executive officers are based on their employment agreements or, in the case of Mr. Manning, an expired employment agreement. Their incentive compensation is based on the terms of their employment agreements and/or a 2014 annual incentive plan that was adopted by the Compensation Committee of the Board, except for Mr. Wadsworth, whose bonus for 2014 was the subject of negotiation by Mr. Wadsworth with the Chief Executive Officer, but subject to the approval of the Compensation Committee.

The Company's named executive officers in 2014 were as follows:

Name	Title/Position at December 31, 2014	Executive Officer Since
Peter E. MacKenna(1)	President & Chief Executive Officer	2012
Thomas R. Wright	Executive Vice President & Chief Financial Officer	2013
Brian R. Manning(1)	Executive Vice President & Chief Business Development Officer	2010
Con L. Wadsworth	Senior Vice President; President, Ralph L. Wadsworth Construction Company, LLC(2)	2014
Peter J. Holland(1)	Senior Vice President; President, Texas Sterling Construction Co.(2)	2014

(1) Mr. MacKenna left the Company on January 31, 2015 and has been replaced as Chief Executive Officer by Paul J. Varello, formerly the Company's Chairman of the Board.

Mr. Manning resigned from the Company on January 27, 2015.

Mr. Holland left the Company on January 5, 2015 and has been replaced as President of the Company's Texas Sterling Construction Co. subsidiary by Mark Buchanan.

(2) A wholly-owned subsidiary of the Company.

Pay for Performance. The table below shows the base salaries of the named executive officers; the basis for the calculation of their 2014 incentive compensation; and the incentive compensation actually earned for 2014. In 2014, the Company's $0.35 earnings-per-share goal was not met, nor was Texas Sterling Construction Co.'s financial goal met. Accordingly, incentive compensation paid for 2014 was based solely on the level of personal goal achievement by the named executive officer.

The personal goal achievement of the named executive officers was determined by the Compensation Committee after taking into consideration Mr. MacKenna's recommendations and his self-assessment of his own personal goal achievement.

	Peter E. MacKenna	Thomas R. Wright	Brian R. Manning	Con L. Wadsworth (1)	Peter J. Holland
Annual Salary	$600,000	$350,000	$315,000	$365,000	$325,000
Target Incentive Compensation (%) & ($)	120% $720,000	120% $420,000	40% $126,000	N/A	120% $390,000
Percent of Target Allocated to Company EPS Goal	50%	50%	50%	N/A	25%
Percent of Target Allocated to TSC Financial Goal (2)	—	—	—	N/A	50%
2014 Achievement of Financial Goals	0%	0%	0%	N/A	0%
Percent of Target Allocated to Personal Goals	50%	50%	50%	N/A	25%
2014 Achievement of Personal Goals (%) & ($)	75% $270,000	100% $210,000	100% $63,000	N/A	60% $58,500
Percent of Earned Incentive Compensation Payable in Cash and Shares of Restricted Stock	Cash: 70% Shares: 30%	Cash: 50% Shares: 50%	Cash: 50% Shares: 50%	N/A	Cash: 50% Shares: 50%
2014 Payments for Goal Achievement — Cash & Shares(3)	Cash: $189,000 Shares: 12,865(4)	Cash: $105,000 Shares: 16,677	Cash: $31,500 Shares: -0- (5)	N/A	Cash: $58,500 Shares: -0- (6)

(1) For 2014, in lieu of incentive compensation, Mr. Wadsworth was paid a bonus of $182,500 after the end of the year based on the revenues and profits of the Company's Ralph L. Wadsworth Construction Company, LLC subsidiary of which he is President.

(2) Mr. Holland, as President of Texas Sterling Construction Co. (TSC) in 2014, was the only named executive officer whose 2014 incentive compensation was based partially on a TSC financial goal.

(3) The number of shares was computed using the simple average closing price of the Company's common stock in December 2014 ($6.296) as provided in the executive's employment agreement or in the incentive compensation plan in which he participated.

(4) In connection with Mr. MacKenna's leaving the Company, these shares were issued to him without restrictions.

(5) Because Mr. Manning resigned his employment in January 2015, shares of restricted stock otherwise issuable to him would have been forfeited; accordingly, no award of restricted stock was made to him for 2014.

(6)

In connection with Mr. Holland's leaving the Company, the Compensation Committee determined to pay all of his 2014 incentive compensation in cash.

For the value at December 31, 2014 of the named executive officers' outstanding and unvested restricted stock, see the table below entitled Outstanding Equity Awards at December 31, 2014 at Page 38.

New Incentive Plan for 2015. For 2015, the Compensation Committee has adopted a new incentive compensation plan consisting of —

- A short-term incentive compensation program based on the achievement in 2015 of a Company financial goal and personal goals, in which amounts earned, if any, are paid in cash; and
- A long-term (three-year) stock-based incentive compensation program. The stock consists of a time-based, cliff-vesting shares of restricted stock, and restricted stock units convertible into shares of common stock at the end of the program period based on the ranking of the Company's total stockholder return (TSR) over the three-year period compared to the TSR of the Company's peer group over the same period. For a detailed description of the programs see Page 28.

Summary of Corporate Governance

The Board has adopted a set of governance guidelines that it reviews periodically to ensure that they reflect the Board's and the Company's needs, as well as current trends in corporate governance.

The following is a description of some of the main elements of the Company's corporate governance matters. A more detailed discussion can be found below under the heading The Board of Directors in the section entitled Board Governance beginning on Page 11:

Independence:

- Of the Company's six incumbent directors, five are independent directors. The only non-independent director is the Company's Chief Executive Officer.
- The roles of Chairman and Chief Executive Officer are separate, and the Board's Chairman is an independent director.
- All members of the Board's standing committees are independent directors.
- No director has entered into any related party transaction with the Company.

Starting with the 2015 Annual Meeting of Stockholders, the Board is declassifying its directors so that by the 2017 Annual Meeting of Stockholders, all nominees will be elected for one-year terms. See the section entitled Term of Office, Successors & Declassification of Directors under the heading Election of Directors on Page 4.

Directors (in uncontested elections) are elected by a majority vote, with a director resignation procedure for incumbent directors who are nominated for re-election.

Meeting Attendance:

- In 2014, all directors attended, in the aggregate, 95% of the meetings of the Board and of the committees on which they served.
- All but one director attended the 2014 Annual Meeting of Stockholders in person.

Executive sessions of independent directors are held at all five regularly-scheduled Board meetings and at other times as the need arises.

Two of the four members of the Audit Committee are financial experts.

Stock Ownership Guidelines & Policies —

- o Directors and executive officers are prohibited from hedging shares of the Company's common stock.
- o Executive officers are required to retain shares of the Company's common stock equal to a multiple of their base salaries.
- o Directors are expected to hold shares of the Company's common stock equal to five times their annual retainer.
- o The Company's claw-back policy is applicable to incentive compensation paid irrespective of culpability, and applies to both cash and equity compensation.

The financial goals of incentive compensation programs are subject to caps and minimum achievement levels.

The Company's change in control severance provisions —

- o Have a double-trigger.
- o Provide for severance of three times base salary.
- o Provide that change-in-control severance is reduced by any severance that is payable pursuant to any other employment arrangements.

- o Do not provide for a tax gross-up on the severance payment.

Board Performance Evaluation

- o Both the Board and its committees perform a self-evaluation annually.
- o For individual director evaluation, the Chair of the Corporate Governance & Nominating Committee confers with each director annually to solicit comments about nominations for election and re-election to the Board, and to permit each director to express any concerns about the functioning of the Board, its committees and its members. Any concerns about the Corporate Governance & Nominating Committee or its Chair are given to the Chairman of the Board.

At each of the Board's regularly-scheduled meetings, directors receive an assessment and/or an update on the Company's primary risk categories.

The Company conducts annual advisory votes on executive compensation.

The Company has no stockholders rights plan (poison pill).

Persons interested in communicating with the Board about their concerns, questions or other matters may do so as follows:

By U.S. Mail to:
Board of Directors
The Secretary
Sterling Construction Company, Inc.
1800 Hughes Landing Blvd. — Suite 250
The Woodlands, TX 77380
or
By e-mail to: Reports@Lighthouse-Services.com

STERLING CONSTRUCTION COMPANY, INC.

1800 Hughes Landing Boulevard
The Woodlands, Texas 77380
Telephone: (281) 214-0800

PROXY STATEMENT
FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

In this Proxy Statement, Sterling Construction Company, Inc. is sometimes referred to as the Company, and the Board of Directors of the Company is sometimes referred to as the Board. The Company is making this Proxy Statement, the form of proxy, and the Company's 2014 Annual Report on Form 10-K available to stockholders starting on March 27, 2015 in connection with the solicitation of proxies by the Board for the 2015 Annual Meeting of Stockholders. The Annual Meeting will be held on Friday, May 8, 2015 at 8:30 a.m. local time at the Company's headquarters office at 1800 Hughes Landing Boulevard — Suite 250, The Woodlands, Texas 77380.

On March 27, 2015, the Company mailed a Notice of Internet Availability of Proxy Materials (the Availability Notice) to stockholders of record on March 10, 2015 (the Record Date) and posted the proxy materials on the Company's website:

www.StrlCo.com
as well as on the website provided in the Availability Notice:
http://www.astproxyportal.com/ast/04770

The Company is sending the Availability Notice to all stockholders of record instead of mailing them a printed set of the proxy materials to save postage and paper. As stated in the Availability Notice, if you wish to obtain a printed set of the proxy materials, you can do so without charge by requesting a copy either by telephone, by e-mail, or through either of the websites listed above, all as described in the Availability Notice.

On or about April 6, 2015, the Company plans to mail a second Availability Notice to stockholders that will be accompanied by a proxy card on which you can indicate how you wish your shares to be voted.

The Record Date. The Company has established March 10, 2015 as the Record Date. The persons or entities whose names appear on the records of the Company on that date as holders of the Company's common stock are entitled to notice of the Annual Meeting and to vote at the Annual Meeting, or at any adjournment of the meeting. On the Record Date, there were 18,910,441 shares of the Company's common stock outstanding.

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

Voting in Person. To vote your shares in person, come to the meeting at the date, time and address set forth above in the Notice of the 2015 Annual Meeting of Stockholders and you will be given a ballot on which you can vote your shares on each of the proposals.

However, if your shares are held for you in the name of your broker, bank or other nominee, evidence of your stock ownership on the record date, March 10, 2014 (such as a current letter from your broker, bank or other nominee, or a photocopy of your brokerage or other account statement for March 2015) must be presented at the meeting in order for you to vote your shares in person.

Voting by Proxy. In this Proxy Statement, you are being asked to appoint each of Milton L. Scott, the Chairman of the Board of Directors; Thomas R. Wright, the Company's Chief Financial Officer; and Roger M. Barzun, the Company's General Counsel, as your proxy to vote your shares in the way you direct, both at the Annual Meeting and at any adjournment of the meeting. Stockholders have the option to vote by proxy in three ways, all of them described in the Availability Notice:

- Via the Internet: You may vote via the Internet by following the instructions in the Availability Notice.

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

- By Mail: You may vote by mail by obtaining a printed copy of the proxy card in the manner described in the Availability Notice. You may then complete, sign, and date the proxy card and mail it to the Company in the envelope that will have been provided to you with the proxy card.

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

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

- Your proxy is properly completed;

- Your proxy is received before the Annual Meeting; and

- Your proxy is not revoked by you before the voting.

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

FOR the election of the three nominees for a term of one year (Proposal 1).

FOR the approval of a special, one-time stock plan for the Company's Chief Executive Officer Proposal 2).

FOR the ratification of the selection of Grant Thornton LLP as the Company's independent registered public accounting firm for 2015 (Proposal 3).

FOR the approval of the compensation of the Company's named executive officers as set forth in this Proxy Statement (Proposal 4) (an advisory vote).

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

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

-

By sending to the Secretary of the Company, at the Company's address set forth above, a written statement that you wish to revoke your proxy;

- By submitting another proxy dated later than a previous proxy; or
- By attending the Annual Meeting in person and notifying the chair of the meeting that you wish to vote in person.

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Quorum, Vote Required & Method of Counting

The Quorum for the Meeting. A quorum must be present in order to hold the Annual Meeting. A quorum consists of the holders of a majority of the shares of outstanding common stock who are represented in person or by proxy at the meeting and entitled to vote. Each share of common stock entitles the record holder to one vote on each of the matters to be voted on at the Annual Meeting. Shares held in "street" name by banks, brokers or other nominees who indicate on their proxies that, because they have not received directions on how to vote the shares, they do not have the discretionary authority to vote the shares on a particular proposal, are known as broker non-votes.

Vote Required & Method of Counting.

Proposal 1.	To be elected a director, a nominee must receive more votes for his or her election than against it. Because the election of a nominee does not require a minimum number of votes, abstentions and broker non-votes will have no effect on the voting for the election of directors.
Proposal 2.	The approval of a special, one-time stock plan for the Chief Executive Officer requires the affirmative vote of the holders of a majority of the shares of common stock who are present in person or represented by proxy at the Annual Meeting and who are entitled to vote on the proposal. Accordingly, abstentions will have the effect of votes against the proposal, but broker non-votes will not be counted as they are not, by definition, entitled to vote.
Proposal 3.	The ratification of the selection of Grant Thornton LLP as the Company's independent registered public accounting firm for 2015 requires the affirmative vote of the holders of a majority of the shares of common stock who are present in person or represented by proxy at the Annual Meeting and who are entitled to vote on that proposal. Abstentions will have the effect of votes against the proposal, but broker non-votes will not be counted as they are not, by definition, entitled to vote. See also the information below under the heading Ratification of the Selection of Independent Registered Public Accounting Firm (Proposal 2) for the effect of your vote on this proposal.
Proposal 4.	The advisory vote to approve the compensation of the named executive officers also requires the affirmative vote of the holders of a majority of the shares of common stock who are present in person or represented by proxy at the Annual Meeting and who are entitled to vote on that proposal. Abstentions will have the effect of votes against the proposal, but broker non-votes will not be counted as, by definition, they are not entitled to vote.

The Solicitation of Proxies & Expenses. In addition to the solicitation of proxies by means of this Proxy Statement, directors, officers and employees of the Company and a third-party solicitation agent may solicit proxies using personal interviews, telephone calls, facsimile transmissions and e-mails. The cost of the proxy solicitation agent, Georgeson Inc., will be borne by the Company and is anticipated to be no more than $10,250 plus reimbursement of out-of-pocket expenses. The Company will request banks, brokerage houses and other custodians, nominees and fiduciaries to solicit votes from their customers who are beneficial owners, but not record holders, of common stock, and to forward or make available proxy solicitation materials to those beneficial owners. The Company will reimburse them for the reasonable out-of-pocket expenses they incur in doing so, and will pay the expenses of printing and mailing this Proxy Statement, the form of proxy, the Availability Notice, the Company's Annual Report on Form 10-K for 2014 and any other solicitation materials.

The 2014 Annual Report. A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2014, which has been filed with the Securities and Exchange Commission (SEC) contains financial statements and other information of interest to stockholders. Stockholders may obtain a copy of the 2014 Annual Report in the same manner as they may obtain a copy of the other proxy solicitation materials.

ELECTION OF DIRECTORS (Proposal 1)

Term of Office, Successors & Declassification of Directors. A director holds office until the expiration of his or her term and until a successor is elected and qualified unless the director dies, resigns or is removed from the Board. In any of those circumstances, the Board has the authority to appoint a replacement director.

The Board is in the process of phasing out the classification of its directors. Formerly, directors were divided into three classes, with a three-year term for each class, the election to which was staggered so that at each Annual Meeting of Stockholders, the terms of one class of directors expired. At the 2014 Annual Meeting of Stockholders, an amendment of the Company's Certificate of Incorporation was approved by stockholders providing that —

- At the 2015 Annual Meeting of Stockholders, when the three-year terms of the Class II directors expire, their successors will be elected to one-year terms. The current nominees are Class II directors and have been nominated for re-election to one-year terms.

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

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

The Bylaws of the Company permit the Board to determine from time to time how many directors the Company will have. The Board has set the size of the Board at six directors.

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

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

The Nominees & Continuing Directors; Independence.
Each of the nominees listed below has stated a willingness to serve if elected. If any nominee is unable to serve, the proxy holders may vote for a substitute nominee. The Board has no reason to believe that any of the nominees will be unable to serve.

A proxy cannot be voted by the proxy holders for more persons than the number of nominees named in this Proxy Statement. Information about the number of shares of common stock of the Company owned by the nominees and the continuing directors can be found below under the heading Stock Ownership Information.

The table below shows information about the nominees for director and the continuing directors. Messrs. Schaum and Scott satisfy the Nasdaq Stock Market's definition of an independent director.

As the Company's Chief Executive Officer, Mr. Varello is an employee of the Company and is therefore not an independent director.

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Nominees	Current Position	Board Committee(1)*	Age	Class	Director Since	Year Term Expires (if elected)
Richard O. Schaum	Director	Audit Compensation*	68	II	2010	2016
Milton L. Scott	Director	Chairman of the Board Audit* Corporate Governance	58	II	2005	2016
Paul J. Varello	Director, Chief Executive Officer	—	71	II	2014	2016
Continuing Directors						
Maarten D. Hemsley	Director	Audit Compensation Corporate Governance	65	III	1998	2016
Charles R. Patton	Director	Compensation	55	III	2013	2016
Marian M. Davenport	Director	Compensation Corporate Governance*	61	I	2014	2017

(1) The full names of the committees are the Audit Committee, Compensation Committee, and Corporate Governance & Nominating Committee.

* An asterisk indicates that the director is the Chair of the committee.

Background & Skills of the Nominees & Continuing Directors

Richard O. Schaum (nominee)
General Manager, 3rd Horizon Associates LLC,
a technology assessment and development company.

Mr. Schaum has served in the above capacity since May 2003. From October 2003 until June 2005, he was Vice President and General Manager of Vehicle Systems for WaveCrest Laboratories, Inc. and led its vehicle systems development group. Prior to that, for more than thirty years, he was with DaimlerChrysler Corporation, and its predecessor, Chrysler Corporation, most recently, from January 2000 until his retirement in March 2003, as Executive

Vice President, Product Development.

Experience, Qualifications, Attributes & Skills. Mr. Schaum has extensive executive and management experience at all levels in a Fortune 100 company, and knowledge of, and interest in, corporate governance matters, gained on the board of a Fortune 500 company. In addition, his technical background and his operating experience at all levels of management contribute to the breadth and depth of the Board's deliberations. Mr. Schaum is a fellow of the Society of Automotive Engineers and served as its President from 2007 to 2008. He earned a B.S. in Mechanical Engineering from Drexel University and an M.S. in Mechanical Engineering from the University of Michigan.

Other Directorships. Mr. Schaum is currently a director of BorgWarner Inc., a publicly-traded company that manufactures and sells technologies for engines and drive trains, and Gentex Corporation, a publicly-traded company that manufactures and sells automotive electro-chromic dimming mirrors, windows, camera-based driver assist systems, and commercial fire protection products.

Milton L. Scott (nominee)
Chairman and Chief Executive Officer of the Tagos Group, LLC (Tagos),
a company that provides expertise in Supply Chain Advisory Services, Oilfield Support Products & Services, Outsourced Technology and Anti-Corrosion Technology.

Mr. Scott was elected Chairman of the Board of Directors in March 2015, and he remains Chair of the Audit Committee. He has served as Chairman and Chief Executive Officer of Tagos since April 2007. From October 2012 to November 2013, Mr. Scott was also the Chairman and Chief Executive Officer of CorrLine International, LLC (CorrLine), a private company that manufactured CorrX, a surface decontamination product that treats and destroys the primary cause of premature coating failures. CorrLine was placed into involuntary Chapter 7 bankruptcy in August 2014, and in October 2014, Tagos purchased the assets of CorrLine and placed them in a subsidiary of Tagos, TGS Solutions, LLC, of which Mr. Scott is Chairman and Chief Executive Officer. Mr. Scott was previously associated with Complete Energy Holdings, LLC, a company of which he was Managing Director until January 2006, and which he co-founded in January 2004 to acquire, own and operate power generation assets in the United States. From March 2003 to January 2004, Mr. Scott was a Managing Director of The StoneCap Group, an entity formed to acquire, own and operate power generation assets. From October 1999 to November 2002, Mr. Scott served as Executive Vice President and Chief Administrative Officer at Dynegy Inc., a public company in the business of power distribution, marketing and trading of gas, power and other commodities, midstream services and electric distribution. From July 1977 to October 1999, Mr. Scott was a partner with the Houston office of Arthur Andersen LLP, a public accounting firm, where from 1996 to 1999, he served as partner in charge of the Southwest Region Technology and Communications practice.

Other Directorships. Mr. Scott is Chairman and Chief Executive Officer of TGS Solutions, LLC, a private company that manufactures Corrx, a surface decontamination product that treats and destroys the primary cause of premature coating failures.

Past Directorships. Mr. Scott was a director of W-H Energy Services, Inc., which at the time was a publicly-traded company in the oilfield services industry

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

Paul J. Varello (nominee)
Chief Executive Officer of the Company.

Mr. Varello is the Founder and President of Commonwealth Projects, LLC, a project development company specializing in developing LNG projects in the Caribbean Basin and Bermuda. He is the former Founder and Chairman of Commonwealth Engineering & Construction, LLC (CEC), an engineering and construction management company specializing in the design and construction of major capital projects for the oil & gas, refining, alternative fuels, power, and related energy industries, which he sold in 2014.

Prior to founding CEC in May 2003, Mr. Varello was Senior Partner of Varello & Associates, a company that provided technical assessments, economic evaluations, estimates and constructability reviews to project lenders, plant operators and engineering companies from September 2001 to May 2003. From May 1990 to September 2001, Mr. Varello was Chairman of the Board and Chief Executive Officer of American Ref-Fuel Company of Houston, Texas. The company was formed as a joint venture of two publicly-traded companies to develop, own and operate plants that convert solid municipal waste into energy. For the eighteen years prior to 1990, Mr. Varello was with Fluor Corporation, a Fortune 500 company that provides engineering, procurement, construction, maintenance, and project management services to a wide range of global clients. Mr. Varello started with Fluor as a project construction manager and rose to President of the Process Sector.

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

Experience, Qualifications, Attributes & Skills. Mr. Varello's background encompasses a diversity of experience in engineering, construction, executive management and board service that enhances both the scope and breadth of the Board's expertise as a group, thereby contributing to the overall performance of the Board's responsibilities. He is a Registered Professional Engineer in California, Texas and Louisiana, and holds a Bachelor of Civil Engineering from Villanova University. He is also a graduate of Harvard Business School's Advanced Management Program.

Maarten D. Hemsley
Founder, Chairman and President of New England Center for Arts & Technology, Inc. (NECAT),
a career-directed educational non-profit serving resource-limited adults and youth in Boston, Massachusetts.

Mr. Hemsley founded NECAT in 2010. Before that, he was the Company's President and Chief Operating Officer from 1988 until 2001, and its Chief Financial Officer from 1998 until August 2007. From January 2001 until March 2012, when he retired, Mr. Hemsley was a consultant to, or employee of, Harwood Capital LLP (Harwood) (formerly JO Hambro Capital Management Limited) an investment management company based in the United Kingdom. During that period, Mr. Hemsley served as a Fund Manager, Senior Fund Manager and Senior Advisor to several investment funds managed by Harwood.

Other Directorships. Mr. Hemsley is a director of Sevcon, Inc., a public company that manufactures electronic controls for electric vehicles and other equipment, and of a number of privately-held companies in the United Kingdom.

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

Charles R. Patton
President & Chief Operating Officer of Appalachian Power Company,
a company serving approximately one million customers in West Virginia, Virginia and Tennessee.

Mr. Patton has served in the above capacity since June 2010 with responsibility for distribution operations and a wide range of customer and regulatory relationships. Appalachian Power Company is a unit of American Electric Power Company, Inc. (AEP), one of the largest publicly-traded utilities in the United States. From June 2008 to June 2010, Mr. Patton served as Senior Vice President of Regulatory Policy and subsequently Executive Vice President of AEP's Western Utilities where he was responsible for oversight of utilities in Texas, Louisiana, Arkansas and Oklahoma. Prior to that, from May 2004 to June 2008, Mr. Patton was President and Chief Operating Officer of AEP Texas, and held various other executive roles, with responsibility for external affairs in Texas and in the Southwestern region of AEP. Before joining AEP in December 1995, Mr. Patton spent nearly 11 years in the energy and telecommunications business with Houston Lighting & Power Company.

Other Directorships. Mr. Patton serves as a director of the Richmond Federal Reserve Bank.

Experience, Qualifications, Attributes & Skills. As evidenced by his biographical data, above, Mr. Patton has extensive experience in the utilities industry combined with high-level management experience, both of which benefit the Board in its deliberations by bringing a different perspective than any other director. Mr. Patton received a bachelor’s degree (cum laude) from Bowdoin College in Brunswick, Maine, and a master’s degree from the LBJ School of Public Policy at the University of Texas in Austin.

Marian M. Davenport
Executive Director, Genesys Works — Houston,
a nationally-recognized nonprofit organization that trains and employs economically disadvantaged high school students to work as professionals in major corporations during their senior year.

Ms. Davenport has served in the above capacity since March 2013. From September 2004 to March 2013, Ms. Davenport was associated with Big Brothers Big Sisters, a non-profit organization that provides one-to-one mentoring for children. She held various positions in its affiliated organizations, including serving from September 2004 to June 2010 as President & Chief Executive Officer of Big Brothers Big Sisters of Greater Houston, and from June 2010 to March 2013 as Senior Vice President, Operations and Capacity Building of Big Brothers Big Sisters Lone Star. From April 1997 to December 2002, Ms. Davenport was employed by Dynegy Inc., a publicly-traded company in the business of power distribution, marketing and trading of gas, power and other commodities, midstream services and electric distribution. She joined Dynegy as General Counsel, Commercial Development and rose to the position of Senior Vice President, Legislative and Regulatory Affairs.

Experience, Qualifications, Attributes & Skills. Ms. Davenport brings to the Board her background as a lawyer, with experience in corporate governance and securities compliance, having served as general counsel of a public company. In addition, she has extensive experience as an executive in the energy industry as a result of managing the development of large natural gas-fired power plants and where she served as a change agent to improve performance of critical company functions, including human resources. Ms. Davenport's more recent career in the non-profit sector providing mentoring and workforce development opportunities for disadvantaged youth brings a new perspective and expertise to the Company, which is in an industry where finding competent candidates for employment at all levels is more and more competitive. In sum, Ms. Davenport's extensive background in both the for-profit and non-profit sectors brings cognitive diversity to the Board and the committees on which she serves. Ms. Davenport holds a Bachelor of Arts degree, Liberal Arts and Sciences, from The Colorado College, of Colorado Springs, Colorado, and a JD degree from the University of Denver, College of Law, in Denver, Colorado. Ms. Davenport is a member of the bar of Texas.

APPROVAL OF A SPECIAL, ONE-TIME STOCK PLAN FOR THE CHIEF EXECUTIVE OFFICER (Proposal 2)

Stockholders are being asked to approve a special, one-time stock plan for the Company's Chief Executive Officer, Paul J. Varello, consisting of 600,000 shares of restricted common stock.

In February 2015, Mr. Varello was elected acting Chief Executive Officer of the Company, a position that he was anticipated to hold for less than a year while the Company searched for a more permanent Chief Executive Officer. In March 2015, because of Mr. Varello's extensive construction industry experience in both operating and executive positions, and because of the need to create stability in the management of the Company, the Board asked Mr. Varello to remain as Chief Executive Officer on a longer-term basis, which he agreed to do. As a result, the Company offered him a three-year employment agreement. The employment agreement provides for a nominal annual salary of $1.00 and a restricted stock award of 600,000 shares of common stock that may not be sold or otherwise transferred, and that vest in equal annual installments of 200,000 shares each, on the first three anniversaries of the March 9, 2015 award date. It is this restricted stock award that comprises the special one-time stock plan and that stockholders are being asked to approve.

In addition to the annual vesting, the shares also vest in full if Mr. Varello's employment is terminated by the Company without cause; because of his death or permanent disability; or if the Company breaches his employment agreement. The shares would also vest if there were to be a change of control of the Company. A copy of the form of the award agreement is attached to this Proxy Statement as Appendix A.

In the event that the special, one-time stock plan is not approved, the award agreement will become null and void, and Mr. Varello and the Company will re-negotiate his salary, his equity compensation, and the various consequences of a termination of his employment.

The following table provides some of the foregoing information in tabular format.

New Plan Benefits
CEO Special One-Time Stock Plan

Name & Position (1)	Dollar Value	Number of Shares of Restricted Stock
Paul J. Varello Chief Executive Officer	2,364,000 (2)	600,000

(1) As the name of the plan indicates, Mr. Varello is the only participant in the plan.

(2) This value is based on the closing price of the Company's common stock on March 16, 2015, $3.91 per share. However, since the shares will not be issued unless the plan is approved by stockholders, the actual dollar value of the plan benefit would be determined at that time.

The Board believes that by accepting equity in place of cash compensation, Mr. Varello not only assists the Company in conserving its cash, but also clearly aligns his interests as Chief Executive Officer with the interests of the stockholders of the Company.

The approval of the one-time, special stock plan for Mr. Varello requires the affirmative vote of the holders of a majority of shares of common stock represented in person or by proxy at the meeting and who are entitled to vote on this proposal at the Annual Meeting.

The Board of Directors recommends that stockholders vote for
the approval of the special one-time stock plan.

RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Proposal 3)

Pursuant to its charter, the Audit Committee is directly responsible for the appointment of the Company's independent auditors. The Audit Committee has selected Grant Thornton LLP as the Company's independent registered public accounting firm to perform the audit of the Company's financial statements for 2015. Grant Thornton was also the Company's independent registered public accounting firm for the year ended December 31, 2014.

The Audit Committee may select an independent registered public accounting firm at any time during the year if it determines that to do so would be in the best interests of the Company and its stockholders. The Board is asking stockholders to ratify the selection of Grant Thornton as a matter of good corporate practice, although ratification is not required by law or by the Company's Bylaws, and the vote is not binding on the Audit Committee. There is additional information about Grant Thornton, below, under the heading Information About Audit Fees & Audit Services.

The ratification of the selection of Grant Thornton requires the affirmative vote of the holders of a majority of shares of common stock represented in person or by proxy at the meeting and who are entitled to vote on this proposal at the Annual Meeting.

the Board of Directors recommends that stockholders vote for the ratification of the selection of Grant Thornton LLP

APPROVAL OF THE COMPANY’S NAMED EXECUTIVE OFFICER COMPENSATION FOR 2014 (an advisory vote) (Proposal 4)

Current SEC regulations require the Company to solicit an advisory stockholder vote on the approval of the compensation of the executive officers of the Company who are listed below in the section entitled The Executive Officers under heading Executive Compensation. The advisory vote, as described below, is commonly referred to as say-on-pay. The vote is not binding on the Company.

At the 2011 Annual Meeting of Stockholders, the holders of 80% of the shares who were present in person or represented by proxy at the meeting voted in accordance with the Company's recommendation to hold a say-on-pay vote annually. The Company has done so in the past and intends to continue to do so in the future.

At the 2014 Annual Meeting of Stockholders, the holders of common stock present in person or represented by proxy at the meeting and who were entitled to vote on the Company's 2013 executive compensation voted as follows:

Number of Shares Entitled to Vote	Voted For	Voted Against	Abstained
13,111,842	86.3%	12.6%	1.1%

In determining how to vote on the Company's 2014 executive compensation, stockholders should take into account all of the disclosures in this Proxy Statement that relate to the compensation of executives. That information includes a discussion and tables that are found below under the heading Executive Compensation, as well as an explanation of why and how the types and levels of executive compensation were determined.

In the event that stockholders do not approve executive compensation, the Compensation Committee of the Board will review its decisions on compensation structure and levels, as well as the comparability of the executives' compensation to that of a peer group of companies, before deciding whether to make any changes in the compensation of one or more of the executives.

The next advisory vote on say-on-pay after the 2015 Annual Meeting of Stockholders will be held at the 2016 Annual Meeting of Stockholders. A vote on whether the say-on-pay vote should be held every one, two or three years (the say-on-frequency vote) will be held at the 2017 Annual Meeting of Stockholders.

The affirmative vote of the holders of a majority of the shares of common stock who are represented in person or by proxy at the Annual Meeting and who are entitled to vote on this proposal at the meeting is required to approve executive compensation.

The Board of Directors recommends that stockholders vote for the approval of named executive officer compensation pursuant to the following resolution:

Resolved, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth below under the heading Executive Compensation, is hereby approved.

THE BOARD OF DIRECTORS

Communicating with the Board. Stockholders and other interested parties may communicate with the whole Board, the Chairman of the Board, or with any independent director by sending comments as follows:

By U.S. Mail:
The Secretary
Sterling Construction Company, Inc.
1800 Hughes Landing Blvd. — Suite 250
The Woodlands, TX 77380
or
By e-mail to: Reports@Lighthouse-Services.com

The Secretary will give these communications to the directors as they are received unless they are frivolous. If the communications are voluminous, the Secretary will summarize them and furnish the summary to the Board.

Board Governance.

The Board has adopted a set of governance guidelines, some of which are referred to elsewhere in this Proxy Statement. The full set of Board Governance Guidelines can be found on the Company's website, www.StrlCo.com, on the Investor Relations page under Corporate Governance.

Independence. The Board is currently made up of six directors. All members of the standing committees of the Board are independent directors as required by the Board's Governance Guidelines. On January 31, 2015, the Company's former President & Chief Executive Officer, Peter E. MacKenna, left the Company, and on February 1, 2015, the Company's Chairman of the Board, Paul J. Varello, resigned as a member of the Audit Committee, and was elected acting Chief Executive Officer. Effective March 9, 2015, Mr. Varello was appointed Chief Executive Officer of the Company and he entered into a three-year employment agreement with the Company. As a result, Mr. Varello is the only director who is not considered independent.

Leadership Structure. For the short period between February 1 and March 9, 2015, Mr. Varello, was the Company's Chairman of the Board and acting Chief Executive Officer. As a result of his election as Chief Executive Officer on a more permanent basis and his execution of a three-year employment agreement with the Company, Mr. Varello resigned as Chairman of the Board. Milton L. Scott, who is the Chair of the Audit Committee, was elected Chairman in his place. The Company believes that the separation of the roles of Chairman and Chief Executive Officer, as required by the Board Governance Guidelines, is appropriate in order to enhance the independence of the Board. It separates the operational leadership role of the chief executive from the fiduciary leadership role of the Board. Prior to electing an independent Chairman in 2014, from 2006 to 2014, the Company had a Lead Director, who was elected from among the independent directors.

Declassification of Directors. As described above under the heading Election of Directors (Proposal 1), the Board is in the process of phasing out the classification of its directors, which formerly provided for the division of directors into three classes, with three-year, staggered terms so that at each Annual Meeting of Stockholders, the terms of one class of directors expired. At the 2014 Annual Meeting, stockholders approved an amendment of the Company's Certificate of Incorporation to phase out the classes of directors so that by the 2017 Annual Meeting of Stockholders, all directors will be elected for one-year terms.

Election of Directors by Majority Vote. In order to be elected a director, a nominee must receive more votes for his or her election than against it, which is generally referred to as a majority vote. Since a director is elected for a specified term and until his or her successor is elected and qualified, an incumbent director who is nominated for re-election, but fails to receive a majority vote, would remain a director because no successor had been elected. To cure this problem, each incumbent director, as a condition to being nominated for re-election, must, in advance of the Annual Meeting, submit a resignation that becomes effective if he or she does not receive the required vote, and if the Board accepts the resignation. Before the Board makes a determination on accepting or rejecting the resignation, the Corporate Governance & Nominating Committee considers the matter and makes a recommendation on the matter to the Board. Each of the nominees has furnished the Board with the required contingent resignation.

Directors' Attendance at Meetings in 2014. During 2014, the Board held 15 meetings; the Audit Committee held six meetings; and both the Compensation Committee and the Corporate Governance & Nominating Committee each held nine meetings. The meetings were held in person or by conference telephone call. During 2014, each incumbent director attended, in the aggregate, 95% of the meetings of the Board and of the committees on which he or she served. All but one of the then incumbent directors attended last year's Annual Meeting of Stockholders in person. The Company's policy is to schedule the Annual Meeting of Stockholders to coincide with a regular Board meeting so that directors can attend the Annual Meeting without the Company incurring the extra travel and related expenses of a separate meeting.

Stock Ownership Guidelines & Policies.

- Hedging of Company Stock. Directors, executive officers, officers of the Company's majority-owned subsidiaries, as well as any employee of the Company or its subsidiaries to whom the Company has awarded shares of common stock, are prohibited from hedging the value of their shares, however acquired.

- Pledging Shares & Share Retention. This policy prohibits officers from selling or pledging their shares of the Company's stock if, after giving effect to the sale or pledge, the market value of the number of unpledged shares then held by the officer would be —

For the Chief Executive Officer, less than two times his or her annualized base salary;

For executive officers (including the named executive officers) less than two times his or her annualized base salary; and

For officers of majority-owned subsidiaries, less than one times his or her annualized base salary.

The policy does not apply to stock purchased in the open market prior to January 1, 2011.

- Directors. Under the Board Governance Guidelines, within five years of initial election to the Board, each non-employee director is expected to own shares of the Company's common stock equal in value to five times the annual cash retainer payable to directors. Market value is determined by the acquisition price or the closing market price at the time of acquisition, as the case may be.

In the event of an increase in the annual retainer, the Corporate Governance & Nominating Committee will review this guideline to determine if there is a need for a change to reflect the increase.

Claw-Back Policy. The Company's Claw-Back Policy applies to all bonuses, incentive compensation and the like that has been paid to an employee of the Company (whether in cash, in equity, or both) that was based on financial statements that are subsequently restated. If necessary, the compensation is adjusted so that the employee will have received no more and no less than the amount that he or she would have received had the financial statements been restated before the amount of the compensation was determined. The policy applies to all such compensation paid to an employee, whether or not the employee was culpable with respect to the error, event, act or omission that caused the restatement to be made.

Board Evaluations. Directors conduct an annual evaluation of the performance of the Board and its committees. Questionnaires are sent to each Board member and committee member. Replies are anonymous and are collected and summarized by the Chair of the Corporate Governance & Nominating Committee. The summary is then discussed by the independent directors in an executive session held for the purpose. Any areas of Board or committee performance that are identified as needing improvement or change are considered by the Corporate Governance & Nominating Committee, which then makes a recommendation to the Board on the matter.

In addition, the Chair of the Corporate Governance & Nominating Committee confers each year with each director individually to solicit comments about nominations for election and re-election to the Board, and to permit each director to express any concerns about the functioning of the Board, its committees and its members. Any comments a director may have about the Corporate Governance & Nominating Committee and its Chair are directed to the Chairman of the Board.

The Board's Risk Oversight. Directors identify and exercise oversight of the Company's material risks acting as the whole Board as well as through its three standing committees. At each of the Board's regularly-scheduled meetings, directors receive a briefing and an assessment of the Company's risks as they relate to:

- Crisis management
- Construction joint ventures
- Safety
- Compensation
- Information technology

Risk Oversight by Board Committees. Each standing committee of the Board shares the risk oversight responsibility as shown in the table below:

Board of Directors

Audit Committee	Compensation Committee	Corporate Governance & Nominating Committee
Financial liquidity Covenant compliance Accounting Internal controls Legal compliance Related-party transactions	Executive compensation Incentive compensation	Board organization Board membership Board governance

The Audit Committee. In furtherance of its risk oversight responsibility, the Audit Committee provides for the confidential, anonymous submission by employees and others of concerns regarding questionable accounting, auditing or any other matters. These submissions are collected by an independent organization specializing in those services, and are conveyed to the Chair of the Audit Committee and to the Company's General Counsel.

The Compensation Committee. More information about the Compensation Committee and compensation risk can be found below in the section entitled Compensation Policies & Practices — Risk Management under the heading Executive Compensation.

The Corporate Governance & Nominating Committee. The Corporate Governance & Nominating Committee addresses some of its risk oversight responsibilities through identifying and recommending for nomination well-qualified independent directors; through the periodic review of the Board Governance Guidelines; and by conducting annual Board, and through the Chair of the Committee, individual director evaluations.

Selecting Director Nominees. The Board's Corporate Governance & Nominating Committee has the responsibility, among others, to identify and recommend for nomination by the Board (including by a majority of independent directors) qualified candidates for election as director.

On December 11, 2014, the Corporate Governance & Nominating Committee voted to recommend to the Board the nomination for re-election of Messrs. Schaum, Scott and Varello, whose current terms expire at the Annual Meeting. If re-elected, they will serve for one-year terms.

Information about the background and qualifications of the nominees is set forth above in the section entitled Background & Skills of the Nominees & Continuing Directors under the heading Election of Directors (Proposal 1).

The Corporate Governance & Nominating Committee has not specified any minimum qualifications for serving on the Board, but seeks to achieve a Board that is composed of individuals who have experience that is relevant to the needs of the Company, who have a high level of professional and personal ethics, and who contribute to the cognitive diversity of the Board, including business experience, public sector experience, professional training, public and private offices held, geographical representation, race, gender and age, among other considerations. Experience in the construction industry and in one or more of engineering, transportation, finance and accounting, corporate governance, senior management, and public sector matters are considered particularly valuable. An independent director candidate is expected to be committed to enhancing stockholder value, and to have sufficient time to carry out the duties of a director, both on the full Board and on one or more of its standing committees.

The Corporate Governance & Nominating Committee periodically assesses the strengths, experience and skills of the independent directors to determine if there is a gap in the skills or experience that the Board should seek to fill. Given the Company's size, the Committee realizes that it is difficult to achieve a Board with broad diversity. Whenever it is determined that replacement directors or additional directors are needed, the Corporate Governance & Nominating Committee will perform a similar assessment.

In identifying potential candidates for Board membership, the Corporate Governance & Nominating Committee relies on suggestions and recommendations from directors, management and others, including from time to time executive search and board advisory firms. The Committee has not established a special policy regarding the consideration of director candidates recommended by stockholders. Before recommending a candidate for election, the Corporate Governance & Nominating Committee conducts an independent evaluation of the candidate and checks references. The evaluation of any candidate recommended by a stockholder would be conducted in the same manner as for any other candidate.

If a stockholder wishes to recommend a person as a candidate for nomination as a director, the stockholder should follow the procedure for communicating with the Board that is described above in the section entitled Communicating with the Board. Recommendations of candidates for nomination for the 2016 Annual Meeting of Stockholders must be received by the date set forth below under the heading Submission of Stockholder Proposals.

Board Operations.

Committees of the Board. The Board's three standing committees are the Audit Committee, the Compensation Committee and the Corporate Governance & Nominating Committee. The professional background and skills of each of the members of these committees are described above in the section entitled Background & Skills of the Nominees & Continuing Directors, under the heading Election of Directors (Proposal 1).

Each of these committees has a charter that is posted on the Company's website, www.StrlCo.com under the Investor Relations tab in the Corporate Governance section. The Board also establishes special-purpose, or ad hoc, committees as the need arises.

The Audit Committee. The current members of the Audit Committee are Milton L. Scott, Chair, Maarten D. Hemsley, and Richard O. Schaum. The Board has determined that each of Messrs. Hemsley and Scott is an Audit Committee Financial Expert based on the definition of that term contained in applicable regulations. The Audit Committee meets at least quarterly.

The Audit Committee assists the Board in fulfilling its responsibility to oversee the Company's accounting and financial reporting processes and the audits by the Company's independent registered public accounting firm, which is referred to in the Committee's charter as the independent auditors. In particular, the Audit Committee has the responsibility to —

- Review financial reports and other financial information, internal accounting and financial controls, controls and procedures relating to public disclosure of information, and the audit of the Company's financial statements by the Company's independent auditors;

- Appoint independent auditors, approve their compensation, supervise their work, oversee their independence, and evaluate their qualifications and performance;

- Review with management and the independent auditors the audited and interim financial statements that are included in filings with the Securities and Exchange Commission;

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- Review the quality of the Company's accounting policies;
- Review with management major financial risk exposures;
- Review and discuss with management the Company's policies with respect to press releases on earnings and earnings guidance, including the use of pro forma information;
- Review all proposed transactions between the Company and related parties in which the amount involved exceeds $100,000;
- Provide for the confidential, anonymous submission by employees and others of concerns regarding questionable accounting or auditing matters; and
- Oversees the Company's Ethics & Compliance Program by supporting the resource needs of the Company's Chief Compliance Officer, and by receiving periodic reports from the Chief Compliance Officer on the status of the compliance program and other matters.

The Audit Committee Report. In fulfillment of its responsibilities, the Audit Committee has —

- Reviewed, and met and discussed with management and with the Company's independent registered public accounting firm the Company's 2014 audited consolidated financial statements;
- Discussed with the independent auditors the matters required to be discussed by the statement on Auditing Standards No. 16, as amended, Communications with Audit Committees as adopted by the Public Company Accounting Oversight Board;
- Received the written disclosures and the letter from the independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent accountant the independent accountant's independence; and
- Based and in reliance on the foregoing review and discussions, recommended to the Board, and the Board has approved the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the SEC.

Submitted by the members of the Audit Committee on March 27, 2015:

Milton L. Scott, Chair
Maarten D. Hemsley
Richard O. Schaum

The Compensation Committee. The current members of the Compensation Committee are Richard O. Schaum, Chair, Marian M. Davenport, Maarten D. Hemsley, and Charles R. Patton. The Committee holds at least four regularly-scheduled meetings each year.

The Compensation Committee has the responsibility —

- To determine the compensation of the Company's executive officers and other officers elected by the Board, and to review the setting and level of achievement of annual personal goals.

- To review and make recommendations on the compensation of the officers of the Company's subsidiaries.
- To administer the Company's stock plans.
- To review and make recommendations on the Company's benefit plans.
- To evaluate risks that arise from the Company's compensation policies and practices.

- To review and advise the Corporate Governance & Nominating Committee on the compensation of non-employee directors.

- To establish the compensation of non-employee directors who serve on ad hoc committees of the Board.

- To appoint, retain, compensate and oversee the work of compensation consultants, independent legal counsel, and other compensation advisers, and to consider certain independence factors before selecting them.

- To review and discuss with management the Company's Compensation Discussion and Analysis, and based on that review and those discussions, determine whether to recommend that it be included in the Company's Annual Report on Form 10-K.

In exercising its authority and carrying out its responsibilities, the Compensation Committee meets to discuss the structure of executive compensation, proposed employment agreements, salaries, cash and equity incentive awards, and the achievement and the setting of financial and personal goals on which executive incentive compensation is based, using information circulated in advance of the meeting by the Chair of the Committee. The Compensation Committee may not delegate any of its responsibilities, but may share them with other independent directors. When the Committee discusses an executive officer's compensation, he or she may not be present. For a description of the compensation of executives of the Company, see the information below under the heading Executive Compensation.

Compensation Committee Interlocks and Insider Participation. During 2014, John D. Abernathy, (who resigned from the Board in January 2014); Marian M. Davenport, Robert A. Eckels (who resigned from the Board in May 2014); Maarten D. Hemsley, Charles R. Patton, and Richard O. Schaum served on the Compensation Committee. None of these Committee members was in 2014, or within the last seven years has been, an officer or employee of the Company.

None of the Company's executive officers served as a director or member of the compensation committee, or of any other committee serving an equivalent function, of any other entity that has an executive officer who is serving or during 2014 served as a director or member of the Compensation Committee of the Company.

The Compensation Committee Report. The Compensation Committee of the Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis set forth below under the heading Executive Compensation. Based on that review and those discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement on Schedule 14A.

Submitted by the members of the Compensation Committee on March 27, 2015:

Richard O. Schaum, Chair
Marian M. Davenport
Maarten D. Hemsley
Charles R. Patton

The Corporate Governance & Nominating Committee. The current members of the Corporate Governance & Nominating Committee are Marian M. Davenport, Chair, Maarten D. Hemsley, and Milton L. Scott. The Committee typically holds four regularly-scheduled meetings a year. In 2014, the Company adopted a revised Code of Business Conduct that complies with Securities and Exchange Commission rules, and that applies to all employees of the Company and its subsidiaries. The Code is posted on the Company's website, www.StrlCo.com under the Investor Relations tab in the Corporate Governance section.

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The Corporate Governance & Nominating Committee assists the Board in fulfilling its corporate governance responsibilities, and in particular has the responsibility to —

- Develop and recommend to the Board appropriate corporate governance principles and rules;
- Recommend appropriate policies and procedures to ensure the effective functioning of the Board;
- Identify and recommend qualified director candidates for nomination by the Board and election by stockholders;
- Recommend directors for membership on Board committees;
- Develop and make recommendations to the Board regarding standards and processes for determining the independence of directors under applicable laws, rules and regulations;
- Develop and oversee the operation of an orientation program for new directors and to determine whether and what form and level of continuing director education is appropriate;
- Periodically review the Company's Code of Business Conduct and its Insider Trading Policy to ensure that they remain responsive both to legal requirements and to the nature and size of the business; and
- With the advice of the Chair of the Compensation Committee, make recommendations to the Board for the compensation of non-employee directors, and of members of the Company's standing committees.

Director Compensation.

Standard Director Compensation Arrangements. The following table shows the standard compensation arrangements for non-employee directors in effect on the date of this Proxy Statement. Non-employee directors are also compensated for service on ad hoc committees, the fees for which are determined by the Compensation Committee as the need arises. The Company does not pay any additional compensation for serving on the Board to directors who are also employees of the Company or its affiliates. All directors are reimbursed for their reasonable out-of-pocket expenses incurred in attending meetings of the Board and its committees. Following the table below is a second table that shows the amount of fees and other compensation actually paid to directors for 2014.

Annual Fees — Each Non-Employee Director:		
	$30,000 Retainer (paid in monthly installments)	
	Immediately following the Annual Meeting of Stockholders, an award of shares of restricted common stock that has an accounting income charge under ASC 718 of $50,000.(1)	
Annual Fees: — Board and Committee Chairs (paid in monthly installments)		
	Chairman of the Board of Directors (2)	$100,000
	Chair of the Audit Committee	$25,000
	Chair of the Compensation Committee	$15,000
		$10,000

Chair of the Corporate Governance
& Nominating Committee

Meeting Fees (3)

In-Person Meetings		Per Meeting
	Board Meetings	$1,500
	Committee Meetings	
	Audit Committee Meetings	
	In connection with a Board meeting	$1,000
	Not in connection with a Board meeting	$1,500
	Other Committee Meetings	
	In connection with a Board meeting	$500
	Not in connection with a Board meeting	$750
Telephonic Meetings (Board & Committee Meetings)		
	One hour or longer	$750
	Less than one hour	$500

(1) The restricted stock awards are subject to the following basic terms:

Restrictions: The shares may not be sold, assigned, transferred, pledged or otherwise disposed of until they vest. Under current Board Governance Guidelines, directors are expected to retain stock valued at five times the annual cash retainer.

Vesting: Vesting of the shares occurs on the trading day immediately preceding the following year's Annual Meeting of Stockholders, but earlier upon the death of the director; upon the director becoming permanently disabled; and upon a change in control of the Company as defined in the Company's Stock Incentive Plan under which the shares are issued.

Forfeiture: The shares of restricted stock are forfeited in the event that prior to vesting, the director ceases to be a director other than by reason of his or her death, permanent disability or a change in control of the Company.

Expiration of Restrictions. The restrictions for the May 9, 2014 restricted stock award of 6,203 shares to each director expire on May 7, 2015, the day before the 2015 Annual Meeting of Stockholders.

(2) The Chairman receives the annual retainer and the stock award made to each non-employee director. The Chairman's fee constitutes not only compensation for service as Chairman but also for attendance at all Board and committee meetings and for service as chair of any committee of the Board. On January 31, 2015, the Company's former President & Chief Executive Officer left the Company, and Paul J. Varello, the Chairman of the Board, was then appointed acting Chief Executive Officer. At that time he ceased to be paid any directors' fees. On March 9, 2015, Mr. Varello resigned as Chairman, executed a three-year employment agreement with the Company, and Milton L. Scott, Chair of the Audit Committee, was elected Chairman of the Board in his place. Mr. Scott remains Chair of the Audit Committee.

(3)

In-person Board and committee meetings that continue from one day to the next are paid as a single meeting. Time spent by non-employee directors at the Company's investor conferences or attending continuing education programs are not separately compensated, but the expenses of attending are reimbursed.

Director Compensation Paid for 2014. Set forth below is a table showing the compensation paid for 2014 to each non-employee director who served for any period during 2014. The amounts are based on the standard director compensation arrangements described above. In 2014, Peter E. MacKenna and Patrick T. Manning were directors and employees of the Company, and both were compensated as employees, not as directors. Mr. Manning left the Company after the May 2014 Annual Meeting of Stockholders, and Mr. MacKenna left the Company in January 2015.

None of the Company's non-employee directors received any compensation for any other service provided to the Company.

In the table below, —

- Fees Earned or Paid in Cash include meeting fees, the directors' annual retainer fee, annual fees for serving as the Chair of a committee or as Chairman of the Board.

- Stock Awards show the dollar value of the annual award of restricted stock made following the Annual Meeting of Stockholders to each director. The award is denominated in dollars, not shares, so this number is the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. The cost does not reflect any estimates made for financial statement reporting purposes of future forfeitures related to service-based vesting conditions. The valuation of the awards is described in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 in Note 16 of Notes to Consolidated Financial Statements. No amounts earned by a director have been capitalized on the balance sheet for 2014.

- All dollar amounts are rounded to the nearest dollar.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Total ($)
John D. Abernathy (resigned January 2014)	8,250	—	8,250
Marian M. Davenport	57,007	50,000	107,007
Robert A. Eckels (1) (resigned May 2014)	26,225	—	26,225
Joseph P. Harper, Sr. (1) (resigned June 2014)	20,684	50,000	70,684
Maarten D. Hemsley	116,830	50,000	166,830
Charles R. Patton	53,500	50,000	103,500
Richard O. Schaum	76,250	50,000	126,250
Milton L. Scott	85,750	50,000	135,750
Paul J. Varello	54,690	50,000	104,690

(1) Mr. Eckels had ceased to be a director when the 2014 award of restricted stock to directors was made. Mr. Harper's restricted stock award was forfeited when he resigned from the Board.

Outstanding Awards. The following table shows at December 31, 2014 for each non-employee director the grant date fair value of each outstanding stock award that has been expensed, and the aggregate number of shares of stock awarded.

The annual stock award to directors is denominated in dollars ($50,000) and was converted into shares of common stock using the $8.06 closing price per share on the award date, May 9, 2014, which resulted in an award to each non-employee director of 6,203 shares.

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At December 31, 2014, no non-employee director held any stock options or any stock-based grant or award other than those shown in the table below.

Name	Grant Date	Aggregate Stock Awards Outstanding at December 31, 2014 (#)	Grant Date Fair Value of Stock Awards ($)
Marian M. Davenport	5/09/2014	6,203	50,000
Maarten D. Hemsley	5/09/2014	6,203	50,000
Charles R. Patton	5/09/2014	6,203	50,000
Richard O. Schaum	5/09/2014	6,203	50,000
Milton L. Scott	5/09/2014	6,203	50,000
Paul J. Varello	5/09/2014	6,203	50,000

STOCK OWNERSHIP INFORMATION

Security Ownership of Certain Beneficial Owners and Management. The following table sets forth certain information at March 16, 2015 about the beneficial ownership of shares of the Company's common stock, its only class of equity securities outstanding. The information given relates to the following categories of stockholders:

- Each person or entity known to the Company to own beneficially more than 5% of the outstanding shares of common stock.
- Each nominee and continuing director.
- Each executive officer named below in the Summary Compensation Table for 2014 under the heading Executive Compensation.
- All directors and executive officers as a group.

Based on information furnished by the beneficial owners, the Company believes that the owners listed have sole investment and sole voting power over the shares of common stock shown as beneficially owned by them, except as stated otherwise in the footnotes to the table.

Rule 13d-3(d)(1) of the Securities Exchange Act of 1934 requires that the percentages listed in the following table assume for each person or group the acquisition of all shares that the person or group can acquire within sixty days of a recent date, for instance by the exercise of a stock option, but not the acquisition of the shares that can be acquired in that period by any other person, entity or group listed. However, none of the entities listed below have indicated that they have any rights to acquire additional shares of common stock in the future. In addition, none of the Company's directors or executive officers holds any stock options or other rights to acquire shares of the Company's common stock.

Except as otherwise indicated, the address of each beneficial owner is the address of the Company.

Name and Address of Beneficial Owner	Total Beneficial Ownership	Percent of Class
FMR LLC (1) 245 Summer Street, Boston, Massachusetts 02210	1,906,200	10.08%
Rutabaga Capital Management (2) 64 Broad Street — 3rd Floor Boston, MA 02109	1,467,873	7.76%
BlackRock, Inc. (3) 55 East 52nd Street New York, NY 10022	1,200,144	6.35%
Marian M. Davenport (4)	6,203	†
Maarten D. Hemsley (4)(5)	181,986	†
Peter E. MacKenna (6) 22 Maymont Way The Woodlands TX 77382	211,328	1.12%
Charles R. Patton (4)	11,178	†
Richard O. Schaum (4)	22,898	†
Milton L. Scott (4)	31,067	†
Paul J. Varello (4)	12,203	†
Thomas R. Wright (7)	57,958	†
Brian R. Manning (8) 2102 Woodford Green Kingwood TX 77339	505,058	2.67%
Con L. Wadsworth	4,869	†
Peter J. Holland(9) 62 South Mews Wood Court The Woodlands, TX 77381	8,561	†
All current directors and executive officers as a group (8 persons) (10)	347,654	1.84%

† Less than one percent.

The information for the entities identified in footnotes 1 through 3, below, is based on Schedule 13G's and amendments of them that have been filed with the Securities and Exchange Commission by the named entity on the dates indicated.

			Voting Power		Dispositive Power	
	Name	Filing Date	Sole	Shared	Sole	Shared
(1)	FMR LLC	November 10, 2014	56,200	—	1,906,200	—

In its filing, FMR states that the filing reflects the securities beneficially owned, or that may be deemed to be beneficially owned, by FMR LLC, certain of its subsidiaries and affiliates, and other companies (collectively, the "FMR Reporters") and that the filing does not reflect securities, if any, beneficially owned by certain other companies whose beneficial ownership of securities is disaggregated from that of the FMR Reporters in accordance with Securities and Exchange Commission Release No. 34-39538 (January 12, 1998).

(2)	Rutabaga Capital Management	February 13, 2015	1,240,873	227,000	1,467,873	—

In its filing, Rutabaga Capital Management states that it is an investment adviser in accordance with §240.13d-1(b)(I)(ii)(E) under the Securities Exchange Act of 1934.

(3)	BlackRock, Inc.	January 30, 2015	1,181,611	—	1,200,144	—

In its filing, BlackRock states that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the common stock of Sterling Construction Company, Inc. No one person's interest in the common stock of Sterling Construction Company, Inc. is more than five percent of the total outstanding common shares.

(4) This director's shares include or consist of 6,203 shares that are subject to restrictions that prohibit their sale or other transfer. The shares were awarded to the non-employee as director compensation — see the section above entitled Director Compensation under the heading Board Operations. The restrictions expire on May 7, 2015, the day before the 2015 Annual Meeting of Stockholders, but earlier if the director dies or becomes disabled, or if there is a change in control of the Company. The shares are forfeited before the expiration of the restrictions if the director ceases to be a director other than because of his or her death or disability, or a change in control of the Company.

(5) Mr. Hemsley's shares do not include the shares owned by the Maarten and Mavis Hemsley Family Foundation.

(6) Mr. MacKenna left the Company on January 31, 2015; these are the shares that he held at that time.

(7) Of Mr. Wright's shares, 55,536 are subject to restrictions that prohibit their sale or other transfer. The restrictions on 6,666 of the shares expire in equal installments on September 25 in each of the calendar years 2015 and 2016; restrictions on 2,412 of the shares expire on February 18, 2017, and restrictions on 29,781 shares expire on December 31, 2017. The restrictions on all of the shares expire earlier than the above dates if Mr. Wright's employment is terminated without cause, or if there is a change in control of the Company. The shares are also subject to forfeiture under certain circumstances.

(8) Mr. Manning left the Company on January 27, 2015; these are the shares that he held at that time. As to those shares, Mr. Manning then had voting and dispositive power as described below:

Shares	Voting and/or Dispositive Power
266,505	Sole voting and dispositive power. These shares are owned directly by Mr. Manning.
238,553	Shared voting and investment power. Mr. Manning is a co-trustee of seven

separate trusts, each of which holds 34,079 shares. Mr. Manning is the beneficiary of one of the seven trusts.

(9) Mr. Holland left the Company on January 5, 2015. These are the shares that he held at that time.

(10) For all current directors and executive officers as a group, see footnotes 4 through 9, above, for a description of certain of the shares included in the total for the group.

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10% of the Company's equity securities (insiders) to file with the Securities and Exchange Commission reports of beneficial ownership of those securities, as well as certain changes in beneficial ownership on Forms 3, 4 and 5, and to give the Company a copy of those reports.

Based solely upon a review of Forms 3 and 4 and amendments to them furnished to the Company during 2014; any Forms 5 and amendments to them furnished to the Company relating to 2014; and written representations that no Form 5 is required, all Section 16(a) filing requirements applicable to the Company's insiders were satisfied except that Patrick T. Manning, who ceased to be a director and officer of the Company in May 2014, failed to file on a timely basis a single Form 4 reporting a single margin call sale of 2,700 shares of his Company's common stock.

EXECUTIVE COMPENSATION

The Executive Officers. The Company is required under applicable rules and regulations to furnish information about the compensation of the following executives:

- Any person who served during 2014 as the Company's principal executive officer and any person who served during 2014 as the Company's principal financial officer; and
- Its three most highly-compensated executive officers (other than the principal executive officer and the principal financial officer) who were serving as executive officers of the Company on December 31, 2014.

The table below shows the names and titles of those executives at December 31, 2014. They are referred to as the named executive officers because they are named in the Summary Compensation Table for 2014, below. Messrs. MacKenna, Manning and Holland left the Company on different dates in January 2015.

Name	Title/Position at December 31, 2014
Peter E. MacKenna	President & Chief Executive Officer
Thomas R. Wright	