

NV5 Global, Inc.
Form 10-K
March 10, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2016

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 001-35849

NV5 Global, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

45-3458017
(I.R.S. Employer
Identification No.)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates based on the closing sales price of the registrant's common stock, as reported on The NASDAQ Capital Market on June 30, 2016 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately \$216.5 million. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors, or 10% beneficial owners are, in fact, affiliates of the registrant.

As of March 9, 2017, there were 10,585,922 shares outstanding of the registrant's common stock, \$0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 2017 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Form 10-K to the extent stated herein.

NV5 GLOBAL, INC.

FORM 10-K ANNUAL REPORT

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Cautionary Statement about Forward Looking Statements

Our disclosure and analysis in this Annual Report on Form 10-K and in our 2016 Annual Report to Stockholders, including all documents incorporated by reference, contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding our “expectations,” “hopes,” “beliefs,” “intentions,” or “strategies” regarding the future. In addition, any statements that refer to projections, forecasts, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. We have tried, wherever possible, to identify such statements by using words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “predict,” “project,” “may,” “might,” “should,” “would,” “will likely result,” “continue,” “could,” “future,” “plan,” “possible,” “potential,” “target,” “forecast,” “goal,” “observe,” “seek” other words and terms of similar meaning, but the absence of these words does not mean that a statement is not forward looking. The forward-looking statements in this Annual Report on Form 10-K reflect the Company’s current views with respect to future events and financial performance.

Forward-looking statements are not historical factors and should not be read as a guarantee or assurance of future performance or results, and will not necessarily be accurate indications of the times at, or by, or if such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management’s good faith beliefs, expectations and assumptions as of that time with respect to future events. Because forward-looking statements relate to the future, they are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include:

our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;

changes in demand from the local and state government and private clients that we serve;

general economic conditions, nationally and globally, and their effect on the demand and market for our services;

fluctuations in our results of operations;

the government’s funding and budgetary approval process;

the possibility that our contracts may be terminated by our clients;

our ability to win new contracts and renew existing contracts;

our dependence on a limited number of clients;

our ability to complete projects timely, in accordance with our customers' expectations, or profitability;

our ability to successfully execute our mergers and acquisitions strategy, including the integration of new companies into our business;

our ability to successfully manage our growth strategy;

our ability to raise capital in the future;

competitive pressures and trends in our industry and our ability to successfully compete with our competitors;

our ability to avoid losses under fixed-price contracts;

the credit and collection risks associated with our clients;

our ability to comply with procurement laws and regulations;

changes in laws, regulations, or policies;

the enactment of legislation that could limit the ability of local, state and federal agencies to contract for our privatized services;

our ability to complete our backlog of uncompleted projects as currently projected;

the risk of employee misconduct or our failure to comply with laws and regulations;

our ability to control, and operational issues pertaining to, business activities that we conduct with business partners and other third parties;

significant influence by our principal stockholder and the existence of certain anti-takeover measures in our governing documents; and

other factors identified throughout this Annual Report on Form 10-K, including those discussed under the headings “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business.”

There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties, or assumptions, many of which are beyond our control, that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Annual Report on Form 10-K will in fact transpire or prove to be accurate. Readers are cautioned to consider the specific risk factors described herein and in “Item 1A. Risk Factors” of this Annual Report on Form 10-K, and not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof.

The Company undertakes no obligation to update or publicly revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required under applicable securities laws. All subsequent written or oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this paragraph. You are advised, however, to consider any further disclosures we make on related subjects in our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and our other filings with the Securities and Exchange Commission (the “SEC”). Also note that we provide a cautionary

discussion of risks and uncertainties relevant to our business under “Item 1A. Risk Factors” of this Form 10-K. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand it is not possible to predict or identify all such factors.

References in this Annual Report on Form 10-K to (i) “NV5 Global”, the “Company,” “we,” “us,” and “our” refer to NV5 Global, Inc., a Delaware corporation, its consolidated subsidiaries, and the business of Nolte Associates, Inc. (“Nolte”) as our historical accounting predecessor, (ii) “NV5 Holdings” refers to NV5 Holdings, Inc. (formerly known as NV5, Inc.), a Delaware corporation and a wholly owned subsidiary of ours, (iii) “NV5” refers to NV5, Inc. (formerly known as Nolte Associates, Inc.), a California corporation and a wholly owned subsidiary of ours, and (iv) “NV5, LLC” refers to NV5, LLC, (formerly known as AK Environmental, LLC) a North Carolina limited liability company, and a wholly owned subsidiary of ours.

PART I

ITEM 1. BUSINESS

Overview

We are a provider of professional and technical engineering and consulting solutions to public and private sector clients in the infrastructure, energy, construction, real estate, and environmental markets. The scope of our projects includes planning, design, consulting, permitting, inspection and field supervision, and management oversight. We also provide forensic engineering, litigation support, condition assessment, materials testing, and compliance certification.

Our service capabilities are organized into five verticals: infrastructure, engineering, and support services; construction quality assurance; program management; energy services; and environmental services. As the needs of our clients have evolved and NV5 has grown, we have organized our company into two divisions: Infrastructure (INF), which includes our infrastructure, engineering, and support services, construction quality assurance and civil program management practices; and Buildings, Energy & Science (BES), which includes our energy and environmental practices as well as buildings program management.

We are headquartered in Hollywood, Florida, and operate our business from 71 locations in the U.S. and four locations abroad. All of our offices utilize our shared services platform, which consists of human resources, marketing, finance, information technology, legal, corporate development, and other corporate resources. Our shared services platform is scalable and optimizes the performance and efficiency of our business as we grow. By maintaining a centralized shared services platform, we believe we can better manage our business, apply universal financial and operational controls and procedures, increase efficiencies, and drive lower-cost solutions.

Our public sector clients include United States (“U.S.”) federal, state, municipal, and local government agencies, and military and defense clients. We also serve quasi-public and private sector clients from the education, healthcare, energy, and public utilities sectors, including schools, universities, hospitals, health care providers, insurance providers, large utility service providers, and large to small energy producers.

During our 70 years in the engineering and consulting business, we have worked with such clients and on such well-known projects as (in alphabetical order):

Atlantic City Tunnel Connection, NJ	Port of Miami, Tunnel and Capital Improvement to Pier Wharfs, FL
Balboa Naval Hospital, CA	Poseidon Desalination Plant, CA
Borgata Hotel and Casino, NJ	Madison Rail Station, NJ
Boston Logan Airport, MA	Manhattan Waterfront Greenway Improvement, NY
Bronx Zoo Astor Court Reconstruction, NY	Miami International Airport, FL
Caldecott Tunnel, CA	Miramar Marine Corps Air Station, CA
California Public Employees' Retirement System, CA	Nassau Community College, NY
Catwalk National Recreation Trail, NM	The National World War II Museum, LA
Chicago O'Hare International Airport, IL	Palmyra Brownfield Development, NJ
Colorado Department of Transportation, CO	Peterson Air Force Base, CO
Cleveland Clinic, OH	Rice University, TX
	Rose Bowl Stadium, CA

Dallas Fort Worth International Airport, TX	Stanford University, CA
Fort Lauderdale Hollywood International Airport, FL	Sea Cliff, Shoreline Restoration, NY
Horseshoe Casino and Parking Garage, MD	University of Kansas Medical Center, KS
JFK International Airport, NY	University of Minnesota, MN
Lake Shenandoah Wetlands Mitigation, NJ	University of San Diego, CA
Las Vegas City Hall, NV	Wynn Resort, NV
McCarran International Airport, NV	Wynn Resort, China

Our current representative clients and project portfolio include (in alphabetical order):

Broward County, FL	New York Department of Transportation, NY
California Department of Transportation, or Caltrans, CA	New York Power Authority, NY
California High Speed Rail, CA	Port Authority of New York and New Jersey, NY/NJ
City of Austin, TX	Princeton University, NJ
City of Bakersfield, CA	Rutgers University, NJ
City of Carlsbad, CA	San Diego County, CA
City of Colorado Springs, CO	San Diego Gas & Electric, CA
City of Fresno, CA	San Diego International Airport, CA
City of Miami, FL	Santa Clara County Government, CA
City of Oceanside, CA	South Florida Water Management District, FL
City of Philadelphia, PA	Southern California Gas Company, CA
City of Sacramento, CA	Spectra Energy, TX
Cleveland Museum of Art, OH	University of California San Diego, CA

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City of Bakersfield, CA

University of Illinois, IL

Florida Power and Light, FL

University of Iowa, IA

Imperial County, CA

University of Massachusetts, MA

Massachusetts Division of Capital Asset Management, MA

University of Miami, FL

Metropolitan Water District of Southern California, CA

University of Minnesota, MN

Miami-Dade County, FL	University of North Carolina, NC
Michigan State University, MI	University of Texas, TX
Minnesota Power, MN	University of Utah, UT
New Jersey Department of Transportation, NJ	
New Jersey Turnpike Authority, NJ	U.S. Department of Veteran Affairs
New York City Economic Development Corporation, NY	U.S. Environmental Protection Agency
New York City Housing Authority, NY	Utah Department of Transportation, UT
New York Department of Environmental Protection, NY	Wynn Resorts, NV

Our History

On December 8, 2015, NV5 Holdings, Inc., the holding company, changed its name to NV5 Global, Inc. Also on December 8, 2015, NV5 Global, Inc., a wholly-owned subsidiary of the holding company, changed its name to NV5 Holdings, Inc.

NV5 Holdings, Inc. (formerly known as NV5 Global, Inc. and Vertical V, Inc.) (“NV5 Holdings”) was incorporated as a Delaware corporation in 2009. NV5, Inc. (formerly known as Nolte Associates, Inc.) (“NV5”), which began operations in 1949, was incorporated as a California corporation in 1957, and was acquired by NV5 Holdings in 2010. In March 2010, NV5 Holdings acquired the construction quality assurance operations of Bureau Veritas North America, Inc. In October 2011, NV5 Holdings and NV5 completed a reorganization transaction in which NV5 Global, Inc. (formerly known as NV5 Holdings, Inc.) was incorporated as a Delaware corporation, acquired all of the outstanding shares of NV5 Holdings and NV5, and, as a result, became the holding company under which NV5, NV5 Holdings and the Company's other subsidiaries conduct business. In March 2013, NV5 Global completed its initial public offering. In 2014, NV5 Global acquired all the outstanding units in NV5, LLC, a North Carolina limited liability company (formerly known as AK Environmental, LLC) (“NV5, LLC”) which was originally incorporated as a New Jersey limited liability company in 2002 and reincorporated in North Carolina in 2013. In January 2015, NV5 Global acquired all the outstanding shares in Joslin Lesser Associates, Inc. (“JLA”) which was originally incorporated in Massachusetts in 1983. In April 2015, NV5 Global acquired all the outstanding shares of Richard J. Mendoza, Inc. (“Mendoza”) which was originally incorporated in California in 2001. In July 2015, NV5 Global acquired all the outstanding shares of The RBA Group, Inc., Engineers, Architects and Planners (“RBA”) which was originally incorporated in New Jersey in 1968. In February 2016, NV5 Global acquired all the outstanding shares of Sebesta, Inc. (“Sebesta”) which was originally incorporated in Minnesota in 1994. In May 2016, NV5 Global acquired all the outstanding shares of Dade Moeller & Associates, Inc., a North Carolina corporation (“Dade Moeller”). In October 2016, NV5 Global acquired all the outstanding shares of J.B.A. Consulting Engineers, Inc., a Nevada corporation (“JBA”). In November 2016, NV5 Global acquired all the outstanding shares of Hanna Engineering, Inc., a California corporation (“Hanna”). In December

2016, NV5 Global acquired all the outstanding shares of CivilSource, Inc., a California corporation (“CivilSource”).

In December 2016, NV5 Global entered into a Credit Agreement (the “Credit Agreement”) with Bank of America, N.A. (“Bank of America”), and Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPFS”). Pursuant to the Credit Agreement, Bank of America agreed to be the sole administrative agent for a five-year \$80 million Senior Secured Revolving Credit Facility (“Senior Credit Facility”) to the Company and committed to lend to us all of the Senior Credit Facility, subject to certain terms and conditions. MLPFS has undertaken to act as sole lead arranger and sole book manager for the Senior Credit Facility and to use its best efforts to form a syndicate of financial institutions for the Senior Credit Facility (including Bank of America). In addition, the Senior Credit Facility includes an accordion feature permitting us to request an increase in the Senior Credit Facility by an additional amount of up to \$60 million. The proceeds of the Senior Credit Facility are intended to be used to finance permitted acquisitions, for capital expenditures, and for general corporate purposes.

Competitive Strengths

We believe we have the following competitive strengths:

Organizational structure that enhances client service. We operate our business using a flat vertical structure organized by service offerings rather than a matrix structure organized by geography, which is common among our competitors. Our structure ensures that clients have access to the entire platform of services we offer and the most highly qualified professionals within those service verticals, regardless of the location of the project. Our most skilled engineers and professionals in each service sector work directly with the clients requesting those services, which facilitates relationship-based interactions between our key employees and our clients, and promotes long-term client relationships. In addition, our vertical structure encourages entrepreneurialism among our professionals.

Expertise in local markets. To support our vertical service model, we maintain 71 locations in the United States (“U.S.”) and four locations abroad, including offices in Macau, Shanghai, Hong Kong, and Vietnam. Each of our offices is staffed with licensed or certified professionals who understand the local and regional markets in which they serve. Our local professionals are allowed to concentrate on client engagement within their local market while benefiting from the back-office support functions of our shared services platform.

Synergy among our service verticals. We create value for our clients and our shareholders by encouraging our professionals in different service verticals to work together to pursue new work, new clients, and to expand the range of services we can provide our existing clients. Our commitment to cross-selling our services has minimized our use of sub-consultants to meet our clients’ needs and helped to maximize our organic growth.

Strong, long-term client relationships. By combining local market experience and providing our clients expert services in multiple verticals, we have developed strong relationships with our core clients. Some of our professionals have worked with key clients for decades, which include government transportation agencies, public utilities and local or state municipalities. By serving as a long-term partner with our clients, we are able to gain a deeper understanding of their overall business needs as well as the unique technical requirements of their projects.

Experienced, talented, and motivated employees. We employ licensed and experienced professionals with a broad array of specialties and a strong customer service orientation. Our senior staff have an average of more than 20 years of operating and management experience in the engineering and consulting industry. We prioritize the attraction, motivation, and retention of top professionals to serve our clients. Our compensation system includes performance-based incentives, including opportunities for stock ownership.

Industry-recognized quality of service. We have developed a strong reputation for quality service based upon our industry-recognized depth of experience, ability to attract and retain quality professionals, expertise across multiple service sectors, and our commitment to strategic growth. During the past several years, we received many industry awards and national rankings, including:

2016 Engineering News-Record Top 500 Design Firms (#75)	2016 Engineering News-Record Top 150 Global Firms (#141)
2016 Environmental Business Journal Gold Achievement Award in Business Achievement	2017 American Council of Engineering Companies of New York (ACEC New York) Engineering Excellence Diamond Award for Rockaway Boardwalk Resiliency Project
2016 American Public Works Association (APWA) Silicon Valley Project of the Year (Utilities Category) for San Tomas Aquino Creek Box Culvert Repair Design for Santa Clara County Roads & Airports	2017 ACEC New York Engineering Excellence Diamond Award for the Plaza de las Americas Project
2015 Environmental Business Journal Achievement award in Mergers & Acquisitions	2015 Engineering News-Record Top 500 Design Firms (#124)
2014 Environmental Business Journal Achievement Award in Mergers & Acquisitions	2013/2012 Advisory Board at Harvard Graduate School of Design for Sustainable Infrastructure
2013 Environmental Business Journal Achievement Award in Mergers & Acquisitions	2013/2012 Northwestern Kellogg Graduate School – Visiting Faculty

Growth Strategies

We intend to pursue the following growth strategies as we seek to expand our market share and position ourselves as a preferred, single-source provider of professional, engineering and technical consulting services to our clients:

Seek strategic acquisitions to enhance or expand our services offerings. We seek acquisitions that allow us to expand or enhance our capabilities in our existing service offerings, or to supplement our existing service offerings with new, closely related service offerings. In the analysis of new acquisitions, we pursue opportunities that provide the critical mass necessary to function as a profitable operation, that complement our existing operations, and that have a strong potential for organic growth. We believe that expanding our business through strategic acquisitions will give us economies of scale in the areas of finance, human resources, marketing, administration, information technology, and legal, while also providing cross-selling opportunities among our service offerings. For information on our recent acquisitions, please refer to the “Recent Acquisitions” section included under Item 7.

Continue to focus on public sector clients while building private sector client capabilities. We have historically derived the majority of our revenue from public and quasi-public sector clients. For the year ended December 31, 2016, 2015 and 2014, approximately 53%, 60% and 55%, respectively, of our gross revenues was attributable to public and quasi-public sector clients. During unsteady economic periods, we have focused on public sector business opportunities resulting from public agency outsourcing. We are also positioned to address the challenges presented by the nation’s aging infrastructure system, and the need to provide solutions for transportation, energy, water, and wastewater requirements. However, we also seek to obtain additional clients in the private sector, which typically experiences greater growth during times of economic expansion, by networking, participating in certain organizations, and monitoring private project databases. We will continue to pursue private sector clients when such opportunities present themselves. We believe our ability to service the needs of both public and private sector clients gives us the flexibility to seek and obtain engagements regardless of the current economic conditions.

Strengthen and support our human capital. Our experienced employees and management team are our most valuable resources. Attracting, training, and retaining key personnel has been and will remain critical to our success. To achieve our human capital goals, we intend to remain focused on providing our personnel with entrepreneurial opportunities to expand our business within their areas of expertise. We will also continue to provide our personnel with personal and professional growth opportunities, including additional training, performance-based incentives such as opportunities for stock ownership, and other competitive benefits.

Reportable Segments

The Company operations are organized into two reportable segments: (i) Infrastructure (INF), which includes our infrastructure, engineering and support services; construction quality assurance, and civil program management; and (ii) Buildings, Energy & Science (BES), which includes our mechanical electrical plumbing (MEP) design, energy and environmental practices as well as buildings program management.

For additional information regarding our reportable segments, see Note 16 - "Reportable Segments" of the "Notes to Consolidated Financial Statements" included in Item 8.

Description of Services

Infrastructure (INF)

Infrastructure, Engineering, and Support Services

We provide our clients with a broad array of services in the area of infrastructure, engineering, and support services. We possess the professional and technical expertise necessary to design and manage clients' infrastructure projects from start to finish. This integrated approach provides our clients with consistency and accountability for the duration of their projects and allows us to create value by maximizing efficiencies of scale.

Our specialties within our infrastructure, engineering, and support service offering include:

Site selection and planning. The site selection phase includes access assessment, parcel identification, easement descriptions, land use permitting, pipeline routing analysis, site constraints analysis, surveying and mapping, and regulatory compliance.

Design. The design phase includes architecture, engineering, planning, urban design, landscape architecture, road design, grading design, alignment design, laydown design, station pad design, storm drain design, storm water management, water supply engineering, site planning and profile drawings, and construction cost estimating.

Water resources. We assist our clients with a variety of projects related to water supply and distribution (such as designing water treatment plants and pilot testing), water treatment (including designing and implementing water reclamation, recycling, and reuse projects), and wastewater engineering (including wastewater facility master planning and treatment, designing and implementing collection, treatment and disposal systems, and water quality investigations).

Transportation. We provide our clients with services related to street and roadway construction (including alignment studies, roadway inspections, and traffic control planning), the construction of highways, bridges and tunnels, and the development of rail and light rail systems.

Structural engineering. Our structural team provides design, inspection, rehabilitation, and seismic upgrade services that include structural analysis and design, plans, specifications and estimates, structural construction management, conceptual design studies, cost studies, seismic analysis, design and retrofit, structural evaluations, earthquake damage assessments, structural repair design, and regulatory agency permitting services. Examples of our projects include office and industrial facilities, major highway and railroad crossings, complex rail and light rail structures, and a wide range of water related facilities.

Land development. We assist our clients with many of the front-end challenges associated with private and public land development, including planning, public outreach, sustainability, flood control, drainage, and landscaping.

Surveying. We are equipped to provide our clients with a full suite of traditional surveying techniques as well as cutting edge technology services, including high-definition surveying services / 3D laser scanning. Our services can be used to determine current site condition, provide real-time infrastructure measuring and mapping, preserve historic sites, aide in forensic and accident investigations, determine volume calculations, and conduct surveys for project

progress.

Power Delivery. Our power delivery services include substation physical and structural design, substation protection and control design, transmission line and civil engineering, and communications and automatic design. These services facilitate the development of comprehensive plans that lead to lower operational costs and improved efficiency.

Building Code Compliance. We offer a broad array of outsourcing services, including building code plan review, code enforcement, permitting and inspections, and the administration of public works projects, building departments, and safety departments

Other services. Through our geographic information system services, we can provide clients with ancillary services that include infrastructure management, property management, asset inventory, landscape maintenance, web-based mapping services, land use analysis, terrain analysis and visualization, suitability and constraints analysis, hydrology analysis, biological, agricultural and cultural inventories, population and demographic analysis, shortest path analysis, street grid density, transportation accessibility analysis, watershed analysis, floodplain mapping, groundwater availability modeling, flood insurance study preparation, risk and HAZUS mitigation assessment and analysis, mapping, data tracking, and data hosting.

Construction Quality Assurance

We provide construction quality assurance services with respect to such diverse projects as professional sports stadiums, military facilities, cultural and performing arts centers, airports, hotels, hospitals and health care facilities, fire stations, major public and private universities, and K-12 school districts. We offer these services on an “a la carte” or integrated start-to-finish basis that is intended to guide a client through each phase of a construction project. Our construction quality assurance services generally include site inspections, audits, and evaluations of materials and workmanship necessary to determine and document the quality of the constructed facility. Before a project commences, we offer our clients a variety of assessment services, including environmental, geotechnical, and structural suitability. We perform these pre-construction evaluations in order to help detect any potential problems with the proposed site that could prevent or complicate the successful completion of the project. In addition, we evaluate the onsite building conditions and recommend the best methods and materials for site preparation, excavation, and building foundations.

During development, we help our clients design a comprehensive construction plan, including a summary of planned construction activities, sequence, critical path elements, interrelationships, durations, and terminations. Construction planning services may also include developing procedures for project management, the change order process, and technical records handling methodology. We offer inspection services for each phase of a project, including excavation, foundations, structural framing, mechanical heating and air conditioning systems, electrical systems, underground utilities, and building water proofing systems. Where applicable, we employ additional methods to test materials and building quality. We maintain contact with our clients' managers and, as issues are detected or anticipated, help them identify the most appropriate, cost-effective solutions. We periodically provide construction progress inspections and assessment reports. When a project is complete, we prepare an evaluation report of the project and certify the inspections for the client. After construction, we offer periodic building inspection services to ensure that the building is maintained in accordance with applicable building codes and other local ordinances to maximize the life of the project. We also offer indoor environmental quality testing during this period.

Our specialty areas within our construction quality assurance service offering include:

Construction materials testing and engineering services. We provide materials testing services related to concrete, steel, and other structural materials used in construction. We are equipped to provide these services in fabrication plants, in our laboratories, and at the project or construction site itself. Our field personnel work directly under the supervision of licensed engineers and maintain individual licenses and certifications in their respective areas of expertise. All of our in-house laboratories are inspected routinely by the Cement and Concrete Reference Laboratory ("CCRL") of the National Institute of Standards and Measures. In addition, our laboratories participate in proficiency programs conducted by the CCRL and the American Association of State Highway & Transportation Officials.

Geotechnical engineering and consulting services. We provide a wide variety of geotechnical engineering and consulting services. These services allow our clients to determine whether sites are suitable for proposed projects and to design foundation plans that are compatible with project site and use conditions. We have experienced geotechnical engineers, geologists, and earth scientists who provide these services nationwide.

Forensic consulting. In the event of damage to a structure by natural or man-made causes, our professional staff is qualified to provide forensic consulting and analysis as well as expert witness services. We provide a wide variety of forensic consulting services, including studies related to water intrusion, building code compliance, and claims involving insurance.

Civil Program Management

Civil Program Management. Civil program management provides program management for transportation and water construction projects, including construction management. Our services consists of providing a wide variety of governmental outsourcing services and consulting services that assist organizations in the compliance with technical government regulations and industry standards. We offer a broad array of technical outsourcing services, including traffic studies. Our program management services are not at-risk services; they are performed under a unit price fee arrangement, which is not outcome-based.

Program management also includes project administration, including bid and award assessment, monitoring services for active projects, scheduling assistance, drawing review, permit, approval and review processing, contractor, designer and agency coordination, cost control management, progress payment management, change order administration, compliance inspections, constructability review, as needed, and evaluation of cost reduction methods.

The trend towards increased privatization of U.S. federal, state, and local governmental services presents an opportunity for our program management vertical. Faced with increased budgetary constraints and economic challenges, many governmental agencies now seek to outsource various services, including to run their building departments. For building departments specifically, we typically provide a turnkey solution in exchange for a percentage of the building permit fees collected or a minimum monthly retainer. The governmental agency retains any overage without any overhead costs associated with the fee charged. Outsourcing provides a positive source of revenue for us, while simultaneously increasing the efficiency and quality of service to the public. The governmental agency also gains flexible control of service levels without the challenges of government bureaucracy. Although we plan to grow our program management services organically through the numerous contacts and client relationships we have with U.S. federal, state and local governments, tribal nations, and educational institutions, we are also actively targeting acquisition opportunities that provide program management services.

Building Energy Sciences (BES)

Building Program Management

Building Program management. We provide services for vertical construction projects, including project controls and Building Information Modeling (BIM) services. The construction and program management phase includes plan review, bid and award assessment, monitoring services for active construction sites, scheduling assistance, drawing review, permit, approval and review processing, contractor, designer and agency coordination, cost control management, progress payment management, change order administration, compliance inspections, and evaluation of cost reduction methods.

We provide program management services, which primarily consist of pre-construction and construction consulting services that assists in owners representation. Our program management services are not at-risk services; they are performed under a unit price fee arrangement, which is not outcome-based.

Program management also includes project administration, including bid and award assessment, monitoring services for active projects, scheduling assistance, drawing review, permit, approval and review processing, contractor, designer and agency coordination, cost control management, progress payment management, change order administration, compliance inspections, constructability review, as needed, and evaluation of cost reduction methods.

Energy Services

Our energy service offerings include the management of existing infrastructure assets as well as capital expenditure projects. Within energy services we provide inspection, program management and permitting assistance in accordance with requirements set by the Federal Energy Regulatory Commission. We also provide traditional engineering services for energy providers, including energy transmission and distribution; underground transmission and distribution; substation engineering; power generation facility design services and surveying. We assist major utilities and energy providers in the assessment of potential sites for a wide variety of new energy infrastructure projects, and operations and maintenance for existing energy infrastructure assets. Our services are provided to energy generation and transmission clients for various types of energy source producers (i.e., natural gas, oil, coal and renewables).

Another segment of our energy services pertains to building engineering performance, commissioning, and design services.

Energy Performance. We assist building owners and operations in the reduction of both energy and operational costs. We help our clients to identify and implement energy performance strategies that improve operating efficiency and reduce greenhouse gas emissions, which entails load shaping and efficiency, fuel switching, aggregation, cogeneration and other renewable energy alternatives. Our energy performance services include energy master planning, energy assessments, integrated management of energy supply and demand, renewable energy, smart grid systems, cogeneration, load response strategies and systems, energy modeling and energy star.

Commissioning. We provide our clients with a collaborative resource, ensuring that building owners and operators benefit from improved systems performance. Our proprietary Lifecycle Commissioning® is a systematic, engineering-based process that optimizes building efficiency from initial project concept to decommissioning. In addition, we provide Retro-Commissioning on existing facilities not originally commissioned which can result in energy consumption savings from 5% to 20%.

Mechanical, Electrical, and Plumbing (MEP) Design. We design integrated facilities that reduce capital, energy, maintenance, and operations costs and use technologies to virtualize the building process and improve collaboration. Our MEP services include building analysis, performance modeling, mechanical and plumbing design, electrical power distribution systems, lighting systems, and technology and communication design.

Environmental Services

The environmental services we offer include occupational health, safety and environmental consulting and testing. More specifically, our experts investigate and analyze environmental conditions both outside and inside a building, and recommend corrective measures and procedures needed to comply with work place occupational health and safety programs. Our occupational health and safety services include workplace safety audits, ergonomics studies, emergency preparedness plans and response services, and workplace monitoring in regulated industries. We also specialize in the provision of radiation exposure and protection services, as well as nuclear safety and industrial hygiene analyses.

Additional environmental services include hydrogeological modeling and environmental programs that assist our public agencies and private industry clients in compliance with state, federal, and local requirements for groundwater resource assessments; water resource planning, monitoring and environmental management of wastewater facilities; solid waste landfill investigations; permitting and compliance; storm water pollution; environmental impact statement support; agricultural waste management and permitting; and wetland evaluations.

Strategic Acquisitions

We maintain a full-time merger and acquisitions (“M&A”) initiative with executive personnel specifically dedicated to the identification of acquisition targets, exploration of acquisition opportunities, negotiation of terms, and oversight of the acquisition and post-acquisition integration process. Since 1993, our M&A team has completed over 60 transactions in the engineering and consulting industry. Over the course of these transactions, our M&A team has established extensive relationships throughout the industry and continues to maintain an established pipeline of potential acquisition opportunities.

We primarily seek acquisitions that allow us to expand or enhance our capabilities in our existing service offerings or to supplement our existing service offerings with new, closely related service offerings. In the analysis of new acquisitions, we pursue opportunities that provide the critical mass necessary to function as a profitable operation, that complement our existing operations, and that have offerings. We pursue opportunities that provide the critical mass necessary to function as a profitable stand-alone operation, are geographically situated to complement our existing operations, and are profitable with strong potential for organic growth. Acquisition targets must have an experienced management team that is compatible with our culture and thoroughly committed to our strategic direction. We believe we add value to the operations of our acquisitions by providing superior corporate marketing and sales support, cash management, financial controls, information technology, risk management and human resources support through a performance optimization process. Our performance optimization process, which was developed by our executives through their extensive experience acquiring and integrating companies, entails a review of both back office and operational functions in order to, among other things, identify how to improve (i) inefficiencies related to the delivery of our services to customers, (ii) the performance of a new acquisition through the integration of personnel into our

organization, (iii) the risk management of a new acquisition, (iv) the integration of technology and shared services platforms, and (v) cross-selling opportunities to create synergies with in our service offerings.

For more information on our recent acquisitions, please refer to the “Recent Acquisitions” section included under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K.

Key Clients and Projects

We currently serve over approximately 1,800 different clients. Our 10 largest clients accounted for approximately 28% of our gross revenues during the year ended December 31, 2016. Furthermore, we did not have any clients representing more than 10% of our gross revenues during 2016 or 2015. During the year ended December 31, 2014, two clients accounted for 21% of our gross revenues, which is included in the INF segment. Although we serve a highly diverse client base, for the year ended December 31, 2016, 2015 and 2014 approximately 53%, 60% and 55%, respectively, of our gross revenues was attributable to public and quasi-public sector clients. In this regard, public sector clients include U.S. federal, state, and local government departments, agencies, systems, and authorities, including the U.S. Department of Defense, transportation agencies, educational systems, and public housing authorities, while quasi-public sector clients include utility service providers, energy producers, and healthcare providers. Of our private sector clients, our largest clients are contractors, construction engineering firms, and institutional property owners.

Although we anticipate public and quasi-public sector clients will represent the majority of our revenues for the foreseeable future, we intend to continue expanding our service offerings to private sector clients. Historically, public and quasi-public sector clients have demonstrated greater resilience during periods of economic downturns, while private sector clients have offered higher gross profit margin opportunities during periods of economic expansion.

Marketing and Sales

We strive to position ourselves as a preferred, single-source provider of professional and technical consulting and certification services to our clients. We obtain client engagements primarily through business development efforts, cross-selling our services to existing clients, and maintaining client relationships, as well as referrals from existing and former clients.

Our business development efforts emphasize lead generation, industry group networking, and corporate visibility. Most of our business development efforts are led by members of our engineering and other professional teams, who are also responsible for managing projects. Our business development efforts are further supported by our shared services marketing group, which consists of a seasoned marketing team and marketing support personnel located at our corporate headquarters and operating units.

As our service offerings become more expansive, we anticipate increasing our cross-selling opportunities. Currently, we are often able to offer our construction quality assurance services to clients in conjunction with our infrastructure, engineering, and support services. Another significant area of cross-selling has been our ability to leverage our electrical and gas design services, based in southern California, throughout our national geographic network of offices by introducing our services to new utility service organizations.

We have observed a trend in the engineering and consulting industry which has shifted client relationships away from project-specific engagements and toward long-term, multi-project relationships. This shift requires that service providers commit considerable resources toward maintaining client relationships, including dedicating both technical and marketing resources tailored to the specific client's needs. We are committed to maintaining our client relationships by remaining responsive to our clients' needs and continuing to offer a broad range of quality service offerings and value added solutions.

Employees

As of December 31, 2016, we had 1,532 employees, including 1,352 full-time employees, which includes 423 licensed engineers and other professionals. We have been able to locate and engage highly qualified employees as needed and do not expect our growth efforts to be constrained by a lack of qualified personnel. We consider our employee relations to be good.

Backlog

As of December 31, 2016, we had approximately \$220.8 million of gross revenue backlog expected to be recognized over the next 12 months, compared to gross revenue backlog of approximately \$155.3 million as of December 31, 2015. Only the contracts for which funding has been provided and work authorizations have been received are included in our backlog. We cannot guarantee that the revenue projected in our backlog will be realized in its entirety or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog. For example, certain contracts with the U.S. federal government and other clients are terminable at the discretion of the client, with or without cause. These types of backlog reductions could adversely affect our revenue and margins. Accordingly, our backlog as of any particular date is an uncertain indicator of our future earnings.

Most of our government contracts are multi-year contracts for which funding is appropriated on an annual basis. With respect to such government contracts, our backlog includes only those amounts that have been funded and authorized and does not reflect the full amounts we may receive over the term of such contracts. In the case of non-government contracts, our backlog includes future revenue at contract rates, excluding contract renewals or extensions that are at the discretion of the client. For contracts with a not-to-exceed maximum amount, we include revenue from such contracts in backlog to the extent of the remaining estimated amount. We calculate backlog without regard to possible project reductions or expansions or potential cancellations until such changes or cancellations occur.

Backlog is expressed in terms of gross revenue and therefore may include estimated amounts of third-party or pass-through costs to subcontractors and other parties. Moreover, our backlog for the period beyond 12 months may be subject to variation from year-to-year as existing contracts are completed, delayed, or renewed or new contracts are awarded, delayed, or cancelled. As a result, we believe that year-to-year comparisons of the portion of backlog expected to be performed more than one year in the future are difficult to assess and not necessarily indicative of future revenues or profitability. Because backlog is not a defined accounting term, our computation of backlog may not necessarily be comparable to that of our industry peers.

Competition

We believe that the engineering and consulting industry is highly fragmented and characterized by many small-scale companies that focus their operations on regional markets or specialized niche activities. As a result, we compete with a large number of regional, national, and global companies. Others are smaller and more specialized and concentrate their resources in particular areas of expertise. The extent of our competition varies according to the particular markets and geographic area. The level and type of competition we face is also influenced by the nature and scope of a particular project.

We believe providers of engineering and consulting services primarily compete based on quality of service, relevant experience, staffing capabilities, reputation, geographic presence, stability, and price. Price differentiation remains an important element in competitive tendering and is the most significant factor in bidding for public sector consultancy contracts. The importance of the foregoing factors varies widely based upon the nature, location, and size of the project. We believe that certain economies of scale can be realized by service providers that establish a national reputation for providing engineering and consulting services in all five of the service verticals in which we do business. Since the demand for engineering and consulting services within each service offering is viewed as only moderately correlated with the demand for services within the other service offerings, we perceive that engineering and consulting firms can benefit considerably from diversified service offerings.

The number of competitors for any procurement can vary widely, depending upon technical qualifications, the relative value of the project, geographic location, financial terms, risks associated with the work, and any restrictions placed upon competition by the client. Our ability to compete successfully will depend upon the effectiveness of our marketing efforts, the strength of our client relationships, our ability to accurately estimate costs, the quality of the work we perform, our ability to hire and train qualified personnel, and our ability to obtain insurance.

We believe our principal publicly listed and private company competitors include the following firms (in alphabetical order): AECOM Technology Corporation (NYSE: ACM), AMEC plc (LSE: AMEC), Bureau Veritas (PAR: BVI), Hill International, Inc. (NYSE: HIL), Intertek Group plc (LSE:ITRK), Jacobs Engineering Group Inc. (NYSE: JEC), Kleinfelder & Associates, Professional Service Industries, Inc., Stantec Inc. (TSE: STN), Terracon Consultants, Inc., Tetra Tech, Inc. (NASDAQ: TTEK), TRC Companies, Inc. (NYSE: TRR), Willdan Group (NASDAQ: WLDN), and WS Atkins plc (LSE:ATK).

Seasonality

Due primarily to inclement weather conditions, which lead to project delays and slowed completion of contracts, and a number of holidays, our operating results in the months of November, December, January, February and March are

generally weaker than our operating results in other months. As a result, our gross revenues and net income for the first and fourth quarters of a fiscal year may be lower than our results for the second and third quarters of a fiscal year.

Insurance and Risk Management

We maintain insurance covering professional liability and claims involving bodily injury, property and economic loss. We consider our present limits of coverage, deductibles, and reserves to be adequate. Whenever possible, we endeavor to eliminate or reduce the risk of loss on a project through the use of quality assurance and control, risk management, workplace safety, and other similar methods.

Risk management is an integral part of our project management approach for fixed-price contracts and our project execution process. We have a risk management process group that reviews and oversees the risk profile of our operations. We also evaluate risk through internal risk analyses in which our management reviews higher-risk projects, contracts, or other business decisions that require corporate legal and risk management approval.

Regulation

We are regulated in a number of fields in which we operate. We contract with various U.S. governmental agencies and entities. When working with U.S. governmental agencies and entities, we must comply with laws and regulations relating to the formation, administration, and performance of contracts. These laws and regulations contain terms that, among other things:

require certification and disclosure of all costs or pricing data in connection with various contract negotiations;

impose procurement regulations that define allowable and unallowable costs and otherwise govern our right to reimbursement under various cost-based U.S. government contracts; and

restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

Internationally, we are subject to various government laws and regulations (including the Foreign Corrupt Practices Act (“FCPA”) and similar non-U.S. laws and regulations), local government regulations, procurement policies and practices, and varying currency, political, and economic risks.

To help ensure compliance with these laws and regulations, our employees are sometimes required to complete tailored ethics and other compliance training relevant to their position and our operations.

Available Information

Our website address is *www.nv5.com*. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are made available on our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our corporate governance documents, including our code of conduct and ethics, are also available on our website. In this Annual Report on Form 10-K, we incorporate by reference as identified herein certain information from parts of our proxy statement for our 2017 Annual Meeting of Stockholders, which we will file with the SEC and will be available, free of charge, on our website. Reports of our executive officers, directors and any other persons required to file securities ownership reports under Section 16(a) of the Exchange Act are also available on our website. Information contained on our website is not part of, or incorporated into, this Annual Report on Form 10-K.

You may also read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website located at *www.sec.gov* that contains the information we file or furnish electronically with the SEC.

ITEM 1A. RISK FACTORS.

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. The risks described below highlight some of the factors that have affected, and in the future could affect our operations and financial condition. Additional risks we do not yet know of or that we currently think are immaterial may also affect our business operations. If any of the events or circumstances described in the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected.

The loss of key personnel or our inability to attract and retain qualified personnel could significantly disrupt our business.

As a professional and technical engineering and consulting solutions provider, our business is labor intensive and, therefore, our ability to attract, retain, and expand our senior management, sales personnel, and professional and technical staff is an important factor in determining our future success. The market for qualified scientists, engineers, and sales personnel is competitive and we may not be able to attract and retain such professionals. It may also be difficult to attract and retain qualified individuals in the timeframe demanded by our clients. Furthermore, some of our government contracts may require us to employ only individuals who have particular government security clearance levels. Our failure to attract and retain key individuals could impair our ability to provide services to our clients and conduct our business effectively. The loss of the services of any key personnel could adversely affect our business. We do not maintain key-man life insurance policies on any of our executive officers.

We depend on the continued services of Mr. Dickerson Wright, our Chairman and Chief Executive Officer. We cannot assure you that we will be able to retain the services of Mr. Wright.

We are dependent upon the efforts and services of Mr. Dickerson Wright, our Chairman and Chief Executive Officer, because of his knowledge, experience, skills, and relationships with major clients and other members of our management team. The loss of the services of Mr. Wright for any reason could have an adverse effect on our operations.

Demand from our state and local government and private clients is cyclical and vulnerable to economic downturns. If the economy weakens or client spending declines further, then our revenue, profits, and financial condition may deteriorate.

Demand for services from our state and local government and private clients is cyclical and vulnerable to economic downturns, which may result in clients delaying, curtailing, or canceling proposed and existing projects. Our business traditionally lags the overall recovery in the economy. Therefore, our business may not recover immediately when the economy improves. If the economy remains weak or client spending declines further, then our revenue, profits, and overall financial condition may deteriorate. Our state and local government clients may face budget deficits that prohibit them from funding new or existing projects. In addition, our existing and potential clients may either postpone entering into new contracts or request price concessions. Difficult financing and economic conditions may cause some of our clients to demand better pricing terms or delay payments for services we perform, thereby increasing the average number of days our receivables are outstanding and the potential of increased credit losses on uncollectible invoices. Further, these conditions may result in the inability of some of our clients to pay us for services that we have already performed. If we are not able to reduce our costs quickly enough to respond to the revenue decline from these clients, our operating results may be adversely affected. Accordingly, these factors affect our ability to forecast our future revenue and earnings from business areas that may be adversely impacted by market conditions.

Our operating results may be adversely impacted by worldwide economic uncertainties and specific conditions in the markets we address.

Over the past several years, the general worldwide economy has experienced a downturn due, at various times, to the lack of available credit, slower economic activity, concerns about inflation and deflation, increased energy costs, decreased consumer confidence, reduced corporate profits and capital spending, and adverse business conditions. These conditions make it extremely difficult for our clients and vendors to accurately forecast future business activities, which could cause businesses to slow spending on services. Such conditions have also made it very difficult for us to predict the short-term and long-term impacts on our business. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery worldwide or in our industry, and any such economic slowdown could have any adverse effect on our results of operations.

Our revenue, expenses, and operating results may fluctuate significantly.

Our revenue, expenses, and operating results may fluctuate significantly because of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. In addition to the other risks described in this “Risk Factors” section, the following factors could cause our operating results to fluctuate:

delays, increased costs, or other unanticipated changes in contract performance that may affect profitability, particularly with contracts that are fixed-price or have funding limits;

seasonality of the spending cycle of our public sector clients, notably the U.S. federal government, the spending patterns of our private sector clients, and weather conditions;

budget constraints experienced by our federal, state, and local government clients;

our ability to integrate any companies that we acquire;

the number and significance of client contracts commenced and completed during a quarter;

the continuing creditworthiness and solvency of clients;

reductions in the prices of services offered by our competitors; and

legislative and regulatory enforcement policy changes that may affect demand for our services.

As a consequence, operating results for a particular future period are difficult to predict and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on our business, results of operations and financial condition that could adversely affect our stock price.

We derive a majority of our gross revenues from government agencies, and any disruption in government funding or in our relationship with those agencies could adversely affect our business.

For the year ended December 31, 2016, approximately 53% of our gross revenues was attributable to public and quasi-public sector clients. A significant amount of our revenues are derived under multi-year contracts, many of which are appropriated on an annual basis. As a result, at the beginning of a project, the related contract may be only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by numerous factors as noted below. Our backlog includes only the projects that have had funding appropriated.

The demand for our government-related services is generally driven by the level of government program funding. Accordingly, the success and further development of our business depends, in large part, upon the continued funding of these government programs, and upon our ability to obtain contracts and perform well under these programs. There are several factors that could materially affect our government contracting business, including the following:

uncertainty surrounding how any remaining funds are being distributed under the American Recovery and Reinvestment Act of 2009 (“ARRA”) and into what governmental areas such funds are being used, and how much funding may remain available;

changes in and delays or cancellations of government programs, requirements, or appropriations;

budget constraints or policy changes resulting in delay or curtailment of expenditures related to the services we provide;

re-competes of government contracts;

the timing and amount of tax revenue received by federal, state, and local governments, and the overall level of government expenditures;

curtailment in the use of government contracting firms;

delays associated with insufficient numbers of government staff to oversee contracts;

the increasing preference by government agencies for contracting with small and disadvantaged businesses, including the imposition of set percentages of prime and subcontracts to be awarded to such businesses for which we would not

qualify;

competing political priorities and changes in the political climate with regard to the funding or operation of the services we provide;

the adoption of new laws or regulations affecting our contracting relationships with the federal, state, or local governments;

a dispute with, or improper activity by, any of our subcontractors; and

general economic or political conditions.

These and other factors could cause government agencies to delay or cancel programs, to reduce their orders under existing contracts, to exercise their rights to terminate contracts, or not to exercise contract options for renewals or extensions. Any of these actions could have a material adverse effect on our revenue or timing of contract payments from these agencies.

Each year, client funding for some of our government contracts may rely on government appropriations or public-supported financing. If adequate public funding is delayed or is not available, then our profits and revenue could decline.

Each year, client funding for some of our government contracts may directly or indirectly rely on government appropriations or public-supported financing such as the ARRA. It is possible that such appropriated funding will never be allocated to projects that represent opportunities for us to the extent that we anticipate, if at all. Legislatures may appropriate funds for a given project on a year-by-year basis, even though the project may take more than one year to perform. In addition, public-supported financing such as state and local municipal bonds may be only partially raised to support existing projects. Public funds and the timing of payment of these funds may be influenced by, among other things, the state of the economy, competing political priorities, curtailments in the use of government contracting firms, increases in raw material costs, delays associated with insufficient numbers of government staff to oversee contracts, budget constraints, the timing and amount of tax receipts, and the overall level of government expenditures. If adequate public funding is not available or is delayed, then our profits and revenue could decline.

A delay in the completion of the budget process of the U.S. government could delay procurement of our services and have an adverse effect on our future revenue.

When the U.S. government does not complete its budget process before its fiscal year-end on September 30 in any year, government operations are typically funded by means of a continuing resolution. Under a continuing resolution, the government essentially authorizes agencies of the U.S. government to continue to operate and fund programs at the prior year end but does not authorize new spending initiatives. When the U.S. government operates under a continuing resolution, government agencies may delay the procurement of services, which could reduce our future revenue.

California state budgetary constraints may have a material adverse impact on us.

The state of California had experienced, and may continue to experience, budget shortfalls and other related budgetary issues and constraints. The state of California has historically been and is considered to be a key geographic region for our business, as approximately 34%, 42% and 45% of our gross revenues for the years ended December 31, 2016, 2015 and 2014, respectively, came from California-based projects. Ongoing uncertainty as to the timing and accessibility of budgetary funding, changes in state funding allocations to local agencies and municipalities, or other delays in purchasing for, or commencement of, projects may have a negative impact on our gross revenues and net income.

Governmental agencies may modify, curtail, or terminate our contracts at any time prior to their completion and, if we do not replace them, we may suffer a decline in revenue.

Most government contracts may be modified, curtailed, or terminated by the government either at its discretion or upon the default of the contractor. If the government terminates a contract at its discretion, then we typically are able to recover only costs incurred or committed, settlement expenses, and profit on work completed prior to termination, which could prevent us from recognizing all of our potential revenue and profits from that contract. In addition, the U.S. government has announced its intention to scale back outsourcing of services in favor of “insourcing” jobs to its employees, which could reduce the number of contracts awarded to us. The adoption of similar practices by other government entities could also adversely affect our revenues. If a government terminates a contract due to our default, we could be liable for excess costs incurred by the government in obtaining services from another source.

Our failure to win new contracts and renew existing contracts with private and public sector clients could adversely affect our profitability.

Our business depends on our ability to win new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which is affected by a number of factors. These factors include market conditions, financing arrangements, and required governmental approvals. For example, a client may require us to provide a bond or letter of credit to protect the client should we fail to perform under the terms of the contract. If negative market conditions arise, or if we fail to secure adequate financial arrangements or the required government approval, we may not be able to pursue particular projects, which could adversely affect our profitability.

Our inability to win or renew government contracts during regulated procurement processes or preferences granted to certain bidders for which we would not qualify could harm our operations and significantly reduce or eliminate our profits.

Government contracts are awarded through a regulated procurement process. The U.S. federal government has increasingly relied upon multi-year contracts with pre-established terms and conditions, such as indefinite delivery/indefinite quantity (“IDIQ”) contracts, which generally require those contractors who have previously been awarded the IDIQ to engage in an additional competitive bidding process before a task order is issued. The increased competition, in turn, may require us to make sustained efforts to reduce costs in order to realize revenue and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. The U.S. federal government has also increased its use of IDIQs in which the client qualifies multiple contractors for a specific program and then awards specific task orders or projects among the qualified contractors. As a result, new work awards tend to be smaller and of shorter duration, since the orders represent individual tasks rather than large, programmatic assignments. In addition, the U.S. government has announced its intention to scale back outsourcing of services in favor of “insourcing” jobs to its employees, which could reduce our revenue. Moreover, even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to protect small businesses and underrepresented minority contractors, which would not apply to us. The federal government has announced specific statutory goals regarding awarding prime and subcontracts to small businesses, women-owned small businesses, and small disadvantaged businesses, with the result that we may be obligated to involve such businesses as subcontractors with respect to these contracts at lower margins than when we use our own professionals. While we are unaware of any reason why our status as a public company would negatively impact our ability to compete for and be awarded government contracts, our inability to win or renew government contracts during regulated procurement processes or as a result of the policies pursuant to which these processes are implemented could harm our operations and significantly reduce or eliminate our profits.

If we fail to complete a project in a timely manner, miss a required performance standard, or otherwise fail to adequately perform on a project, then we may incur a loss on that project, which may reduce or eliminate our overall profitability.

Our engagements often involve large-scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. We may commit to a client that we will complete a project by a scheduled date. We may also commit that a project, when completed, will achieve specified performance standards. If the project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. The uncertainty of the timing of a project can present difficulties in planning the amount of personnel needed for the project. If the project is delayed or canceled, we may bear the cost of an underutilized workforce that was dedicated to fulfilling the project. In addition, performance of projects can be affected by a number of factors beyond our control, including unavoidable delays from government inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project

scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions, and other factors. To the extent these events occur, the total costs of the project could exceed our estimates and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability. Further, any defects or errors, or failures to meet our clients' expectations, could result in claims for damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes, or omissions in rendering services to our clients. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued.

We depend on a limited number of clients for a significant portion of our business.

Our ten largest clients accounted for approximately 28% of our gross revenues during the year ended December 31, 2016. Furthermore, we did not have any clients representing more than 10% of our gross revenues during 2016 or 2015. During the year ended December 31, 2014, two clients accounted for 21% of our gross revenues. The loss of, or reduction in orders from, these clients could have a material adverse effect on our business, financial condition, and results of operations.

We have made and expect to continue to make acquisitions that could disrupt our operations and adversely impact our business and operating results. Our inability to successfully integrate acquisitions could impede us from realizing all of the benefits of the acquisitions, which could weaken our results of operations.

A key part of our growth strategy is to acquire other companies that complement our service offerings or broaden our technical capabilities and geographic presence. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations or the expectations of securities analysts. For example:

we may not be able to identify suitable acquisition candidates or acquire additional companies on acceptable terms;

we may pursue international acquisitions, which inherently pose more risk than domestic acquisitions;

we compete with others to acquire companies, which may result in decreased availability of, or increased price for, suitable acquisition candidates;

we may not be able to obtain the necessary financing on favorable terms, or at all, to finance any of our potential acquisitions;

we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a company; and

acquired companies may not perform as we expect, and we may fail to realize anticipated revenue and profits.

In addition, our acquisition strategy may divert management's attention away from our existing businesses, resulting in the loss of key clients or key employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor-in-interest for undisclosed or contingent liabilities of acquired businesses or assets.

If we are not able to integrate acquired businesses successfully, our business could be harmed.

Our inability to successfully integrate future acquisitions could impede us from realizing all of the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if implemented ineffectively, may preclude realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of the combining companies may result in unanticipated problems, expenses, liabilities, and competitive responses, and may cause our stock price to decline.

The difficulties of integrating an acquisition include, among others:

unanticipated issues in integration of information, communications, and other systems;

unanticipated incompatibility of logistics, marketing, and administration methods;

maintaining employee morale and retaining key employees;

integrating the business cultures of both companies;

preserving important strategic client relationships;

consolidating corporate and administrative infrastructures and eliminating duplicative operations; and

coordinating geographically separate organizations.

In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings, or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all.

Further, acquisitions may also cause us to:

issue securities that would dilute our current stockholders' ownership percentage;

use a substantial portion of our cash resources;

increase our interest expense, leverage, and debt service requirements if we incur additional debt to pay for an acquisition;

assume liabilities, including environmental liabilities, for which we do not have indemnification from the former owners, as was the case in our acquisition of NV5, or have indemnification that may be subject to dispute or concerns regarding the creditworthiness of the former owners;

record goodwill and non-amortizable intangible assets that are subject to impairment testing on a regular basis and potential impairment charges;

experience volatility in earnings due to changes in contingent consideration related to acquisition liability estimates;

incur amortization expenses related to certain intangible assets;

lose existing or potential contracts as a result of conflict of interest issues;

incur large and immediate write-offs; or

become subject to litigation.

If we are not able to successfully manage our growth strategy, our business and results of operations may be adversely affected.

Our expected future growth presents numerous managerial, administrative, operational, and other challenges. Our ability to manage the growth of our operations will require us to continue to improve our management information systems and our other internal systems and controls. In addition, our growth will increase our need to attract, develop, motivate, and retain both our management and professional employees. The inability of our management to effectively manage our growth or the inability of our employees to achieve anticipated performance could have a material adverse effect on our business.

Our credit agreement with Bank of America, N.A. contains a number of restrictive covenants which could limit our ability to finance future operations, acquisitions or capital needs or engage in other business activities that may be in our interest.

The Credit Agreement contains a number of significant covenants that impose operating and other restrictions on us and our subsidiaries. Such restrictions affect or could affect, and in many respects limit or prohibit, among other things, our ability and the ability of certain of our subsidiaries to:

- incur additional indebtedness;
- create liens;
- pay dividends and make other distributions in respect of our equity securities;
- redeem our equity securities;
- enter into certain lines of business;
- make certain investments or certain other restricted payments;

- sell certain kinds of assets;
- enter into certain types of transactions with affiliates; and
- undergo a change in control or effect certain mergers

or consolidations.

In addition, our Credit Agreement also requires us to comply with a consolidated fixed charge coverage ratio and consolidated leverage ratio. Our ability to comply with these ratios may be affected by events beyond our control.

These restrictions could limit our ability to plan for or react to market or economic conditions or meet capital needs or otherwise restrict our activities or business plans, and could adversely affect our ability to finance our operations, acquisitions, investments or strategic alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these covenants or our inability to comply with the required financial ratios could result in a default under the Credit Agreement. If an event of default occurs, the lenders under the Credit Agreement could elect to:

- declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable;
- require us to apply all of our available cash to repay the borrowings; or
- prevent us from making debt service payments on certain of our borrowings.

If we were unable to repay or otherwise refinance these borrowings when due, the lenders under the Credit Agreement could sell the collateral securing the Credit Agreement, which constitutes a significant majority of our domestic subsidiaries' assets.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our Credit Agreement are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though any amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. As of December 31, 2016, we had no indebtedness outstanding under the Credit Agreement. To the extent we decide to borrow under the Credit Agreement in the future, we may determine to enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk and could be subject to credit risk themselves.

Our industry is highly competitive, and we may not be able to compete effectively with competitors.

Our industry is highly fragmented and intensely competitive. Our competitors are numerous, ranging from small private firms to multi-billion dollar public companies. Contract awards are based primarily on quality of service, relevant experience, staffing capabilities, reputation, geographic presence, stability, and price. In addition, the technical and professional aspects of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors. Many of our competitors have achieved greater market penetration in some of the markets in which we compete and have more personnel, technical, marketing, and financial resources or financial flexibility than we do. As a result of the number of competitors in the industry, our clients may select one of our competitors on a project due to competitive pricing or a specific skill set. These competitive forces could force us to make price concessions or otherwise reduce prices for our services. If we are unable to maintain our competitiveness, our market share, revenue, and profits could decline.

Our business and operating results could be adversely affected by losses under fixed-price contracts.

Fixed-price contracts require us to either perform all work under the contract for a specified lump sum or to perform an estimated number of units of work at an agreed price per unit, with the total payment determined by the actual number of units performed. For the year ended December 31, 2016, approximately 19% of our revenue was recognized under fixed-price contracts. Fixed-price contracts expose us to a number of risks not inherent in cost-plus and time and material contracts, including underestimation of costs, ambiguities in specifications, unforeseen costs or difficulties, problems with new technologies, delays beyond our control, failures of subcontractors to perform, and economic or other changes that may occur during the contract period. Losses under fixed-price contracts could be substantial and adversely impact our results of operations.

If our clients delay in paying or fail to pay amounts owed to us, it could have a material adverse effect on our liquidity, results of operations, and financial condition.

Accounts receivable represent the largest asset on our balance sheet. While we take steps to evaluate and manage the credit risks relating to our clients, economic downturns or other events can adversely affect the markets we serve and our clients ability to pay, which could reduce our ability to collect all amounts due from clients. If our clients delay in paying or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, results of operations, and financial condition.

If we extend a significant portion of our credit to clients in a specific geographic area or industry, we may experience disproportionately high levels of collection risk and nonpayment if those clients are adversely affected by factors particular to their geographic area or industry.

Our clients include public and private entities that have been, and may continue to be, negatively impacted by the changing landscape in the global economy. We face collection risk as a normal part of our business where we perform services and subsequently bill our clients for such services. Our ten largest clients accounted for approximately 28% of our gross revenues during the year ended December 31, 2016. Furthermore, we did not have any clients representing more than 10% of our gross revenues during 2016 or 2015. During the year ended December 31, 2014, two clients accounted for 21% of our gross revenues. In the event that we have concentrated credit risk from clients in a specific geographic area or industry, continuing negative trends or a worsening in the financial condition of that specific geographic area or industry could make us susceptible to disproportionately high levels of default by those clients. Such defaults could materially adversely impact our ability to collect our receivables and, ultimately, our revenues and results of operations.

As a government contractor, we must comply with various procurement laws and regulations and are subject to regular government audits. A violation of any of these laws and regulations or the failure to pass a government audit could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor and could reduce our profits and revenue.

We must comply with and are affected by U.S. federal, state, local, and foreign laws and regulations relating to the formation, administration, and performance of government contracts. For example, we must comply with defective-pricing clauses found within the Federal Acquisition Regulation (“FAR”), the Truth in Negotiations Act, Cost Accounting Standards (“CAS”), the ARRA, the Services Contract Act, and the U.S. Department of Defense security regulations, as well as many other rules and regulations. In addition, we must also comply with other government regulations related to employment practices, environmental protection, health and safety, tax, accounting, and anti-fraud measures, as well as many others regulations in order to maintain our government contractor status. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct, and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud, or other improper activities. Government agencies routinely audit and investigate government contractors. These government agencies review and audit a government contractor’s performance under its contracts and cost structure and evaluate compliance with applicable laws, regulations, and standards. In addition, during the course of its audits, such agencies may question our incurred project costs. If such agencies believe we have accounted for such costs in a manner inconsistent with the requirements for FAR or CAS, the agency auditor may recommend to our U.S. government corporate administrative contracting officer that it disallow such costs. Historically, we have not experienced significant disallowed costs as a result of government audits. However, we can provide no assurance that such government audits will not result in a material disallowance for incurred costs in the future. In addition, government contracts are subject to a variety of other requirements relating to the formation, administration, performance and accounting for these contracts. We may also be subject to *qui tam* litigation brought by private individuals on behalf of the government under the Federal Civil False Claims Act, which could include claims for treble damages. Government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit, or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our government contractor status could reduce our profits and revenue significantly.

State and other public employee unions may bring litigation that seeks to limit the ability of public agencies to contract with private firms to perform government employee functions in the area of public improvements. Judicial determinations in favor of these unions could affect our ability to compete for contracts and may have an adverse effect on our revenue and profitability.

Over at least the last 20 years, state and other public employee unions have challenged the validity of propositions, legislation, charters, and other government regulations that allow public agencies to contract with private firms to provide services in the fields of engineering, design, and construction of public improvements that might otherwise be provided by public employees. These challenges could have the effect of eliminating or severely restricting the ability of municipalities to hire private firms for the purpose of designing and constructing public improvements, and otherwise require them to use union employees to perform the services. If a state or other public employee union is

successful in its challenge and as a result the ability of state agencies to hire private firms is severely limited, such a decision would likely lead to additional litigation challenging the ability of the state, counties, municipalities, and other public agencies to hire private engineering, architectural, and other firms, the outcome of which could affect our ability to compete for contracts and may have an adverse effect on our revenue and profitability.

Our use of the percentage-of-completion method of revenue recognition could result in a reduction or reversal of previously recorded revenue and profits.

We account for some of our contracts on the percentage-of-completion method of revenue recognition. These contracts accounted for approximately 19% of our revenue for the year ended December 31, 2016. Generally, our use of this method results in recognition of revenue and profit ratably over the life of the contract based on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effects of revisions to revenue and estimated costs, including the achievement of award fees as well as the impact of change orders and claims, are recorded when the amounts are known and can be reasonably estimated. Such revisions could occur in any period and their effects could be material. Although we have historically made reasonably reliable estimates of the progress towards completion of long-term contracts, the uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenue and profit.

Our actual business and financial results could differ from the estimates and assumptions that we use to prepare our financial statements, which may significantly reduce or eliminate our profits.

To prepare financial statements in conformity with generally accepted accounting principles in the U.S. (“GAAP”), management is required to make estimates and assumptions as of the date of the financial statements. These estimates and assumptions could affect the reported values of assets, liabilities, revenue, and expenses as well as disclosures of contingent assets and liabilities. For example, we recognize a portion of revenue over the life of a contract based on the proportion of costs incurred to date compared to the total costs estimated to be incurred for the entire project. Areas requiring significant estimates by our management include:

the application of the percentage-of-completion method of accounting and revenue recognition on contracts, change orders, and contract claims;

provisions for uncollectible receivables and client claims and recoveries of costs from subcontractors, vendors, and others;

provisions for income taxes, research, and experimentation credits and related valuation allowances;

value of goodwill and recoverability of other intangible assets; and

valuations of assets acquired and liabilities assumed in connection with business combinations.

Our actual business and financial results could differ from those estimates, which may significantly reduce or eliminate our profits.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our securities.

Management continues to review and assess our internal controls to ensure we have adequate internal financial and accounting controls. Failure to maintain new or improved controls, or any difficulties we encounter in their implementation, could result in material weaknesses, and cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations (and, once we no longer qualify as an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”), annual audit attestation reports) regarding the effectiveness

of our internal control over financial reporting that will be required under Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) with respect to annual reports that we will file as a public company. The existence of a material weakness could result in errors in our financial statements that could cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

For so long as we qualify as an “emerging growth company” under the JOBS Act, which may be up to five years following our initial public offering, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404. Once we are no longer an emerging growth company or, if prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal controls over financial reporting.

Our profitability could suffer if we are not able to maintain adequate utilization of our workforce.

The cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. The rate at which we utilize our workforce is affected by a number of factors, including:

our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees;

our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and workforces;

our ability to manage attrition;

our need to devote time and resources to training, business development, professional development, and other non-chargeable activities; and

our ability to match the skill sets of our employees to the needs of the marketplace.

If we over utilize our workforce, our employees may become disengaged, which will impact employee attrition. If we under-utilize our workforce, our profit margin and profitability could suffer.

Our backlog is subject to cancellation and unexpected adjustments, and is an uncertain indicator of future operating results.

As of December 31, 2016, we had approximately \$220.8 million of gross revenue backlog expected to be recognized over the next 12 months. We include in backlog only those contracts for which funding has been provided and work authorizations have been received. We cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client, with or without cause. These types of backlog reductions could adversely affect our revenue and margins. Accordingly, our backlog as of any particular date is an uncertain indicator of our future earnings.

Employee, agent or partner misconduct or our overall failure to comply with laws or regulations could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents, or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws, and any other applicable laws or regulations. For example, the FCPA, and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these regulations and laws, and we take precautions to prevent and detect misconduct. However, since our internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, we cannot assure that our controls will protect us from reckless or criminal acts committed by our employees and agents. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from

contracting, any or all of which could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions. Historically, we have not had any material cases involving misconduct or fraud.

If our contractors and subcontractors fail to satisfy their obligations to us or other parties, or if we are unable to maintain these relationships, our revenue, profitability, and growth prospects could be adversely affected.

We depend on contractors and subcontractors in conducting our business. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if any of our subcontractors fail to deliver on a timely basis the agreed-upon supplies, fail to perform the agreed-upon services, go out of business, or fail to perform on a project, then our ability to fulfill our obligations as a prime contractor may be jeopardized and we may be contractually responsible for the work performed by those contractors or subcontractors. The absence of qualified subcontractors with which we have a satisfactory relationship could adversely affect the quality of our service and our ability to perform under some of our contracts. Historically, our relationship with our contractors and subcontractors has been good, and we have not experienced any material failure of performance by our contractors and subcontractors. During the year ended December 31, 2016, the utilization of contractors or subcontractors generated approximately 14% of our gross revenues.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or teaming arrangement relationships with us or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts, or refuses to pay under a contract.

Changes in resource management or infrastructure industry laws, regulations, and programs could directly or indirectly reduce the demand for our services which could in turn negatively impact our revenue.

Some of our services are directly or indirectly impacted by changes in U.S. federal, state, local, or foreign laws and regulations pertaining to resource management, infrastructure, and the environment. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation, or enforcement of these programs, could result in a decline in demand for our services, which could in turn negatively impact our revenue.

Legal proceedings, investigations, and disputes, including those assumed in acquisitions of other businesses for which we may not be indemnified, could result in substantial monetary penalties and damages, especially if such penalties and damages exceed or are excluded from existing insurance coverage.

We engage in professional and technical consulting and certification services that can result in substantial injury or damages that may expose us to legal proceedings, investigations, and disputes. For example, in the ordinary course of our business, we may be involved in legal disputes regarding personal injury claims, employee or labor disputes, professional liability claims, and general commercial disputes involving project cost overruns and liquidated damages as well as other claims. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of project sites for our clients. We may be deemed to be responsible for these judgments and recommendations if they are later determined to be inaccurate. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations.

In this regard, the agreement pursuant to which we acquired NV5, Inc. (formerly known as Nolte Associates, Inc.) did not include representations and warranties regarding the business being acquired or any indemnification provisions or other assurances from the seller regarding Nolte. In the event any unforeseen matters arise, whether regarding the permits and authorizations required to run the Nolte business, filing of tax returns and payment of associated taxes, or the existence or extent of any contingent liabilities of the Nolte business (including third-party claims to which Nolte may be subject in the future including regarding professional liability for work performed prior to our acquisition of Nolte), we would be materially adversely affected if we were required to pay damages or incur defense costs in connection with a claim for which no such indemnity has been provided. The Company is currently under examination by the California Franchise Tax Board (“CFTB”) about certain research and development tax credits generated and included on the tax returns for the years 2005 to 2014. Fiscal years 2005 through 2016 are considered open tax years in the State of California and 2013 through 2016 in the U.S. federal jurisdiction and other state jurisdictions.

We maintain insurance coverage as part of our overall legal and risk management strategy to minimize our potential liabilities; however, insurance coverage contains exclusions and other limitations that may not cover our potential liabilities. Generally, our insurance program covers workers’ compensation and employer’s liability, general liability,

automobile liability, professional errors and omissions liability, property, and contractor's pollution liability (in addition to other policies for specific projects). Our insurance program includes deductibles or self-insured retentions for each covered claim. In addition, our insurance policies contain exclusions that insurance providers may use to deny or restrict coverage. Specialty liability and professional liability insurance policies provide for coverages on a "claims-made" basis, covering only claims actually made and reported during the policy period currently in effect. If we sustain liabilities that exceed or that are excluded from our insurance coverage or for which we are not insured, it could have a material adverse impact on our results of operations and financial condition, including our profits and revenue.

Unavailability or cancellation of third-party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations.

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage, or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

Our failure to implement and comply with our safety program could adversely affect our operating results or financial condition.

Our safety program is a fundamental element of our overall approach to risk management, and the implementation of the safety program is a significant issue in our dealings with our clients. We maintain an enterprise-wide group of health and safety professionals to help ensure that the services we provide are delivered safely and in accordance with standard work processes. Unsafe job sites and office environments have the potential to increase employee turnover, increase the cost of a project to our clients, expose us to types and levels of risk that are fundamentally unacceptable, and raise our operating costs. The implementation of our safety processes and procedures are monitored by various agencies and rating bureaus, and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. If we fail to meet these requirements or do not properly implement and comply with our safety program, there could be a material adverse effect on our business, operating results, or financial condition.

We may be subject to liabilities under environmental laws and regulations, including liabilities assumed in acquisitions for which we may not be indemnified.

We must comply with a number of laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances. Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (“CERCLA”), and comparable state laws, we may be required to investigate and remediate regulated hazardous materials. CERCLA and comparable state laws typically impose strict joint and several liabilities without regard to whether a company knew of or caused the release of hazardous substances. The liability for the entire cost of clean-up could be imposed upon any responsible party. Other principal federal environmental, health, and safety laws affecting us include, among others, the Resource Conservation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, the Toxic Substances Control Act, and the Superfund Amendments and Reauthorization Act. Our business operations may also be subject to similar state and international laws relating to environmental protection. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations, could result in substantial costs to us, including clean-up costs, fines and civil or criminal sanctions, third-party claims for property damage or personal injury, or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

Weather conditions and seasonal revenue fluctuations could have an adverse impact on our results of operations.

Due primarily to inclement weather conditions, which lead to project delays and slower completion of contracts, and a higher number of holidays, our operating results during December, January, February and March are generally lower in comparison to other months. As a result, our revenue and net income for the first and fourth quarters of a fiscal year may be lower than our results for the second and third quarters of a fiscal year. If we were to experience lower-than-expected revenue during any such periods, our expenses may not be offset, which could have an adverse

impact on our results of operations.

Catastrophic events may disrupt our business.

Force majeure or extraordinary events beyond the control of the contracting parties, such as natural and man-made disasters as well as terrorist actions, could negatively impact the economies in which we operate by causing the closure of offices, interrupting projects, and forcing the relocation of employees. We typically remain obligated to perform our services after a terrorist action or natural disaster unless the contract contains a force majeure clause that relieves us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations, or cash flows.

Further, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems, and our website for our development, marketing, operational, support, hosted services, and sales activities. Despite our implementation of network security measures, we are vulnerable to disruption, infiltration, or failure of these systems or third-party hosted services in the event of a major earthquake, fire, power loss, telecommunications failure, cyber-attack, war, terrorist attack, or other catastrophic event could cause system interruptions, reputational harm, loss of intellectual property, lengthy interruptions in our services, breaches of data security, and loss of critical data and could harm our future operating results.

We are highly dependent on information and communications systems. System failures, security breaches of networks or systems could significantly disrupt our business and operations and negatively affect the market price of our common stock.

Our business is highly dependent on communications and information systems. These systems are primarily operated by third-parties and, as a result, we have limited ability to ensure their continued operation. In the event of systems failure or interruption, we will have limited ability to affect the timing and success of systems restoration. Any failure or interruption of our systems could cause delays or other problems in the delivery of our services, which could have a material adverse effect on our operating results and negatively affect the market price of our common stock.

We rely on information technology systems, networks and infrastructure in managing our day-to-day operations. Despite cyber-security measures already in place, our information technology systems, networks and infrastructure may be vulnerable to deliberate attacks or unintentional events that could interrupt or interfere with their functionality or the confidentiality of our information. Our inability to effectively utilize our information technology systems, networks and infrastructure, and protect our information could adversely affect our business.

Cyber security breaches of our systems and information technology could adversely impact our ability to operate.

We need to protect our own internal trade secrets and other business confidential information from disclosure. We face the threat to our computer systems of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems and system disruptions, including possible unauthorized access to our and our clients' proprietary or classified information. We rely on industry-accepted security measures and technology to securely maintain all confidential and proprietary information on our information systems. We have devoted and will continue to devote significant resources to the security of our computer systems, but they may still be vulnerable to these threats. A user who circumvents security measures could misappropriate confidential or proprietary information, including information regarding us, our personnel and/or our clients, or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows.

We have only a limited ability to protect our intellectual property rights, and our failure to protect our intellectual property rights could adversely affect our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. We rely principally on trade secrets to protect much of our intellectual property where we do not believe that patent or copyright protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain trade secret protection would adversely affect our competitive business position. In addition, if we are unable to prevent third parties from infringing or misappropriating our trademarks or other proprietary information, our competitive position could be adversely affected.

We rely on third-party internal and outsourced software to run our critical accounting, project management, and financial information systems. As a result, any sudden loss, disruption, or unexpected costs to maintain these systems could significantly increase our operational expense and disrupt the management of our business operations.

We rely on third-party software to run our critical accounting, project management, and financial information systems. We also depend on our software vendors to provide long-term software maintenance support for our information systems. Software vendors may decide to discontinue further development, integration, or long-term software maintenance support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our accounting, project management, and financial information to other systems, thus increasing our operational expense as well as disrupting the management of our business operations.

Our Chairman and Chief Executive Officer owns a large percentage of our voting stock, which may allow him to have a significant influence on all matters requiring stockholder approval.

Mr. Dickerson Wright, our Chairman and Chief Executive Officer, beneficially owned 2,196,953 shares, or approximately 21% of our common stock on a fully diluted basis as of March 9, 2017. Accordingly, Mr. Wright has the power to significantly influence the outcome of important corporate decisions or matters submitted to a vote of our stockholders, including decisions regarding mergers, going private transactions, and other extraordinary transactions, and to significantly influence the terms of any of these transactions. Although Mr. Wright owes our stockholders certain fiduciary duties as a director and an executive officer, Mr. Wright could take actions to address his own interests, which may be different from those of our other stockholders.

As an emerging growth company within the meaning of the Securities Act, we will utilize certain modified disclosure requirements, and we cannot be certain whether these reduced requirements will make our securities less attractive to investors.

We are an emerging growth company within the meaning of the rules under the Securities Act. We plan in current and future filings with the SEC to utilize, the modified disclosure requirements available to emerging growth companies, including reduced disclosure about our executive compensation and omission of compensation discussion and analysis, and an exemption from the requirement of holding a nonbinding advisory vote on executive compensation. In addition, we will not be subject to certain requirements of Section 404 of the Sarbanes-Oxley Act, including the additional testing of our internal control over financial reporting as may occur when outside auditors attest as to our internal control over financial reporting. For example, we will not have to provide an auditor's attestation report on our internal controls in this Annual Report on Form 10-K for the year ended December 31, 2016, or in future annual reports on Form 10-K as otherwise required by Section 404(b) of the Sarbanes-Oxley Act. As a result, our stockholders may not have access to certain information they may deem important.

We could remain an “emerging growth company” for up to five years after our IPO in 2013, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenue exceed \$1 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period.

We will incur increased costs as a result of being a public company, and the requirements of being a public company may divert management’s attention from our business.

As a result of our initial public offering, we became a public company and our securities are listed on NASDAQ. As such, we are required to comply with laws, regulations, and requirements that we did not need to comply with as a private company, including certain provisions of the Sarbanes-Oxley Act and related SEC regulations, as well as the requirements of NASDAQ. Compliance with the requirements of being a public company have required us to increase our operating expenses in order to pay our employees, legal counsel, and accountants to assist us in, among other things, external reporting, instituting and monitoring a more comprehensive compliance and board governance function, establishing and maintaining internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act, and preparing and distributing periodic public reports in compliance with our obligations under the federal securities laws. In addition, in connection with Section 404(a) of the Sarbanes-Oxley Act, management was required to deliver a report that assessed the effectiveness of our internal control over financial reporting beginning with the Annual Report on Form 10-K for the year ended December 31, 2014. However, in connection with Section 404(b) of the Sarbanes-Oxley Act, our auditors are not required to attest to our internal controls over financial reporting until we no longer qualify as an emerging growth company under the JOBS Act. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. As a result, our management’s attention might be diverted from other business concerns, which could have a material adverse effect on our business, prospects, financial condition, and results of operations. Furthermore, we might not be able to retain our independent directors or attract new independent directors for our committees.

Provisions in our charter documents and the Delaware General Corporation Law could make it more difficult for a third party to acquire us and could discourage a takeover and adversely affect existing stockholders.

Anti-takeover provisions in our certificate of incorporation and bylaws, and in the Delaware General Corporation Law, could diminish the opportunity for stockholders to participate in acquisition proposals at a price above the then-current market price of our common stock. For example, while we have no present plans to issue any preferred stock, our board of directors, without further stockholder approval, will be able to issue shares of undesignated preferred stock and fix the designation, powers, preferences, and rights and any qualifications, limitations, and restrictions of such class or series, which could adversely affect the voting power of your shares. In addition, our bylaws will provide for an advance notice procedure for nomination of candidates to our board of directors that could have the effect of delaying, deterring, or preventing a change in control. Further, as a Delaware corporation, we are

subject to provisions of the Delaware General Corporation Law regarding “business combinations,” which can deter attempted takeovers in certain situations. We may, in the future, consider adopting additional anti-takeover measures. The authority of our board of directors to issue undesignated preferred or other capital stock and the anti-takeover provisions of the Delaware General Corporation Law, as well as other current and any future anti-takeover measures adopted by us, may, in certain circumstances, delay, deter, or prevent takeover attempts and other changes in control of our company not approved by our board of directors.

Future issuances of our common stock pursuant to our equity incentive plan may have a dilutive effect on your investment and resales of such shares may adversely impact the market price of our common stock.

As of December 31, 2016, we have registered an aggregate of 1,733,299 shares of common stock reserved under Registration Statements on Form S-8 and we may file additional Registration Statements on Form S-8 to register additional shares reserved under our equity incentive plan or employee stock purchase plan. Issuance of shares of common stock pursuant to our equity incentive plan or employee stock purchase plan may have a dilutive effect on our common stock. Also, all shares issued pursuant to a Registration Statement on Form S-8 can be freely sold in the public market upon issuance, subject to restrictions on our affiliates under Rule 144 promulgated by the SEC under the Securities Act of 1933, as amended. If a large number of these shares are sold in the public market, the sales may be viewed negatively by the market and adversely affect the market price of our common stock.

We currently do not pay dividends and do not intend to pay dividends on our shares of common stock in the foreseeable future and, consequently, your only current opportunity to achieve a return on your investment is if the price of our shares appreciates.

We currently do not pay dividends and do not expect to pay dividends on our shares of common stock in the foreseeable future and intend to use cash to grow our business. Consequently, your only current opportunity to achieve a return on your investment in us will be if the market price of our common stock appreciates.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our principal executive offices are located in approximately 11,700 square feet of office space that we lease at 200 South Park Road, Suite 350, Hollywood, Florida. We lease office space in 75 locations around the world. In total, our facilities contain approximately 390,000 square feet of office space and are subject to leases that expire through 2031. We do not own any real property. Our lease terms vary from month-to-month to multi-year commitments. We do not consider any of these leased properties to be materially important to us. While we believe it is necessary to maintain offices through which our services are coordinated, we feel there are an ample number of available office rental properties that could adequately serve our needs should we need to relocate or expand our operations.

The following table summarizes our ten most significant leased properties by location based on annual rental expense:

Location	Description	Reportable Segment
Hollywood, FL	Corporate Headquarters	Not Applicable
Sacramento, CA	Office Building	INF
San Diego, CA	Office Building	INF
Miami, FL	Office Building	INF
St. Paul, MN	Office Building	BES

Parsippany, NJ	Office Building	INF
Las Vegas, NV	Office Building	BES
New York, NY	Office Building	INF
Arlington, VA	Office Building	BES
Richland, WA	Office Building	BES

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we are subject to various legal proceedings that arise in the normal course of our business activities. As of the date of this Annual Report on Form 10-K, we are not a party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our results of operations or financial position.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

The following table sets forth, for the calendar quarter indicated, the high and low sales prices of our common stock as reported on the NASDAQ Capital Market for the periods indicated.

	Common Stock	
Fiscal 2016:	High	Low
First Quarter	\$26.83	\$15.49
Second Quarter	\$30.08	\$24.19
Third Quarter	\$35.40	\$26.66
Fourth Quarter	\$37.00	\$24.64

	Common Stock	
Fiscal 2015:	High	Low
First Quarter	\$16.36	\$9.90
Second Quarter	\$25.40	\$15.55
Third Quarter	\$26.92	\$18.56
Fourth Quarter	\$24.27	\$18.29

Holders

As of March 9, 2017, there were 419 holders of record of our common stock. These numbers do not include beneficial owners whose shares are held in "street name."

Dividends

We have not paid cash dividends on our common stock and do not expect to do so in the foreseeable future, as we intend to retain all earnings to provide funds for the operation and expansion of our business. The payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as the extent to which our financing arrangements permit the payment of dividends, earnings levels, capital requirements, our overall financial condition, and any other factors deemed relevant by our board of directors.

Recent Sales of Unregistered Securities

All sales of unregistered securities during the year ended December 31, 2016 were previously disclosed in a Quarterly Report on Form 10-Q or Current Report on Form 8-K except as follows:

In October 2016, we issued 44,947 shares of our common stock as partial consideration for our acquisition of JBA. In November 2016, we issued 18,197 shares of our common stock as partial consideration for our acquisition of Hanna. In December 2016, we issued 43,139 shares of our common stock as partial consideration for our acquisition of CivilSource. We issued these shares in reliance upon Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering. For a description of our acquisitions of JBA, Hanna and CivilSource, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation – Recent Acquisitions.

Issuer Purchase of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial data was derived from our consolidated financial statements and provides summarized information with respect to our operations and financial position. The data set forth below should be read in conjunction with the information contained in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements and the notes thereto contained in Item 8, “Financial Statements and Supplementary Data,” of this report.

Statements of Operations Data	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands, except per share data)				
Gross revenues	\$223,910	\$154,655	\$108,382	\$68,232	\$60,576
Direct costs:					
Salaries and wages	73,966	53,687	36,976	19,619	17,041
Sub-consultant services	31,054	21,394	15,996	12,337	9,846
Other direct costs	11,310	10,796	10,229	1,460	2,021
Total direct costs	116,330	85,877	63,201	33,416	28,908
Gross Profit	107,580	68,778	45,181	34,816	31,668
Operating Expenses:					
Salaries and wages, payroll taxes and benefits	55,586	34,731	22,887	19,373	18,348
General and administrative	19,351	11,930	8,865	6,708	6,105
Facilities and facilities related	8,012	4,950	3,198	3,325	3,390
Depreciation and amortization	6,228	3,468	1,988	1,514	1,468
Total operating expenses	89,177	55,079	36,938	30,920	29,311
Income from operations	18,403	13,699	8,243	3,896	2,357
Other expense:					
Interest expense	(257)	(212)	(274)	(263)	(389)
Total other expense	(257)	(212)	(274)	(263)	(389)
Income before income tax expense	18,146	13,487	7,969	3,633	1,968
Income tax expense	(6,539)	(4,995)	(3,076)	(874)	(675)
Net income	\$11,607	\$8,492	\$4,893	\$2,759	\$1,293
Basic earnings per share	\$1.27	\$1.25	\$0.96	\$0.75	\$0.58
Diluted earnings per share	\$1.22	\$1.18	\$0.87	\$0.70	\$0.52

Weighted average common shares outstanding:

Basic	9,125,167	6,773,135	5,102,058	3,660,289	2,244,737
Diluted	9,540,051	7,215,898	5,592,010	3,967,056	2,485,031

Balance Sheet Data

As of December 31,

Cash and cash equivalents	\$35,666	\$23,476	\$6,872	\$13,868	\$2,294
Total assets	223,659	111,769	55,390	44,875	29,963
Long-term debt, including current portion	34,835	11,986	8,132	6,820	9,829
Total equity	148,161	80,763	35,605	28,809	11,369

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our financial condition and results of operations should be read together with the consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in those forward-looking statements as a result of certain factors, including those described under "Item 1A. Risk Factors." Dollar amounts presented are in thousands, except per share data.

Overview

We are a provider of professional and technical engineering and consulting solutions to public and private sector clients. We focus on the infrastructure, energy, construction, real estate, and environmental markets. We primarily focus on five business verticals - construction quality assurance, infrastructure, energy, program management, and environmental solutions. Our primary clients include U.S. federal, state, municipal, and local government agencies, and military and defense clients. We also serve quasi-public and private sector clients from the education, healthcare, energy, and public utilities, including schools, universities, hospitals, health care providers, insurance providers, large utility service providers, and large to small energy producers.

Recent Acquisitions

The aggregate value of all consideration for our acquisitions consummated during the years ended December 31, 2016, 2015 and 2014 was approximately \$59,050, \$23,800 and \$10,115, respectively, before any fair value adjustments.

On December 6, 2016, we acquired CivilSource, Inc. ("CivilSource"), an infrastructure engineering consulting firm based in Irvine, California. CivilSource's team of professionals specializes in the provision of comprehensive design and program management services on roadway, highway, and streets projects, as well as water and wastewater, flood control, and facilities projects. The purchase price of this acquisition was up to \$11,050, including \$5,050 in cash; \$3,500 in promissory notes (bearing interest at 3%), payable in four installments of \$875, due on the first, second, third and fourth anniversaries of December 6, 2016, the effective date of the acquisition; \$1,500 of the Company's common stock (43,139 shares) issued as of the closing date; and \$1,000 in cash, payable by January 31, 2018 should CivilSource achieve certain financial metrics for 2017.

On November 30, 2016, we acquired Hanna Engineering, Inc. ("Hanna"), a leading Northern California-based bridge and transportation program management firm. The purchase price of this acquisition was up to \$10,000, including \$4,500 in cash; \$2,700 in promissory notes (bearing interest at 3%), payable in four installments of \$675, due on the first, second, third and fourth anniversaries of November 30, 2016, the effective date of the acquisition; 18,197 shares of common stock representing \$600, \$1,200 of the Company's common stock payable in two installments of \$600, due on the first and second anniversaries of the acquisition; and \$1,000 in cash, payable by January 31, 2018 should Hanna achieve certain financial metrics for 2017.

On October 26, 2016, we acquired J.B.A. Consulting Engineers, Inc. ("JBA"), a Las Vegas, Nevada-based MEP engineering, acoustics, technology, and fire protection consulting firm. The aggregate purchase price for this acquisition was \$23,000, including cash in the aggregate amount of \$12,000, 44,947 shares of common stock representing \$1,400, and promissory notes in the aggregate principal amount of \$7,000. The promissory notes are payable in five aggregate annual installments of \$1,400 on each of October 26, 2017, 2018, 2019, 2020 and 2021. The promissory notes bear interest at the rate of 3.0% per annum. The purchase price also includes \$2,600 of the Company's common stock payable in two installments of \$1,300, due on the first and second anniversaries of the acquisition.

On September 12, 2016, we acquired certain assets of Weir Environmental, L.L.C. ("Weir"), a New Orleans, Louisiana-based emergency remediation and environmental assessment firm. Weir also provides residential and commercial property loss consulting services. The purchase price of this acquisition was \$1,000 including \$300 in cash, \$500 promissory note (bearing interest at 3.0%), payable in four installments of \$125, due on the first, second, third and fourth anniversaries of September 12, 2016, the effective date of the acquisition (see Note 9 to our consolidated financial statements included elsewhere herein) and \$200 of the Company's common stock (6,140 shares) as of the closing date of the acquisition.

On May 20, 2016, we acquired Dade Moeller & Associates, Inc., a North Carolina corporation ("Dade Moeller"). Dade Moeller provides professional services in radiation protection, health physics, and worker safety to government and commercial facilities. Dade Moeller's technical expertise includes radiation protection, industrial hygiene and safety, environmental services and laboratory consulting. This acquisition expanded the Company's environmental, health and safety services and allows the Company to offer these services on a broader scale within its existing network. The purchase price of this acquisition was \$20,000 including \$10,000 in cash, \$6,000 in promissory notes (bearing interest at 3.5%), payable in four installments of \$1,500, due on the first, second, third and fourth anniversaries of May 20, 2016, the effective date of the acquisition (see Note 9), \$1,000 of the Company's common stock (36,261 shares) as of the closing date of the acquisition, and \$3,000 in stock or a combination of cash and shares of the Company's stock, at our discretion, payable in three installments of \$1,000, due on the first, second and third anniversaries of May 20, 2016.

On February 1, 2016, we acquired Sebesta, Inc. ("Sebesta"), a St. Paul, Minnesota-based mechanical, electrical and plumbing ("MEP") engineering and energy management company. Primary clients include federal and state governments, power and utility companies, and major educational, healthcare, industrial and commercial property owners throughout the United States. The purchase price of this acquisition was \$14,000 paid from cash on hand. This acquisition expanded the Company's MEP engineering and energy and allows the Company to offer these services on a broader scale within its existing network. In addition, this acquisition strengthens the Company's geographic diversification and allows the Company to continue expanding its national footprint.

On July 1, 2015, we acquired NV5, Inc. (formerly known as The RBA Group, Inc., Engineers, Architects and Planners ("RBA")), a New Jersey based infrastructure engineering firm focused on the provision of transportation engineering, planning, and construction inspection, environmental engineering, civil engineering, surveying, and architecture services to public and private clients throughout the East Coast for a purchase price of up to \$13,000. At closing, we (i) paid the RBA stockholders an aggregate of \$8,000 in cash, less \$1,900 held back to cover liabilities associated with RBA's deferred compensation plan which was paid to the RBA stockholders in July 2015, and (ii) issued the RBA stockholders promissory notes in the aggregate principal amount of \$4,000 (the "Notes"). The Notes are payable in four equal annual installments of \$1,000 each beginning on July 1, 2016. The Notes bear interest at the rate of 3.0% per annum, payable at the time the principal payments are due, and contain such other terms as are customary for promissory notes of this type. In addition, we may also pay as consideration a non-interest bearing earn-out of up to \$1,000, subject to the achievement of certain agreed upon financial metrics for the years ended 2016 and 2017. This additional earn-out consideration will be payable in cash or a combination of cash and shares of our common stock. Furthermore, at closing we assumed and paid off approximately \$4,000 of RBA's indebtedness.

On June 24, 2015, we acquired certain assets of Allwyn Priorities, LLC. ("Allwyn"), an environmental services firm based in Phoenix, AZ, that specializes in environmental assessment, radon mitigation, NEPA planning and permitting, NQA-1 compliance, geotechnical engineering, construction materials testing and inspection, and water resources projects. The purchase price of up to \$1,300 included up to \$800 in cash and a \$500 promissory note (bearing interest at 3.5%), payable in three installments of \$167, due on the first, second and third anniversaries of June 24, 2015, the effective date of the acquisition.

On April 22, 2015, we acquired Richard J. Mendoza, Inc. (“Mendoza”), a San Francisco based program management firm, with seven offices throughout California, that specializes in the provision of construction program consulting services to public and private clients in the transportation and clean water/wastewater industries. The purchase price of up to \$4,000 included up to \$500 in cash, a \$3,000 short-term promissory note, based on the collection of acquired accounts receivable and work in process, payable within one year, and a \$500 promissory note (bearing interest at 3%), payable in two installments of \$250, due on the first and second anniversaries of April 22, 2015, the effective date of the acquisition. In order to ultimately determine the fair values of tangible and intangible assets acquired and liabilities assumed for Mendoza, we engaged a third party independent valuation specialist.

On January 30, 2015, we acquired NV5 Consultants, Inc. (formerly known as Joslin, Lesser & Associates, Inc. (“JLA”), a Massachusetts corporation, a program management and owner’s representation consulting firm that primarily services government owned facilities and public K through 12 school districts in the Boston, MA area. The purchase price of up to \$5,500 included \$2,250 in cash, a \$1,250 promissory note (bearing interest at 3.5%), payable in four installments of \$313, due on the first, second, third, and fourth anniversaries of January 30, 2015, the effective date of the acquisition, and \$1,000 of our common stock (89,968 shares) as of the closing date of the acquisition. The purchase price also included a non-interest bearing earn-out of up to \$1,000 payable in cash, notes and the Company’s common stock, subject to the achievement of certain agreed upon metrics for calendar year 2015. The earn-out of \$1,000 is non-interest bearing and was recorded at its estimated fair value of \$901, based on a probability-weighted approach valuation technique used to determine the fair value of the contingent consideration on the acquisition date. As of December 31, 2015, the fair value of this contingent consideration was \$500 based on the financial metrics achieved for calendar year 2015.

On November 3, 2014, we acquired certain assets of Zollinger Buric, Inc. an Ohio corporation and Buric Global LLC., an Ohio limited liability company (collectively the “Buric Companies”). The Buric Companies are based in Cleveland, Ohio. The Buric Companies provide program management and construction claims consulting services, as well as building information modeling, critical path scheduling, surety consulting, and litigation support. The purchase price of up to \$1,000, included a \$300 uncollateralized 3% interest bearing promissory note. The note is payable in three equal payments of \$100 due on the first, second and third anniversaries of November 3, 2014, the effective date of the acquisition.

On June 30, 2014, we acquired certain assets of Owner’s Representative Services, Inc. (“ORSI”), a program management firm specializing in healthcare facilities development and construction projects. The purchase price of up to \$1,300 consisted of \$400 in cash, a \$450 non-interest bearing promissory note, and \$150 of our common stock (14,918 shares) as of the closing date, which were issued in July 2014. The purchase price also included a non-interest bearing earn-out of \$300 payable in cash and the Company’s common stock, subject to the achievement of a certain agreed upon metric for calendar year 2014, and was payable on March 31, 2015. The earn-out payment was recorded at its estimated fair value based on a probability-weighted approach valuation technique used to determine the fair value of the contingent consideration on the acquisition date. During 2014, the agreed upon metric was met and the earn-out was achieved. As of December 31, 2014, the estimated fair value of this contingent consideration was approximately \$285. The purchase price also included a \$450 uncollateralized non-interest bearing promissory note, with an imputed interest rate of 3.75%. This note is payable in two equal payments of \$225 due on the first and second anniversaries of June 30, 2014, the effective date of the acquisition. The carrying value of this note was approximately \$221 and \$434 as of December 31, 2015 and 2014, respectively.

On March 21, 2014, we acquired NV5, LLC, a North Carolina limited liability company (formerly known as AK Environmental, LLC), a natural gas pipeline inspection, construction management and environmental consulting firm, primarily servicing the Northeast, Mid-Atlantic and Southeast United States. The purchase price of \$7,000 included \$3,500 in cash, a \$3,000 promissory note (bearing interest at 3.0%), payable in three installments of \$1,000 due on the first, second and third anniversaries of March 21, 2014, the effective date of the acquisition, and \$500 of our common stock (64,137 shares) as of the closing date of the acquisition.

On January 31, 2014, we acquired certain assets of Air Quality Consulting Inc. (“AQC”) located in Tampa, Florida, which specializes in occupational health, safety and environmental consulting. The purchase price of up to \$815 consisted of \$250 in cash, a \$300 non-interest bearing promissory note and \$150 of our common stock (18,739 shares) as of the closing date. The purchase price also included a non-interest bearing earn-out of \$115 payable in cash, subject to the achievement of a certain agreed upon metric for calendar year 2014, and was payable on April 1, 2015. The earn-out payment was recorded at estimated fair value based on a probability-weighted approach valuation technique used to determine the fair value of the contingent consideration on the acquisition date. AQC did not meet the agreed upon metric and as of December 31, 2014, the estimated fair value of this contingent consideration was \$0. The purchase price included a \$300 uncollateralized non-interest bearing promissory note, with an imputed interest rate of 3.75%. The note is payable in two equal payments of \$150 due on the first and second anniversaries of January 31, 2014, the effective date of the acquisition. The carrying value of this note was approximately \$150 and \$294 as of December 31, 2015 and 2014, respectively.

These acquisitions expanded the Company's INF and BES services which allow NV5 Global to offer these services on a broader scale within its existing network. In addition, these acquisitions strengthen NV5 Global's geographic diversification and allow the Company to continue expanding its national footprint.

The acquisitions above have had, or can be expected to have, a significant effect on the comparability of recent or future results of operations. All of our acquisitions have been accounted for as business combinations and the results of operations of the acquisitions have been included in our consolidated results since the dates of the acquisitions.

Key Trends, Developments and Challenges

Secondary offering

On May 13, 2016, the Company priced a secondary offering of 1,700,000 shares of the Company's common stock (the "Firm Shares"). Each share was sold at an offering price of \$26.25 per share. The shares sold were registered under the Securities Act of 1933, as amended (the "Securities Act"), on an effective registration statement on Form S-3 (Registration No. 333-206644) pursuant to the Securities Act. In addition, the Company granted the underwriters of this secondary offering a 30-day option to purchase an additional 255,000 shares (the "Option Shares") of common stock to cover over-allotments. On May 18, 2016, the Company closed on the Firm Shares, for which we received net proceeds of approximately \$41,000 after deducting the underwriting discount and estimated offering expenses payable by the Company and issued 1,700,000 shares. On June 3, 2016, the Company closed on the full exercise of the Option Shares by the underwriters of the secondary offering with respect to an additional 255,000 shares of its common stock, for which we received net proceeds of approximately \$6,200 after deducting the underwriters' discount.

On May 22, 2015, the Company priced a secondary offering of 1,430,000 shares of the Company's common stock. Each share was sold at an offering price of \$19.50 per share. The shares sold were registered under the Securities Act on an effective registration statement on Form S-3 and an effective registration statement filed with the SEC on Form S-3MEF (Registration Nos. 333-198113 and 333-204362) pursuant to Rule 462(b) under the Securities Act. On May 28, 2015, the underwriters of the offering exercised their option to purchase up to an additional 214,500 shares, solely to cover over-allotments. The closing of the offering occurred, and was recorded, on May 28, 2015, upon which we received net proceeds of approximately \$29,400 after deducting the underwriting discount and estimated offering expenses payable by the Company and issued 1,644,500 shares.

Warrant exercise

In conjunction with the Company's initial public offering on March 26, 2013, the underwriter received a warrant to acquire up to 140,000 units ("Unit Warrant"). Each of these units consisted of one share of the Company's common stock and one warrant to purchase one share of the Company's common stock at an exercise price of \$7.80 per share, which warrant expires on March 27, 2018. On March 23, 2016, the underwriter paid \$1,008 to the Company to exercise of the Unit Warrant. On March 29, 2016, the Company delivered 140,000 shares of common stock to the underwriter, and, on May 5, 2016, the Company completed the exercise of the Unit Warrant by delivery of the underlying warrants.

Shift in service mix. We group our capabilities into five core vertical service offerings. Historically, we have concentrated on the verticals of (i) infrastructure, engineering and support services and (ii) construction quality assurance. We believe, however, that further development of three additional service offerings of (i) program management, (ii) energy services, and (iii) environmental services will become increasingly important to our business as we continue to grow organically and through strategic acquisitions. Gross revenues derived from these three types of services offerings are mostly generated under cost-reimbursable contracts. The methods of billing for these three services are expected to include both time and materials or cost-plus basis.

Tax credit dispute. We are currently under examination by the CFTB about certain research and development tax credits generated for the years 2005 to 2014. Fiscal years 2005 through 2016 are considered open tax years in the State of California and 2013 through 2016 in the U.S. federal jurisdiction and other state jurisdictions. At December 31, 2016, the Company had \$620 of unrecognized tax benefits.

Components of Income and Expense

Revenues

We enter into contracts with our clients that contain two principal types of pricing provisions: cost-reimbursable and fixed-price. The majority of our contracts are cost-reimbursable contracts that fall under the relatively low-risk subcategory of time and materials contracts.

Cost-reimbursable contracts. Cost-reimbursable contracts consist of two similar contract types: time and materials contracts and cost-plus contracts.

Time and materials contracts are common for smaller scale professional and technical consulting and certification services projects. Under these types of contracts, there is no predetermined fee. Instead, we negotiate hourly billing rates and charge our clients based upon actual hours expended on a project. In addition, any direct project expenditures are passed through to the client and are typically reimbursed. These contracts may have a fixed-price element in the form of an initial not-to-exceed or guaranteed maximum price provision.

Cost-plus contracts are the predominant contracting method used by U.S. federal, state, and local governments. These contracts provide for reimbursement of the actual costs and overhead (predetermined rates) we incur, plus a predetermined fee.

For the years ended December 31, 2016, 2015 and 2014, cost-reimbursable contracts represented approximately 81%, 93% and 90%, respectively, of our total revenues.

Fixed-price contracts. Fixed-price contracts also consist of two contract types: lump-sum contracts and fixed-unit price contracts.

Lump-sum contracts typically require the performance of all of the work under the contract for a specified lump-sum fee, subject to price adjustments if the scope of the project changes or unforeseen conditions arise. Many of our lump-sum contracts are negotiated and arise in the design of projects with a specified scope and project deliverables.

Fixed-unit price contracts typically require the performance of an estimated number of units of work at an agreed price per unit, with the total payment under the contract determined by the actual number of units performed.

For the years ended December 31, 2016, 2015 and 2014, fixed-price contracts represented approximately 19%, 7% and 10%, respectively, of our total revenues.

Revenues from engineering services are recognized in accordance with the accrual basis of accounting. Revenues under cost-reimbursable contracts are recognized when services are performed and revenues from fixed-price contracts are recognized on the percentage-of-completion method, generally measured by the direct costs incurred to date as compared to the estimated total direct costs for each contract. See “– Critical Accounting Policies and Estimates – Revenue Recognition.”

Direct Costs of Revenues (excluding depreciation and amortization)

Direct costs of revenues consist primarily of that portion of technical and non-technical salaries and wages incurred in connection with fee generating projects. Direct costs of revenues also include production expenses, sub-consultant services, and other expenses that are incurred in connection with our fee generating projects. Direct costs of revenues exclude that portion of technical and non-technical salaries and wages related to marketing efforts, vacations, holidays, and other time not spent directly generating fees under existing contracts. Such costs are included in operating expenses. Additionally, payroll taxes, bonuses, and employee benefit costs for all of our personnel, facilities costs, and depreciation and amortization are included in operating expenses since no allocation of these costs is made to direct costs of revenues. We expense direct costs of revenues when incurred.

Operating Expenses

Operating expenses include the costs of the marketing and support staffs, other marketing expenses, management and administrative personnel costs, payroll taxes, bonuses and employee benefits for all of our employees and the portion of salaries and wages not allocated to direct costs of revenues for those employees who provide our services. Operating expenses also include facility costs, depreciation and amortization, professional services, legal and accounting fees, and administrative operating costs. We expense operating costs when incurred.

Jumpstart Our Business Startups Act of 2012

We are an emerging growth company within the meaning of the rules under the Securities Act, and we will utilize certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies. For example, we will not have to provide an auditor's attestation report on our internal controls in this Annual Report on Form 10-K for the year ended December 31, 2016 as otherwise required by Section 404(b) of the Sarbanes-Oxley Act. The JOBS Act also permits us, as an "emerging growth company," to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have chosen to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by issuers. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

Critical Accounting Policies and Estimates

The discussion of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with GAAP. During the preparation of these financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions, including those discussed below. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our financial statements. Our estimates and assumptions are evaluated periodically and adjusted when necessary. The more significant estimates affecting amounts reported in our consolidated financial statements relate to the revenue recognition on the percentage-of-completion method, allowances for doubtful accounts, valuation of our intangible assets, contingent consideration and income taxes.

We believe that the following critical accounting policies involve our more significant judgments and estimates used in the preparation of our financial statements. For further information on all of our significant policies, see Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Revenue Recognition

Revenues from engineering services are recognized in accordance with the accrual basis of accounting. Revenues under cost-reimbursable contracts are recognized when services are performed and revenues from fixed-price contracts are recognized on the percentage-of-completion method, generally measured by the direct costs incurred to date as compared to the estimated total direct costs for each contract. We include other direct costs (for example, third-party field labor, subcontractors, or the procurement of materials or equipment) in revenues and cost of revenue when the costs of these items are incurred and we are responsible for the ultimate acceptability of such costs. Recognition of revenue under this method is dependent upon the accuracy of a variety of estimates, including engineering progress, materials quantities, achievement of milestones, labor productivity, and cost estimates. Due to uncertainties inherent in the estimation process, it is possible that actual completion costs may vary from estimates.

If estimated total costs on contracts indicate a loss or reduction to the percentage of revenue recognized to date, these losses or reductions are recognized in the period in which the revisions are determined. The cumulative effect of revisions to revenues, estimated costs to complete contracts, including penalties, incentive awards, change orders, claims, anticipated losses and others are recorded in the period in which the revisions are identified and the loss can be reasonably estimated. Such revisions could occur in any reporting period and the effects on the results of operation for that reporting period may be material depending on the size of the project or the adjustment.

Change orders and claims typically result from changes in scope, specifications, design, performance, materials, sites, or period of completion. Costs related to change orders and claims are recognized when incurred. Change orders are included in total estimated revenue when it is probable that the change order will result in an addition to the contract value and can be reliably estimated.

Federal Acquisition Regulations (“FAR”), which are applicable to our federal government contracts and may be incorporated in local and state agency contracts, limit the recovery of certain specified indirect costs on contracts. Cost-plus contracts covered by FAR or certain state and local agencies also may require an audit of actual costs and provide for upward or downward adjustments if actual recoverable costs differ from billed recoverable costs.

Unbilled work results when the appropriate revenue has been recognized when services are performed or based on the percentage-of-completion accounting method but the revenue recorded has not been billed due to the billing terms defined in the contract. Unbilled amounts as of the reporting date are included within accounts receivable in the accompanying consolidated balance sheets. In certain circumstances, the contract may allow for billing terms that result in the cumulative amounts billed being in excess of revenues recognized. The liability “Billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of revenues recognized on these contracts as of the reporting date.

Allowance for Doubtful Accounts

We record billed and unbilled receivables net of an allowance for doubtful accounts. The allowance is estimated based on management’s evaluation of the contracts involved and the financial condition of clients. Factors considered include, among other things, client type (federal government or private client), historical performance, historical collection trends, and general economic conditions. The allowance is increased by our provision for doubtful accounts, which is charged against income. All recoveries on receivables previously charged off are credited to the accounts receivable recovery account and are included in income, while direct charge-offs of receivables are deducted from the allowance. Although we believe the allowance for doubtful accounts is sufficient, a decline in economic conditions could lead to the deterioration in the financial condition of our customers, resulting in an impairment of their ability to make payments, and additional allowances may be required that could materially impact our consolidated results of operations. Trade receivable balances carried by us are comprised of accounts from a diverse client base across a broad range of industries; however, there are concentrations of revenues and accounts receivable from California-based projects, government and government-related contracts, and one customer within the government sector.

Goodwill and Related Intangible Assets

Goodwill is the excess of consideration paid for an acquired entity over the amounts assigned to assets acquired, including other identifiable intangible assets and liabilities assumed in a business combination. To determine the amount of goodwill resulting from a business combination, the Company performs an assessment to determine the acquisition date fair value of the acquired company's tangible and identifiable intangible assets and liabilities.

Goodwill is required to be evaluated for impairment on an annual basis or whenever events or changes in circumstances indicate the asset may be impaired. An entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. These qualitative factors include: macroeconomic and industry conditions, cost factors, overall financial performance and other relevant entity-specific events. If the entity determines that this threshold is met, then performing the two-step quantitative impairment test is unnecessary. The two-step impairment test requires a comparison of the carrying value of the assets and liabilities associated with a reporting unit, including goodwill, with the fair value of the reporting unit. The Company determines fair value through multiple valuation techniques, and weights the results accordingly. NV5 Global is required to make certain subjective and complex judgments in assessing whether an event of impairment of goodwill has occurred, including assumptions and estimates used to determine the fair value of its reporting units. If the carrying value of a reporting unit exceeds the fair value of the reporting unit, the Company would calculate the implied fair value of its reporting unit goodwill as compared to the carrying value of its reporting unit goodwill to determine the appropriate impairment charge, if any. The Company has elected to perform its annual goodwill impairment review on August 1 of each year. The Company historically conducts its annual impairment tests on the goodwill using the quantitative method of evaluating goodwill.

Identifiable intangible assets primarily include customer backlog, customer relationships, trade names and non-compete agreements. Amortizable intangible assets are amortized on a straight-line basis over their estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the assets may be impaired. If an indicator of impairment exists, the Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then impairment, if any, is measured as the difference between fair value and carrying value, with fair value typically based on a discounted cash flow model.

An adjustment to the carrying value of goodwill and/or identifiable intangible assets could materially impact the consolidated results of operations.

Contingent Consideration

The fair values of earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. We estimated the fair value of contingent earn-out payments as part of the initial purchase price consideration and record the estimated fair value of contingent consideration as a liability on the consolidated balance sheet as of the acquisition date. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (i) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (ii) the former owners of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure contingent consideration recognized in connection with business combinations at fair value on a recurring basis using significant unobservable inputs classified within Level 3, as defined in the accounting guidance. The Company uses a probability-weighted discounted cash flow approach as a valuation technique to determine the fair value of the contingent consideration liabilities on the acquisition date and at each reporting period. The significant unobservable inputs used in the fair value measurements are projections over the earn-out period, and the probability outcome percentages that are assigned to each scenario. Significant increases or decreases to either of these inputs in isolation could result in a significantly higher or lower liability with a higher liability capped by the contractual maximum of the contingent consideration liabilities. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate on the acquisition date and amount paid will be recorded in earnings.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in operating income.

Income Taxes

We account for income taxes in accordance with ASC Topic No. 740 “*Income Taxes*” (“Topic No. 740”). Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. A valuation allowance against our deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining the need for a valuation allowance, management is required to make assumptions and to apply judgment, including forecasting future earnings, taxable income, and the mix of earnings in the jurisdictions in which we operate. Management periodically assesses the need for a valuation allowance based on our current and anticipated results of operations. The need for and the amount of a valuation allowance can change in the near term if operating results and projections change significantly.

The Company recognizes the consolidated financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. In evaluating the amount, if any, of the consolidated financial statement benefit of a tax position, management is also required to make assumptions and to apply judgment. Fiscal years 2005 through 2016 are considered open tax years in the State of California and 2012 through 2016 in the U.S. federal jurisdiction and other state jurisdictions. The Company applies the uncertain tax position guidance to all tax positions for which the statute of limitations remains open. Our policy is to classify interest and penalties as income tax expense.

RESULTS OF OPERATIONS***Consolidated Results of Operations***

The following table represents our condensed results of operations for the periods indicated (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
Gross revenues	\$223,910	\$154,655	\$108,382
Less sub-consultant services and other direct costs	(42,364)	(32,190)	(26,225)

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Net revenues ⁽¹⁾	181,546	122,465	82,157
Direct salary and wages costs	(73,966)	(53,687)	(36,976)
Gross profit	107,580	68,778	45,181
Operating expenses	89,177	55,079	36,938
Income from operations	18,403	13,699	8,243
Other expense (net)	(257)	(212)	(274)
Income tax expense	(6,539)	(4,995)	(3,076)
Net income	\$11,607	\$8,492	\$4,893

Net Revenues is not a measure of financial performance under GAAP. Gross revenues include sub-consultant costs and other direct costs which are generally pass-through costs. The Company believes that Net Revenues, (1) which is a non-GAAP financial measure commonly used in our industry, which enhances investors' ability to analyze our business trends and performance because it substantially measures the work performed by our employees.

Year ended December 31, 2016 compared to year ended December 31, 2015

Gross and Net Revenues.

Our consolidated gross revenues increased approximately \$69,255 or approximately 44.8%, for the year ended December 31, 2016, compared to 2015. Our consolidated net revenues increased approximately \$59,081 or approximately 48.2% for the year ended December 31, 2016, compared to 2015. The increases in gross and net revenues are due primarily to organic growth from our existing platform as well as the contribution from various acquisitions completed in 2015 and 2016. The increase in gross revenues for the year ended December 31, 2016, includes gross revenues of \$46,172, related to acquisitions closed during 2016. The increase in net revenues for the year ended December 31, 2016, includes net revenues of \$41,646, related to acquisitions closed during 2016. Also contributing to the increases in net revenues for the year ended December 31, 2016 is an increased utilization of our billable employees and reduction of sub-consultants used to perform services in 2016. The growth in revenues was primarily attributable to increases in energy distribution services; construction materials testing and engineering services; and program and construction management services. However, the increases in gross and net revenues during the year ended December 31, 2016 were partially offset by reductions in revenues related to the short-term project delays in from infrastructure projects and slowdown in our pipeline transmission business. We are currently unaware of any long-term delays in current projects and therefore are not anticipating such to influence future revenues. Such revenues could be affected by changes in economic conditions and the impact thereof on our public and quasi-public sector funded projects.

Gross Profit.

As a percentage of gross revenues, our gross profit margin was 48.0% and 44.5%, for the years ended December 31, 2016 and 2015, respectively. The improved gross profit margins were due primarily to reduction of sub-consultants used to perform services. Gross profit includes direct costs of contracts such as direct labor and all costs incurred in connection with and directly for the benefit of client contracts. The level of direct costs of contracts may fluctuate between reporting periods due to a variety of factors, including the amount of sub-consultant costs we incur during a period. On those projects where we are responsible for subcontract labor or third-party materials and equipment, we reflect the amounts of such items in both gross revenues and costs. To the extent that we incur a significant amount of pass-through costs in a period, our direct costs of contracts are likely to increase as well.

Operating expenses.

Our operating expenses increased approximately \$34,098, or 61.9% for the year ended December 31, 2016, compared to 2015. The increase in operating expenses was due primarily to integration costs from businesses acquired subsequent to December 31, 2015. The increases in operating expenses for the year ended December 31, 2016, include operating expenses of \$22,765 related to acquisitions closed during 2016. During the year ended December 31, 2016, acquisition related expenses were approximately \$1,171, compared to approximately \$719 during year ended December 31, 2015. Also contributing to the increase in operating costs is the increased amortization of intangible assets. During the year ended December 31, 2016, amortization of intangible assets was approximately \$4,549, compared to \$2,624 during the year ended December 31, 2015. Operating expenses typically fluctuate as a result of changes in headcount (both corporate and field locations) and the amount of spending required to support our professional services activities, which normally require additional overhead costs. Therefore, when our professional services revenues increase or decrease, it is not unusual to see a corresponding change in operating expenses.

Income taxes.

Our consolidated effective income tax rate was 36.0% and 37.0% for the years ended December 31, 2016 and 2015, respectively. The difference between the effective tax rate and the combined statutory federal and state tax rate of 39.0% is principally due to the domestic production activities deduction and research and development credits.

Year ended December 31, 2015 compared to year ended December 31, 2014

Gross and Net Revenues.

Our consolidated gross revenues increased approximately \$46,273 or approximately 42.7%, for the year ended December 31, 2015, compared to 2014. Our consolidated net revenues increased approximately \$40,308 or approximately 49.1% for the year ended December 31, 2015, compared to 2014. The increases in gross and net revenues are due primarily to organic growth from our existing platform as well as the contribution from various acquisitions completed in 2015 and 2014. The increase in gross revenues for the year ended December 31, 2015, includes gross revenues of \$40,353, related to acquisitions closed during 2015. The increase in net revenues for the year ended December 31, 2015, includes net revenues of \$33,489, related to acquisitions closed during 2015. Also contributing to the increases in net revenues for the year ended December 31, 2015 is an increased utilization of our billable employees and reduction of sub-consultants used to perform services in 2015. The growth in revenues was primarily attributable to increases in energy transmission and distribution services; construction materials testing and engineering services; and program and construction management services. We are currently unaware of any delays in current projects and therefore are not anticipating such to influence future revenues. Such revenues could be affected by changes in economic conditions and the impact thereof on our public and quasi-public sector funded projects.

Gross Profit.

As a percentage of gross revenues, our gross profit margin was 44.5% and 41.7%, for the years ended December 31, 2015 and 2014, respectively. The improved gross profit margins were due primarily to reduction of sub-consultants used to perform services. Gross profit includes direct costs of contracts such as direct labor and all costs incurred in connection with and directly for the benefit of client contracts. The level of direct costs of contracts may fluctuate between reporting periods due to a variety of factors, including the amount of sub-consultant costs we incur during a period. On those projects where we are responsible for subcontract labor or third-party materials and equipment, we reflect the amounts of such items in both gross revenues and costs. To the extent that we incur a significant amount of pass-through costs in a period, our direct costs of contracts are likely to increase as well.

Operating expenses.

Our operating expenses increased approximately \$18,141, or 49.1% for the year ended December 31, 2015, compared to 2014. The increase in operating expenses was due primarily to integration costs from businesses acquired subsequent to December 31, 2014. Similarly, the increases in operating expenses for the year ended December 31,

2015, include operating expenses of \$14,984 related to acquisitions closed during 2015. During the year ended December 31, 2015, acquisition related expenses were approximately \$719, compared to approximately \$292 during year ended December 31, 2014. Also contributing to the increase in operating costs is the increased amortization of intangible assets. During the year ended December 31, 2015, amortization of intangible assets was approximately \$2,624, compared to \$1,427 during the year ended December 31, 2014. Operating expenses typically fluctuate as a result of changes in headcount (both corporate and field locations) and the amount of spending required to support our professional services activities, which normally require additional overhead costs. Therefore, when our professional services revenues increase or decrease, it is not unusual to see a corresponding change in operating expenses.

Income taxes.

Our consolidated effective income tax rate was 37.0% and 38.6% for the years ended December 31, 2015 and 2014, respectively. The difference between the effective tax rate and the combined statutory federal and state tax rate of 39.0% is principally due to the domestic production activities deduction and research and development credits.

Segment Results of Operations

The following tables set forth summarized financial information concerning our reportable segments (dollars in thousands):

	Year Ended		
	December	December	December
	31,	31,	31,
	2016	2015	2014
<u>Gross revenues</u>			
INF	\$159,514	\$133,938	\$