

NV5 Holdings, Inc.  
Form 10-K  
March 27, 2015

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**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, 2014**

**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 Holdings, 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.)

**200 South Park Road, Suite 350**



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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)

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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, 2014 (the last business day of the registrant's most recently completed second fiscal quarter), was \$22,381,397. 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 23, 2015, there were 6,346,442 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 2015 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Form 10-K to the extent stated herein.

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**NV5 HOLDINGS, 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 2014 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, but not limited to, “anticipate,” “believe,” “expect,” “intend,” “estimate,” “predict,” “project,” “may,” “might,” “would,” “will,” “likely,” “will likely result,” “continue,” “could,” “future,” “plan,” “possible,” “potential,” “target,” “forecast,” “seek,” “strategy” and 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 which 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 Holdings, the “Company,” “we,” “us,” and “our” refer to NV5 Holdings, Inc., a Delaware corporation, its consolidated subsidiaries, and the business of Nolte Associates, Inc. as our historical accounting predecessor, (ii) “NV5 Global” refers to NV5 Global, 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.

As the needs of our clients have evolved, we have grouped our engineering service capabilities across the following five verticals:

infrastructure, engineering, and support services;

construction quality assurance;

program management;

energy services; and

environmental services.

We identify operating segments at the subsidiary entity level. However, each entity's operating performance has been aggregated into one reportable segment.

We are headquartered in Hollywood, Florida, and operate our business nationwide from 29 locations in California, Colorado, Florida, Massachusetts, New Jersey, Ohio, Pennsylvania, Utah and Wyoming. All of our offices utilize our shared services platform, which consists of human resources, marketing, finance, information technology, legal,

corporate development, and other resources at our corporate headquarters. Our shared services platform is intended to optimize the performance of our business as we increase our scale and scope. 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 U.S. federal, state, municipal, and local governments; military and defense clients; and public agencies. We also serve quasi-public and private sector clients from the education, healthcare, energy, and utilities fields, including schools, universities, hospitals, health care providers, insurance providers, large utility service providers, and large and small energy producers.

During our 60 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;	Miami International Airport, FL;
Balboa Naval Hospital, CA;	Miramar Marine Corps Air Station, CA;
Borgata Hotel and Casino, NJ;	Mojave Water Agency, CA;
Caldecott Tunnel, CA;	Peterson Air Force Base, CO;
California Department of Transportation, CA;	Port of Miami, Tunnel and Capital Improvement to Pier Wharfs, FL;
California Public Employees' Retirement System, CA;	San Diego Zoo and Wild Animal Park, CA;
Colorado Department of Transportation, CO;	SeaWorld, San Diego, CA;
Cleveland Clinic, OH;	South Florida Water Management District, FL;
Fort Lauderdale Hollywood International Airport, FL;	Spectra Energy (various states);
Los Angeles Community College, CA;	Stanford University, CA.;
	University of Kansas Medical Center, KS; and
	University of San Diego, CA.

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

Broward County, FL;	Rutgers University, NJ;
California Department of Transportation, or Caltrans, CA;	San Diego Gas & Electric, CA;
City of Colorado Springs, CO;	San Diego International Airport, CA;
City of Sacramento, CA;	Santa Clara County Government, CA;
City of Bakersfield, CA;	University of California San Diego, CA;
Florida Power and Light, FL;	University of Miami, FL;
Metropolitan Water District of Southern California, CA;	University of Utah, UT; and
Miami-Dade County, FL;	Utah Department of Transportation, UT.
Rose Bowl Stadium, CA;	

## **Our History**

NV5 Global, Inc. (formerly known as NV5, Inc.) (“NV5 Global”) 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 Global in 2010. In March 2010, NV5 Global acquired the construction quality assurance operations of Bureau Veritas North America, Inc. In October 2011, NV5 Global and NV5 completed a reorganization transaction in which NV5 Holdings, Inc. was incorporated as a Delaware corporation, acquired all of the outstanding shares of NV5 Global and NV5, and, as a result, became the holding company under which NV5, NV5 Global and the Company's other subsidiaries conduct business. In 2014, NV5 Holdings acquired NV5, LLC, (formerly known as AK Environmental, LLC) (“NV5, LLC”).

## **Key Developments**

### *Initial public offering.*

On March 26, 2013, we priced our initial public offering of 1,400,000 units. Each unit was sold at an offering price of \$6.00 per unit and consisted of one share of the Company's common stock and one warrant to purchase one share of our common stock at an exercise price of \$7.80 per share. The units began trading on NASDAQ Capital Market (“NASDAQ”) on March 27, 2013 and traded solely as units through September 26, 2013. The units sold in our initial public offering were registered under the Securities Act of 1933, as amended (the “Securities Act”), on a registration statement on Form S-1 (No. 333-186229), which was declared effective by the Securities and Exchange Commission (the “SEC”) on March 26, 2013. On March 28, 2013, the underwriter of the offering exercised its option to purchase up to an additional 210,000 units, solely to cover over-allotments. The closing of the offering occurred, and was

recorded, on April 2, 2013, upon which we received net proceeds of approximately \$8.1 million after deducting fees associated with the initial public offering and issued 1,610,000 units. In addition, upon closing, the underwriter received a warrant to acquire up to 140,000 units at an exercise price of \$7.20 per unit. The underwriter can exercise these warrants until the expiration date of March 26, 2016. Each of these units consist 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.

*Separation of the Company's units and warrant exercises.*

On September 27, 2013, the common stock and warrants comprising our units began trading separately on NASDAQ under the symbols "NVEE" and "NVEEW", respectively. In connection with the separate trading of the common stock and warrants, our units ceased trading under the symbol "NVEEU" on the close of the markets on September 26, 2013 and the units were delisted from NASDAQ.

On September 27, 2013, the warrants became exercisable at an exercise price of \$7.80 per share. The warrant exercise period expires on March 27, 2018 or earlier upon redemption.

On September 27, 2013 and continuing until October 11, 2013 (the "Temporary Reduction Expiration Time"), we temporarily reduced the exercise price of all of our outstanding public warrants from \$7.80 per share to \$6.00 per share. All such warrants properly exercised in accordance with their respective terms prior to the Temporary Reduction Expiration Time were accepted by us at the reduced \$6.00 per share exercise price, and one share of our registered common stock per warrant was issued to the exercising warrant holder. After the Temporary Reduction Expiration Time, the exercise price of the public warrants automatically reverted to the warrant exercise price of \$7.80 per share included in the original terms of the public warrants and the reduced exercise price was no longer in effect. Except for the reduced \$6.00 per share exercise price of the warrants during the Temporary Reduction Expiration Time, the terms of the public warrants remain unchanged. During the Temporary Reduction Expiration Time, 1,196,471 public warrants, or approximately 74% of the outstanding public warrants were exercised at the reduced exercise price of \$6.00 per share. The temporary reduction in the warrant exercise price generated net cash proceeds of approximately \$6.6 million after fees associated with the temporary reduction in the warrant exercise price and offering expenses. During the period from January 1, 2014 through December 31, 2014, 600 public warrants were exercised at the warrant exercise price of \$7.80 per share.

On January 5, 2015, in accordance with the amended and restated warrant agreement, we notified the holders of our outstanding public warrants that we had called our warrants for redemption. Each public warrant entitled the holder to purchase one share of the Company's common stock at an exercise price of \$7.80 per share. The public warrant holders had until February 4, 2015 to exercise their public warrants at \$7.80 per share. The redemption resulted in 408,412, or approximately 99%, of our outstanding public warrants being exercised prior to the expiration time and generated cash proceeds of approximately \$3.2 million. The remaining 4,002 public warrants that were not exercised by the expiration time were cancelled and redeemed for the sum of \$0.01 per public warrant. In connection with the redemption of all outstanding public warrants, the trading of the Company's public warrants was suspended and the warrants were delisted from the NASDAQ.

*Acquisitions.* One of our growth strategies is to focus on strategic acquisitions that enhance or expand our service offerings. For 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 and such information is incorporated into this Item 1 by reference.

## Competitive Strengths

We believe we have the following competitive strengths:

*Organizational structure that enhances client service.* We operate our business using a vertical structure grouped by service offerings rather than the geography-based structure utilized by many of our competitors. This structure ensures that clients engaging our services in any given sector, regardless of the location of the project, have access to the services of our most highly qualified professionals. Our most skilled engineers and professionals in each service sector work directly with the clients engaging those services, which facilitates relationship-based interactions between our key employees and clients and assists in developing long-term client relationships. In addition, this structure encourages an entrepreneurial spirit among our professionals.

*Expertise in local markets.* To complement our vertical service model, we maintain 29 locations in the United States (“U.S.”). Each of our offices is staffed with licensed professionals who understand the local and regional markets in which they serve. Our local professionals are allowed to concentrate entirely on their local market client engagements while being supported by our shared services platform, under which we perform various back office support functions on a centralized basis.

*Strong, long-term client relationships.* Our combination of local market experience and professionals with expertise in multiple vertical service sectors has enabled us to develop strong relationships with our core clients. Some of our professionals have worked with our key clients for decades. For example, we have worked with San Diego Gas & Electric for over 30 years and are recognized as a preferred source of expertise by Caltrans. By serving as a long-term partner with our clients, we are able to gain a deep understanding of their overall business needs as well as the unique technical requirements of their projects. This increased understanding gives us the opportunity to provide superior value to our clients by allowing us to more fully assess and better manage the risks inherent in their projects.



*Experienced, talented, and motivated employees.* We employ seasoned professionals with a broad array of specialties and a strong customer service orientation. Our executive officers have an average of more than 20 years of operating and management experience in or supporting the engineering and consulting industry and in analyzing potential acquisition transactions. We place a high priority on attracting, motivating and retaining top professionals to serve our clients, and our compensation system emphasizes the use of performance-based incentives, including opportunities for stock ownership, to achieve this objective.

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

2014 Environmental Business Journal  
Achievement Award in Mergers & Acquisitions;

2013 Environmental Business Journal  
Achievement Award in Mergers & Acquisitions;  
2013/2012 Advisory Board at Harvard Graduate  
School of Design for Sustainable Infrastructure;  
2013/2012 Northwestern Kellogg Graduate  
School – Visiting Faculty;  
2011 Engineering News-Record Top 500 Design  
Firms (ranked by design-specific revenue);

2011 Engineering News-Record Top 100 Construction  
Management-for-Fee Firms (ranked by construction-specific  
revenue);

2011 Sacramento Regional Transit District: Transit Oriented  
Design of the Year; and  
2010 Engineering News-Record: Best of the Best Government  
Building Award.

## **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 and technical consulting and certification 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. In analyzing new acquisitions, we pursue opportunities that provide critical mass to function as a profitable stand-alone operation, are geographically situated to be complementary to our existing operations, and profitable with strong potential for organic growth. We believe that expanding our business through strategic acquisitions will enable us to exploit economies of scale in the areas of finance, human resources, marketing, administration, information technology, and legal, while also providing cross-selling opportunities among our vertical service offerings.

*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 years ended December 31, 2014 and 2013, approximately 55% and 67%, respectively, of our gross revenues were attributable to public and quasi-public sector clients. Even during unsteady economic periods, we have capitalized on public sector business opportunities resulting from outsourcing initiatives, continued efforts to address the challenges presented by the nation's aging infrastructure system, and the need to provide solutions for transportation, energy, water, and waste water 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 pro