

# *Annual Report*

TWO THOUSAND SIXTEEN



## OUR VISION

is a world where business excellence makes possibilities achievable.

## OUR MISSION

is to enable people and businesses to perform at their highest potential.

## OUR GLOBAL FOOTPRINT

With approximately **3,380 employees**, GP Strategies® provides services in more than **50 countries** from **over 70 offices**.



# Annual Report

TWO THOUSAND SIXTEEN *In Review*

**GP Strategies Corporation** [NYSE: GPX], founded in 1966, is a global performance improvement solutions provider of training, eLearning solutions, management consulting and engineering services.

**GPX**  
**LISTED**  
**NYSE**

## EARNINGS per share

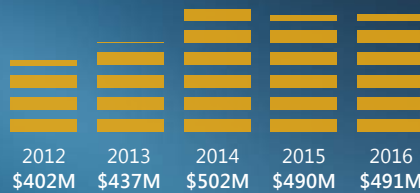
**\$1.21** in 2016

2015: \$1.09  
2014: \$1.43  
2013: \$1.23  
2012: \$1.18



## REVENUE

**\$491M** in 2016



## OUR CUSTOMERS industries we serve



**5%**  
Aerospace



**22%**  
Automotive



**5%**  
Electronics & Semiconductor



**6%**  
Energy



**21%**  
Financial & Insurance



**6%**  
Information & Communications



**4%**  
Life Sciences



**9%**  
Manufacturing



**2%**  
Oil & Gas



**2%**  
Professional Services



**5%**  
UK Government



**7%**  
U.S. Government



**6%**  
Other

## AWARDS

**26** Recognized by Industry and Clients



### Brandon Hall

Excellence in Learning Awards – 9 AWARDS  
Excellence in Talent Management – 2 AWARDS  
Excellence in Leadership Development  
Excellence in Sales Performance

**Chief Learning Officer Learning in Practice Awards** – 3 AWARDS

### Engineering News-Record

Top 500 Design Firm

### Training Industry, Inc.

Top Training Companies – 8 AWARDS

### Partner-Level Supplier Recognition

## BACKLOG

**\$285M**

as of 12/31/16



## FORTUNE 500



**146** FORTUNE 500 Clients  
29% of total

**120** GLOBAL 500 Clients  
24% of total

## TO OUR *shareholders*

In 2016, GP Strategies delivered solid financial results, including revenue of \$491 million and earnings of \$1.21 per share—an 11 percent growth in earnings over 2015. Three of our four segments reported revenue growth and gross margin improvements in 2016. This growth was largely offset by a continued decline in our Professional & Technical Services segment, which stabilized on a sequential quarterly basis in the second half of 2016. In addition, changes in currency exchange rates resulted in a \$14 million decrease in U.S. dollar reported revenue during 2016 compared to 2015.

### **Global expansion efforts are paying off**

With an increasing number of bids now taking place outside the U.S., primarily in Europe and Asia, we believe we can see clearly benefits of our investment in global expansion. This is due to large multi-national organizations looking to standardize training across the globe—a capability GP Strategies is uniquely qualified to provide through our network of offices and partners enabling us to deliver services worldwide.

Future revenue growth opportunities exist in both attracting new clients and expanding within our base of 120 clients in the Global 500. Over the past five years, we've grown our revenue in the Financial & Insurance industry to over \$110 million, or 21% of our total revenue. We see great opportunities to serve industries that are highly regulated and have a rapidly changing product mix and a global workforce that requires consistent, high-quality, efficient enterprise-wide training and development. In 2016, we initiated focus on the Pharmaceutical sector and were awarded a significant contract in the first quarter of 2017 to provide global learning services for a large pharmaceutical customer. Moving forward, we will remain focused on expanding our diverse client base, with an emphasis on this and other highly regulated, fast-changing verticals.

### **Acquisition efforts resume, expanding our service base**

In 2016, we resumed our acquisition strategy, bringing two new companies on board. Jencal Training/B2B Engage is part of the UK's government-run skills funding program, strengthening our position in that arena. And Maverick Solutions, a leading provider of ERP training solutions, enables us to extend our presence in the Healthcare industry and expand into Higher Education. Looking ahead, we will continue to pursue strategic acquisitions, looking for companies that have a global reach and recurring revenue stream to help us expand into new markets. Already in 2017 we have acquired McKinney Rogers, a global consultancy serving blue chip organizations in many markets, with client relationships at the C-suite level, and Emantras, a U.S./India based innovative digital education company that provides engaging learning experiences and knowledge delivery through award-winning digital and mobile solutions.



*“We are working hard to build GP Strategies into an **even bigger powerhouse** in the corporate learning space.”*

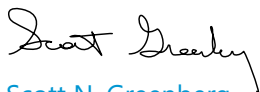
*-Scott N. Greenberg, CEO*

### **Our 50th Anniversary was marked by multiple accolades**

GP Strategies' 50th Anniversary saw us reflecting on how we've grown to become a well-respected global provider of custom training solutions since our humbler beginnings in 1966. Underscoring our growth, reputation and quality work, 2016 also brought us 26 industry awards, more than at any other time in our history.

We thank our employees for their hard work and commitment, our customers for their continued trust in partnering with GP Strategies to meet their training and performance improvement needs, and our shareholders for your support.

Sincerely,



**Scott N. Greenberg**

*Chief Executive Officer*



**Douglas E. Sharp**

*President*



## FINANCIAL HIGHLIGHTS

### Operating Results

(in thousands, except per share amounts)

	Year ended December 31,				
	2012	2013	2014	2015	2016
Revenue	\$ 401,572	436,689	501,867	490,280	490,559
Gross profit	71,971	76,265	89,575	81,992	80,157
Operating income	35,682	38,352	43,859	32,322	31,424
Net income	22,688	23,756	27,098	18,789	20,247
Diluted earnings per share	1.18	1.23	1.43	1.09	1.21
Weighted average shares outstanding - diluted	19,275	19,362	18,887	17,264	16,791

### Balance Sheet Summary

(in thousands)

	As of December 31,				
	2012	2013	2014	2015	2016
Cash and cash equivalents	\$ 7,761	5,647	14,541	21,030	16,346
Working capital	49,146	58,730	43,537	40,322	59,859
Total assets	244,434	280,156	305,452	302,350	315,601
Short-term borrowings and long-term debt	–	407	58,576	58,528	57,694
Total stockholders' equity	167,337	193,027	151,725	158,344	167,496

**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**

**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 1-7234**

**GP STRATEGIES CORPORATION**  
(Exact name of Registrant as specified in its charter)

**Delaware**

(State of Incorporation)

**52-0845774**

(I.R.S. Employer Identification No.)

**70 Corporate Center**

**11000 Broken Land Parkway, Suite 200, Columbia, MD**

(Address of principal executive offices)

**21044**

(Zip Code)

**(443) 367-9600**

Registrant's telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of each exchange on which registered:</u>
Common Stock, \$.01 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the outstanding shares of the Registrant's Common Stock, par value \$.01 per share, held by non-affiliates as of June 30, 2016 was approximately \$270,004,000.

The number of shares outstanding of the registrant's Common Stock as of February 16, 2017:

<u>Class</u>	<u>Outstanding</u>
Common Stock, par value \$.01 per share	16,752,895 shares

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for its 2017 Annual Meeting of Stockholders are incorporated herein by reference into Part III hereof.

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## Cautionary Statement Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward looking statements. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We use words such as “expects,” “intends,” “believes,” “may,” “will,” “should,” “could,” “anticipates,” “estimates,” “plans” and similar expressions to indicate forward-looking statements, but their absence does not mean a statement is not forward-looking. Because these forward-looking statements are based upon management’s expectations and assumptions and are subject to risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, but not limited to, those factors set forth under Item 1A - Risk Factors and those other risks and uncertainties detailed in our periodic reports and registration statements filed with the Securities and Exchange Commission (“SEC”). We caution that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the effect, if any, of the new risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ from those expressed or implied by these forward-looking statements.

If any one or more of these expectations and assumptions proves incorrect, actual results will likely differ materially from those contemplated by the forward-looking statements. Even if all of the foregoing assumptions and expectations prove correct, actual results may still differ materially from those expressed in the forward-looking statements as a result of factors we may not anticipate or that may be beyond our control. While we cannot assess the future impact that any of these differences could have on our business, financial condition, results of operations and cash flows or the market price of shares of our common stock, the differences could be significant. We do not undertake to update any forward-looking statements made by us, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report.

## Company Information Available on the Internet

Our Internet address is [www.gpstrategies.com](http://www.gpstrategies.com). We make available free of charge through our Internet site, our annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; and any amendment to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

## PART I

### Item 1: Business

#### *Company Overview*

GP Strategies Corporation, which is a New York Stock Exchange (“NYSE”) listed company traded under the symbol GPX, is a global performance improvement solutions provider of training, e-Learning solutions, management consulting and engineering services. References in this report to “GP Strategies,” the “Company,” “we” and “our” are to GP Strategies Corporation and its subsidiaries, collectively.

We are a leading independent provider of customized training solutions focused on performance improvement initiatives for our clients. We also provide consulting, engineering and technical services which enhance our customized training capabilities and diversify our service offerings. We have global execution capabilities and provide services to a large customer base across a broad range of industries in over 50 countries. We serve leading companies in the automotive, financial services and insurance, steel, oil and gas, power, chemical, electronics and technology, manufacturing, software, retail, healthcare, education and food and beverage industries, as well as government agencies. We have over five decades of experience in developing solutions to optimize workforce performance by providing services and products to our clients that assist them in successfully aligning their employees, processes and technologies.

Over the last several years, we have focused on building our custom training business through internal growth and the acquisition of complementary businesses. We began executing our acquisition strategy in 2006 and have since completed over 25 acquisitions to strengthen our capabilities in specific training and technical service areas, expand our global presence, and increase our customer base and market sector reach. As a result, we’ve added product sales training and leadership training, and strengthened our e-



Learning and content development expertise, while also expanding further within Europe and Asia Pacific. Our acquisitions have also expanded our market sector reach, added new customers and enhanced our service offerings through the addition of new complementary services. We also invested in global expansion through the establishment of over a dozen new subsidiaries in select countries since 2013 to support new global outsourcing contracts. We believe our expanded infrastructure and the ability to deliver globally will allow us to better support our existing client base as well as win new business for our comprehensive service offerings.

### ***Operating Segments***

As of December 31, 2016, we operated through four reportable business segments: (i) Learning Solutions, (ii) Professional & Technical Services, (iii) Sandy Training & Marketing, and (iv) Performance Readiness Solutions. Each of our reportable segments represents an operating segment under U.S. GAAP. We are organized by operating group primarily based upon the markets served by each group and/or the services performed. Each operating group consists of business units which are focused on providing specific products and services to certain classes of customers or within targeted markets. Marketing and communications, accounting, tax, finance, legal, human resources, information systems and other administrative services are organized at the corporate level. Business development and sales resources are aligned with operating groups to support existing customer accounts and new customer development.

Further information regarding our business segments is discussed below.

**Learning Solutions.** The Learning Solutions segment delivers training, curriculum design and development, e-Learning services, system hosting, training business process outsourcing and consulting services globally. This segment serves large companies in the electronics and semiconductors, healthcare, software, financial services and other industries as well as government agencies. This segment also provides apprenticeship and vocational skills training funded by an agency of the United Kingdom government. The ability to deliver a wide range of training services on a global basis allows this segment to take over the entire learning function for the client, including their training personnel.

**Professional & Technical Services.** The Professional & Technical Services segment provides training, consulting, engineering and technical services, including lean consulting, emergency preparedness, safety and regulatory compliance, chemical demilitarization and environmental services primarily to large companies in the manufacturing, steel, pharmaceutical energy and petrochemical industries; federal and state government agencies; and large government contractors. Our proprietary EtaPRO™ Performance and Condition Monitoring System provides a suite of real-time software solutions for power generation facilities and is installed on power-generating units across the world. In addition to providing custom training solutions, this segment provides web-based training through our GPiLEARN™ portal, which offers a variety of courses to power plant personnel in the U.S. and other countries. This segment also provides services to users of alternative fuels, including designing and constructing liquefied natural gas (LNG), liquid to compressed natural gas (LCNG) and hydrogen fueling stations, as well as supplying equipment.

**Sandy Training & Marketing.** The Sandy Training & Marketing segment provides custom product sales training and has been a leader in serving manufacturing customers in the U.S. automotive industry for over 40 years. Sandy provides custom product sales training designed to better educate customer sales forces with respect to new vehicle features and designs, in effect rapidly increasing the sales force knowledge base and enabling them to address detailed customer queries. Furthermore, Sandy helps our clients assess their customer relationship marketing strategy and connect with their customers on a one-to-one basis including through custom publications. This segment also provides technical training services to automotive manufacturers as well as customers in other industries.

**Performance Readiness Solutions.** This segment provides performance consulting and technology consulting services, including platform adoption, end-user training, change management, knowledge management, customer product training outsourcing, training content development and sales enablement solutions. This segment also offers organization performance solutions, including leadership development training and employee engagement tools and services. Industries served include manufacturing, aerospace, healthcare, life sciences, consumer products, financial, telecommunications and higher education as well as government agencies.

### **Segment Financial Information**

For financial information about our business segments and geographic operations and revenue, see Note 12 to the accompanying Consolidated Financial Statements.

## *Services and Products*

Our personnel come from varied backgrounds in the corporate, technical, military and government arenas. They use their professional knowledge to create cost-effective solutions to address modern business and governmental performance challenges. Our training, consulting and engineering services and related product offerings are discussed in more detail below.

**Training.** We provide custom training services and products to support our customers' existing operations, as well as the launch of new plants, products, equipment, technologies and processes. Our training services are comprehensive, covering all aspects of an organization's needs, including:

- **Content and Curriculum Development.** Services include a fundamental analysis of the client's needs, curriculum design, instructional material development (in hard copy, electronic/software or other format), information technology service support and delivery. Our instructional delivery capabilities include traditional classroom, structured on-the-job training (OJT), just-in-time methods, computer-based, web-based, video-based and the full spectrum of e-Learning technologies.
- **E-Learning.** Though part of our content development services, our e-Learning capabilities distinguish themselves because we are able to function as a single-source e-Learning solutions provider through our integration services and hosting, the development and provisioning of proprietary content and the aggregation and distribution of third party content. While considered a custom content developer in this arena, we are also the creators of GPiLearn™, a packaged, web-based training curriculum designed to equip workers with specialized maintenance, mechanical, operator and technical skills throughout the energy industry (nuclear, fossil, hydroelectric, wind farms and other power generating plants) in order to address that industry's growing needs for a skilled and multi-skilled workforce.
- **Learning & Training Outsourcing.** We offer a wide range of training business process outsourcing ("BPO") services, including design, delivery and global management of comprehensive learning programs for national and multinational businesses and government organizations. We can deliver our services individually or as a complete, integrated training solution. Solutions include the management of our customers' training departments, as well as administrative processes, such as tuition assistance program management, vendor management, call center/help desk administration and learning management system (LMS) administration. Our services encompass a wide spectrum of learning engagements ranging from focusing on a single aspect of a learning process to multi-year contracts where we manage the learning infrastructure of our customer. In addition, we automate a large amount of our customers' tuition reimbursement programs by utilizing our own proprietary software.
- **Documentation Development.** Training-related documentation products include custom instructor and student training manuals, job aids to support technical skills development and instructional materials suitable for web-based and blended learning solutions.
- **Specialized Training Areas.** Our professionals possess diverse skills in multiple industries that enable us to address specialized training needs, including technical training, machine and equipment maintenance training, product sales training and incentive programs, leadership development training, regulatory training, environmental training and homeland security training, to name a few.

**Consulting.** Our consulting services include training-related consulting services as well as more traditional business management and specialized consulting, including the areas of:

- **Lean Enterprise.** Our Lean and Six Sigma experts provide high-level lean enterprise consulting services, as well as training in the concept, methods and application of lean enterprise and other quality practices, organizational development and change management.
- **Engineering.** We provide engineering consulting services to support regulatory and environmental compliance, modification of facilities and processes, plant performance improvement, reliability-centered maintenance practices and plant start-up activities.
- **Information Technology.** Consulting services include IT consulting and platform adoption services, system selection consulting, operations continuity assessment, planning, training and procedure development.

- **Customer Loyalty.** Our Sandy Training & Marketing segment provides consultation on customer loyalty programs and supports those services with brand loyalty publications, incentive programs and customer-focused sales training. Sandy develops personalized publications for automotive clients which establish a link between the manufacturer/dealer and each customer.
- **Performance Readiness.** We offer change-management strategies to help our customer's employees accept, adopt and perform in new ways and be open to change.
- **Homeland Security and Emergency Management.** We deliver consulting services from physical security assessments to all-hazards emergency planning and preparedness. These services include training, exercises and documentation.
- **Maintenance & Reliability.** We help manufacturers develop strategies, assessments and leadership alignment tactics for maintenance and reliability programs, as well as provide the training, management systems and documentation that support an enduring culture of waste elimination and variability reduction.

**Engineering and Technical Services.** Our staff includes civil, mechanical and electrical engineers who are equipped to provide engineering, technical support services, consulting expertise, design capabilities and evaluation services. Our engineering customers typically operate in technically complex industries such as oil and gas, power, chemical, aerospace, transportation and manufacturing industries. Our engineering services support facilities, processes and systems in multiple capacities, including:

- **Power Plant Performance.** We deliver multiple solutions to optimize power plant assets and mitigate risk. We have also developed proprietary products to support the power industry, including our EtaPRO™ software, installed in nearly every electricity-generating power plant in North America, as well as our Virtual Plant™ and other software applications for the power generation industry.
- **Alternative Fueling Station Design and Engineering.** We provide engineering design, permitting and construction of alternative fuel stations, including liquefied natural gas (LNG), liquid to compressed natural gas (LCNG) and hydrogen fueling stations for vehicle fleets and public-access stations in the United States. We also provide maintenance services for alternative fueling stations, as well as supply equipment.
- **Technical Support.** Services in this area include procedure writing and configuration control for capital intensive facilities, plant start-up assistance, logistics support (e.g., inventory management and control), implementation and engineering assistance for facility or process modifications, facility management for high technology training environments, staff augmentation and help-desk support for standard and customized client desktop applications.
- **Environmental Services.** We provide environmental engineering services, including the development and management of site environmental remediation plans and perform other services in regard to air and water quality, hazardous waste and the stewardship of natural resources.

### ***Competitive Strengths***

We believe our key competitive strengths include:

**Global Delivery and Single-Source Custom Training Solutions Provider.** We believe we are one of the largest independent single-source custom training solutions providers with the capability of delivering on a global basis in the markets in which we compete. We provide business process outsourcing solutions spanning the full life-cycle of the training process, including the management of training departments and administrative processes for our customers. We believe that the breadth of our service and product offerings, which encompass fully integrated training business process outsourcing solutions as well as discrete services, allows us to better serve the needs of our clients by providing them with a single-source solution for custom training, consulting and technical and engineering services. We believe that the integration of our services into a single platform, together with our global presence and delivery capabilities, allows our customers to leverage an enterprise-wide solution to address their performance improvement needs in a way that streamlines their internal operations, improves the speed and efficiency at which critical know-how is disseminated on a firm-wide basis, and enables them to achieve their desired performance improvement goals.

**Outstanding Reputation in the Industry.** We have continued to build an outstanding reputation in the training industry through the delivery of exceptional training solutions and have received numerous awards. In 2016, for the thirteenth consecutive year, Training Industry, Inc., an industry trade organization, selected us as one of the Top 20 Companies in Training Outsourcing, and

for the ninth consecutive year selected us as one of the Top Sales Training Companies. During 2015, Training Industry, Inc. also selected us as a Top 20 Workforce Development Company, Top 20 Leadership Training Company, Top 20 Content Development Company, Top 20 IT Training Company and a Top 20 Gamification Company. We also won other industry awards including thirteen Brandon Hall Excellence in Learning Awards and Top 500 Design Firm by Engineering News Record.

**Scalable Technology Platform.** Our training programs are delivered both online and in classroom settings. We have the ability to work with outside information technology (IT) vendors in combination with our own proprietary software in order to deliver a scalable technology platform capable of addressing training needs of various size and commitment, ranging from a one-time project to a multi-year training program.

**Legacy Technical Expertise.** In the 1960's, we began providing technical services to the U.S. Navy nuclear submarine program and the nuclear electric-power generation industry, and have since maintained and expanded our reputation for providing technically complex consulting, engineering, and training services. Many of our employees have engineering degrees, technical training or years of relevant technical industry experience. Through repeat projects with industry leaders we have acquired significant industry experience in providing highly technical consulting services. We believe that our technical expertise allows us to address market opportunities for complex business challenges that require in-depth expertise and certifications typically acquired over several years of specialized training and many years of experience. We also believe that our ability to provide both training-related and business consulting services allows us to gain insight into operations of our customers, understand the challenges they face and develop optimal solutions to meet these challenges. In addition, we believe that the knowledge that we develop while working with our clients provides us with a significant competitive advantage as those clients look to expand the scope of services outsourced to third party service providers.

**Well Positioned to Capitalize on the Large Product Sales Training Market.** We believe that the introduction of new products with advanced features, combined with the growing amount and accessibility of information available to consumers, requires companies to maintain a highly skilled and technologically current sales force to most effectively capture customer interest and confidence. In-house implementation of product sales training programs can be expensive and time-consuming as these programs typically involve significant levels of face-to-face training, in some cases across a large global sales force. In addition, product sales training tends to be a continuous process, as the pace of new products and features in many cases requires year-round updating of the sales force. We believe we have one of the industry's leading product sales training platforms, and are well positioned to benefit from increased training outsourcing as companies look for ways to reduce costs.

**Highly Qualified and Dedicated Employees and Tenured Management Team.** Our most important asset is our people, as their wide-ranging skill sets enable us to serve our diverse and expanding global client base. As a result, we are committed to the continued development of our employees. We offer our employees technical, functional, industry, managerial and leadership skill development and training throughout their careers with us. We seek to reinforce our employees' commitment to our clients, culture and values through a comprehensive performance management system and a career philosophy that rewards both individual performance and teamwork. We also benefit from the skill and experience of our executive management team, who together have in excess of 100 years of experience in the training industry and have an average tenure with our company of over 20 years.

**Contracts**

We currently perform under fixed price (including fixed-fee per transaction), time-and-materials and cost-reimbursable contracts. The following table illustrates the percentage of our total revenue attributable to each type of contract for the year ended December 31, 2016:

Fixed fee per transaction	45%
Fixed price	22
Time-and-materials, including fixed rate	30
Cost-reimbursable	3
Total revenue	<u><u>100%</u></u>

Fixed price contracts (Including fixed-fee per transaction) provide for payment to us of pre-determined amounts as compensation for the delivery of specific products or services, without regard to the actual costs incurred. We bear the risk that increased or unexpected costs required to perform the specified services may reduce our profit or cause us to sustain a loss, but we have the opportunity to derive increased profit if the costs required to perform the specified services are less than expected. Fixed price

contracts generally permit the client to terminate the contract on written notice; in the event of such termination we would typically be paid a proportionate amount of the fixed price.

Time-and-materials contracts generally provide for billing of services based upon the hourly billing rates of the employees performing the services and the actual expenses incurred multiplied by a specified mark-up factor up to a certain aggregate dollar amount. Our time-and-materials contracts include certain contracts under which we have agreed to provide training, engineering and technical services at fixed hourly rates. Time-and-materials contracts generally permit the client to control the amount, type and timing of the services to be performed by us and to terminate the contract on written notice. If a contract is terminated, we are typically paid for the services we have provided through the date of termination.

Cost-reimbursable contracts provide for us to be reimbursed for our actual direct and indirect costs plus a fee. These contracts also are generally subject to termination at the convenience of the client. If a contract is terminated, we are typically reimbursed for our costs through the date of termination, plus the cost of an orderly termination, and paid a proportionate amount of the fee.

### ***International***

We conduct our business globally and outside the United States primarily through our wholly owned subsidiaries. We may continue to create new subsidiaries as our business expands. Through these subsidiaries, we are capable of providing substantially the same services and products as are available to clients in the United States, although modified as appropriate to address the language, business practices and cultural factors unique to each client and country. In combination with our subsidiaries, we are able to coordinate the delivery to multi-national clients of services and products that achieve consistency on a global, enterprise-wide basis. Revenue from operations outside the United States represented approximately 31% and 30% of our consolidated revenue for the years ended December 31, 2016 and 2015, respectively (see Note 12 to the accompanying Consolidated Financial Statements).

### ***Customers***

During 2016, we provided services to over 500 customers. Significant customers include *multinational automotive manufacturers*, such as General Motors Company, Hyundai Motor Company, Jaguar Land Rover, Ford Motor Company and Fiat North America LLC; *financial services companies* such as HSBC, Bank of America, SunTrust Banks and PNC Bank; *governmental agencies*, such as the U.S. Department of Defense, U.S. Department of Commerce, U.S. Office of Personnel Management and the Skills Funding Agency in the United Kingdom; *U.S. Government prime contractors*, such as Bechtel National, Inc. and URS Corporation; *commercial electric power utilities*, such as Eskom, Southern Company and MidAmerican Energy; and other *large multinational companies*, such as Microsoft, CIGNA Corporation, Rockwell Automation, Network Appliance, Cisco Systems, Inc., Texas Instruments, Lowe's Companies, Inc., General Electric and United Technologies Corporation. During the year ended December 31, 2016, we provided services to 146 customers in the Fortune 500 and 120 customers in the Global Fortune 500.

We have a market concentration of revenue in both the automotive sector and the financial services & insurance sector. Revenue from the automotive industry accounted for approximately 22%, 19% and 14% of our consolidated revenue for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, we have a concentration of revenue from a single automotive customer, which accounted for approximately 13% and 12% of our consolidated revenue for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 accounts receivable from a single automotive customer totaled \$11.6 million, or 11% of our consolidated accounts receivable balance. Revenue from the financial services & insurance industry accounted for approximately 21%, 21% and 18% of our consolidated revenue for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, we have a concentration of revenue from a single financial services customer, which accounted for approximately 15% and 14% of our consolidated revenue for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, billed and unbilled accounts receivable from a single financial services customer totaled \$25.4 million, or 18%, of our consolidated accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts balances. No other single customer accounted for more than 10% of our consolidated revenue in 2016 or consolidated accounts receivable balance as of December 31, 2016.

We believe the nature of our business, which includes established relationships with our clients, average project durations of approximately nine months, as well as many long term contracts with our customers, provides us with a platform from which to drive revenues and gives us visibility into our future performance. We have long-standing relationships with many of our clients, with over 90% of our top 25 clients having used our services for five or more years. Additionally, over 90% of our annual revenue is generated from client relationships that existed in the prior year. We also had a backlog for services under executed contracts of \$284.6 million as of December 31, 2016, most of which we anticipate will be recognized as revenue during 2017.

## ***Employees***

Our principal resource is our personnel. As of December 31, 2016, we had 3,378 employees. We also utilize additional adjunct instructors and consultants as needed. Our future success depends to a significant degree upon our ability to continue to attract, retain and integrate into our operations instructors, engineers, technical personnel and consultants who possess the skills and experience required to meet the needs of our clients.

We utilize a variety of methods to attract and retain personnel. We believe that the compensation and benefits offered to our employees are competitive with the compensation and benefits available from other organizations with which we compete for personnel. In addition, we encourage the professional development of our employees, both internally via GP University (our own internal training resource) and through third parties, and we also offer tuition reimbursement for job-related educational costs. We believe that we have good relations with our employees.

## ***Competition***

We face a highly competitive environment. The principal competitive factors are the experience and capability of service personnel, performance, quality and functionality of products, reputation and price. The training industry is large, highly fragmented and competitive, with low barriers to entry and no single competitor accounting for a significant market share. According to *Training Magazine's* 2016 Training Industry Report, U.S. training expenditures totaled approximately \$70 billion in 2016, including payroll and spending on external products and services. Our competitors include several large publicly traded and privately held companies, vocational and technical training schools, degree-granting colleges and universities, continuing education programs and thousands of small privately held training providers and individuals. In addition, many of our clients maintain internal training departments, which have the resources and ability to provide the same or similar services in-house. Some of our competitors offer services and products at lower prices, and some competitors have significantly greater financial, managerial, technical, marketing and other resources. Moreover, we expect to face additional competition from new entrants into the training and performance improvement market due, in part, to the evolving nature of the market and the relatively low barriers to entry. There can be no assurance that we will be successful against such competition.

Engineering and consulting services such as those that we provide are performed by many of the customers themselves, large architectural and engineering firms that have expanded their range of services beyond design and construction activities, large consulting firms, information technology companies, major suppliers of equipment and individuals and independent service companies similar to us. The engineering and construction markets are highly competitive and require substantial resources and capital investment in equipment, technology and skilled personnel. Many of our competitors for our engineering and technical consulting services have greater financial resources than we do. Competition also places downward pressure on our contract prices and profit margins. We cannot provide any assurance that we will be able to compete successfully, and the failure to do so could adversely affect our business and financial condition.

## ***Marketing***

Business development and sales resources are aligned with our operating groups to support existing customer accounts and new customer development. We use attendance at trade shows, presentations of technical papers at industry and trade association conferences, press releases, webinars and workshops given by our personnel to serve an important marketing function. We also carry out selective print and online advertising and conduct targeted marketing campaigns to current and prospective clients. In addition, we use social media channels, such as LinkedIn, Facebook, Twitter, YouTube, SlideShare and a Company blog on our website, as a means of sharing thought leadership content, disclosing information about the Company, our services and other matters. By staying in contact and engaging with clients, we are able to identify possible needs and look for opportunities to expand the services we are providing them; we sometimes obtain contract awards or extensions without having to undergo competitive bidding. In other cases, clients ask us to bid competitively. In both cases, we submit proposals to the client for evaluation. The period between submission of a proposal to final award can range from 30 days or less (generally for noncompetitive, short-term contracts), to a year or more (generally for large, competitive multi-year contracts).

## ***Backlog***

Our backlog for services under executed contracts and subcontracts was approximately \$284.6 million and \$239.1 million as of December 31, 2016 and 2015, respectively. We anticipate that most of our backlog as of December 31, 2016 will be recognized as revenue during 2017. However, the rate at which services are performed under certain contracts, and thus the rate at which

backlog will be recognized, may be at the discretion of the client and most contracts are, as mentioned above, subject to termination by the client upon written notice.

## **Item 1A: Risk Factors**

The following are some of the factors that we believe could cause our actual results to differ materially from historical results and from the results contemplated by the forward-looking statements contained in this report and other public statements made by us. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also harm our business. Most of these risks are generally beyond our control. If any of the risks or uncertainties described below, or any such additional risks and uncertainties actually occur, our business, results of operations and financial condition could be materially and adversely affected.

### ***Changing economic conditions in the United States, the United Kingdom and the other countries in which we conduct our operations could harm our business, results of operations and financial condition.***

Our revenues and profitability are related to general levels of economic activity and employment primarily in the United States and the United Kingdom. As a result, economic recession in both of those countries could harm our business and financial condition. A significant portion of our revenues is derived from Fortune 500 companies and their non-U.S. equivalents, which historically have decreased expenditures for external training during economic downturns. If the economies in which these companies operate are weakened in any future period, these companies may reduce their expenditures on external training, and other products and services supplied by us, which could materially and adversely affect our business, results of operations and financial condition. As we expand our business globally, we might be subject to additional risks associated with economic conditions in the countries into which we enter or in which we expand our operations.

### ***Our revenue and financial condition could be adversely affected by the loss of business from significant customers, including financial services institutions and automotive manufacturers.***

During the years ended December 31, 2016, 2015 and 2014, revenue from our customers in the financial services & insurance sector accounted for approximately 21%, 21% and 18%, respectively, of our consolidated revenue. In addition, we have a concentration of revenue from a single financial services customer, which accounted for approximately 15% and 14% of our consolidated revenue for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, billed and unbilled accounts receivable from this customer totaled \$25.4 million, or 18%, of our consolidated accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts balances. A default in payment from this client or a decline in the volume of business from this client and other major financial services customers could adversely affect our business and financial condition.

During the years ended December 31, 2016, 2015 and 2014, revenue from our customers in the automotive industry accounted for approximately 22%, 19% and 14%, respectively, of our consolidated revenue. In addition, we have a concentration of revenue from a single automotive customer, which accounted for approximately 13% and 12% of our consolidated revenue for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 accounts receivable from a single automotive customer totaled \$11.6 million, or 11% of our consolidated accounts receivable balance. Historically, U.S. auto manufacturers have been negatively impacted during times of economic downturns and recession, resulting in significant reductions in vehicle sales requiring the auto manufacturers to cut costs. A decline in the volume of business from automotive customers could adversely affect our business and financial condition.

Substantially all of our contracts are subject to termination on written notice and, therefore, our operations are dependent upon our customers' continued satisfaction with our services and their continued inability or unwillingness to perform those services themselves or to engage other third-parties to deliver such services.

### ***Our successful performance of learning services under the Global Master Agreement we entered into with HSBC in July 2013 is subject to many risks.***

On July 2, 2013, we entered into an agreement (the "Global Master Agreement") with HSBC Holdings plc ("HSBC") to provide global learning services. The Global Master Agreement establishes a contractual framework pursuant to which we and certain of our wholly owned subsidiaries have entered into local services agreements with certain members of HSBC's group of companies in respect of countries in which the learning services are to be provided by us. The initial term of the Global Master Agreement

is three years. In January 2016, we announced that HSBC exercised its option to extend the Global Master Agreement for two additional years.

The Global Master Agreement requires us and our subsidiaries that are parties to local services agreements to identify over \$10 million in total global savings on HSBC's learning expenses, ranging from \$1 million to \$4 million per calendar year over the initial three year term. This obligation is applicable only if we and our subsidiaries receive, globally, revenue of at least \$30 million per year for each of the first three contract years. We are required to pay HSBC the shortfall, if any, for any calendar year, between the savings realized and the savings guaranteed for that year. For 2013, 2014 and 2015, we identified savings in excess of the amounts guaranteed for those years.

The Global Master Agreement includes certain minimum service level requirements that we must meet or exceed. If we fail to meet a given performance standard, HSBC will, in certain circumstances, receive a credit against the charges otherwise due.

Additionally, HSBC has the right to periodically engage a third party to perform benchmark studies to determine whether our services, the level and quality to which our services are being provided and the applicable charges under the Global Master Agreement are within the top quartile for best-value-for-money for comparable services provided by our competitors. If the benchmark report states that any benchmarked service is not within the top quartile for best-value-for-money for services comparable to our benchmarked services etc., then we must implement changes as soon as reasonably practicable. HSBC has the right to conduct such benchmark studies no sooner than 12 months after the effective date of the Global Master Agreement (being July 2, 2013) and then no more than once every 12 months thereafter as to any previously benchmarked service in a particular country.

HSBC has the right to terminate the Global Master Agreement and the relevant HSBC contracting party has the right to terminate any local services agreement to which it is a party, in whole or in part, for, among other things, convenience on three months' written notice.

Our successful performance of the Global Master Agreement and the associated local services agreements, is subject to many risks, including the effect(s) that fixed prices for four years, the guaranteed savings provision, the key milestone penalties and service level credits and the benchmarking requirements may have on our ability to perform services in a profitable manner; additional currency exchange rate exposure; local tax requirements and our need to concurrently establish reliable payroll, accounting, purchasing, tax management, employment practices, project management, asset management and information technology infrastructure in many countries where we did not currently have those capabilities.

***The price of our common stock is highly volatile and could decline regardless of our operating performance.***

The market price of our common stock could fluctuate in response to, among other things:

- changes in economic and general market conditions;
- changes in the outlook and financial condition of certain of our significant customers and industries in which we have a concentration of business;
- changes in financial estimates, treatment of our tax assets or liabilities or investment recommendations by securities analysts following our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- sales of common stock by our directors, officers and significant stockholders;
- factors affecting securities of companies included in the Russell 3000<sup>®</sup> Index, in which our common stock is included;
- our failure to achieve operating results consistent with securities analysts' projections; and
- the operating and stock price performance of competitors.

These factors might adversely affect the trading price of our common stock and prevent you from selling your common stock at or above the price at which you purchased it. In addition, in recent periods, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including ours and others in our industry. These changes can occur without regard to the operating performance of the affected companies. As a result, the price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our share price.



***A substantial portion of our assets consists of goodwill and intangible assets, which are subject to impairment. We could incur material asset impairment charges in future periods.***

As of December 31, 2016, we had goodwill of \$127.8 million and other intangible assets of \$5.8 million in connection with acquisitions. In accordance with U.S. GAAP, goodwill is reviewed annually for impairment unless circumstances or events indicate that an impairment test should be performed sooner to determine if there has been any impairment to value. The review for impairment is based on several factors requiring judgment. A decrease in expected cash flows or change in market conditions, among other things, may indicate potential impairment of recorded goodwill. We tested our goodwill at the reporting unit level as of December 31, 2016 and 2015 and there was no indication of impairment.

Our acquisitions in recent years have not involved the acquisition of significant tangible assets and, as a result, a significant portion of the purchase price in each case was allocated to goodwill and other intangible assets. We will continue to test for impairment on an annual basis or on an interim basis if events and circumstances indicate a possible impairment. However, we may incur material goodwill or other intangible asset impairment charges in the future related to past acquisitions.

***Our financial results are subject to quarterly fluctuations, which may result in volatility or declines in our stock price.***

We experience, and expect to continue to experience, fluctuations in quarterly operating results. Consequently, you should not deem our results for any particular quarter to be necessarily indicative of future results. Factors that may affect quarterly operating results in the future include:

- the overall level of services and products sold;
- the volume of publications shipped by our Sandy Training & Marketing segment each quarter, because revenue and cost of publications contracts are recognized in the quarter during which the publications ship;
- fluctuations in project profitability;
- the gain or loss of material clients;
- the timing, structure and magnitude of acquisitions;
- participant training volume and general levels of outsourcing demand from clients in the industries that we serve;
- the budget and purchasing cycles of our clients, especially of the governments and government agencies that we serve;
- the commencement or completion of client engagements or services and products in a particular quarter;
- currency fluctuations; and
- the general level of economic activity.

Accordingly, it is difficult for us to forecast our growth and results of operations on a quarterly basis. If we fail to meet expectations of investors or analysts, our stock price may fall rapidly and without notice. Furthermore, the fluctuation of quarterly operating results may render less meaningful period-to-period comparisons of our operating results.

***Sagard Capital Partners, L.P. (“Sagard”) may exert influence over us and could delay or deter a change of control or other business combination or otherwise cause us to take actions with which other stockholders may disagree.***

As of December 31, 2016, Sagard beneficially owned 3,639,367 shares or 21.7% of our outstanding common stock. In addition, until Sagard owns less than certain specified amounts of common stock or certain other conditions have been met, Sagard is entitled to designate an individual to serve on our board of directors. As a result, Sagard may exert influence over our decision to enter into any corporate transaction or with respect to any transaction that requires the approval of stockholders, regardless of whether other stockholders believe that the transaction is in their own best interests. This could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders.

***We are vulnerable to the cyclical nature of the markets we serve.***

The demand for our services and products is dependent upon training and marketing budgets and the existence of projects with training, engineering, procurement, construction or management needs. Although downturns can impact our entire business, the automotive, financial and insurance, manufacturing, electronics and semiconductors, construction, alternative fuels and energy industries are examples of sectors that are cyclical in nature and have been affected from time to time by fluctuations in either national or worldwide demand for our services. Industries such as these and many of the others we serve have historically been and might continue to be vulnerable to general downturns and are and might continue to be cyclical in nature. During economic downturns, our clients might demand better terms. In addition, many of our training contracts are subject to modification in the event of certain material changes in the business or demand for our services. Our government clients also might face budget

deficits that prohibit them from funding proposed and existing projects. As a result, our past results have varied considerably and could continue to vary depending upon the demand for future projects in the industries that we serve.

***We may continue making acquisitions as part of our growth strategy, which subjects us to numerous risks that could have a material adverse effect on our business, financial condition and results of operations.***

As part of our growth strategy, we may continue to pursue selective acquisitions of businesses that broaden our service and product offerings, deepen our capabilities and allow us to enter attractive new domestic and international markets. Pursuit of acquisitions exposes us to many risks, including that:

- acquisitions may require significant capital resources and divert management's attention from our existing business;
- acquisitions may not provide the benefits anticipated;
- acquisitions could subject us to contingent or other liabilities, including liabilities arising from events or conduct predating the acquisition of a business that were not known to us at the time of the acquisition;
- we may incur significantly greater expenditures in integrating an acquired business than had been initially anticipated;
- acquisitions may create unanticipated tax and accounting problems; and
- acquisitions may result in a material weakness in our internal controls if we are not able to successfully establish and implement proper controls and procedures for the acquired business.

Our failure to successfully accomplish future acquisitions or to manage and integrate completed or future acquisitions could have a material adverse effect on our business, financial condition or results of operations. We can provide no assurances that we:

- will identify suitable acquisition candidates;
- can consummate acquisitions on acceptable terms;
- can successfully compete for acquisition candidates against larger companies with significantly greater resources;
- can successfully integrate any acquired business into our operations or successfully manage the operations of any acquired business; or
- will be able to retain an acquired company's significant client relationships, goodwill and key personnel or otherwise realize the intended benefits of any acquisition.

In addition, acquisitions might involve our entry into new businesses that might not be as profitable as we expect. We can provide no assurances that our expectations regarding the profitability of future acquisitions will prove to be accurate. Acquisitions might also increase our exposure to the risks inherent in certain markets or industries.

As a result of completed and possible future acquisitions, our past performance is not indicative of future performance, and investors should not base their expectations as to our future performance on our historical results.

***Future acquisitions may require that we incur debt or issue dilutive equity.***

Future acquisitions may require us to incur additional debt, under our existing credit facility or otherwise, or issue equity, resulting in additional leverage or dilution of ownership.

***Difficulties in integrating acquired businesses could result in reduced revenues and income.***

We might not be able to integrate successfully any business we have acquired or could acquire in the future. The integration of the businesses could be complex and time consuming and will place a significant strain on our management, administrative services personnel and information systems. This strain could disrupt our business. Furthermore, we could be adversely impacted by liabilities of acquired businesses. We could encounter substantial difficulties, costs and delays involved in integrating common accounting, information and communication systems, operating procedures, internal controls and human resources practices, including incompatibility of business cultures and the loss of key employees and customers. Also, depending on the type of acquisition, a key element of our strategy may include retaining management and key personnel of the acquired business to operate the acquired business for us. Our inability to retain these individuals could materially impair the value of an acquired business. In addition, small businesses acquired by us may have greater difficulty competing for new work as a result of being part of our larger entity. These difficulties could reduce our ability to gain customers or retain existing customers, and could increase operating expenses, resulting in reduced revenues and income and a failure to realize the anticipated benefits of acquisitions.

***Our business and financial condition could be adversely affected by government limitations on contractor profitability.***

A significant portion of our revenue and profit is derived from contracts with the U.S. Government and subcontracts with prime contractors of the U.S. Government. The U.S. Government places limitations on contractor profitability; therefore, government-related contracts might have lower profit margins than the contracts we enter into with commercial customers.

***A negative audit or other actions by the U.S. Government could adversely affect our future operating performance.***

As a U.S. Government contractor, we must comply with laws and regulations relating to U.S. Government contracts and are subject to an increased risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities to which companies with solely commercial customers are not subject. We are subject to audit and investigation by the DCAA and other government agencies with respect to our compliance with federal laws, regulations and standards. These audits may occur several years after the period to which the audit relates. The DCAA, in particular, also reviews the adequacy of, and our compliance with, our internal control systems and policies, including our purchasing, property, estimating, compensation and management information systems. Any payments received by us from the U.S. Government for allowable direct and indirect costs are subject to adjustment after audit by government auditors and repayment to the government if the payments exceed allowable costs as defined in the government contracts, which could result in a material adjustment of the payments received by us under such contracts. In addition, any costs found to be improperly allocated to a specific contract will not be reimbursed. If we are found to be in violation of the law, we may be subject to civil or criminal penalties or administrative sanctions, including contract termination, the assessment of penalties and suspension or debarment from doing business with U.S. Government agencies. For example, many of the contracts we perform for the U.S. Government are subject to the Service Contract Act, which requires hourly employees to be paid certain specified wages and benefits. If the Department of Labor determines that we violated the Service Contract Act or its implementing regulations, we could be suspended for a period of time from winning new government contracts or renewals of existing contracts, which could materially and adversely affect our future operating performance.

Furthermore, our reputation could suffer serious harm if allegations of impropriety were made against us. If we are suspended or prohibited from contracting with the U.S. Government, or any significant U.S. Government agency, if our reputation or relationship with U.S. Government agencies becomes impaired or if the U.S. Government otherwise ceases doing business with us or significantly decreases the amount of business it does with us, it could materially and adversely affect our operating performance and could result in additional expenses and a loss of revenue.

***We are a party to fixed price contracts and may enter into similar contracts in the future, which could result in reduced profits or losses if we are not able to accurately estimate or control costs or meet specific service levels.***

A significant portion of our revenue is attributable to contracts entered into on a fixed price basis, which allows us to benefit from cost savings, but we carry the burden of cost overruns. If our initial estimates are incorrect, or if unanticipated circumstances arise, we could experience cost overruns which would result in reduced profits or even result in losses on these contracts. Our financial condition is dependent upon our ability to maximize our earnings from our contracts. Lower earnings or losses caused by cost overruns could have a negative impact on our financial results.

Under time and materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses. Under cost-reimbursable contracts, which are subject to a contract ceiling amount, we are reimbursed for allowable costs and paid a fee, which may be fixed or performance based. However, if costs exceed the contract ceiling or are not allowable under the provisions of the contract or applicable regulations, we may not be able to obtain reimbursement for all such costs.

Our inability to successfully estimate and manage costs on each of these contract types may materially and adversely affect our financial condition. Cost overruns also may adversely affect our ability to sustain existing programs and obtain future contract awards.

Also, many of our contracts include clauses that tie our compensation to the achievement of agreed-upon performance standards. If we fail to satisfy these measures, it could significantly reduce or eliminate our fees under the contracts. Clients also often have the right to terminate a contract and pursue damage claims under the contract for serious or repeated failure to meet these service commitments. These provisions could increase the variability in revenues and margins earned on those contracts.

***Our revenues may be adversely affected if we fail to win competitively awarded contracts or to receive renewal or follow-on contracts.***

We obtain many of our significant contracts, including U.S. Government contracts, through a competitive bidding process. Competitive bidding presents a number of risks, including, without limitation:

- the need to compete against companies or teams of companies that may have more financial and marketing resources and more experience in bidding on and performing major contracts than we have;
- the need to compete against companies or teams of companies that may be long-term, entrenched incumbents for a particular contract for which we are competing;
- the need to compete to retain existing contracts that have in the past been awarded to us;
- the expense and delay that may arise if our competitors protest or challenge new contract awards;
- the need to submit proposals for scopes of work in advance of the completion of their design, which may result in unforeseen cost overruns;
- the substantial cost and managerial time and effort, including design, development and marketing activities necessary to prepare bids and proposals for contracts that we may not win;
- the need to develop, introduce and implement new and enhanced solutions to our customers' needs;
- the need to locate and contract with teaming partners and subcontractors; and
- the need to accurately estimate the resources and cost structure that will be required to perform any fixed price contract that we win.

There are no assurances that we will continue to win competitively awarded contracts or to receive renewal or follow-on contracts. Renewal and follow-on contracts are important because our contracts are for fixed terms. These terms vary from shorter than one year to over five years, particularly for contracts with extension options. The loss of revenues from our failure to win competitively awarded contracts or to obtain renewal or follow-on contracts may be significant because competitively awarded contracts account for a substantial portion of our sales.

***Our backlog is subject to reduction and cancellation, which could negatively impact our future revenues or earnings.***

Our backlog for services under executed contracts (including subcontracts and purchase orders) was approximately \$284.6 million, \$239.1 million and \$234.1 million as of December 31, 2016, 2015 and 2014, respectively. There can be no assurance that the revenues projected in our backlog will be realized or, if realized, will result in profits. Further, contract terminations or reductions in the original scope of contracts reflected in our backlog might occur at any time as discussed below in more detail.

Our backlog consists of projects for which we have signed contracts from customers. The rate at which services are performed under contracts, and thus the rate at which backlog will be recognized, may be at the discretion of the client. We cannot predict with certainty when or if backlog will be performed. In addition, even where a project proceeds as scheduled, it is possible that customers could default or otherwise fail to pay amounts owed to us. Material delays, terminations or payment defaults under contracts included in our backlog could have a material adverse effect on our business, results of operations and financial condition.

In addition, most of our contracts are subject to termination by the client upon written notice. Reductions in our backlog due to termination by a customer or for other reasons could materially and adversely affect the revenues and earnings we actually receive from contracts included in our backlog. If we experience terminations of significant contracts or significant scope adjustments to contracts reflected in our backlog, our financial condition, results of operations, and cash flow could be materially and adversely impacted.

***We rely on third parties, including subcontractors, suppliers, teaming partners, software vendors and others to deliver the services we must provide to our customers and to operate our business, and disputes with or the failure to perform satisfactorily of such a third party could materially and adversely affect our performance, our ability to obtain future work, and our ability to manage our business effectively.***

Many of our contracts involve subcontracts or agreements with other companies upon which we rely to perform a portion of the services or products we must provide to our customers. We also rely on third parties to provide us services and products we use for other functions in the operation of our business. There is a risk that we may have disputes with these third parties, including disputes regarding the quality and timeliness of services or work provided by the third party. A failure by one or more of third parties on whom we rely to satisfactorily provide, on a timely basis, the agreed upon services or products may materially and

adversely impact our ability to perform our obligations to our customer or effectively operate our business. Third party performance deficiencies could expose us to liability and have a material adverse effect on our results of operations.

Also, from time to time we have entered, and expect to continue to enter, into joint venture, teaming and other similar arrangements which involve risks and uncertainties. These risks and uncertainties could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture, teaming and other similar arrangements.

***We maintain a workforce based upon anticipated staffing needs. If we do not receive future contract awards or if these awards are delayed or reduced in scope or funding, we could incur significant costs.***

Our estimates of future staffing requirements depend in part on the timing of new contract awards. We make our estimates in good faith, but our estimates could be inaccurate or change based upon new information. In the case of larger projects, it is particularly difficult to predict whether we will receive a contract award and when the award will be announced. In some cases the contracts that are awarded require staffing levels that are different, sometimes lower, than the levels anticipated when the work was proposed. The uncertainty of contract award timing and changes in scope or funding can present difficulties in matching our workforce size with our contract needs. If an expected contract award is delayed or not received, or if a contract is awarded for a smaller scope of work than proposed, we could incur significant costs associated with making or failing to make reductions in staff.

***Failure to continue to attract and retain qualified personnel could harm our business.***

Our principal resource is our personnel. A significant portion of our revenue is derived from services and products that are delivered by instructors, engineers, technical personnel and consultants. Our consulting, technical training and engineering services require the employment of individuals with specific skills, training, licensure and backgrounds. An inability to hire or maintain employees with the required skills, training, licensure or backgrounds could have a material adverse effect on our ability to provide quality services, to expand the scope of our service offerings or to attract or retain customers or to accept contracts, which could negatively impact our business and financial condition. In order to initiate and develop client relationships and execute our growth strategy, we must continue to hire and maintain qualified salespeople. We must also continue to attract and develop capable management personnel to guide our business and supervise the use of our resources.

Similarly, our U.S. Government contracts require employment of individuals with specified skills, work experience, licensures, security clearances and backgrounds. An inability to hire or maintain employees with the required skills, work experience, licensure, security clearances or backgrounds could have a material adverse effect on our ability to win new contracts or satisfy existing contractual obligations, and could result in additional expenses or possible loss of revenue.

Competition for qualified personnel can be intense. We cannot assure you that qualified personnel will continue to be available to us or will be available to us when our needs arise or on terms favorable to us. Any failure to attract or retain qualified instructors, engineers, technical personnel, consultants, salespeople and managers in sufficient numbers could have a material adverse effect on our business and financial condition.

***The loss of our key personnel, including our executive management team, could harm our business.***

Our success is largely dependent upon the experience and continued services of our executive management team and our other key personnel. The loss of one or more of our key personnel and a failure to attract, develop or promote suitable replacements for them could materially and adversely affect our business, results of operation or financial condition.

***Competition could materially and adversely affect our performance.***

The training industry is highly fragmented and competitive, with low barriers to entry and no single competitor accounting for a significant market share. Our competitors include divisions of several large publicly traded and privately held companies, vocational and technical training schools, degree-granting colleges and universities, continuing education programs and thousands of small privately held training providers and individuals. In addition, many of our clients maintain internal training departments, which have the resources and ability to provide the same or similar services in-house. Some of our competitors offer similar services and products at lower prices, and some competitors have significantly greater financial, managerial, technical, marketing and other resources. Moreover, we expect to face additional competition from new entrants into the training and performance improvement market due, in part, to the evolving nature of the market and the relatively low barriers to entry.

The engineering and construction markets in which we compete are also highly competitive. Many of our competitors are niche engineering and construction companies. In some instances, it is necessary for us to partner with those competitors who meet the small business administration's criteria for a small business in order to win contract awards. This competition places downward pressure on our contract prices and profit margins. Intense competition is expected to continue in our training, engineering and technical services markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits.

We cannot provide any assurance that we will be able to compete successfully in the industries or markets in which we compete, and the failure to do so could materially and adversely affect our business, results of operations and financial condition.

***Failure to keep pace with technology and changing market needs could harm our business.***

Our future success will depend upon our ability to adapt to changing client needs, to gain expertise in technological advances rapidly and to respond quickly to evolving industry trends and market needs. Many of our clients are demanding that our services be available across the U.S. and worldwide. We cannot assure you that we will be able to expand our operations into all geographic areas into which our multinational clients seek to use our services or that we will be able to attract and retain qualified personnel to provide our services in all such geographic areas. We also cannot assure you that we will be successful in adapting to advances in technology or marketing our services and products in advanced formats. In addition, services and products delivered in the newer formats might not provide comparable training results. Furthermore, subsequent technological advances might render moot any successful expansion of the methods of delivering our services and products. If we are unable to develop new means of delivering our services and products due to capital, personnel, technological or other constraints, our business, results of operations and financial condition could be materially and adversely affected.

***We have only a limited ability to protect the intellectual property rights that are important to our success, and we face the risk that our services or products may infringe upon the intellectual property rights of others.***

Our future success depends, in part, upon our ability to protect our proprietary methodologies and other intellectual property, including our EtaPRO™ software. Existing laws of some countries in which we provide or license or intend to provide or license our services or products may offer only limited protection of our intellectual property rights. We rely upon a combination of trade secrets, confidentiality policies, non-disclosure and other contractual arrangements and copyright and trademark laws to protect our intellectual property rights. The steps we take in this regard might not be adequate to prevent or deter infringement or other misappropriation of our intellectual property, and we may not be able to detect unauthorized use or take appropriate and timely steps to enforce our intellectual property rights. Protecting our intellectual property rights might also consume significant management time and resources.

We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we might have infringement claims asserted against us or against our clients. These claims might harm our reputation, result in financial liabilities and prevent us from offering some services or products. We have generally agreed in our contracts to indemnify our clients against expenses or liabilities resulting from claimed infringements of the intellectual property rights of third parties. In some instances, the amount of these indemnities could be greater than the revenues we receive from the client. Any claims or litigation in this area, whether we ultimately win or lose, could be time-consuming and costly, injure our reputation or require us to enter into royalty or licensing arrangements. We might not be able to enter into these royalty or licensing arrangements on acceptable terms. Any limitation on our ability to provide or license a service or product could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future projects.

***Our information technology systems are subject to risks that we cannot control.***

Our information technology systems, including technology systems provided by third parties, are dependent upon global communications providers, web browsers, telephone systems, and other aspects of the Internet infrastructure that have experienced system failures and electrical outages in the past. Our systems are susceptible to slow access and download times, outages from fire, floods, power loss, telecommunications failures, hacking, and similar events. Our servers are vulnerable to computer viruses, hacking, and similar disruptions from unauthorized tampering with our computer systems. The occurrence of any of these events could disrupt or damage our information technology systems and inhibit our internal operations, our ability to provide services to our customers, and the ability of our customers to access our information technology systems. This could result in our loss of customers, loss of revenue or a reduction in demand for our services, or affect the ability to manage our business effectively.

***We may experience difficulties implementing our new global enterprise resource planning system.***

In the first quarter of 2017, we began the implementation of a new global enterprise resource planning system (ERP), which we expect to be operational January 1, 2018. We believe the new ERP system will provide greater depth and breadth of functionality than our current ERP system, allowing us to more effectively manage business and financial data, human resources functions, supply chain, and other business processes and information that is important to our management team. Implementation of the new ERP system will require significant investment of human and financial resources throughout the year, which may distract from other key initiatives. In implementing the new ERP, we may experience significant delays, increased costs and other difficulties which could negatively affect our business, results of operations and financial condition.

***A breach of our security measures (or security measures of third-parties we have engaged) could harm our business, results of operations and financial condition.***

Our databases contain our confidential data and confidential data of our clients and our clients' customers, employees and vendors, including sensitive personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as the national laws implementing the European Union Directive on Data Protection and various U.S. federal and state laws governing the protection of health or other personally identifiable information. These laws and regulations are increasing in complexity and number, change frequently and sometimes conflict among the various countries in which we operate. We have implemented security measures, both directly and with third-party subcontractors and service providers, with the intent of maintaining the security of any confidential information which has been entrusted to us against unauthorized access through our information systems or by other electronic transmission or through the misdirection, theft or loss of physical media. A party, including our employees, who is able to circumvent our security measures could misappropriate such confidential information or interrupt our operations. Many of our contracts require us to comply with specific data security requirements. If we are unable to maintain our compliance with these data security requirements or any person, including any of our current or former employees, penetrates our network security or misappropriates sensitive data, we could be subject to significant liabilities to our clients or other parties or subject to legal actions for breaching these data security requirements or other contractual confidentiality provisions. These liabilities might not be subject to a contractual limit of liability or an exclusion of consequential or indirect damages and could be significant. Furthermore, unauthorized disclosure of sensitive or confidential data of our clients or other parties, whether through breach of our computer systems, systems failure or otherwise, could also damage our reputation and cause us to lose existing and potential clients. We may also be subject to civil actions, regulatory enforcement actions, and criminal prosecution for breaches related to such data or need to expend significant capital and other resources to continue to protect against security breaches or to address any problem they may cause. In addition, our liability insurance, which includes cyber insurance, might not be sufficient in type or amount to cover us against claims related to security breaches, cyberattacks and other related breaches.

***Our international sales and operations expose us to various political and economic risks, which could have a material adverse effect on our business, results of operations and financial condition.***

Our revenue outside of the U.S. was approximately 31%, 30% and 24% of our total revenue for the years ended December 31, 2016, 2015 and 2014, respectively. We conduct our business globally. We established over a dozen new subsidiaries in select countries since 2013 to support new global outsourcing contracts. We may continue to expand our global operations into countries other than those in which we currently operate. It could also involve expanding into less developed countries, which may have less political, social or economic stability and less developed infrastructure and legal systems. International sales and operations might be subject to a variety of risks, including:

- greater difficulty in staffing and managing foreign operations;
- greater risk of uncollectible accounts;
- longer collection cycles;
- logistical and communications challenges;
- potential adverse changes in laws and regulatory practices, including export license requirements, trade barriers, tariffs and tax laws;
- changes in labor conditions, burdens and costs of compliance with a variety of foreign laws;
- political and economic instability;
- increases in duties and taxation;
- exchange rate risks;
- greater difficulty in protecting intellectual property;
- general economic and political conditions in these foreign markets;
- acts of war or terrorism or natural disasters, and limits on the ability of governments to respond to such acts;

- restrictions on the transfer of funds into or out of a particular country; or
- nationalization of foreign assets and other forms of governmental protectionism.

As we expand our business into new countries, we may increase our exposure to the risks discussed above. An adverse development relating to one or more of these risks could affect our relationships with our customers or could have a material adverse effect on our business, results of operations and financial condition.

***We are subject to risks associated with currency fluctuations, which could have a material adverse effect on our results of operations and financial condition.***

Approximately 31% of our revenue for the year ended December 31, 2016 was denominated in foreign currencies. British Pound Sterling-denominated revenue represented approximately 19% of our revenue for the year ended December 31, 2016. As a result, changes in the exchange rates of foreign currencies to the U.S. Dollar will affect our reported consolidated U.S. dollar revenue, cost of revenue and operating margins and could result in exchange losses. The impact of future exchange rate fluctuations on our results of operations cannot be accurately predicted.

***Business disruptions could adversely affect our future sales, financial condition, reputation or stock price or increase costs and expenses.***

Our business, and that of our key suppliers and customers, may be impacted by disruptions including, but not limited to, threats to physical security, information technology attacks or failures, damaging weather or other acts of nature and pandemics or other public health crises. Such disruptions could affect our internal operations or services provided to customers, adversely impacting our sales, financial condition, reputation or stock price or increase our costs and expenses.

***We are subject to potential liabilities which are not covered by our insurance.***

We engage in activities in which there are substantial risks of potential liability. We provide services involving electric power distribution and generation, nuclear power, chemical weapons destruction, petrochemical process training, pipeline operations, volatile fuels such as hydrogen and liquefied natural gas (“LNG”), environmental remediation, engineering design and construction management. We maintain a global insurance program (including general liability coverage) covering the businesses we currently own. Claims by or against any covered insured could reduce the amount of available insurance coverage for the other insureds and for other claims. In addition, certain liabilities might not be covered at all, such as deductibles, self-insured retentions, amounts in excess of applicable insurance limits and claims that fall outside the coverage of our policies.

Although we believe that we currently have appropriate insurance coverage, we do not have coverage for all of the risks to which we are subject and we may not be able to obtain appropriate coverage on a cost-effective basis in the future.

Our policies exclude coverage for incidents involving nuclear liability, and we may not be covered by U.S. laws or industry programs providing liability protection for licensees of the Nuclear Regulatory Commission (typically utilities) for damages caused by nuclear incidents; we are not a licensee and few of our contracts with clients have contained provisions waiving or limiting our liability. Therefore, we could be materially and adversely affected by a nuclear incident. In addition, certain environmental risks, such as liability under the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, (“Superfund”), also might not be covered by our insurance.

Some of our policies, such as our professional liability insurance policy, provide coverage on a “claims-made” basis covering only claims actually made during the policy period then in effect. To the extent that a risk is not insured within our then-available coverage limits, insured under a low-deductible policy, indemnified against by a third party or limited by an enforceable waiver or limitation of liability, claims could be material and could materially and adversely affect our business, results of operations and financial condition.



***We could incur substantial costs as a result of violations of, or liabilities under, environmental laws.***

We provide environmental engineering services, including the development and management of site environmental remediation plans. Although we subcontract most remediation construction activities, and in all cases subcontract the removal and off-site disposal and treatment of hazardous substances, we could be subject to liability relating to the environmental services we perform directly or through subcontracts. For example, if we were deemed under federal or state laws, including Superfund, to be an “operator” of sites to which we provide environmental engineering and support services, we could be subject to liability for cleanup costs or violations of applicable environmental laws and regulations at such sites. Any incurrence of any substantial Superfund or other environmental liability could materially and adversely affect our business, results of operations or financial condition by reducing profits, causing us to incur losses related to the cost of resolving such liability or otherwise.

In addition, our environmental engineering services involve professional judgments about the nature of physical and environmental conditions, including the extent to which hazardous substances are present, and about the probable effect of procedures to mitigate or otherwise affect those conditions. If the judgments and the recommendations based upon those judgments are incorrect, we may be liable for resulting damages incurred by our clients.

***Our authorized preferred stock and certain provisions in our amended and restated by-laws could make a third party acquisition of us difficult.***

Our restated certificate of incorporation, as amended, (“restated certificate”), allows us to issue up to 10,000,000 shares of preferred stock, the rights, preferences, qualifications, limitations and restrictions of which may be fixed by the Board of Directors without any further vote or action by the stockholders. In addition, our amended and restated bylaws provide, among other things, that stockholders seeking to bring business before or to nominate candidates for election as directors at an annual meeting of stockholders must provide us with timely advance written notice of their proposal in a prescribed form. Our amended and restated bylaws also provide that stockholders desiring to call a special meeting for any purpose, must submit to us a request in writing of stockholders representing at least 50% of the combined voting power of all issued and outstanding classes of capital stock and stating the purpose of such meeting. The ability to issue preferred stock and such provisions in our bylaws might have the effect of delaying, discouraging or preventing a change in control that might otherwise be beneficial to stockholders and might materially and adversely affect the market price of our common stock.

In addition, some provisions of Delaware law, particularly the “business combination” statute in Section 203 of Delaware General Corporation Law, might also discourage, delay or prevent someone from acquiring us or merging with us. As a result of these provisions in our charter documents and Delaware law, the price investors might be willing to pay in the future for shares of our common stock might be limited.

***Our restated certificate allows us to redeem or otherwise dispose shares of our common stock owned by a foreign stockholder if certain U.S. Government agencies threaten termination of any of our contracts as a result of such an ownership interest.***

The United States Departments of Energy and Defense have policies regarding foreign ownership, control or influence over government contractors who have access to classified information, and might conduct an inquiry as to whether any foreign interest has beneficial ownership of 5% or more of a contractor’s or subcontractor’s voting securities. If either Department determines that an undue risk to the defense and security of the United States exists as a result of foreign ownership, control or influence over a government contractor (including as a result of a potential acquisition), it might, among other things, terminate the contractor’s or subcontractor’s existing contracts. Our restated certificate allows us to redeem or require the prompt disposition of all or any portion of the shares of our common stock owned by a foreign stockholder beneficially owning 5% or more of the outstanding shares of our common stock if either Department threatens termination of any of our contracts as a result of such an ownership interest. These provisions may have the additional effect of delaying, discouraging or preventing a change in control and might materially and adversely affect the market price of our common stock. In connection with the sale of shares of common stock to Sagard in December 2009, we agreed to render these provisions, as well as other anti-takeover measures, inapplicable to Sagard.

**Item 1B: Unresolved Staff Comments**

None.

**Item 2: Properties**

We do not own any significant real property, but we and our subsidiaries lease an aggregate of approximately 508,000 square feet of primarily office and related space at various locations throughout the United States and Europe and other countries in which we have operations. We occupy approximately 64,000 square feet in an office building in Columbia, Maryland for our corporate headquarters under a lease which expires in 2025, and approximately 60,000 square feet in an office building in Troy, Michigan under a lease which expires in 2018.

We believe that our properties have been well maintained, are suitable and adequate for us to operate at present levels and the productive capacity and extent of utilization of the facilities are appropriate for our existing real estate requirements. Upon expiration of these leases, we do not anticipate any difficulty in obtaining renewals or alternative space.

**Item 3:      Legal Proceedings**

None.

**Item 4:      Mine Safety Disclosures**

None.

## PART II

### Item 5: Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock, \$0.01 par value, is traded on the New York Stock Exchange. The following table presents our high and low market prices for the last two fiscal years. During the periods presented below, we have not paid any cash dividends.

Quarter	2016	
	High	Low
First	\$ 27.99	\$ 21.76
Second	27.36	20.06
Third	25.50	19.59
Fourth	30.00	23.75

Quarter	2015	
	High	Low
First	\$ 37.85	\$ 31.01
Second	37.50	29.73
Third	35.39	22.07
Fourth	28.59	22.57

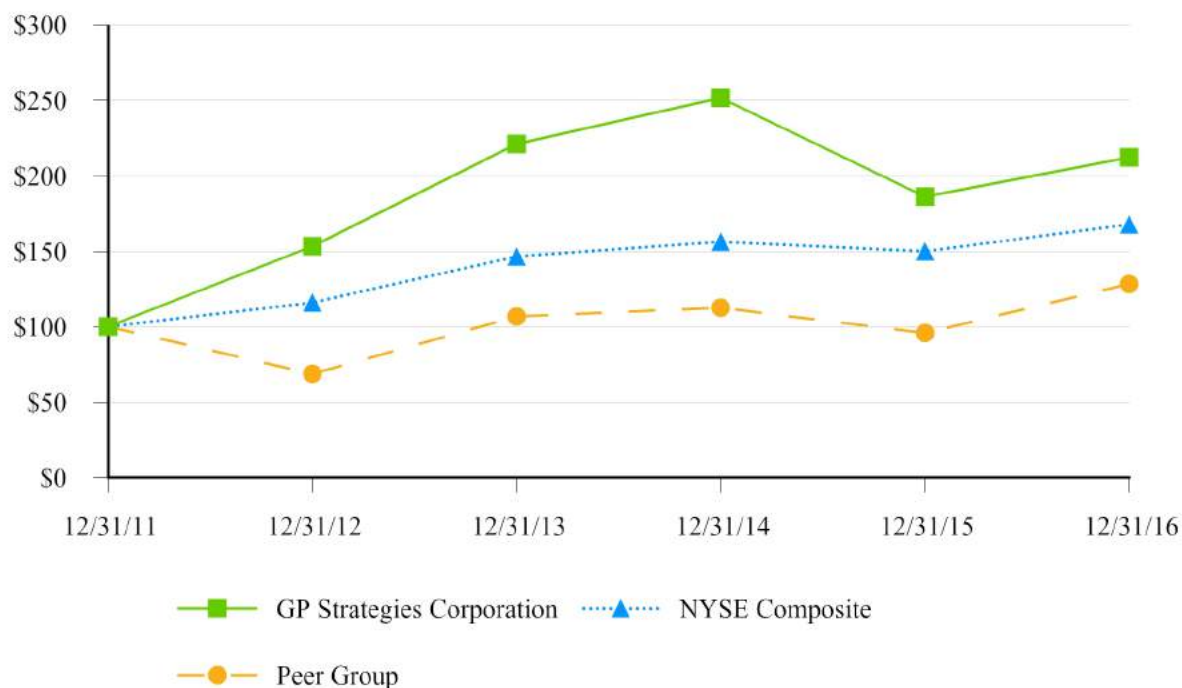
The number of shareholders of record of our common stock as of February 16, 2017 was 678. Shares of our common stock that are registered in the name of a broker or other nominee are listed as a single shareholder on our record listing, even though they are held for a number of individual shareholders. As such, our actual number of shareholders is higher than the number of shareholders of record.

We have not declared or paid any cash dividends on our common stock during the two most recent fiscal years. We do not anticipate paying cash dividends on our common stock in the foreseeable future and intend to retain future earnings to finance the growth and development of our business.

## Performance Graph

The following graph assumes \$100 was invested on December 31, 2011 in GP Strategies Common Stock, and compares the share price performance with the NYSE Market Index and a peer group index which consists of the companies included in Standard Industrial Classification (SIC) 8200, Educational Services. Values are as of December 31 of the specified year assuming that all dividends were reinvested.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\* Among GP Strategies Corporation, the NYSE Composite Index, and a Peer Group



\*\$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

Company / Index Name	Year ended December 31,					
	2011	2012	2013	2014	2015	2016
GP Strategies Corp.	\$ 100.00	\$ 153.19	\$ 220.99	\$ 251.71	\$ 186.28	\$ 212.17
NYSE Market Index	100.00	115.99	146.47	156.36	149.97	167.87
Peer Group Index	100.00	68.66	106.75	112.65	95.74	128.32

## Issuer Purchases of Equity Securities

The following table provides information about our share repurchase activity for the three months ended December 31, 2016:

Month	Issuer Purchases of Equity Securities			
	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Approximate dollar value of shares that may yet be purchased under the program <sup>(1)</sup>
October 1 - 31, 2016	349 <sup>(2)</sup>	\$ 24.85	—	\$ 6,050,000
November 1 - 30, 2016	12,094 <sup>(2)</sup>	\$ 24.75	—	\$ 6,050,000
December 1 - 31, 2016	8,241 <sup>(2)</sup>	\$ 28.55	—	\$ 6,050,000

- (1) Represents shares repurchased in the open market in connection with our share repurchase program under which we may repurchase shares of our common stock from time to time in the open market subject to prevailing business and market conditions and other factors. There is no expiration date for the repurchase program.
- (2) Includes shares surrendered to satisfy tax withholding obligations on restricted stock units which vested during these periods and shares surrendered to exercise stock options and satisfy the related tax withholding obligations.

**Item 6: Selected Financial Data**

The selected financial data presented below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and our consolidated financial statements and the notes thereto included elsewhere in this report. Our consolidated statement of operations data for the years ended December 31, 2016, 2015, and 2014 and our consolidated balance sheet data as of December 31, 2016 and 2015 have been derived from our audited consolidated financial statements included elsewhere in this report. Our consolidated statement of operations data for the years ended December 31, 2013 and 2012 and our consolidated balance sheet data as of December 31, 2014, 2013, and 2012 have been derived from audited consolidated financial statements which are not presented in this report.

<b>Statement of Operations Data</b>	<b>Years ended December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	(In thousands, except per share amounts)				
Revenue	\$ 490,559	\$ 490,280	\$ 501,867	\$ 436,689	\$ 401,572
Gross profit	80,157	81,992	89,575	76,265	71,971
Interest expense	1,568	1,381	833	366	269
Income before income taxes	30,034	29,623	42,823	38,488	35,802
Net income	20,247	18,789	27,098	23,756	22,688
Diluted earnings per share	1.21	1.09	1.43	1.23	1.18

<b>Balance Sheet Data</b>	<b>December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	(In thousands, except per share amounts)				
Cash	\$ 16,346	\$ 21,030	\$ 14,541	\$ 5,647	\$ 7,761
Short-term borrowings	17,694	34,084	20,799	407	—
Working capital	59,859	40,322	43,537	58,730	49,146
Total assets	315,601	302,969	305,452	280,156	244,434
Long-term debt, including current maturities	40,000	24,444	37,777	—	—
Stockholders’ equity	167,496	158,344	151,725	193,027	167,337

## **Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto for the year ended December 31, 2016 which are located in Item 8 of this report.

### ***General Overview***

We are a global performance improvement solutions provider of training, e-Learning solutions, management consulting and engineering services that seeks to improve the effectiveness of organizations by providing services and products that are customized to meet the specific needs of clients. Clients include Fortune 500 companies and governmental and other commercial customers in a variety of industries. We believe we are a global leader in performance improvement, with over four decades of experience in providing solutions to optimize workforce performance.

As of December 31, 2016, we operated through four reportable business segments: (i) Learning Solutions, (ii) Professional & Technical Services, (iii) Sandy Training & Marketing, and (iv) Performance Readiness Solutions. Each of our reportable segments represents an operating segment under U.S. GAAP. We are organized by operating group primarily based upon the markets served by each group and/or the services performed. Each operating group consists of business units which are focused on providing specific products and services to certain classes of customers or within targeted markets. Marketing and communications, accounting, tax, finance, legal, human resources, information systems and other administrative services are organized at the corporate level. Business development and sales resources are aligned with operating groups to support existing customer accounts and new customer development.

Further information regarding our business segments is discussed below.

**Learning Solutions.** The Learning Solutions segment delivers training, curriculum design and development, e-Learning services, system hosting, training business process outsourcing and consulting services globally. This segment serves large companies in the electronics and semiconductors, healthcare, software, financial services and other industries as well as government agencies. This segment also provides apprenticeship and vocational skills training funded by an agency of the United Kingdom government. The ability to deliver a wide range of training services on a global basis allows this segment to take over the entire learning function for the client, including their training personnel.

**Professional & Technical Services.** The Professional & Technical Services segment provides training, consulting, engineering and technical services, including lean consulting, emergency preparedness, safety and regulatory compliance, chemical demilitarization and environmental services primarily to large companies in the manufacturing, steel, pharmaceutical energy and petrochemical industries; federal and state government agencies; and large government contractors. Our proprietary EtaPRO™ Performance and Condition Monitoring System provides a suite of real-time software solutions for power generation facilities and is installed on power-generating units across the world. In addition to providing custom training solutions, this segment provides web-based training through our GPiLEARN™ portal, which offers a variety of courses to power plant personnel in the U.S. and other countries. This segment also provides services to users of alternative fuels, including designing and constructing liquefied natural gas (LNG), liquid to compressed natural gas (LCNG) and hydrogen fueling stations, as well as supplying equipment.

**Sandy Training & Marketing.** The Sandy Training & Marketing segment provides custom product sales training and has been a leader in serving manufacturing customers in the U.S. automotive industry for over 40 years. Sandy provides custom product sales training designed to better educate customer sales forces with respect to new vehicle features and designs, in effect rapidly increasing the sales force knowledge base and enabling them to address detailed customer queries. Furthermore, Sandy helps our clients assess their customer relationship marketing strategy and connect with their customers on a one-to-one basis including through custom publications. This segment also provides technical training services to automotive manufacturers as well as customers in other industries.

**Performance Readiness Solutions.** This segment provides performance consulting and technology consulting services, including platform adoption, end-user training, change management, knowledge management, customer product training outsourcing, training content development and sales enablement solutions. This segment also offers organization performance solutions, including leadership development training and employee engagement tools and services. Industries served include manufacturing, aerospace, healthcare, life sciences, consumer products, financial, telecommunications and higher education as well as government agencies.

We discuss our business in more detail in *Item 1. Business* and the risk factors affecting our business in *Item 1A. Risk Factors*.

### ***Business Strategy***

We seek to increase shareholder value by pursuing the following strategies:

**Continuously enhance our service offerings and capabilities.** We believe the demand for learning and development services will continue to increase. In a knowledge based economy, this demand is driven by ever increasing technology, processes, products, and attrition of personnel. The rate and effectiveness of the transfer of knowledge to the workforce of our clients, their partners, and even their customers can positively impact their performance. We plan to meet this demand by continuously expanding our services and capabilities through organic growth initiatives based upon our technical expertise as well as through targeted acquisitions. Our acquisitions in recent years have added product sales training and leadership development to our services offerings, strengthened our e-Learning and custom training content development services in both the commercial and government sectors, and expanded our geographical reach. We believe that the breadth of our service and product offerings allows us to effectively compete for customers by offering a comprehensive solution for custom training, consulting, engineering and technical services. We will continue to focus on increasing our capabilities to drive incremental growth from new, as well as existing, clients.

**Develop and maintain strong customer relationships.** We plan to preserve and grow our business by cross-selling our services and capabilities across and within our existing client base. We have a successful track record of increasing the scope of our work for a number of our clients, many of whom we estimate currently outsource only a fraction of their training expenditures. We believe that as our clients benefit from the efficient, cost-effective and flexible training solutions and services that we provide, many of them will find it beneficial to increase the scope of training services that they outsource to third party providers. We believe that the strength of our relationships with our existing clients, including the insight and knowledge into their operations that we have developed through these relationships, when combined with the broad range of our service and product offerings, provide us with an advantage when competing for these additional expenditures.

**Leverage BPO capabilities.** We have a demonstrated ability to provide training services across a wide spectrum of learning engagements from transactional multi-week assignments focused on a single aspect of a learning process to multi-year contracts where we manage the learning infrastructure of our customer. Integrated BPO engagements typically require us to assume responsibility for the development, delivery and administration of learning functions and are generally carried out under multi-year agreements. We intend to leverage our BPO capabilities to expand the customers and markets we serve.

**Expand global platform.** We believe international markets offer growth opportunities for our services. We established over a dozen new subsidiaries in select countries since 2013 to support new global outsourcing contracts. We intend to leverage our enhanced infrastructure as well as to further establish our global platform in order to deliver our comprehensive offerings to new and existing clients on a global basis. In our experience, many of our clients are seeking access to additional international markets and as such we intend to enhance our international capabilities. In order to support their business expansion we are providing employee training solutions across organizations in different countries and different languages, while maintaining quality and consistency in the overall training program. By moving into specific international markets with our existing clients, we are able to not only deepen our relationships with those clients, but are also able to develop expertise in those markets that we can leverage to additional customers. We believe that following this strategy provides us with opportunities to gain access to international markets with established client relationships in those markets.

**Complete strategic acquisitions.** We will continue to evaluate compelling, strategic acquisition targets and will acquire businesses that can further enhance our service offerings and delivery capabilities. We have followed a disciplined approach to target selection and have been able to acquire complementary businesses at what we believe are attractive valuations. Since 2006, we have acquired over 25 businesses which have expanded our e-Learning capabilities and added complementary services such as product sales training and leadership development. Over half of these businesses are located outside of the United States and have strengthened our international platform, enabling us to meet the needs of our global clients while providing additional client opportunities. We also believe that our current operating structure, which utilizes a centralized infrastructure of corporate services to support our various platforms, enhances our ability to quickly and cost-effectively integrate acquisitions. We look to identify acquisitions to augment our capabilities when we believe acquisitions are the quickest and most efficient way of expanding our platform and service offerings.



## ***Significant Events***

### **Acquisitions**

Below is a summary of the acquisitions we completed during 2016 and 2014 (we did not complete any acquisitions in 2015). See Note 2 to the accompanying Consolidated Financial Statements for further details, including the purchase price allocations.

#### **Jencal Training**

On March 1, 2016, we acquired the share capital of Jencal Training Limited (Jencal Training) and its subsidiary B2B Engage Limited (B2B), an independent provider of vocational skills training in the United Kingdom. The upfront purchase price was \$2.5 million in cash. In addition, we paid an additional \$0.2 million of deferred consideration in the fourth quarter of 2016. The acquired Jencal Training business is included in the Learning Solutions segment and the results of its operations have been included in the consolidated financial statements beginning March 1, 2016. The pro-forma impact of the acquisition is not material to our results of operations.

#### **Maverick Solutions**

Effective October 1, 2016, we acquired the business and certain assets of Maverick Solutions, a U.S.-based provider of Enterprise Resource Planning (ERP) product training services. The upfront purchase price was \$4.6 million in cash. In addition, the purchase agreement requires up to an additional \$10.0 million of consideration, contingent upon the achievement of certain earnings targets during the two twelve-month periods following completion of the acquisition. The acquired Maverick Solutions business is included in the Performance Readiness Solutions segment and the results of its operations have been included in the consolidated financial statements beginning October 1, 2016. The pro-forma impact of the acquisition is not material to our results of operations.

#### **Effective Companies**

On April 1, 2014, we completed the acquisition of Effective People and Effective Learning (the "Effective Companies"), providers of human capital management (HCM) solutions, including sales and support of the full SAP SuccessFactors Business Education (BizX) Platform, eLearning and blended learning solutions, as well as recruitment and employee development services. The Effective Companies are headquartered in Copenhagen, Denmark. The upfront purchase price was \$9.0 million which was paid in cash at closing. In addition, the purchase agreement requires up to an additional \$5.7 million of consideration, contingent upon the achievement of certain earnings targets during the two twelve-month periods following completion of the acquisition. We paid \$2.6 million in 2015 with respect to the first twelve-month period following completion of the acquisition and \$2.6 million in 2016 for the second twelve-month period following completion of the acquisition. The acquired Effective Companies business is included in the Learning Solutions segment and the results of its operations have been included in the consolidated financial statements beginning April 1, 2014.

### **Share Repurchase Program**

We have a share repurchase program under which we may repurchase shares of our common stock from time to time in the open market, subject to prevailing business and market conditions and other factors. During the years ended December 31, 2016, 2015 and 2014, we repurchased approximately 340,000, 477,000 and 147,000 shares, respectively, of our common stock in the open market for a total cost of approximately \$8.0 million, \$12.3 million and \$3.7 million, respectively. As of December 31, 2016, there was approximately \$6.1 million available for future repurchases under the buyback program. There is no expiration date for the repurchase program.

### **Modified "Dutch auction" Tender Offer**

In September 2014, we conducted a modified "Dutch auction" tender offer to repurchase for cash shares of our common stock. The tender offer resulted in the Company accepting for payment an aggregate of 2,127,706 shares of its common stock at a purchase price of \$29.00 per share, for an aggregate cost of approximately \$61.7 million, excluding fees and expenses of \$1.2 million in connection with the tender offer. The total amount of shares purchased in the tender offer represented approximately 11.1% of our issued and outstanding shares as of September 29, 2014. The transaction closed on October 3, 2014.

## Results of Operations

### Operating Highlights

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

During the year ended December 31, 2016, our revenue increased \$0.3 million, or 0.1%, to \$490.6 million compared to \$490.3 million for the year ended December 31, 2015. While revenue was largely flat in total, the slight increase in revenue was comprised of a \$2.0 million increase in our Learning Solutions segment, a \$14.2 million increase in our Sandy Training & Marketing segment and a \$1.3 million increase in our Performance Readiness Solutions segment offset by a \$17.2 million decline in our Professional & Technical Services segment. Foreign currency exchange rate declines resulted in a total \$14.0 million decrease in U.S. dollar reported revenue during 2016 across all segments. The changes in revenue and gross profit are discussed in further detail below by segment.

Operating income, the components of which are discussed in detail below, decreased \$0.9 million or 2.8% during the year ended December 31, 2016. The net decrease in operating income was primarily due to a \$1.8 million, or 2.2%, decrease in gross profit and a \$0.8 million, or 1.8%, increase in selling, general & administrative expenses, offset by restructuring charges of \$1.6 million incurred during the year ended December 31, 2015 that did not recur in 2016.

For the year ended December 31, 2016, we had income before income taxes of \$30.0 million compared to \$29.6 million for the year ended December 31, 2015. Net income was \$20.2 million, or \$1.21 per diluted share, for the year ended December 31, 2016 compared to \$18.8 million, or \$1.09 per diluted share, for 2015. Diluted weighted average shares outstanding were 16.8 million for the year ended December 31, 2016 compared to 17.3 million for the year ended December 31, 2015. The decrease in shares outstanding is primarily due to the repurchase of shares under our buyback program in 2016.

### Revenue

	Years ended December 31,	
	2016	2015
	(Dollars in thousands)	
Learning Solutions	\$ 208,998	\$ 207,039
Professional & Technical Services	101,907	119,092
Sandy Training & Marketing	101,768	87,567
Performance Readiness Solutions	77,886	76,582
	<u>\$ 490,559</u>	<u>\$ 490,280</u>

Learning Solutions revenue increased \$2.0 million or 0.9% during the year ended December 31, 2016 compared to 2015. The increase in revenue is due to the following:

- A \$7.7 million net increase in e-Learning content development and training business process outsourcing (BPO) services; and
- A \$4.6 million revenue increase attributable to the Jencal Training acquisition completed on March 1, 2016; partially offset by
- A \$10.3 million decrease in revenue due to unfavorable changes in exchange rates.

Professional & Technical Services revenue decreased \$17.2 million or 14.4% during the year ended December 31, 2016 compared to 2015. The decrease in revenue is due to the following:

- A \$7.8 million decrease in training and technical services for oil and gas clients primarily due to project completions and reductions in the volume of spend by certain existing clients;
- A \$4.2 million net decrease in training and professional services for energy clients primarily due to project completions;
- A \$2.5 million net decrease in engineering and technical training services primarily due to project completions and reductions in the volume of spend by certain existing clients; and
- A \$2.7 million decrease in revenue due to unfavorable changes in foreign currency exchange rates.

Sandy Training & Marketing revenue increased \$14.2 million or 16.2% during the year ended December 31, 2016 compared to 2015. The net increase is primarily due to the following:

- A \$9.6 million increase in training services for in-dealership and other training programs for automotive customers;
- A \$5.9 million increase in training services for an automotive client related to a luxury vehicle launch; and
- A \$0.7 million increase in glovebox portfolio revenue, partially offset by
- A \$2.0 million decrease in magazine publications revenue due to a reduction in the volume of publications shipped.

Performance Readiness Solutions revenue increased \$1.3 million or 1.7% during the year ended December 31, 2016 compared to 2015. The net increase is primarily due to the following:

- A \$2.0 million revenue increase attributable to the Maverick acquisition completed on October 1, 2016; and
- A \$1.9 million increase in technical training services largely due to a new contract with an aerospace client; partially offset by
- A \$1.1 million decrease in platform adoption training services;
- A \$0.5 million decrease primarily in leadership development services; and
- A \$1.0 million decrease due to unfavorable changes in foreign currency exchange rates.

#### *Gross profit*

	<b>Years ended December 31,</b>			
	<b>2016</b>		<b>2015</b>	
	<b>% Revenue</b>		<b>% Revenue</b>	
	(Dollars in thousands)			
Learning Solutions	\$ 38,954	18.6%	\$ 36,223	17.5%
Professional & Technical Services	15,803	15.5%	23,621	19.8%
Sandy Training & Marketing	14,181	13.9%	11,321	12.9%
Performance Readiness Solutions	11,219	14.4%	10,827	14.1%
	<u>\$ 80,157</u>	16.3%	<u>\$ 81,992</u>	16.7%

Learning Solutions gross profit of \$39.0 million or 18.6% of revenue for the year ended December 31, 2016 increased by \$2.7 million or 7.5% when compared to gross profit of \$36.2 million or 17.5% of revenue for the year ended December 31, 2015. The increase in gross profit is primarily due to cost reduction initiatives. In addition, there was a \$1.1 million increase in gross profit attributable to the Jencal acquisition completed in March 2016, offset by a \$2.0 million decrease in gross profit due to unfavorable changes in foreign currency exchange rates.

Professional & Technical Services gross profit of \$15.8 million or 15.5% of revenue for the year ended December 31, 2016 decreased by \$7.8 million or 33.1% when compared to gross profit of approximately \$23.6 million or 19.8% of revenue for the year ended December 31, 2015. The decrease in gross profit is primarily due to the overall revenue decrease and a decline in higher margin revenue streams in this segment and a loss in our alternative fuels business during 2016.

Sandy Training & Marketing gross profit of \$14.2 million or 13.9% of revenue for the year ended December 31, 2016 increased by \$2.9 million or 25.3% when compared to gross profit of \$11.3 million or 12.9% for the year ended December 31, 2015. The increase in gross profit is primarily due to the revenue increases noted above.

Performance Readiness Solutions gross profit of \$11.2 million or 14.4% of revenue for the year ended December 31, 2016 increased by \$0.4 million or 3.6% when compared to gross profit of \$10.8 million or 14.1% of revenue for the year ended December 31, 2015. The increase in gross profit is primarily due to the Maverick acquisition in October 2016 which contributed \$0.3 million of gross profit in 2016.

#### *Selling, general and administrative expenses*

Selling, general and administrative expenses increased \$0.8 million or 1.8% from \$47.7 million for the year ended December 31, 2015 to \$48.6 million for the year ended December 31, 2016. The increase in SG&A expenses is due to a \$1.1 million increase in labor and benefits expense and a \$0.7 million increase in legal expenses related to acquisition activity, partially offset by a \$0.6 million decrease in amortization expense due to certain intangible assets related to previously completed acquisitions becoming

fully amortized and a \$0.4 million decrease in other miscellaneous expenses largely due to a reduction in bad debt expense. We expect SG&A expenses to increase in 2017 compared to 2016 as we are implementing a new ERP system which we anticipate will go live in 2018. At this time, we cannot quantify the implementation costs that will result in an increase to SG&A expenses but will provide an update at a future date.

#### *Gain (loss) on change in fair value of contingent consideration, net*

During the years ended December 31, 2016 and 2015, we recognized net losses of \$0.1 million and \$0.4 million, respectively, on the change in fair value of contingent consideration related to acquisitions. Changes in the fair value of contingent consideration obligations result from changes in discount periods and rates and changes in the timing and amount of revenue and/or earnings projections. See Note 2 to the Consolidated Financial Statements for a detailed discussion of the acquisitions we have completed and the changes in fair value of contingent consideration during the year ended December 31, 2016.

#### *Interest expense*

Interest expense increased \$0.2 million from \$1.4 million for the year ended December 31, 2015 to \$1.6 million for the year ended December 31, 2016. The increase in interest expense is due to the increase in borrowings under our Credit Agreement during 2016.

#### *Other income (expense)*

Other income was \$0.2 million compared to other expense of \$1.3 million for the years ended December 31, 2016 and 2015, respectively, and consisted primarily of foreign currency losses offset by income from a joint venture and interest income in both years. During the years ended December 31, 2016 and 2015, we had foreign currency losses of \$0.2 million and \$2.0 million, respectively. The foreign currency losses primarily relate to the effect of exchange rates on intercompany receivables and payables and third party receivables and payables that are denominated in currencies other than the functional currency of our legal entities. This improvement in other income was partially offset by a \$0.3 million decrease in income from a joint venture during the year ended December 31, 2016 compared to 2015.

#### *Income taxes*

Income tax expense was \$9.8 million for the year ended December 31, 2016 compared to \$10.8 million for the year ended December 31, 2015. Our effective income tax rate was 32.6% and 36.6% for the years ended December 31, 2016 and 2015, respectively. The decrease in the effective income tax rate in 2016 compared to 2015 is primarily due to a change in the mix of taxable income from higher taxing jurisdictions to lower taxing jurisdictions. See Note 8 to the accompanying Consolidated Financial Statements for further information regarding income taxes.

As of December 31, 2016, we had approximately \$42.1 million of accumulated undistributed earnings generated by our foreign subsidiaries. No provision has been made for income taxes that would be payable upon the distribution of such earnings since we intend to permanently reinvest these earnings. If these earnings were distributed in the form of dividends or otherwise, the distributions would be subject to U.S. federal income tax at the statutory rate of 35 percent, less foreign tax credits available to offset such distributions, if any. In addition, such distributions may be subject to withholding taxes in the various tax jurisdictions. Determination of the deferred income tax liability on undistributed earnings is not practicable due to the complexities associated with calculating a liability which is dependent on future circumstances existing if and when a distribution occurs.

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

During the year ended December 31, 2015, our revenue decreased \$11.6 million, or 2.3%, to \$490.3 million compared to \$501.9 million for the year ended December 31, 2014. The net decline is largely attributable to a \$30.0 million revenue decrease due to the completion of non-recurring alternative fuels projects in 2014 and an \$11.3 million revenue decrease due to unfavorable changes in foreign currency exchange rates, partially offset by an increase in global training services. The changes in revenue and gross profit are discussed in further detail below by segment.

Operating income, the components of which are discussed in detail below, decreased \$11.5 million or 26.3% during the year ended December 31, 2015. The net decrease in operating income was primarily due to a \$7.6 million, or 8.5%, decrease in gross profit, a \$0.6 million, or 1.4%, increase in selling, general & administrative expenses due to increased costs associated with global expansion, and a \$1.8 million change in the gain/loss on change in fair value of contingent consideration. In addition, we implemented a cost savings initiative in the third quarter of 2015 to better align costs with revenues and improve our operating margins. In connection with this initiative, we incurred \$1.6 million of restructuring costs during the year ended December 31, 2015, primarily consisting of severance expense.

For the year ended December 31, 2015, we had income before income taxes of \$29.6 million compared to \$42.8 million for the year ended December 31, 2014. Net income was \$18.8 million, or \$1.09 per diluted share, for the year ended December 31, 2015 compared to \$27.1 million, or \$1.43 per diluted share, for 2014. Diluted weighted average shares outstanding were 17.3 million for the year ended December 31, 2015 compared to 18.9 million for the year ended December 31, 2014. The decrease in shares outstanding is primarily due to the completion of the modified "Dutch auction" tender offer in October 2014 in which we repurchased 2.1 million shares of our outstanding common stock.

### Revenue

	Years ended December 31,	
	2015	2014
	(Dollars in thousands)	
Learning Solutions	\$ 207,039	\$ 198,242
Professional & Technical Services	119,092	151,559
Sandy Training & Marketing	87,567	67,694
Performance Readiness Solutions	76,582	84,372
	<u>\$ 490,280</u>	<u>\$ 501,867</u>

Learning Solutions revenue increased \$8.8 million or 4.4% during the year ended December 31, 2015 compared to 2014. The increase in revenue is due to the following:

- A \$13.4 million net increase in e-Learning content development and training business process outsourcing (BPO) services primarily attributable to a global outsourcing contract with a financial services client;
- A \$1.9 million increase attributable to the Effective Companies acquisition completed in April 2014; and
- A \$2.1 million increase in UK government funded skills training services.

These revenue increases were offset by an \$8.6 million decrease in revenue due to unfavorable changes in exchange rates.

Professional & Technical Services revenue decreased \$32.5 million or 21.4% during the year ended December 31, 2015 compared to 2014. The decrease in revenue is due to the following:

- A \$30.0 million decrease due to the completion of non-recurring LNG projects by our alternative fuels business in 2014;
- A \$4.0 million net decrease in revenue from U.S. government clients due to project completions in 2014; and
- A \$2.4 million decrease in revenue due to unfavorable changes in exchange rates.

These decreases were partially offset by a \$0.8 million net increase in our Energy business due to an increase in software sales offset by a decrease in training and technical services, a \$0.9 million net increase in training and technical services for oil and gas clients, and a \$2.0 million net increase in engineering and technical services for various other clients.

Sandy Training & Marketing revenue increased \$19.9 million or 29.4% during the year ended December 31, 2015 compared to 2014. The net increase in revenue is due to an \$18.3 million increase in magazine publications revenue due to a new publication contract with an automotive customer which began in the second quarter of 2015, and a \$1.6 million net increase in training services for automotive customers.

Performance Readiness Solutions revenue decreased \$7.8 million or 9.2% during the year ended December 31, 2015 compared to 2014. The net decrease is primarily due to a decline in its ERP implementation business due to project completions and a decline in training and consulting services for certain of its existing customers. In addition, unfavorable changes in foreign currency exchange rates resulted in a \$0.3 million decrease in revenue during the year ended December 31, 2015 compared to 2014. The revenue decrease was partially offset by an increase in leadership development and training services.

#### *Gross profit*

	<b>Years ended December 31,</b>			
	<b>2015</b>		<b>2014</b>	
	<u>% Revenue</u>		<u>% Revenue</u>	
	(Dollars in thousands)			
Learning Solutions	\$ 36,223	17.5%	\$ 32,761	16.5%
Professional & Technical Services	23,621	19.8%	33,350	22.0%
Sandy Training & Marketing	11,321	12.9%	10,903	16.1%
Performance Readiness Solutions	10,827	14.1%	12,561	14.9%
	<u>\$ 81,992</u>	16.7%	<u>\$ 89,575</u>	17.8%

Learning Solutions gross profit of \$36.2 million or 17.5% of revenue for the year ended December 31, 2015 increased by \$3.5 million or 10.6% when compared to gross profit of \$32.8 million or 16.5% of revenue for the year ended December 31, 2014. The increase in gross profit is due to the revenue increases noted above, a reduction in implementation costs incurred on a global outsourcing contract with a financial services client and an increase in gross profit and margin on UK government funded skills training services. These increases were offset by a \$1.6 million decrease in gross profit due to unfavorable changes in foreign currency exchange rates.

Professional & Technical Services gross profit of \$23.6 million or 19.8% of revenue for the year ended December 31, 2015 decreased by \$9.7 million or 29.2% when compared to gross profit of approximately \$33.4 million or 22.0% of revenue for the year ended December 31, 2014. The decrease in gross profit and margin is primarily due to the LNG project revenue decrease noted above, as well the decrease in revenue from U.S. government clients due to project completions in 2014.

Sandy Training & Marketing gross profit of \$11.3 million or 12.9% of revenue for the year ended December 31, 2015 increased by \$0.4 million or 3.8% when compared to gross profit of \$10.9 million or 16.1% for the year ended December 31, 2014. Gross profit as a percentage of revenue decreased due to an increase in lower margin publication revenue on the new publication contract noted above which began in the second quarter of 2015. We anticipate that the gross margins in this segment will continue to be at this lower level as this lower margin publications revenue stream is expected to continue in 2016.

Performance Readiness Solutions gross profit of \$10.8 million or 14.1% of revenue for the year ended December 31, 2015 decreased by \$1.7 million or 13.8% when compared to gross profit of \$12.6 million or 14.9% of revenue for the year ended December 31, 2014. The decrease in gross profit is primarily due to a decrease in revenue on higher margin projects which concluded compared to the other revenue streams in this segment.

#### *Selling, general and administrative expenses*

Selling, general and administrative expenses increased \$0.6 million or 1.4% from \$47.1 million for the year ended December 31, 2014 to \$47.7 million for the year ended December 31, 2015. The increase is primarily due to a \$2.4 million increase in labor and benefits expense due to international expansion during 2014 and \$0.3 million in costs related to the settlement of a lawsuit in 2015. These increases were offset by a \$1.6 million decrease in amortization expense due to certain intangible assets related to previously completed acquisitions becoming fully amortized and a \$0.5 million decrease in bad debt expense.

### *Restructuring charges*

During the third quarter of 2015, we implemented a cost savings initiative to better align costs with revenues and improve our operating margins. The initiatives include a workforce reduction, lease exit costs and other general expense controls. We recorded restructuring charges of \$1.6 million for the year ended December 31, 2015 which primarily consisted of \$1.4 million of severance expense which is expected to be substantially paid by the end of the first quarter of 2016. We also incurred an immaterial amount of lease termination costs during the third quarter of 2015. The total remaining liability under these restructuring activities was \$0.5 million as of December 31, 2015 and is included in accounts payable and accrued expenses on the consolidated balance sheet. We expect these restructuring activities to be substantially completed by the end of the first quarter of 2016.

### *Gain (loss) on change in fair value of contingent consideration, net*

During the years ended December 31, 2015 and 2014, we recognized a net loss of \$0.4 million and a net gain of \$1.4 million, respectively, on the change in fair value of contingent consideration related to acquisitions. Changes in the fair value of contingent consideration obligations result from changes in discount periods and rates and changes in the timing and amount of revenue and/or earnings projections. See Note 2 to the Consolidated Financial Statements for a detailed discussion of the acquisitions we have completed and the changes in fair value of contingent consideration during the year ended December 31, 2015.

### *Interest expense*

Interest expense increased \$0.5 million from \$0.8 million for the year ended December 31, 2014 to \$1.4 million for the year ended December 31, 2015. The increase in interest expense is due to the increase in borrowings under our Credit Agreement primarily due to the completion of the modified "Dutch auction" tender offer in October 2014.

### *Other income (expense)*

Other expense was \$1.3 million compared to \$0.2 million for the years ended December 31, 2015 and 2014, respectively, and consisted primarily of foreign currency losses offset by income from a joint venture and interest income in both years. During the year ended December 31, 2015, we had a \$1.1 million increase in foreign currency losses compared to 2014. The foreign currency losses primarily relate to the effect of exchange rates on intercompany receivables and payables and third party receivables and payables that are denominated in currencies other than the functional currency of our legal entities.

### *Income taxes*

Income tax expense was \$10.8 million for the year ended December 31, 2015 compared to \$15.7 million for the year ended December 31, 2014. The decrease in income tax expense is due to the decrease in income before income taxes during 2015 compared to 2014. Our effective income tax rate was 36.6% and 36.7% for the years ended December 31, 2015 and 2014, respectively. See Note 8 to the accompanying Consolidated Financial Statements for further information regarding income taxes.

As of December 31, 2015, we had approximately \$34.1 million of accumulated undistributed earnings generated by our foreign subsidiaries. No provision has been made for income taxes that would be payable upon the distribution of such earnings since we intend to permanently reinvest these earnings. If these earnings were distributed in the form of dividends or otherwise, the distributions would be subject to U.S. federal income tax at the statutory rate of 35 percent, less foreign tax credits available to offset such distributions, if any. In addition, such distributions may be subject to withholding taxes in the various tax jurisdictions. Determination of the deferred income tax liability on undistributed earnings is not practicable due the complexities associated with calculating a liability which is dependent on future circumstances existing if and when a distribution occurs.

## ***Liquidity and Capital Resources***

### Working Capital

For the year ended December 31, 2016, our working capital increased \$19.5 million from \$40.3 million at December 31, 2015 to \$59.9 million at December 31, 2016. The increase in working capital is primarily due to a reduction in short-term borrowings as we entered into a new Credit Agreement in December 2016 which is discussed in more detail in the *Debt* section below. We believe that cash generated from operations and borrowings available under our Credit Agreement (\$76.6 million of available borrowings as of December 31, 2016) will be sufficient to fund our working capital and other requirements for at least the next twelve months.

As of December 31, 2016, the amount of cash held outside of the U.S. by foreign subsidiaries was \$16.3 million. At the present time, we do not anticipate repatriating these balances to fund domestic operations. We would be required to accrue for and pay taxes in the U.S. if we repatriated these funds.

### Share Repurchase Program

We have a share repurchase program under which we may repurchase shares of our common stock from time to time in the open market, subject to prevailing business and market conditions and other factors. Repurchases are made at management's discretion in accordance with applicable federal securities law. The amount and timing of share repurchases depend on a variety of factors, including market conditions and prevailing stock prices. The share repurchase authorization does not obligate us to acquire any specific number of shares in any period, and may be modified, suspended or discontinued at any time at the discretion of our Board of Directors. During the years ended December 31, 2016, 2015 and 2014, we repurchased approximately 340,000, 477,000 and 147,000 shares, respectively, of our common stock in the open market for a total cost of approximately \$8.0 million, \$12.3 million and \$3.7 million, respectively. As of December 31, 2016, there was approximately \$6.1 million available for future repurchases under the current buyback program. There is no expiration date for the repurchase program.

### Acquisition-Related Payments

During the year ended December 31, 2016, we used \$2.8 million of cash for contingent consideration payments related to previously completed acquisitions. In addition, we may be required to pay up to \$10.0 million in 2017 and 2018 for contingent consideration payments for Maverick acquisition completed in October 2016. Also, in connection with the McKinney Rogers acquisition completed on February 1, 2017, we may be required to pay contingent consideration of up to \$6 million in 2017 and up to \$4 million subsequent to each of the three twelve-month periods following the acquisition date. As of December 31, 2016, we had accrued contingent consideration of \$5.3 million included on our consolidated balance sheet.

### Significant Customers & Concentration of Credit Risk

We have a market concentration of revenue in both the automotive sector and the financial services & insurance sector. Revenue from the automotive industry accounted for approximately 22%, 19% and 14% of our consolidated revenue for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, we have a concentration of revenue from a single automotive customer, which accounted for approximately 13% and 12% of our consolidated revenue for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 accounts receivable from a single automotive customer totaled \$11.6 million, or 11% of our consolidated accounts receivable balance.

Revenue from the financial services & insurance industry accounted for approximately 21%, 21% and 18% of our consolidated revenue for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, we have a concentration of revenue from a single financial services customer, which accounted for approximately 15% and 14% of our consolidated revenue for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, billed and unbilled accounts receivable from a single financial services customer totaled \$25.4 million, or 18%, of our consolidated accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts balances. No other single customer accounted for more than 10% of our consolidated revenue in 2016 or consolidated accounts receivable balance as of December 31, 2016.



## Cash Flows

### **Year ended December 31, 2016 compared to the year ended December 31, 2015**

Our cash balance decreased \$4.7 million from \$21.0 million as of December 31, 2015 to \$16.3 million as of December 31, 2016. The decrease in cash during the year ended December 31, 2016 resulted from cash provided by operating activities of \$18.1 million, cash used in investing activities of \$10.7 million, cash used in financing activities of \$10.8 million and a \$1.3 million negative effect due to exchange rate changes on cash.

Cash provided by operating activities was \$18.1 million for the year ended December 31, 2016 compared to \$25.6 million in 2015. The decrease in cash provided by operating activities is primarily due to unfavorable changes in working capital accounts largely due to an increase in accounts receivable during 2016.

Cash used in investing activities was \$10.7 million for the year ended December 31, 2016 compared to \$2.2 million in 2015. The increase in cash used is due to \$6.8 million of cash used to complete acquisitions in 2016, \$1.6 million of cash used for an investment in a new joint venture in 2016, and \$0.9 million of software development costs. These cash uses were offset by a \$1.0 million decline in fixed asset additions during the year ended December 31, 2016 compared to 2015.

Cash used in financing activities was \$10.8 million for the year ended December 31, 2016 compared to \$15.5 million in 2015. The decrease in cash used in financing activities was primarily due to a \$2.8 million decrease in cash used for open market share repurchases and a \$2.5 million increase in cash from the change in negative cash book balances in 2016 compared to 2015. In addition, we had a \$40.0 million increase in cash from a new term loan in December 2016, offset by \$24.4 million of repayments on the existing term loan and net repayments of \$16.1 million on our short-term borrowings under our revolving credit facility during 2016.

### **Year ended December 31, 2015 compared to the year ended December 31, 2014**

Our cash balance increased \$6.5 million from \$14.5 million as of December 31, 2014 to \$21.0 million as of December 31, 2015. The increase in cash during the year ended December 31, 2015 resulted from cash provided by operating activities of \$25.6 million, cash used in investing activities of \$2.2 million, cash used in financing activities of \$15.5 million and a \$1.4 million negative effect due to exchange rate changes on cash.

Cash provided by operating activities was \$25.6 million for the year ended December 31, 2015 compared to \$31.0 million in 2014. The decrease in cash provided by operating activities is primarily due to a decrease in net income.

Cash used in investing activities was \$2.2 million for the year ended December 31, 2015 compared to \$11.2 million in 2014. The decrease in cash used in investing activities is primarily due to an \$8.7 million decrease in cash used for acquisitions.

Cash used in financing activities was \$15.5 million for the year ended December 31, 2015 compared to \$10.7 million in 2014. Proceeds from short-term borrowings under our credit facility were \$13.3 million in 2015 compared to \$20.4 million of short-term borrowings and \$40.0 million proceeds from long-term debt in 2014. The higher borrowings in 2014 were used to fund \$66.6 million of share repurchases in 2014, of which \$62.9 million was used to complete the modified "Dutch auction" tender offer in 2014, whereas we used cash of \$11.6 million in 2015 for open market share repurchases. Other significant cash uses for financing activities included: (i) \$13.3 million of long-term debt repayments in 2015 compared to \$2.2 million in 2014; (ii) \$2.3 million of cash paid for contingent consideration payments in 2015 for previously completed acquisitions compared to \$1.0 million in 2014; and (iii) a \$1.1 million decrease in negative cash book balances in 2015 compared to a \$0.4 million decrease in 2014.

## Debt

On December 15, 2016, we entered into a Fifth Amended and Restated Financing and Security Agreement (the "Credit Agreement"). The Credit Agreement provides for a new revolving credit facility up to a maximum principal amount of \$100 million, expiring on December 31, 2021 and for a term loan in the principal amount of \$40 million maturing on April 30, 2020. The Credit Agreement is secured by substantially all of our assets. The new term loan was used to refinance the \$11.1 million remaining balance of the existing term loan and \$28.9 million of borrowings outstanding under the existing revolving credit facility on December 15, 2016.

The maximum interest rate on the Credit Agreement is the daily one-month LIBOR market index rate (for borrowings in Dollars and Sterling) or the daily one-month EURIBOR (for borrowings in Euros) plus 2.50%. Based on our financial performance, the

interest rate can be reduced to a minimum rate of the daily one-month LIBOR market index rate plus 1.25%, with the rate being determined based on our maximum leverage ratio for the preceding four quarters. Each unpaid advance on the revolving loan will bear interest until repaid. The term loan is payable in monthly installments in the principal amount of \$1.0 million each plus applicable interest, beginning on January 1, 2017. We may prepay the term loan or the revolving loan, in whole or in part, at any time without premium or penalty, subject to certain conditions. Amounts repaid or prepaid on the term loan may not be reborrowed.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our and our subsidiaries' (subject to certain exceptions) ability to, among other things, grant liens, make investments, incur indebtedness, merge or consolidate, dispose of assets or make acquisitions. We are also required to maintain compliance with a minimum fixed charge coverage ratio of 1.5 to 1.0 and a maximum leverage ratio of 3.0 to 1.0. As of December 31, 2016, our fixed coverage charge ratio was 1.8 to 1.0 and our leverage ratio was 1.4 to 1.0, each of which was in compliance with the Credit Agreement. As of December 31, 2016, our total long-term debt outstanding under the term loan was \$40.0 million. In addition, we had \$17.7 million of borrowings outstanding and \$76.6 million of available borrowings under the revolving credit facility as of December 31, 2016. For the years ended December 31, 2016 and 2015, the weighted average interest rate on our borrowings was 2.2% and 2.0%, respectively.

### Contractual Payment Obligations

We enter into various agreements that result in contractual obligations in connection with our business activities. These obligations primarily relate to debt and interest payments under our Credit Agreement, operating leases and purchase commitments under non-cancelable contracts for certain products and services. The following table summarizes our total contractual payment obligations as of December 31, 2016 (in thousands):

	<b>Payments due in</b>				
	<b>2017</b>	<b>2018-2019</b>	<b>2020-2021</b>	<b>After 2022</b>	<b>Total</b>
Long-term debt, including current portion	\$ 12,000	\$ 24,000	\$ 4,000	\$ —	\$ 40,000
Interest on long-term debt (1)	888	778	13	—	1,679
Facility lease commitments	7,546	9,930	6,364	9,831	33,671
Other operating lease commitments	721	312	5	—	1,038
Purchase commitments (2)	5,697	7,560	6,110	—	19,367
Total	<u>\$ 26,852</u>	<u>\$ 42,580</u>	<u>\$ 16,492</u>	<u>\$ 9,831</u>	<u>\$ 95,755</u>

(1) Interest on long-term debt is calculated using the weighted-average interest rate in effect as of December 31, 2016 for all future periods. Interest incurred on borrowings under our revolving credit facility vary based on relative borrowing levels and variable interest rates. As such, we are unable to quantify our future obligations relating to interest on the credit facility.

(2) Excludes purchase orders for goods and services entered into by us in the ordinary course of business, which are non-binding and subject to amendment or termination within a reasonable notification period.

The table above excludes contingent consideration in connection with acquisitions which may be payable to the sellers if the revenue and/or earnings targets set forth in the purchase agreements are achieved (see Note 2 to the Consolidated Financial Statements).

### Off-Balance Sheet Commitments

As of December 31, 2016, we had ten outstanding letters of credit totaling \$5.7 million, which expire in 2017 through 2022. In addition, we have two outstanding performance bonds totaling \$8.2 million for contracts to be completed in 2017. We do not have any off-balance sheet financing except for operating leases and letters of credit entered into in the normal course of business.

## ***Management Discussion of Critical Accounting Policies***

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Certain of our accounting policies require higher degrees of judgment than others in their application. These include revenue recognition, impairment of intangible assets, including goodwill, valuation of contingent consideration for business acquisitions, and income taxes, which are summarized below. In addition, Note 1 to the accompanying Consolidated Financial Statements includes further discussion of our significant accounting policies.

### **Revenue Recognition**

We provide services under time-and-materials, cost-reimbursable, fixed price and fixed-fee per transaction contracts to both government and commercial customers. Each contract has different terms based on the scope, deliverables and complexity of the engagement, requiring us to make judgments and estimates about recognizing revenue. Revenue is recognized as services are performed.

Under time-and-materials contracts, as well as certain government cost-reimbursable and certain fixed price contracts, the contractual billing schedules are based on the specified level of resources we are obligated to provide. As a result, for these “level-of-effort” contracts, the contractual billing amount for the period is a measure of performance and, therefore, revenue is recognized in that amount.

Revenue under government fixed price contracts is recognized using the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage-of-completion based upon costs incurred as a percentage of the total estimated costs.

For commercial fixed price contracts which typically involve a discrete project, such as development of training content and materials, design of training processes, software implementation, or engineering projects, the contractual billing schedules are not based on the specified level of resources we are obligated to provide. These discrete projects generally do not contain milestones or other reliable measures of performance. As a result, revenue on these arrangements is recognized using a percentage-of-completion method based on the relationship of costs incurred to total estimated costs expected to be incurred over the term of the contract. We believe this methodology is a reasonable measure of proportional performance since performance primarily involves personnel costs and services provided to the customer throughout the course of the projects through regular communications of progress toward completion and other project deliverables. In addition, the customer typically is required to pay us for the proportionate amount of work and cost incurred in the event of contract termination.

When total direct cost estimates exceed revenues, the estimated losses are recognized immediately. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract costs, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in estimated salaries and other costs. Estimates of total contract costs are continuously monitored during the term of the contract, and recorded revenues and costs are subject to revision as the contract progresses. When revisions in estimated contract revenues and costs are determined, such adjustments are recorded in the period in which they are first identified.

For certain commercial fixed-fee per transaction contracts, such as providing training courses, revenue is recognized during the period in which services are delivered in accordance with the pricing outlined in the contracts.

For certain fixed-fee per transaction and fixed price contracts in which the output of the arrangement is measurable, such as for the shipping of publications and print materials, revenue is recognized when the deliverable is met and the product is delivered based on the output method of performance. The customer is required to pay for the cost incurred in the event of contract termination.

Certain of our fixed price commercial contracts contain revenue arrangements with multiple deliverables. Revenue arrangements with multiple deliverables are evaluated to determine if the deliverables can be divided into more than one unit of accounting. For contracts determined to have more than one unit of accounting, we recognize revenue for each deliverable based on the revenue recognition policies discussed above. Within each multiple deliverable project, there is objective and reliable fair value across all

units of the arrangement, as discounts are not offered or applied to one deliverable versus another, and the rates bid across all deliverables are consistent.

As part of our on-going operations to provide services to our customers, incidental expenses, which are commonly referred to as “out-of-pocket” expenses, are billed to customers, either directly as a pass-through cost or indirectly as a cost estimated in proposing on fixed price contracts. Out-of-pocket expenses include expenses such as airfare, mileage, hotel stays, out-of-town meals and telecommunication charges. Our policy provides for these expenses to be recorded as both revenue and direct cost of services.

In connection with our delivery of products, primarily for publications delivered by our Sandy Training & Marketing segment, we incur shipping and handling costs which are billed to customers directly as a pass-through cost. Our policy provides for these expenses to be recorded as both revenue and direct cost of revenue.

#### Impairment of Intangible Assets, Including Goodwill

We review goodwill for impairment annually as of October 1st and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We test goodwill at the reporting unit level. A reporting unit is an operating segment, or one level below an operating segment, as defined by U.S. GAAP. Our reporting units each represent separate reportable segments.

Our goodwill balances as of December 31, 2016 for each reporting unit were as follows (in thousands):

<u>Reporting Unit</u>	
Learning Solutions	\$ 49,079
Professional & Technical Services	42,364
Sandy Training & Marketing	653
Performance Readiness Solutions	35,676
	<u>\$ 127,772</u>

Accounting Standards Update (“ASU”) 2011-08, *Testing Goodwill for Impairment* (“ASU 2011-08”) permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Under ASU 2011-08, an entity is not required to perform step one of the goodwill impairment test for a reporting unit if it is more likely than not that its fair value is greater than its carrying amount. For our annual goodwill impairment test as of October 1, 2016, we performed a qualitative assessment as permitted by ASU 2011-08 for all of our reporting units and determined that it was more likely than not that the fair values of each of our reporting units exceeded their respective carrying values. For our annual goodwill impairment test as of October 1, 2015, we performed a quantitative step one goodwill impairment test and concluded that the fair values of each of our reporting units exceeded their respective carrying values.

If it is determined as a result of the qualitative assessment permitted by ASU 2011-08, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a two-step impairment test is required. In the first step, we compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit's assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value allocated to goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference.

Under the two-step impairment test, we determine the fair value of our reporting units using both an income approach and a market approach, and weigh both approaches to determine the fair value of each reporting unit. Under the income approach, we perform a discounted cash flow analysis which incorporates management's cash flow projections over a five-year period and a terminal value is calculated by applying a capitalization rate to terminal year projections based on an estimated long-term growth rate. The five-year projected cash flows and calculated terminal value are discounted using a weighted average cost of capital (“WACC”) which takes into account the costs of debt and equity. The cost of equity is based on the risk-free interest rate, equity risk premium, industry and size equity premiums and any additional market equity risk premiums as deemed appropriate for each reporting unit. To arrive at a fair value for each reporting unit, the terminal value is discounted by the WACC and added to the present value of

the estimated cash flows over the discrete five-year period. There are a number of other variables which impact the projected cash flows, such as expected revenue growth and profitability levels, working capital requirements, capital expenditures and related depreciation and amortization. Under the market approach, we perform a comparable public company analysis and apply revenue and earnings multiples from the identified set of companies to the reporting unit's actual and forecasted financial performance to determine the fair value of each reporting unit. We evaluate the reasonableness of the fair value calculations of our reporting units by reconciling the total of the fair values of all of our reporting units to our total market capitalization, and adjusting for an appropriate control premium. In addition, we make certain judgments in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units. The timing and frequency of our goodwill impairment tests are based on an ongoing assessment of events and circumstances that would indicate a possible impairment. We will continue to monitor our goodwill and intangible assets for impairment and conduct formal tests when impairment indicators are present.

#### Valuation of Contingent Consideration for Business Acquisitions

Acquisitions may include contingent consideration payments based on future financial measures of an acquired company. Contingent consideration is required to be recognized at fair value as of the acquisition date. We estimate the fair value of these liabilities using an appropriate valuation methodology, typically either an income-based approach or a simulation model, such as the Monte Carlo model, depending on the structure of the contingent consideration arrangement. We believe our estimates and assumptions are reasonable; however, there is significant judgment involved. At each reporting date, the contingent consideration obligation are revalued to estimated fair value and changes in fair value subsequent to the acquisition are reflected in income or expense in the consolidated statements of operations, and could cause a material impact to our operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates and changes in the timing and amount of revenue and/or earnings projections.

#### Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The measurement of deferred taxes often involves an exercise of judgment related to the computation and realization of tax basis. Our deferred tax assets and liabilities reflect our assessment that tax positions taken, and the resulting tax basis, are more likely than not to be sustained if they are audited by taxing authorities. We establish accruals for uncertain tax positions taken or expected to be taken in a tax return when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. A number of years may elapse before a particular matter, for which we have or have not established an accrual, is audited and finally resolved. Favorable or unfavorable adjustment of the accrual for any particular issue would be recognized as an increase or decrease to our income tax expense in the period of a change in facts and circumstances.

In assessing the realizability of our deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets may not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future income during the periods in which temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon these factors, we believe it is more likely than not that we will realize the benefits of our deferred tax assets, net of the valuation allowance. The valuation allowance primarily relates to both foreign and domestic net operating loss carryforwards for which we do not believe the benefits may be realized.

The above matters, and others, involve the exercise of significant judgment. Any changes in our practices or judgments involved in the measurement of deferred tax assets and liabilities could materially impact our financial condition or results of operations.

### ***Accounting Standards Issued and Adopted***

We discuss recently issued and adopted accounting standards in Note 1 to the accompanying Consolidated Financial Statements.

### **Item 7A: Quantitative and Qualitative Disclosures about Market Risk**

Our primary exposure to market risk relates to changes in interest rates and foreign currency exchange rates.

#### ***Interest Rate Risk***

We are exposed to interest rate risk related to our outstanding debt obligations. Borrowings under our Credit Agreement bear interest based on a variable rate. The maximum interest rate on our borrowings under the Credit Agreement is the daily one-month LIBOR market index rate plus 2.50%. Based on our financial performance, the interest rate can be reduced to a minimum rate of the daily one-month LIBOR market index rate plus 1.25%, with the rate being determined based on our maximum leverage ratio for the preceding four quarters. As such, we are exposed to interest rate risk relating to the fluctuations in the LIBOR rate. The interest rate risk associated with our borrowings is not material in relation to our consolidated financial position, results of operations or cash flows. We have not historically used any interest rate hedging programs to mitigate the effect of interest rate fluctuations, but we entered into an interest rate swap agreement in February 2017 for our \$40 million term loan and plan to evaluate other interest rate hedging instruments in 2017 for our revolving credit facility to mitigate the effect of future interest rate increases. We estimate that the fair value of our borrowings under the Credit Agreement approximates its carrying value as of December 31, 2016 as it bears interest at variable rates.

#### ***Foreign Currency Exchange Rate Risk***

We operate in various foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations. Our foreign currency exposure primarily relates to intercompany receivables and payables and third party receivables and payables that are denominated in currencies other than the functional currency of our legal entities. Our largest foreign currency exposure is unsettled intercompany payables and receivables which are reviewed on a regular basis. Gains and losses from foreign currency transactions are included in "Other income (expense)" on our Consolidated Statements of Operations. We had foreign currency transaction losses totaling \$0.2 million, \$2.0 million and \$1.0 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Most of our foreign subsidiaries operate in a currency other than the United States dollar; therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect our operating results and the value of our balance sheet items denominated in foreign currencies. Our most significant exposures to translation risk relate to functional currency assets and liabilities that are denominated in the British Pound Sterling, Euro and Canadian dollar. The changes in the net investments of foreign subsidiaries whose currencies are denominated in currencies other than the U.S. dollar are reflected in "Foreign currency translation adjustments" on our Consolidated Statements of Comprehensive Income. We have not used any exchange rate hedging programs to mitigate the effect of exchange rate fluctuations.

**Item 8: Financial Statements and Supplementary Data**

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## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

GP Strategies Corporation:

We have audited the accompanying consolidated balance sheets of GP Strategies Corporation and subsidiaries (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GP Strategies Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), GP Strategies Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Baltimore, Maryland

February 28, 2017



## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

GP Strategies Corporation:

We have audited GP Strategies Corporation's (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). GP Strategies Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, GP Strategies Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of GP Strategies Corporation and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 28, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Baltimore, Maryland  
February 28, 2017

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2016 and 2015

(In thousands, except shares and par value per share)

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 16,346	\$ 21,030
Accounts and other receivables, less allowance for doubtful accounts of \$1,091 in 2016 and \$1,856 in 2015	105,549	90,912
Costs and estimated earnings in excess of billings on uncompleted contracts	39,318	46,061
Prepaid expenses and other current assets	11,481	9,173
Total current assets	<u>172,694</u>	<u>167,176</u>
Property, plant and equipment, net	4,547	6,245
Goodwill	127,772	121,975
Intangible assets, net	5,825	6,221
Deferred tax assets	1,058	619
Other assets, net	3,705	733
	<u>\$ 315,601</u>	<u>\$ 302,969</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Short-term borrowings	\$ 17,694	\$ 34,084
Current portion of long-term debt	12,000	13,333
Accounts payable and accrued expenses	64,596	61,071
Billings in excess of costs and estimated earnings on uncompleted contracts	18,545	18,366
Total current liabilities	<u>112,835</u>	<u>126,854</u>
Long-term debt	28,000	11,111
Deferred tax liabilities	3,124	4,225
Other noncurrent liabilities	4,146	2,435
Total liabilities	<u>148,105</u>	<u>144,625</u>
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; Authorized 10,000,000 shares; no shares issued	—	—
Common stock, par value \$0.01 per share; Authorized 35,000,000 shares; issued 17,222,781 shares in 2016 and 2015	172	172
Additional paid-in capital	106,569	105,872
Retained earnings	93,845	73,598
Treasury stock, at cost (482,194 shares in 2016 and 336,593 shares in 2015)	(11,628)	(8,497)
Accumulated other comprehensive loss	(21,462)	(12,801)
Total stockholders' equity	<u>167,496</u>	<u>158,344</u>
	<u>\$ 315,601</u>	<u>\$ 302,969</u>

See accompanying notes to consolidated financial statements.

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended December 31, 2016, 2015 and 2014

(In thousands, except per share data)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Revenue	\$ 490,559	\$ 490,280	\$ 501,867
Cost of revenue	410,402	408,288	412,292
Gross profit	80,157	81,992	89,575
Selling, general and administrative expenses	48,597	47,748	47,108
Restructuring charges	—	1,551	—
Gain (loss) on change in fair value of contingent consideration, net	(136)	(371)	1,392
Operating income	31,424	32,322	43,859
Interest expense	1,568	1,381	833
Other income (expense) (including interest income of \$94 in 2016, \$149 in 2015 and \$112 in 2014)	178	(1,318)	(203)
Income before income taxes	30,034	29,623	42,823
Income tax expense	9,787	10,834	15,725
Net income	<u>\$ 20,247</u>	<u>\$ 18,789</u>	<u>\$ 27,098</u>
Basic weighted average shares outstanding	16,696	17,110	18,641
Diluted weighted average shares outstanding	16,791	17,264	18,887
Per common share data:			
Basic earnings per share	\$ 1.21	\$ 1.10	\$ 1.45
Diluted earnings per share	\$ 1.21	\$ 1.09	\$ 1.43

See accompanying notes to consolidated financial statements.

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Consolidated Statements of Comprehensive Income

Years ended December 31, 2016, 2015 and 2014

(In thousands)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net income	\$ 20,247	\$ 18,789	\$ 27,098
Foreign currency translation adjustments	(8,661)	(5,404)	(5,783)
Comprehensive income	<u>\$ 11,586</u>	<u>\$ 13,385</u>	<u>\$ 21,315</u>

See accompanying notes to consolidated financial statements.

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2016, 2015 and 2014

(In thousands, except for par value per share)

	Common stock (\$0.01 par)	Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock at cost	Accumulated other comprehensive loss	Total stockholders' equity
Balance at December 31, 2013	\$ 192	\$ 167,908	\$ 27,711	\$ (1,170)	\$ (1,614)	\$ 193,027
Net income	—	—	27,098	—	—	27,098
Foreign currency translation adjustments	—	—	—	—	(5,783)	(5,783)
Repurchases of common stock in the open market	(21)	(62,927)	—	(3,692)	—	(66,640)
Stock-based compensation expense	—	2,128	—	—	—	2,128
Income tax benefit from stock-based compensation	—	2,506	—	—	—	2,506
Shares withheld in exchange for tax withholding payments on stock-based compensation	—	(3,407)	—	—	—	(3,407)
Issuance of stock for employer contributions to retirement plan	—	616	—	1,853	—	2,469
Net issuances of stock pursuant to stock compensation plans and other	—	(2,301)	—	2,628	—	327
Balance at December 31, 2014	\$ 171	\$ 104,523	\$ 54,809	\$ (381)	\$ (7,397)	\$ 151,725
Net income	—	—	18,789	—	—	18,789
Foreign currency translation adjustments	—	—	—	—	(5,404)	(5,404)
Repurchases of common stock in the open market	—	—	—	(12,347)	—	(12,347)
Stock-based compensation expense	—	3,050	—	—	—	3,050
Income tax benefit from stock-based compensation	—	835	—	—	—	835
Shares withheld in exchange for tax withholding payments on stock-based compensation	—	(1,451)	—	—	—	(1,451)
Issuance of stock for employer contributions to retirement plan	1	681	—	2,029	—	2,711
Net issuances of stock pursuant to stock compensation plans and other	—	(1,766)	—	2,202	—	436
Balance at December 31, 2015	\$ 172	\$ 105,872	\$ 73,598	\$ (8,497)	\$ (12,801)	\$ 158,344
Net income	—	—	20,247	—	—	20,247
Foreign currency translation adjustments	—	—	—	—	(8,661)	(8,661)
Repurchases of common stock, including fees and expenses	—	—	—	(7,959)	—	(7,959)
Stock-based compensation expense	—	3,229	—	—	—	3,229
Income tax benefit from stock-based compensation	—	137	—	—	—	137
Shares withheld in exchange for tax withholding payments on stock-based compensation	—	(771)	—	—	—	(771)
Issuance of stock for employer contributions to retirement plan	—	(34)	—	2,742	—	2,708
Net issuances of stock pursuant to stock compensation plans and other	—	(1,864)	—	2,086	—	222
Balance at December 31, 2016	\$ 172	\$ 106,569	\$ 93,845	\$ (11,628)	\$ (21,462)	\$ 167,496

See accompanying notes to consolidated financial statements.

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended December 31, 2016, 2015 and 2014

(In thousands)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:			
Net income	20,247	\$ 18,789	\$ 27,098
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (gain) on change in fair value of contingent consideration, net	136	371	(1,392)
Depreciation and amortization	6,462	7,865	9,758
Non-cash compensation expense	6,015	6,059	4,823
Deferred income taxes	(1,761)	(1,096)	(113)
Changes in other operating items, net of acquired amounts:			
Accounts and other receivables	(17,965)	6,497	(6,024)
Costs and estimated earnings in excess of billings on uncompleted contracts	4,234	(16,942)	(8,291)
Prepaid expenses and other current assets	(2,490)	5,111	(1,967)
Accounts payable and accrued expenses	3,732	3,856	8,794
Billings in excess of costs and estimated earnings on uncompleted contracts	383	(4,663)	1,416
Income tax benefit from stock-based compensation	(137)	(835)	(2,506)
Contingent consideration payments in excess of fair value on acquisition date	(539)	(325)	(1,043)
Other	(240)	867	445
Net cash provided by operating activities	18,077	25,554	30,998
Cash flows from investing activities:			
Additions to property, plant and equipment	(1,402)	(2,357)	(2,757)
Acquisitions, net of cash acquired	(6,801)	—	(8,670)
Investment in joint venture	(1,600)	—	—
Capitalized software development costs	(933)	—	—
Other investing activities	14	186	246
Net cash used in investing activities	(10,722)	(2,171)	(11,181)
Cash flows from financing activities:			
Proceeds from (repayment of) short-term borrowings	(16,127)	13,285	20,392
Proceeds from long-term debt	40,000	—	40,000
Repayment of long-term debt	(24,444)	(13,333)	(2,223)
Contingent consideration payments	(2,244)	(2,284)	(977)
Change in negative cash book balance	1,366	(1,143)	(440)
Repurchases of common stock	(8,747)	(11,559)	(66,640)
Income tax benefit from stock-based compensation	137	835	2,506
Tax withholding payments for employee stock-based compensation in exchange for shares surrendered	(771)	(1,451)	(3,407)
Proceeds from issuance of common stock	145	148	102
Other financing activities	(97)	(10)	(5)
Net cash used in financing activities	(10,782)	(15,512)	(10,692)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Effect of exchange rate changes on cash	(1,257)	(1,382)	(231)
Net change in cash	<u>(4,684)</u>	<u>6,489</u>	<u>8,894</u>
Cash at beginning of year	21,030	14,541	5,647
Cash at end of year	<u>\$ 16,346</u>	<u>\$ 21,030</u>	<u>\$ 14,541</u>
 Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 1,523	\$ 1,383	\$ 583
Income taxes	\$ 10,604	\$ 8,273	\$ 17,439
 Non-cash financing activities:			
Accrued share repurchases	\$ —	\$ 788	\$ —
Accrued contingent consideration	\$ 5,166	\$ —	\$ 5,345

See accompanying notes to consolidated financial statements.

**GP STRATEGIES CORPORATION**  
**Notes to Consolidated Financial Statements**

**(1) Description of Business and Significant Accounting Policies**

***Business***

GP Strategies Corporation is a global performance improvement solutions provider of training, e-Learning solutions, management consulting and engineering services. References in this report to “GP Strategies,” the “Company,” “we” and “our” are to GP Strategies Corporation and its subsidiaries, collectively.

***FASB Codification***

We follow generally accepted accounting principles (“GAAP”) set by the Financial Accounting Standards Board (“FASB”). References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*, sometimes referred to as ASC.

***Basis of Consolidation***

The consolidated financial statements include the operations of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

***Significant Customers & Concentration of Credit Risk***

We have a market concentration of revenue in both the automotive sector and financial services & insurance sector. Revenue from the automotive industry accounted for approximately 22%, 19% and 14% of our consolidated revenue for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, we have a concentration of revenue from a single automotive customer, which accounted for approximately 13% and 12% of our consolidated revenue for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 accounts receivable from a single automotive customer totaled \$11.6 million, or 11%, of our consolidated accounts receivable balance.

Revenue from the financial services and insurance industry accounted for approximately 21%, 21% and 18% of our consolidated revenue for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, we have a concentration of revenue from a single financial services customer, which accounted for approximately 15% and 14% of our consolidated revenue for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, billed and unbilled accounts receivable from a single financial services customer totaled \$25.4 million, or 18%, of our consolidated accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts balances.

No other single customer accounted for more than 10% of our consolidated revenue in 2016 or consolidated accounts receivable balance as of December 31, 2016.

***Cash***

We maintain our cash balances in bank accounts at various financial institutions. Outstanding checks which have been issued but not presented to the banks for payment in excess of amounts on deposit may create negative book cash balances. We transfer cash on an as-needed basis to fund these items as they clear the bank in subsequent periods. Such negative cash balances are included in accounts payable and accrued expenses and totaled \$5.0 million and \$3.7 million as of December 31, 2016 and 2015, respectively. Changes in negative book cash balances from period to period are reported as a financing activity in the consolidated statement of cash flows.



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***Allowance for Doubtful Accounts Receivable***

Trade accounts receivable are recorded at invoiced amounts. We evaluate the collectability of trade accounts receivable based on a combination of factors. When we are aware that a specific customer may be unable to meet its financial obligations to us, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position, we evaluate the need to record a specific reserve for bad debt to reduce the related receivable to the amount we reasonably believe is collectible. We also record reserves for bad debt for all other customers based on a variety of factors, including the length of time the receivables are past due, historical collection experience and trends of past due accounts, write-offs and specific identification and review of past due accounts. Actual collections of trade receivables could differ from management's estimates due to changes in future economic or industry conditions or specific customers' financial conditions.

Activity in our allowance for doubtful accounts was comprised of the following for the periods indicated:

	<b>Year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(In thousands)</i>		
Beginning balance	\$ 1,856	\$ 1,947	\$ 1,405
Additions	368	17	670
Deductions	(1,133)	(108)	(128)
Ending balance	\$ 1,091	\$ 1,856	\$ 1,947

***Foreign Currency Translation***

The functional currencies of our international operations are the respective local currencies of the countries in which we operate. The translation of the foreign currency into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using the weighted average exchange rates prevailing during the year. The unrealized gains and losses resulting from such translation are included as a component of comprehensive income. Transaction gains and losses arising from currency exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in "Other income (expense)" on our Consolidated Statements of Operations. We had foreign currency transaction losses totaling \$0.2 million, \$2.0 million and \$1.0 million for the years ended December 31, 2016, 2015 and 2014, respectively.

***Revenue Recognition***

We provide services under time-and-materials, cost-reimbursable, and fixed price (including fixed-fee per transaction) contracts to both government and commercial customers. Each contract has different terms based on the scope, deliverables and complexity of the engagement, requiring us to make judgments and estimates about recognizing revenue. Revenue is recognized as services are performed.

Under time-and-materials contracts, as well as certain government cost-reimbursable and certain fixed price contracts, the contractual billing schedules are based on the specified level of resources we are obligated to provide. As a result, for these "level-of-effort" contracts, the contractual billing amount for the period is a measure of performance and, therefore, revenue is recognized in that amount.

Revenue under government fixed price contracts is recognized using the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage-of-completion based upon costs incurred as a percentage of the total estimated costs.

For commercial fixed price contracts which typically involve a discrete project, such as development of training content and materials, design of training processes, software implementation, or engineering projects, the contractual billing schedules are not based on the specified level of resources we are obligated to provide. These discrete projects generally do not contain milestones or other reliable measures of performance. As a result, revenue on these arrangements is recognized using a percentage-of-completion method based on the relationship of costs incurred to total estimated costs expected to be incurred over the term of the contract. We believe this methodology is a reasonable measure of proportional performance since

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performance primarily involves personnel costs and services provided to the customer throughout the course of the projects through regular communications of progress toward completion and other project deliverables. In addition, the customer typically is required to pay us for the proportionate amount of work and cost incurred in the event of contract termination.

When total direct cost estimates exceed revenues, the estimated losses are recognized immediately. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract costs, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in estimated salaries and other costs. Estimates of total contract costs are continuously monitored during the term of the contract, and recorded revenues and costs are subject to revision as the contract progresses. When revisions in estimated contract revenues and costs are determined, such adjustments are recorded in the period in which they are first identified. For certain commercial fixed-fee per transaction contracts, such as providing training courses, revenue is recognized during the period in which services are delivered in accordance with the pricing outlined in the contracts.

For certain fixed-fee per transaction and fixed price contracts in which the output of the arrangement is measurable, such as for the shipping of publications and print materials, revenue is recognized when the deliverable is met and the product is delivered based on the output method of performance. The customer is required to pay for the cost incurred in the event of contract termination.

Certain of our fixed price commercial contracts contain revenue arrangements with multiple deliverables. Revenue arrangements with multiple deliverables are evaluated to determine if the deliverables can be divided into more than one unit of accounting. For contracts determined to have more than one unit of accounting, we recognize revenue for each deliverable based on the revenue recognition policies discussed above. Within each multiple deliverable project, there is objective and reliable fair value across all units of the arrangement, as discounts are not offered or applied to one deliverable versus another, and the rates bid across all deliverables are consistent.

As part of our on-going operations to provide services to our customers, incidental expenses, which are commonly referred to as “out-of-pocket” expenses, are billed to customers, either directly as a pass-through cost or indirectly as a cost estimated in proposing on fixed price contracts. Out-of-pocket expenses include expenses such as airfare, mileage, hotel stays, out-of-town meals and telecommunication charges. Our policy provides for these expenses to be recorded as both revenue and direct cost of services.

In connection with the delivery of products, primarily for publications delivered by our Sandy Training & Marketing segment, we incur shipping and handling costs which are billed to customers directly as a pass-through cost. Our policy provides for these expenses to be recorded as both revenue and direct cost of revenue.

***Contract Related Assets and Liabilities***

Costs and estimated earnings in excess of billings on uncompleted contracts in the accompanying consolidated balance sheets represent unbilled amounts earned and reimbursable under contracts in progress. These amounts become billable according to the contract terms, which usually consider the passage of time, achievement of milestones or completion of the project. Generally, such unbilled amounts will be billed and collected over the next twelve months.

Billings in excess of costs and estimated earnings on uncompleted contracts in the accompanying consolidated balance sheets represent advanced billings to clients on contracts in advance of work performed. Generally, such amounts will be earned and recognized in revenue over the next twelve months.

***Comprehensive Income***

Comprehensive income consists of net income and foreign currency translation adjustments.

***Other Current Assets***

Prepaid expenses and other current assets on our consolidated balance sheet include prepaid expenditures for goods or services before the goods are used or the services are received, inventories and work in progress on customer contracts. Prepaid expenses are charged to expense in the periods the benefits are realized. Inventories are stated at lower of cost or market. Provision is made to reduce excess and obsolete inventories to their estimated net realizable value.

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***Property, Plant and Equipment***

Property, plant and equipment are carried at cost (or fair value at acquisition date for assets obtained through business combinations). Major additions and improvements are capitalized, while maintenance and repairs which do not extend the lives of the assets are expensed as incurred. Gain or loss on the disposition of property, plant and equipment is recognized in operations when realized.

Depreciation of property, plant and equipment is recognized on a straight-line basis over the following estimated useful lives:

<u>Class of assets</u>	<u>Useful life</u>
Buildings and improvements	5 to 40 years
Machinery, equipment, and furniture and fixtures	3 to 10 years
Leasehold improvements	Shorter of asset life or term of lease

***Impairment of Long-Lived Assets***

Long-lived assets, such as property, plant, and equipment, and intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized at the amount by which the carrying amount of the asset exceeds the fair value of the asset. Impairment of long-lived assets is assessed at the lowest level for which there are identifiable cash flows that are independent from other groups of assets. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

***Goodwill and Intangible Assets***

Our intangible assets include amounts recognized in connection with acquisitions, including customer relationships, tradenames, technology and intellectual property. Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. Intangible assets with definite lives are reviewed for impairment if indicators of impairment arise. Except for goodwill, we do not have any intangible assets with indefinite useful lives.

Goodwill represents the excess of costs over fair value of assets of businesses acquired. We review our goodwill for impairment annually as of October 1 and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We test goodwill at the reporting unit level.

Accounting Standards Update (“ASU”) 2011-08, *Testing Goodwill for Impairment* (“ASU 2011-08”) permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Under ASU 2011-08, an entity is not required to perform step one of the goodwill impairment test for a reporting unit if it is more likely than not that its fair value is greater than its carrying amount. For our annual goodwill impairment test as of October 1, 2016, we performed a qualitative assessment as permitted by ASU 2011-08 for all of our reporting units and determined that it was more likely than not that the fair values of each of our reporting units exceeded their respective carrying values. For our annual goodwill impairment test as of October 1, 2015, we performed a quantitative step one goodwill impairment test and concluded that the fair values of each of our reporting units exceeded their respective carrying values.

If it is determined as a result of the qualitative assessment permitted by ASU 2011-8, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a two-step impairment test is required. In the first step, we compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit's assets and liabilities in a manner similar

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to a purchase price allocation, with any residual fair value allocated to goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference.

Under the two-step impairment test, we determine the fair value of our reporting units using both an income approach and a market approach, and weigh both approaches to determine the fair value of each reporting unit. Under the income approach, we perform a discounted cash flow analysis which incorporates management's cash flow projections over a five-year period and a terminal value is calculated by applying a capitalization rate to terminal year projections based on an estimated long-term growth rate. The five-year projected cash flows and calculated terminal value are discounted using a weighted average cost of capital ("WACC") which takes into account the costs of debt and equity. The cost of equity is based on the risk-free interest rate, equity risk premium, industry and size equity premiums and any additional market equity risk premiums as deemed appropriate for each reporting unit. To arrive at a fair value for each reporting unit, the terminal value is discounted by the WACC and added to the present value of the estimated cash flows over the discrete five-year period. There are a number of other variables which impact the projected cash flows, such as expected revenue growth and profitability levels, working capital requirements, capital expenditures and related depreciation and amortization. Under the market approach, we perform a comparable public company analysis and apply revenue and earnings multiples from the identified set of companies to the reporting unit's actual and forecasted financial performance to determine the fair value of each reporting unit. We evaluate the reasonableness of the fair value calculations of our reporting units by reconciling the total of the fair values of all of our reporting units to our total market capitalization, and adjusting for an appropriate control premium. In addition, we make certain judgments in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units. The timing and frequency of our goodwill impairment tests are based on an ongoing assessment of events and circumstances that would indicate a possible impairment. We will continue to monitor our goodwill and intangible assets for impairment and conduct formal tests when impairment indicators are present.

***Contingent Consideration for Business Acquisitions***

Acquisitions may include contingent consideration payments based on future financial measures of an acquired company. Contingent consideration is required to be recognized at fair value as of the acquisition date. We estimate the fair value of these liabilities using an appropriate valuation methodology, typically either an income-based approach or a simulation model, such as the Monte Carlo model, depending on the structure of the contingent consideration arrangement. At each reporting date, the contingent consideration obligation is revalued to estimated fair value and changes in fair value subsequent to the acquisition are reflected in income or expense in the consolidated statements of operations, and could cause a material impact to our operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates and changes in the timing and amount of revenue and/or earnings projections.

***Other Assets***

Other assets primarily include an investment in a joint venture and certain software development costs. We account for a 10% interest in a joint venture partnership under the equity method of accounting because significant influence exists due to certain factors, including representation on the partnership's Management Board and voting rights. We capitalize the cost of internal-use software in accordance with ASC Topic 350-40, *Internal-Use Software*. These costs consist of payments made to third parties for software development and implementation and are amortized using the straight-line method over their estimated useful lives, typically three to five years.

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***Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We establish accruals for uncertain tax positions taken or expected to be taken in a tax return when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Favorable or unfavorable adjustment of the accrual for any particular issue would be recognized as an increase or decrease to income tax expense in the period of a change in facts and circumstances. Interest and penalties related to income taxes are accounted for as income tax expense.

***Earnings per Share***

Basic earnings per share (“EPS”) are computed by dividing earnings by the weighted average number of common shares outstanding during the periods. Diluted EPS reflects the potential dilution of common stock equivalent shares that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Our dilutive common stock equivalent shares consist of stock options and restricted stock units outstanding under our stock-based incentive plans and are computed under the treasury stock method, using the average market price during the period. Performance-based restricted stock unit awards are included in the computation of diluted shares based on the probable outcome of the underlying performance conditions being achieved. The following table presents instruments which were not dilutive and were excluded from the computation of diluted EPS in each period, as well as the weighted average dilutive common stock equivalent shares which were included in the computation of diluted EPS:

	<b>Year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(In thousands)</i>		
Non-dilutive instruments	45	15	—
Dilutive common stock equivalents	95	154	246

***Stock-Based Compensation***

Pursuant to our stock-based incentive plans which are described more fully in Note 10, we grant stock options, restricted stock units, performance-based stock units (PSU's) and equity to officers, employees, and members of the Board of Directors. We compute compensation expense for all equity-based compensation awards issued to employees using the fair-value measurement method. We recognize compensation expense on a straight-line basis over the requisite service period for stock-based compensation awards with both graded and cliff vesting terms. We apply a forfeiture estimate to compensation expense recognized for awards that are expected to vest during the requisite service period, and revise that estimate if subsequent information indicates that the actual forfeitures will differ from the estimate. We recognize the cumulative effect of a change in the number of awards expected to vest in compensation expense in the period of change. We do not capitalize any material portion of our stock-based compensation.

We recognize compensation expense, net of estimated forfeitures, for PSU's on a straight-line basis over the performance period based on the probable outcome of achievement of the financial targets. At the end of each reporting period, we estimate the number of PSU's expected to vest, based on the probability and extent to which the performance goals will be met, and take into account these estimates when calculating the expense for the period. If the number of shares expected to be earned changes during the performance period, we will make a cumulative adjustment to compensation expense based on the revised number of shares expected to be earned.

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We estimate the fair value of our stock options on the date of grant using the Black-Scholes option pricing model, which requires various assumptions such as expected term, expected stock price volatility and risk-free interest rate. We estimate the expected term of stock options granted taking into consideration historical data related to stock option exercises. We use historical stock price data in order to estimate the expected volatility factor of stock options granted. The risk-free interest rate for the periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate the estimates used, including but not limited to those related to revenue recognition, the allowance for doubtful accounts receivable, impairments of goodwill and other intangible assets, valuation of intangible assets acquired and contingent consideration liabilities assumed in business acquisitions, valuation of stock-based compensation awards and income taxes. Actual results could differ from these estimates.

***Fair Value Estimates***

ASC Topic 820, *Fair Value Measurements and Disclosure* (“Topic 820”), defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The guidance within Topic 820 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. The fair value hierarchy prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted market prices that are observable or that can be corroborated by observable market data by correlation; and
- Level 3 – unobservable inputs based upon the reporting entity’s internally developed assumptions which market participants would use in pricing the asset or liability.

The carrying value of financial instruments including cash, accounts receivable, accounts payable and short-term borrowings approximate estimated market values because of short-term maturities and interest rates that approximate current rates. In addition, the fair value of our long-term debt approximated its carrying value as of December 31, 2016 as it bears interest at variable rates. Our fair value measurements relate to goodwill, intangible assets and contingent consideration recognized in connection with acquisitions and are valued using Level 3 inputs.

***Leases***

We lease various office space, machinery and equipment under noncancelable operating leases which have minimum lease obligations. Many of the leases contain provisions for rent escalations based primarily on increases in real estate taxes and operating costs incurred by the lessor. Rent expense is recognized in the statements of operations as incurred except for escalating rents, which are expensed on a straight-line basis over the terms of the leases.

***Legal Expenses***

We are involved, from time to time, in litigation and proceedings arising out of the ordinary course of business. Costs for legal services rendered in the course of these proceedings are charged to expense as they are incurred.

***Reclassifications***

Certain prior year amounts have been reclassified to conform with the current year presentation.

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***Accounting Standards Issued***

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. In 2016, the FASB issued accounting standards updates to address implementation issues and to clarify the guidance for identifying performance obligations, licenses and determining if a company is the principal or agent in a revenue arrangement. In August 2015, the FASB deferred the effective date of this ASU to fiscal years beginning after December 15, 2017, with early adoption permitted on the original effective date of fiscal years beginning after December 15, 2016. ASU 2014-09 permits the use of either a full retrospective or a modified retrospective adoption method. We plan to adopt the standard effective January 1, 2018 and we currently anticipate using the full retrospective method. Based on our assessment to date, we believe the new standard could result in a change in revenue recognition on certain fixed price projects from a proportional performance method, where revenue is currently recognized over contract performance, to a completed contract method, where revenue would be recognized upon completion of our performance obligations. This change could result in a shift in the timing of revenue recognition, causing quarter to quarter revenue fluctuations. We are continuing to evaluate ASU 2014-09 and the impact of its adoption on our consolidated financial statements and plan to provide additional information at a future date.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This standard will require all leases with durations greater than twelve months to be recognized on the balance sheet as a right-of-use asset and a lease liability. ASU 2016-02 is effective for public companies for annual reporting periods beginning after December 15, 2018, and interim periods within those fiscal years. We believe adoption of this standard will have a significant impact on our consolidated balance sheets because we will need to recognize substantially all of our operating leases as right-of-use assets and lease liabilities on our balance sheet. Although we have not completed our assessment, we do not expect the adoption of ASU 2016-02 to materially change the recognition and measurement of lease expense within the consolidated statements of operations.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718)* ("ASU 2016-09"). The standard is intended to simplify several areas of accounting for share-based compensation arrangements. Under ASU 2016-09, companies will no longer record excess tax benefits and tax deficiencies to additional paid-in capital (APIC) on the settlement of awards. Instead, they will record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement and APIC pools will be eliminated. ASU 2016-09 also requires companies to make an accounting policy election on whether to account for forfeitures on share-based payments by 1) recognizing forfeitures as they occur; or 2) estimating the number of awards expected to be forfeited and periodically adjusting the estimate, as is currently required. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for annual and interim reporting periods of public companies beginning after December 15, 2016, although early adoption is permitted. We adopted ASU 2016-09 on January 1, 2017. The adoption of this standard did not have a material impact on our consolidated financial statements. However, it could result in volatility in income tax expense in future periods as a result of the change in accounting for excess tax benefits on the settlement of awards.

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**(2) Acquisitions**

Jencal Training

On March 1, 2016, we acquired the share capital of Jencal Training Limited (Jencal Training) and its subsidiary B2B Engage Limited (B2B), an independent provider of vocational skills training in the United Kingdom. The upfront purchase price was \$2.5 million in cash. In addition, we paid an additional \$0.2 million of deferred consideration in the fourth quarter of 2016. The purchase price allocation for the acquisition primarily includes \$1.4 million of customer-related intangible assets which are being amortized over four years from the acquisition date and \$1.8 million of goodwill. None of the goodwill recorded for financial statement purposes is deductible for tax purposes. The acquired Jencal Training business is included in the Learning Solutions segment and the results of its operations have been included in the consolidated financial statements beginning March 1, 2016. The pro-forma impact of the acquisition is not material to our results of operations.

Maverick Solutions

Effective October 1, 2016, we acquired the business and certain assets of Maverick Solutions, a U.S.-based provider of Enterprise Resource Planning (ERP) product training services. The upfront purchase price was \$4.6 million in cash. In addition, the purchase agreement requires up to an additional \$10.0 million of consideration, contingent upon the achievement of certain earnings targets during the two twelve-month periods following completion of the acquisition. We expect that all of the goodwill recorded for financial statement purposes will be deductible for tax purposes, except that contingent consideration is only deductible when paid. If the actual contingent consideration payments are less than the estimated fair value as of the acquisition date, a portion of goodwill will not be deductible for tax purposes. The acquired Maverick Solutions business is included in the Performance Readiness Solutions segment and the results of its operations have been included in the consolidated financial statements beginning October 1, 2016. The pro-forma impact of the acquisition is not material to our results of operations.

The following table summarizes the purchase price and purchase price allocation for the acquisition (dollars in thousands).

Cash purchase price	\$ 4,639	
Fair value of contingent consideration	5,166	
Total purchase price	<u>\$ 9,805</u>	
Purchase price allocation:		<u>Amortization</u>
Fixed assets	\$ 63	<u>Period</u>
Customer-related intangible assets	1,219	4 years
Marketing-related intangible assets (tradename)	124	2 years
Technology-related intangible assets	649	3 years
Goodwill	8,111	
Total assets	<u>10,166</u>	
Accrued expenses	38	
Billings in excess of costs and estimated earnings on uncompleted contracts	323	
Total liabilities	<u>361</u>	
Net assets acquired	<u>\$ 9,805</u>	



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Effective Companies

On April 1, 2014, we completed the acquisition of Effective People and Effective Learning (the "Effective Companies"), providers of human capital management (HCM) solutions, including sales and support of the full SAP SuccessFactors Business Education (BizX) Platform, eLearning and blended learning solutions, as well as recruitment and employee development services. The Effective Companies are headquartered in Copenhagen, Denmark. The upfront purchase price was \$9.0 million which was paid in cash at closing. In addition, the purchase agreement requires up to an additional \$5.7 million of consideration, contingent upon the achievement of certain earnings targets during the two twelve-month periods following completion of the acquisition. We paid \$2.6 million in 2015 with respect to the first twelve-month period following completion of the acquisition and \$2.6 million in 2016 for the second twelve-month period following completion of the acquisition.

We recorded intangible assets as a result of the acquisition in the amount of \$1.6 million which are being amortized over four years from the acquisition date. None of the goodwill recorded for financial statement purposes is deductible for tax purposes. The acquired Effective Companies business is included in our Danish subsidiary within the Learning Solutions segment and the results of its operations have been included in the consolidated financial statements since April 1, 2014. The pro-forma impact of the acquisition is not material to our results of operations. Its functional currency is the Danish Kroner. The purchase price allocation below was translated into U.S. dollars based on the exchange rate in effect on the date of acquisition.

The following table summarizes the purchase price and purchase price allocation for the acquisition (dollars in thousands).

Cash purchase price	\$ 9,004
Fair value of contingent consideration	5,345
Total purchase price	<u>\$ 14,349</u>
Purchase price allocation:	
Cash	\$ 334
Accounts receivable	1,378
Prepaid expenses and other assets	496
Property, plant and equipment	80
Amortizable intangible assets	1,613
Goodwill	12,556
Total assets	<u>16,457</u>
Accounts payable and accrued expenses	582
Billings in excess of costs and estimated earnings on uncompleted contracts	940
Deferred tax liability	586
Total liabilities	<u>2,108</u>
Net assets acquired	<u>\$ 14,349</u>

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**Contingent Consideration**

Contingent consideration is recognized at fair value on the acquisition date and is re-measured each reporting period with subsequent adjustments recognized in the consolidated statement of operations. We estimate the fair value of contingent consideration liabilities using an appropriate valuation methodology, typically either an income-based approach or a simulation model, such as the Monte Carlo model, depending on the structure of the contingent consideration arrangement. Contingent consideration is valued using significant inputs that are not observable in the market which are defined as Level 3 inputs pursuant to fair value measurement accounting. We believe our estimates and assumptions are reasonable, however, there is significant judgment involved. At each reporting date, the contingent consideration obligation is revalued to estimated fair value, and changes in fair value subsequent to the acquisitions are reflected in income or expense in the consolidated statements of operations, and could cause a material impact to, and volatility in, our operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates and changes in the timing and amount of revenue and/or earnings projections.

Below is a summary of the changes in the recorded amount of contingent consideration liabilities from December 31, 2015 to December 31, 2016 for each acquisition (dollars in thousands):

<b>Acquisition:</b>	<b>Liability as of Dec. 31, 2015</b>	<b>2016 Additions</b>	<b>Change in Fair Value of Contingent Consideration</b>	<b>Foreign Currency Translation</b>	<b>2016 Payments</b>	<b>Liability as of Dec. 31, 2016</b>
Jencal Training	\$ —	294	(115)	(21)	(158)	\$ —
Maverick	—	5,166	92	—	—	5,258
Effective Companies	2,381	—	159	85	(2,625)	—
	<u>\$ 2,381</u>	<u>\$ 5,460</u>	<u>\$ 136</u>	<u>\$ 64</u>	<u>(2,783)</u>	<u>\$ 5,258</u>

As of December 31, 2016 and 2015, contingent consideration included in accounts payable and accrued expenses on the consolidated balance sheets totaled \$3.6 million and \$2.4 million, respectively. As of December 31, 2016, we also had accrued contingent consideration totaling \$1.7 million, which is included in other long-term liabilities on the consolidated balance sheet and represents the portion of contingent consideration estimated to be payable greater than twelve months from the balance sheet date.

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**(3) Goodwill & Other Intangible Assets**

Goodwill

Changes in the carrying amount of goodwill by reportable business segment for the years ended December 31, 2016 and 2015 were as follows (in thousands):

	<b>Learning Solutions</b>	<b>Professional &amp; Technical Services</b>	<b>Sandy Training &amp; Marketing</b>	<b>Performance Readiness Solutions</b>	<b>Total</b>
<b>Net book value at</b>					
<b>January 1, 2015</b>					
Goodwill	\$ 55,173	\$ 51,973	\$ 6,161	\$ 27,867	\$ 141,174
Accumulated impairment losses	(2,079)	(7,830)	(5,508)	—	(15,417)
<b>Total</b>	<u>53,094</u>	<u>44,143</u>	<u>653</u>	<u>27,867</u>	<u>125,757</u>
<b><u>2015 Activity:</u></b>					
Foreign currency translation	(3,272)	(441)	—	(69)	(3,782)
<b>Net book value at</b>					
<b>December 31, 2015</b>					
Goodwill	51,901	51,532	6,161	27,798	137,392
Accumulated impairment losses	(2,079)	(7,830)	(5,508)	—	(15,417)
<b>Total</b>	<u>49,822</u>	<u>43,702</u>	<u>653</u>	<u>27,798</u>	<u>121,975</u>
<b><u>2016 Activity:</u></b>					
Acquisitions	1,828	—	—	8,111	9,939
Foreign currency translation	(2,571)	(1,338)	—	(233)	(4,142)
<b>Net book value at</b>					
<b>December 31, 2016</b>					
Goodwill	51,158	50,194	6,161	35,676	143,189
Accumulated impairment losses	(2,079)	(7,830)	(5,508)	—	(15,417)
<b>Total</b>	<u>\$ 49,079</u>	<u>\$ 42,364</u>	<u>\$ 653</u>	<u>\$ 35,676</u>	<u>\$ 127,772</u>

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Intangible Assets Subject to Amortization

Intangible assets with finite lives are subject to amortization over their estimated useful lives. The primary assets included in this category and their respective balances were as follows (in thousands):

**December 31, 2016**

	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
Customer relationships	\$ 14,595	\$ (9,855)	\$ 4,740
Intellectual property and other	2,311	(1,226)	1,085
	<u>\$ 16,906</u>	<u>\$ (11,081)</u>	<u>\$ 5,825</u>

**December 31, 2015**

Customer relationships	\$ 19,351	\$ (13,822)	\$ 5,529
Intellectual property and other	1,772	(1,080)	692
	<u>\$ 21,123</u>	<u>\$ (14,902)</u>	<u>\$ 6,221</u>

Amortization expense for intangible assets was \$3.5 million, \$4.1 million and \$5.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. Estimated future amortization expense for intangible assets included in our consolidated balance sheet as of December 31, 2016 is as follows (in thousands):

Fiscal year ending:

2017	\$ 2,910
2018	1,748
2019	871
2020	296
Total	<u>\$ 5,825</u>

As of December 31, 2016, our intangible assets with definite lives had a weighted average remaining useful life of 2.4 years. We have no amortizable intangible assets with indefinite useful lives.

**(4) Property, Plant and Equipment**

Property, plant and equipment consisted of the following (in thousands):

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Machinery, equipment and vehicles	\$ 14,810	\$ 15,214
Furniture and fixtures	3,118	3,254
Leasehold improvements	1,823	1,798
Buildings	302	363
	<u>20,053</u>	<u>20,629</u>
Accumulated depreciation and amortization	(15,506)	(14,384)
	<u>\$ 4,547</u>	<u>\$ 6,245</u>

Depreciation expense was \$2.9 million, \$3.5 million and \$3.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

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**(5) Debt**

On December 15, 2016, we entered into a Fifth Amended and Restated Financing and Security Agreement (the “Credit Agreement”). The Credit Agreement provides for a new revolving credit facility up to a maximum principal amount of \$100 million, expiring on December 31, 2021 and for a term loan in the maximum principal amount of \$40 million maturing on April 30, 2020. The Credit Agreement is secured by substantially all of our assets. The new term loan was used to refinance the \$11.1 million remaining balance of the existing term loan and \$28.9 million of borrowings outstanding under the existing revolving credit facility as of December 15, 2016.

The maximum interest rate on the Credit Agreement is the daily one-month LIBOR market index rate (for borrowings in Dollars and Sterling) or the daily one-month EURIBOR (for borrowings in Euros) plus 2.50%. Based on our financial performance, the interest rate can be reduced to a minimum rate of the daily one-month LIBOR market index rate plus 1.25%, with the rate being determined based on our maximum leverage ratio for the preceding four quarters. Each unpaid advance on the revolving loan will bear interest until repaid. The term loan is payable in monthly installments of principal in the amount of \$1.0 million each plus applicable interest, beginning on January 1, 2017. We may prepay the term loan or the revolving loan, in whole or in part, at any time without premium or penalty, subject to certain conditions. Amounts repaid or prepaid on the term loan may not be reborrowed.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our and our subsidiaries’ (subject to certain exceptions) ability to, among other things, grant liens, make investments, incur indebtedness, merge or consolidate, dispose of assets or make acquisitions. We are also required to maintain compliance with a minimum fixed charge coverage ratio and a maximum leverage ratio. We were in compliance with each of these financial covenants under the Credit Agreement as of December 31, 2016. As of December 31, 2016, our total long-term debt outstanding under the term loan was \$40.0 million. In addition, there were \$17.7 million of borrowings outstanding and \$76.6 million of available borrowings under the revolving credit facility as of December 31, 2016. For the years ended December 31, 2016 and 2015, the weighted average interest rate on our borrowings was 2.2% and 2.0%, respectively. As of December 31, 2016, the fair value of our borrowings under the Credit Agreement approximated its carrying value as it bears interest at variable rates.

As of December 31, 2016, our future minimum payments of long-term debt are as follows (in thousands):

Fiscal year ending:		
2017		\$ 12,000
2018		12,000
2019		12,000
2020		4,000
Total		<u>\$ 40,000</u>

**(6) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consisted of the following (in thousands):

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Trade accounts payable	\$ 14,534	\$ 13,981
Accrued salaries, vacation and benefits	18,049	17,888
Other accrued expenses	23,379	23,143
Accrued contingent consideration	3,590	2,381
Negative cash book balance	5,044	3,678
	<u>\$ 64,596</u>	<u>\$ 61,071</u>

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**(7) Employee Benefit Plan**

We offer the GP Retirement Savings Plan (the “Plan”) to our employees in the United States. Eligible employees are automatically enrolled unless they elect to not participate in the Plan, and contributions begin as soon as administratively feasible after enrollment. The Plan permits pre-tax contributions to the Plan by participants pursuant to Section 401(k) of the Internal Revenue Code (IRC). We make matching contributions at our discretion. In 2016, 2015 and 2014, we contributed 111,326, 91,301, and 90,876 shares, respectively, of our common stock directly to the Plan with a value of approximately \$2.7 million, \$2.7 million and \$2.5 million, respectively, which is recognized as compensation expense in the consolidated statements of operations for matching contributions to the Plan.

We also maintain several defined contribution pension schemes for our employees in the United Kingdom and other foreign countries. We contributed to these plans \$2.2 million, \$2.4 million and \$1.9 million during the years ended December 31, 2016, 2015 and 2014, respectively.

**(8) Income Taxes**

The components of income before income taxes and income tax expense for the years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	<b>Years ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Income before income taxes:			
Domestic	\$ 13,988	\$ 18,656	\$ 38,359
Foreign	16,046	10,967	4,464
Total income before income taxes	<u>\$ 30,034</u>	<u>\$ 29,623</u>	<u>\$ 42,823</u>
Income tax expense (benefit):			
Current:			
Federal	\$ 5,511	\$ 6,802	\$ 11,799
State and local	1,152	1,418	2,600
Foreign	4,885	3,710	1,439
Total current	<u>11,548</u>	<u>11,930</u>	<u>15,838</u>
Deferred:			
Federal	(1,039)	(198)	(9)
State and local	56	23	(23)
Foreign	(778)	(921)	(81)
Total deferred	<u>(1,761)</u>	<u>(1,096)</u>	<u>(113)</u>
Total income tax expense	<u>\$ 9,787</u>	<u>\$ 10,834</u>	<u>\$ 15,725</u>

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The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. The sources and tax effects of the differences are as follows:

	December 31,		
	2016	2015	2014
Federal income tax rate	35.0%	35.0%	35.0%
State and local taxes net of federal benefit	2.4	3.2	4.3
Domestic production deduction	(0.6)	(0.6)	(3.7)
Foreign tax rate differential	(5.8)	(4.3)	(0.2)
Permanent differences	4.8	2.1	2.0
Other	(3.2)	1.2	(0.7)
Effective tax rate	32.6%	36.6%	36.7%

The decrease in the effective income tax rate in 2016 compared to 2015 is primarily due to a change in the mix of taxable income from higher taxing jurisdictions to lower taxing jurisdictions.

*Uncertain Tax Positions*

As of December 31, 2016 and 2015, we had no uncertain tax positions reflected on our consolidated balance sheet. The Company files income tax returns in U.S. federal, state and local jurisdictions, and various non-U.S. jurisdictions, and is subject to audit by tax authorities in those jurisdictions. Tax years 2013 through 2015 remain open to examination by these tax jurisdictions, and earlier years remain open to examination in certain of these jurisdictions which have longer statutes of limitations.

*Deferred Income Taxes*

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Significant components of our deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2016	2015
Deferred tax assets:		
Allowance for doubtful accounts	\$ 357	\$ 692
Accrued liabilities and other	3,156	2,807
Stock-based compensation expense	910	569
Net federal, state and foreign operating loss carryforwards	1,292	1,039
Foreign tax credit carryforwards	1,207	—
Deferred tax assets	6,922	5,107
Valuation allowance on deferred tax assets	(1,320)	(1,194)
Deferred tax liabilities:		
Intangible assets, property and equipment, principally due to difference in depreciation and amortization	7,668	7,519
Net deferred tax liabilities	\$ (2,066)	\$ (3,606)

As of December 31, 2016, we had foreign net operating loss carryforwards of \$6.1 million for tax purposes, which will be available to offset future taxable income. If not used, these carryforwards will expire beginning in 2018. In addition, as of December 31, 2016, we have foreign tax credit carryforwards of \$1.2 million which are available to offset future federal taxable income. If not used, these credits will begin to expire in 2020.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets may not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences are deductible. Management considers

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the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon these factors, management placed a valuation allowance of \$1.3 million and \$1.2 million as of the years ended December 31, 2016 and 2015, respectively, against certain deferred tax assets, including net operating loss carryforwards, due to the uncertainty of future profitability in foreign jurisdictions. Management believes it is more likely than not that the Company will realize the benefits of the remaining deferred tax assets.

*Foreign Income*

As of December 31, 2016, we had approximately \$42.1 million of accumulated undistributed earnings generated by our foreign subsidiaries. No provision has been made for income taxes that would be payable upon the distribution of such earnings since we intend to permanently reinvest these earnings. If these earnings were distributed in the form of dividends or otherwise, the distributions would be subject to U.S. federal income tax at the statutory rate of 35 percent, less foreign tax credits available to offset such distributions, if any. In addition, such distributions may be subject to withholding taxes in the various tax jurisdictions. Determination of the deferred income tax liability on undistributed earnings is not practicable due the complexities associated with calculating a liability which is dependent on future circumstances existing if and when a distribution occurs.

**(9) Restructuring**

During the third quarter of 2015, we implemented a cost savings initiative to better align costs with revenues and improve our operating margins. The initiatives included a workforce reduction, lease exit costs and other general expense controls. We recorded severance expense of \$1.4 million for the year ended December 31, 2015 which is included in Restructuring charges on the consolidated statements of operations. We also incurred an immaterial amount of lease termination costs in 2015.

**(10) Stock-Based Compensation**

Our shareholders approved the 2011 Stock Incentive Plan (the “2011 Plan”) at our Annual Meeting of Shareholders in December 2011. The 2011 Plan replaced the 1973 Non-Qualified Stock Option Plan, as amended, and the 2003 Incentive Stock Plan (the “Prior Plans”). No new awards will be made under the Prior Plans and outstanding awards will remain outstanding under the Prior Plans until settled. Under the 2011 Plan, we may grant awards of non-qualified stock options, incentive stock options, restricted stock, stock units, performance shares, performance units and other incentives payable in cash or in shares of our common stock to officers, employees or members of the Board of Directors. We are authorized to grant an aggregate of 1,355,764 shares under the 2011 Plan. As of December 31, 2016, there were 729,095 shares available for issuance of future grants of awards under the 2011 Plan. As of December 31, 2016, there were 37,350 shares representing outstanding awards under the Prior Plans and 361,610 shares representing outstanding awards under the 2011 Plan. We may issue new shares or use shares held in treasury to deliver shares to employees for our equity grants or upon exercise of non-qualified stock options.

The following table summarizes the pre-tax stock-based compensation expense included in reported net income (in thousands):

	<b>Years ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Cost of revenue	\$ 2,545	\$ 2,366	\$ 1,609
Selling, general and administrative expenses	684	684	519
Total stock-based compensation expense	\$ 3,229	\$ 3,050	\$ 2,128

We recognized a deferred income tax benefit of \$1.2 million, \$1.1 million and \$0.7 million, respectively, during the years ended December 31, 2016, 2015, and 2014 associated with the compensation expense recognized in our consolidated financial statements. As of December 31, 2016, we had non-qualified stock options and restricted stock units outstanding under these plans as discussed below.



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***Non-Qualified Stock Options***

Non-qualified stock options are granted with an exercise price not less than the fair market value of our common stock at the date of grant, vest over a period up to ten years, and expire at various terms up to ten years from the date of grant.

Summarized information for our non-qualified stock options is as follows:

<b>Stock Options</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual term</b>	<b>Aggregate intrinsic value</b>
Outstanding at December 31, 2015	110,550	\$ 14.54		
Granted	—	—		
Exercised	(41,900)	13.16		
Forfeited	(500)	15.65		
Expired	(600)	19.38		
Outstanding at December 31, 2016	<u>67,550</u>	<u>\$ 15.34</u>	<u>0.54</u>	<u>\$ 896,000</u>
Exercisable at December 31, 2016	<u>64,150</u>	<u>\$ 15.30</u>	<u>0.50</u>	<u>\$ 853,000</u>

As of December 31, 2016, we had less than \$0.1 million of unrecognized compensation cost related to the unvested portion of outstanding stock options to be recognized on a straight-line basis over a weighted average remaining service period of approximately 0.6 years.

We received cash for the exercise price associated with stock options exercised of \$0.1 million during each of the years ended December 31, 2016, 2015 and 2014, respectively. During the years ended December 31, 2016, 2015, and 2014 we settled 30,700, 104,000, and 327,100 outstanding stock options, respectively, held by our employees by issuing 9,976, 46,432 and 140,544 fully vested shares, respectively, which represented the fair value of those stock options upon settlement, net of required income tax withholdings. The total intrinsic value realized by participants on stock options exercised and/or settled was \$0.5 million, \$2.3 million and \$7.0 million during the years ended December 31, 2016, 2015 and 2014, respectively. During the years ended December 31, 2016, 2015 and 2014, we realized excess income tax benefits of \$0.1 million, \$0.8 million and \$2.5 million, respectively, related to stock option exercises and restricted stock vesting, which are reflected as an increase to additional paid-in capital on the consolidated statements of stockholders' equity.

***Restricted Stock Units***

In addition to stock options, we issue restricted stock units to key employees and members of the Board of Directors based on meeting certain service goals. The stock units vest to the recipients at various dates, up to five years, based on fulfilling service requirements. We recognize the value of the market price of the underlying stock on the date of grant to compensation expense over the requisite service period. Upon vesting, the stock units are settled in shares of our common stock. Summarized share information for our restricted stock units is as follows:

	<b>Year ended December 31, 2016</b>	<b>Weighted average grant date fair value</b>
	<i>(In shares)</i>	<i>(In dollars)</i>
Outstanding and unvested, beginning of period	221,664	\$ 28.74
Granted	66,019	26.89
Vested	(76,010)	24.32
Forfeited	(4,657)	25.19
Outstanding and unvested, end of period	<u>207,016</u>	<u>\$ 29.85</u>

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The total intrinsic value realized by participants upon the vesting of restricted stock units was \$1.8 million, \$2.0 million and \$1.6 million during the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, we had unrecognized compensation cost of \$3.9 million related to the unvested portion of our outstanding restricted stock units to be recognized over a weighted average remaining service period of 1.9 years.

In 2015, the Compensation Committee approved a long-term incentive program providing for the issuance to certain executives performance-based and time-based restricted stock units under the 2011 Plan. Under the program, a target level of equity compensation is set for each officer. The total equity compensation is divided into performance-based and time-based restricted stock units. Under the program, the Compensation Committee sets the performance-based goals within the first 90 days of each year. Vesting of the performance-based stock units (PSU's) is contingent upon the employee's continued employment and the Company's achievement of certain performance goals during a three-year performance period. The performance goals are established by the Compensation Committee for a three-year performance period based on financial targets, including an average annual return on invested capital ("ROIC") and average annual growth in earnings before interest, taxes, depreciation and amortization (adjusted to exclude the effect of acquisitions, dispositions, and certain other nonrecurring or extraordinary items) ("Adjusted EBITDA"). We recognize compensation expense, net of estimated forfeitures, for PSU's on a straight-line basis over the performance period based on the probable outcome of achievement of the financial targets. At the end of each reporting period, we estimate the number of PSU's expected to vest, based on the probability and extent to which the performance goals will be met, and take into account these estimates when calculating the expense for the period. If the number of shares expected to be earned changes during the performance period, we will make a cumulative adjustment to compensation expense based on the revised number of shares expected to be earned.

Summarized share information for our performance-based restricted stock units is as follows:

	<b>Year ended December 31, 2016</b>	<b>Weighted average grant date fair value</b>
	<i>(In shares)</i>	<i>(In dollars)</i>
Outstanding and unvested, beginning of period	52,476	\$ 36.71
Granted	71,918	26.97
Vested	—	—
Forfeited	—	—
Outstanding and unvested, end of period	<u>124,394</u>	<u>\$ 31.08</u>

As of December 31, 2016, we had unrecognized compensation cost of \$0.4 million related to the unvested portion of our outstanding restricted stock units to be recognized over a weighted average remaining service period of 1.8 years.

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**(11) Common Stock**

The holders of common stock are entitled to one vote per share. As of December 31, 2016, there were 16,740,587 shares of common stock issued and outstanding. In addition, as of December 31, 2016, there were 398,960 shares reserved for issuance under outstanding equity compensation awards such as stock options and restricted stock units and an additional 729,095 shares available for issuance for future grants of awards under the 2011 Plan.

Stock Repurchase Program

We have a share repurchase program under which we may repurchase shares of our common stock from time to time in the open market, subject to prevailing business and market conditions and other factors. During the years ended December 31, 2016, 2015 and 2014, we repurchased approximately 340,000, 477,000 and 147,000 shares, respectively, of our common stock in the open market for a total cost of approximately \$8.0 million, \$12.3 million and \$3.7 million, respectively. As of December 31, 2016, there was approximately \$6.1 million available for future repurchases under the buyback program. There is no expiration date for the repurchase program.

Share Repurchase - Modified "Dutch auction" Tender Offer

In September 2014, we conducted a modified "Dutch auction" tender offer to repurchase for cash shares of our common stock up to an aggregate purchase price of \$80 million within the range of \$26.00 to \$29.00 per share. The tender offer resulted in the Company accepting for payment an aggregate of 2,127,706 shares of GP Strategies Corporation common stock at a purchase price of \$29.00 per share, for an aggregate cost of approximately \$61.7 million, excluding fees and expenses of \$1.2 million in connection with the tender offer. The total amount of shares purchased in the tender offer represented approximately 11.1% of our issued and outstanding shares as of September 29, 2014. The transaction closed on October 3, 2014.

Securities Purchase Agreement

On December 30, 2009, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with a single accredited investor, Sagard Capital Partners, L.P. ("Sagard"), pursuant to which we sold to Sagard, in a private placement, an aggregate of 2,857,143 shares (the "Shares") of our common stock, par value \$0.01, at a price of \$7.00 per share (the "Offering"), for an aggregate purchase price of \$20.0 million. The Offering closed on December 30, 2009. The Purchase Agreement prohibits Sagard from acquiring beneficial ownership of more than 23% of our common stock (calculated on a fully diluted basis). As of December 31, 2016, Sagard beneficially owned 3,639,367 shares or 21.7% of our outstanding common stock.

In connection with the Offering, on December 30, 2009, we entered into a Registration Rights Agreement (the "Registration Rights Agreement") with Sagard. Pursuant to the Registration Rights Agreement, we filed a registration statement with the Securities and Exchange Commission (the "SEC") for purposes of registering the resale of the Shares and any shares of common stock issued pursuant to the preemptive rights under Section 4(l) of the Purchase Agreement (or any shares of common stock issuable upon exercise, conversion or exchange of securities issued pursuant to the preemptive rights). We filed the registration statement with the SEC on September 27, 2010 and it was declared effective by the SEC on October 8, 2010. If we fail to meet filing or effectiveness deadlines with respect to any additional registration statements required by the Registration Rights Agreement, or fail to keep any registration statements continuously effective (with limited exceptions), we will be obligated to pay to the holders of the Shares liquidated damages in the amount of 1% of the purchase price for the Shares per month, up to a maximum of \$2.4 million. We also agreed, among other things, to indemnify the selling holders under the registration statements from certain liabilities and to pay all fees and expenses (excluding underwriting discounts and selling commissions and all legal fees of the selling holders in excess of \$25,000) incident to our obligations under the Registration Rights Agreement.

**GP STRATEGIES CORPORATION**  
**Notes to Consolidated Financial Statements**

**(12) Business Segments**

As of December 31, 2016, we operated through four reportable business segments: (i) Learning Solutions, (ii) Professional & Technical Services, (iii) Sandy Training & Marketing, and (iv) Performance Readiness Solutions. Each of our reportable segments represents an operating segment under U.S. GAAP. We are organized by operating group primarily based upon the markets served by each group and/or the services performed. Each operating group consists of business units which are focused on providing specific products and services to certain classes of customers or within targeted markets. Marketing and communications, accounting, tax, finance, legal, human resources, information systems and other administrative services are organized at the corporate level. Business development and sales resources are aligned with operating groups to support existing customer accounts and new customer development.

Further information regarding our business segments is discussed below.

**Learning Solutions.** The Learning Solutions segment delivers training, curriculum design and development, e-Learning services, system hosting, training business process outsourcing and consulting services globally. This segment serves large companies in the electronics and semiconductors, healthcare, software, financial services and other industries as well as government agencies. This segment also provides apprenticeship and vocational skills training funded by an agency of the United Kingdom government. The ability to deliver a wide range of training services on a global basis allows this segment to take over the entire learning function for the client, including their training personnel.

**Professional & Technical Services.** The Professional & Technical Services segment provides training, consulting, engineering and technical services, including lean consulting, emergency preparedness, safety and regulatory compliance, chemical demilitarization and environmental services primarily to large companies in the manufacturing, steel, pharmaceutical energy and petrochemical industries; federal and state government agencies; and large government contractors. Our proprietary EtaPRO™ Performance and Condition Monitoring System provides a suite of real-time software solutions for power generation facilities and is installed on power-generating units across the world. In addition to providing custom training solutions, this segment provides web-based training through our GPiLEARN™ portal, which offers a variety of courses to power plant personnel in the U.S. and other countries. This segment also provides services to users of alternative fuels, including designing and constructing liquefied natural gas (LNG), liquid to compressed natural gas (LCNG) and hydrogen fueling stations, as well as supplying equipment.

**Sandy Training & Marketing.** The Sandy Training & Marketing segment provides custom product sales training and has been a leader in serving manufacturing customers in the U.S. automotive industry for over 40 years. Sandy provides custom product sales training designed to better educate customer sales forces with respect to new vehicle features and designs, in effect rapidly increasing the sales force knowledge base and enabling them to address detailed customer queries. Furthermore, Sandy helps our clients assess their customer relationship marketing strategy and connect with their customers on a one-to-one basis including through custom publications. This segment also provides technical training services to automotive manufacturers as well as customers in other industries.

**Performance Readiness Solutions.** This segment provides performance consulting and technology consulting services, including platform adoption, end-user training, change management, knowledge management, customer product training outsourcing, training content development and sales enablement solutions. This segment also offers organization performance solutions, including leadership development training and employee engagement tools and services. Industries served include manufacturing, aerospace, healthcare, life sciences, consumer products, financial, telecommunications and higher education as well as government agencies.

We do not allocate the following items to the segments: selling, general & administrative expenses, restructuring charges, other income (expense), interest expense, gain (loss) on change in fair value of contingent consideration and income tax expense. Inter-segment revenue is eliminated in consolidation and is not significant.

The following table sets forth the revenue and operating results attributable to each reportable segment and includes a reconciliation of segment revenue to consolidated revenue and operating results to consolidated income before income tax expense (in thousands):

**GP STRATEGIES CORPORATION**  
**Notes to Consolidated Financial Statements**

	<b>Years ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Revenue:			
Learning Solutions	\$ 208,998	\$ 207,039	\$ 198,242
Professional & Technical Services	101,907	119,092	151,559
Sandy Training & Marketing	101,768	87,567	67,694
Performance Readiness Solutions	77,886	76,582	84,372
	\$ 490,559	\$ 490,280	\$ 501,867
Gross Profit:			
Learning Solutions	\$ 38,954	\$ 36,223	\$ 32,761
Professional & Technical Services	15,803	23,621	33,350
Sandy Training & Marketing	14,181	11,321	10,903
Performance Readiness Solutions	11,219	10,827	12,561
Total gross profit	80,157	81,992	89,575
Selling, general and administrative expenses	48,597	47,748	47,108
Restructuring charges	—	1,551	—
Gain (loss) on change in fair value of contingent consideration, net	(136)	(371)	1,392
Operating income	31,424	32,322	43,859
Interest expense	1,568	1,381	833
Other income (expense)	178	(1,318)	(203)
Income before income tax expense	\$ 30,034	\$ 29,623	\$ 42,823

Additional information relating to our business segments is as follows (in thousands):

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Identifiable assets:		
Learning Solutions	\$ 147,595	\$ 140,500
Professional & Technical Services	80,033	81,183
Sandy Training & Marketing	25,804	25,769
Performance Readiness Solutions	62,169	55,517
Total assets	\$ 315,601	\$ 302,969

Corporate and other assets which consist primarily of cash, other assets, and deferred tax assets and liabilities are allocated to the segments based on their respective percentage of consolidated revenues.

**GP STRATEGIES CORPORATION**  
**Notes to Consolidated Financial Statements**

	<b>Years ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Additions to property, plant and equipment:</b>			
Learning Solutions	\$ 548	\$ 768	\$ 1,094
Professional & Technical Services	146	269	451
Sandy Training & Marketing	13	77	8
Performance Readiness Solutions	39	496	50
Corporate and other	656	747	1,154
	<u>\$ 1,402</u>	<u>\$ 2,357</u>	<u>\$ 2,757</u>
<b>Depreciation and amortization:</b>			
Learning Solutions	\$ 2,403	\$ 3,189	\$ 3,754
Professional & Technical Services	797	1,152	1,333
Sandy Training & Marketing	429	465	427
Performance Readiness Solutions	1,530	1,446	2,029
Corporate and other	1,303	1,613	2,215
	<u>\$ 6,462</u>	<u>\$ 7,865</u>	<u>\$ 9,758</u>

Information about our revenue in different geographic regions, which are attributable to our wholly owned subsidiaries located primarily in the United States, United Kingdom and other countries is as follows (in thousands):

	<b>Years ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
United States	\$ 339,329	\$ 341,581	\$ 380,052
United Kingdom	93,017	98,991	83,652
Other	58,213	49,708	38,163
	<u>\$ 490,559</u>	<u>\$ 490,280</u>	<u>\$ 501,867</u>

Information about our total assets in different geographic regions is as follows (in thousands):

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
United States	\$ 195,693	\$ 182,256
United Kingdom	59,018	66,241
Other	60,890	54,472
	<u>\$ 315,601</u>	<u>\$ 302,969</u>

**GP STRATEGIES CORPORATION**  
**Notes to Consolidated Financial Statements**

**(13) Commitments, Guarantees, and Contingencies**

Commitments

***Operating Leases***

We have various noncancelable leases for real property and machinery and equipment. Such leases expire at various dates with, in some cases, options to extend their terms.

Minimum rentals under long-term operating leases are as follows (in thousands):

Fiscal year ending:	Real property	Machinery and equipment	Total
2017	\$ 7,546	\$ 721	\$ 8,267
2018	5,652	243	5,895
2019	4,278	69	4,347
2020	3,404	5	3,409
2021	2,960	—	2,960
Thereafter	9,831	—	9,831
Total	\$ 33,671	\$ 1,038	\$ 34,709

Certain of the leases contain provisions for rent escalation based primarily on increases in a specified Consumer Price Index, real estate taxes and operating costs incurred by the lessor. Rent expense was approximately \$9.8 million, \$10.2 million and \$9.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

***Other***

As of December 31, 2016, we had ten outstanding letters of credit totaling \$5.7 million, which expire in 2017 through 2022. In addition, we have two outstanding performance bonds totaling \$8.2 million for contracts to be completed in 2017.

**GP STRATEGIES CORPORATION**  
**Notes to Consolidated Financial Statements**

**(14) Quarterly Information (unaudited)**

Our quarterly financial information has not been audited but, in management's opinion, includes all adjustments necessary for a fair presentation.

(In thousands)	Three months ended				Year ended
	2016	March 31	June 30	September 30	December 31
Revenue	\$ 115,756	\$ 125,542	\$ 121,978	\$ 127,283	490,559
Gross profit	17,927	20,344	20,004	21,882	80,157
Net income	3,800	4,913	4,802	6,732	20,247
Earnings per share:					
Basic	\$ 0.23	\$ 0.29	\$ 0.29	\$ 0.40	\$ 1.21
Diluted	\$ 0.23	\$ 0.29	\$ 0.29	\$ 0.40	\$ 1.21
<b>2015</b>					
Revenue	\$ 115,253	\$ 125,665	\$ 122,931	\$ 126,431	\$ 490,280
Gross profit	19,135	20,076	20,369	22,412	81,992
Net income	4,107	4,714	3,716	6,252	18,789
Earnings per share:					
Basic	\$ 0.24	\$ 0.27	\$ 0.22	\$ 0.37	\$ 1.10
Diluted	\$ 0.24	\$ 0.27	\$ 0.22	\$ 0.37	\$ 1.09

*The sum of the quarterly earnings per share amounts may not equal the total for the year due to the effects of rounding and dilution as a result of issuing common shares during the year.*

**(15) Subsequent Event**

On February 1, 2017, we acquired the business and certain assets of McKinney Rogers, a provider of strategic consulting services with offices in New York and London. The upfront purchase price was \$4.0 million in cash. In addition, the purchase agreement requires up to an additional \$18.0 million of consideration, \$6.0 million of which is contingent upon the achievement of certain earnings targets during the five-month period ending April 30, 2017 and \$12.0 million of which is contingent upon the achievement of certain earnings targets during the three twelve-month periods following completion of the acquisition. The acquired McKinney Rogers business will be included in the Performance Readiness Solutions segment and the results of its operations will be included in the consolidated financial statements beginning February 1, 2017.



## **Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A: Controls and Procedures**

#### *(a) Evaluation of Disclosure Controls and Procedures*

We carried out an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2016 were effective.

#### *(b) Management's Annual Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). Our internal control processes and procedures are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements in accordance with United States generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that reasonably allow us to record, process, summarize, and report information and financial data within prescribed time periods and in accordance with Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of internal control over financial reporting as of December 31, 2016 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)* (“COSO Framework”). Based upon our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2016.

Our internal control over financial reporting as of December 31, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, whose report appears in Item 8.

#### *(c) Changes in Internal Control over Financial Reporting*

During the year ended December 31, 2016, there has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d—15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

### **Item 9B: Other Information**

None.

## Part III

### Item 10. Directors, Executive Officers and Corporate Governance

The additional information required by this item will be either set forth under the *Election of Directors* section in the Proxy Statement for the 2017 Annual Meeting of Shareholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than May 1, 2017.

### Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than 10% of a registered class of our securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (“SEC”) and the New York Stock Exchange (“NYSE”), and to furnish us with such reports. Based solely on a review of copies of such reports for 2016, we believe that during 2016 all reports applicable to our officers, directors and greater than 10% beneficial owners were filed on a timely basis.

### Item 11. Executive Compensation

The information required by this item will be either set forth under the *Executive Compensation* section in the Proxy Statement for the 2017 Annual Meeting of Shareholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than May 1, 2017.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The additional information required by this item will be either set forth under the *Principal Stockholders* and *Security Ownership of Directors and Named Executive Officers* sections in the Proxy Statement for the 2017 Annual Meeting of Stockholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than May 1, 2017.

### Equity Compensation Plan information as of December 31, 2016

Plan category:

Equity compensation plans not approved by security holders:

(a) Number of securities to be issued upon exercise of outstanding options	37,350
(b) Weighted average exercise price of outstanding options	\$ 13.20
(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in row (a))	—

Equity compensation plans approved by security holders:

(a) Number of securities to be issued upon exercise of outstanding options	30,200
(b) Weighted average exercise price of outstanding options	\$ 18.00
(c) Number of securities remaining available for future issuance under equity compensation plans	729,095

For a description of the material terms of our stock-based compensation plans, see Note 10 to the Consolidated Financial Statements in Item 8 of this report.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item will be either set forth in the *Certain Relationships and Related Transactions* section of the Proxy Statement for the 2017 Annual Meeting of Shareholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than May 1, 2017.

**Item 14. Principal Accounting Fees and Services**

The information required by this item will be either set forth in the *Ratification of Independent Registered Public Accounting Firm* section of the Proxy Statement for the 2017 Annual Meeting of Shareholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than May 1, 2017.

## Part IV

### Item 15: Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this Report:

(1) Financial Statements of GP Strategies Corporation and Subsidiaries (Part II, Item 8):

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets – December 31, 2016 and 2015

Consolidated Statements of Operations – Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income – Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Stockholders' Equity – Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows – Years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

Other financial statement schedules are omitted because they are not required or applicable, or the required information is shown in the financial statements or notes thereto, or contained in this report.

(3) Exhibits required by Item 601 of Regulation S-K.

#### **Exhibit number**

- |      |  |
|------|--|
| 3.1  | Composite of the Restated Certificate of Incorporation of GP Strategies Corporation including all amendments through December 31, 2011. Incorporated herein by reference to Exhibit 3.1 of GP Strategies Corporation's Form 8-K filed on January 3, 2012.  |
| 3.2  | GP Strategies Corporation Amended and Restated By-Laws, including all amendments through February 19, 2015. Incorporated herein by reference to Exhibit 3.1 of GP Strategies Corporation's Form 8-K filed on February 23, 2015.  |
| 10.1 | Fifth Amended and Restated Financing and Security Agreement, dated December 15, 2016, by and between GP Strategies Corporation as Borrower, as US Borrower, and General Physics (UK) Ltd., GP Strategies Holdings Limited, GP Strategies Limited and GP Strategies Training Limited, collectively as UK Borrowers, and Wells Fargo Bank, National Association, as Lender. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 8-K filed on December 21, 2016. |
| 10.2 | Short-term Incentive Plan approved by the Board of Directors on March 29, 2016. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 10-Q filed on April 28, 2016.   |
| 10.3 | GP Strategies Corporation 2011 Stock Incentive Plan. Incorporated herein by reference to Appendix B of GP Strategies Corporation's Definitive Proxy Statement filed on November 1, 2011.   |

- 10.4 1973 Non-Qualified Stock Option Plan of GP Strategies Corporation, as amended on December 28, 2006. Incorporated by reference to Exhibit 10.1 of GP Strategies Corporation's Form 10-K for the year ended December 31, 2006.
- 10.5 GP Strategies Corporation 2003 Incentive Stock Plan. Incorporated herein by reference to Exhibit 4 of GP Strategies Corporation's Form 10-Q for the quarter ended September 30, 2003.
- 10.5 Employment Agreement, dated as of July 1, 1999, between GP Strategies Corporation's and Scott N. Greenberg. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 10-Q for the quarter ended September 30, 1999.
- 10.6 Amendment, dated January 21, 2005, to Employment Agreement dated as of July 1, 1999 between GP Strategies Corporation and Scott N. Greenberg. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 8-K filed on January 25, 2005.
- 10.7 Amendment, dated June 20, 2007, to Employment Agreement dated as of July 1, 1999 between GP Strategies Corporation and Scott N. Greenberg. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 8-K filed on June 26, 2007.
- 10.8 Amendment, dated December 30, 2008, to Employment Agreement by and between GP Strategies Corporation and Scott N. Greenberg dated July 1, 1999. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 8-K filed on January 6, 2009.
- 10.9 Amendment, dated December 30, 2009, to Employment Agreement by and between GP Strategies Corporation and Scott N. Greenberg dated July 1, 1999. Incorporated herein by reference to Exhibit 10.3 to GP Strategies Corporation's Form 8-K filed December 31, 2009.
- 10.10 Amendment, dated December 30, 2011, to Employment Agreement dated as of July 1, 1999 between General Physics Corporation and Scott N. Greenberg. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 8-K filed on January 3, 2012.
- 10.11 Employment Agreement, dated as of July 1, 1999, between General Physics Corporation and Douglas E. Sharp. Incorporated herein by reference to Exhibit 10.11 of GP Strategies Corporation's Form 10-K for the year ended December 31, 2003.
- 10.12 Amendment, dated January 21, 2005, to Employment Agreement dated as of July 1, 1999 between General Physics Corporation and Douglas E. Sharp. Incorporated herein by reference to Exhibit 10.2 of GP Strategies Corporation's Form 8-K filed on January 25, 2005.
- 10.13 Amendment, dated June 20, 2007, to Employment Agreement dated as of July 1, 1999 between General Physics Corporation and Douglas E. Sharp. Incorporated herein by reference to Exhibit 10.2 of GP Strategies Corporation's Form 8-K filed on June 26, 2007.
- 10.14 Amendment, dated December 30, 2008, to Employment Agreement by and between General Physics Corporation and Douglas Sharp dated July 1, 1999. Incorporated herein by reference to Exhibit 10.2 of GP Strategies Corporation's Form 8-K filed on January 6, 2009.
- 10.15 Amendment, dated December 30, 2009, to Employment Agreement by and between General Physics Corporation and Douglas Sharp dated July 1, 1999. Incorporated herein by reference to Exhibit 10.4 to GP Strategies Corporation's Form 8-K filed December 31, 2009.
- 10.16 Amendment, dated December 30, 2011, to Employment Agreement dated as of July 1, 1999 between General Physics Corporation and Douglas E. Sharp. Incorporated herein by reference to Exhibit 10.3 of GP Strategies Corporation's Form 8-K filed on January 3, 2012.
- 10.17 Form of Employment Agreement between General Physics Corporation and certain of its executive vice presidents. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 8-K filed on October 4, 2007.
- 10.18 Form of Employment Agreement between General Physics Corporation and certain of its senior vice presidents. Incorporated herein by reference to Exhibit 10.4 of GP Strategies Corporation's Form 10-Q for the quarter ended September 30, 2007.

- 10.19 Amendment, dated December 30, 2011, to Form of Employment Agreement between General Physics Corporation and certain of its executive officers. Incorporated herein by reference to Exhibit 10.3 of GP Strategies Corporation's Form 8-K filed on January 3, 2012.
- 10.20 Form of Non-Qualified Stock Option Agreement between GP Strategies Corporation and certain officers, dated June 26, 2007. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 10-Q for the quarter ended June 30, 2007.
- 10.21 Form of Stock Unit Agreement between GP Strategies Corporation and certain officers, dated November 7, 2008. Incorporated herein by reference to Exhibit 10.15 of GP Strategies Corporation's Form 10-K for the year ended December 31, 2008.
- 10.22 Form of Non-Qualified Stock Option Agreement between GP Strategies Corporation and certain officers, dated January 21, 2010. Incorporated herein by reference to Exhibit 10.23 to GP Strategies Corporation's Form 10-K for the year ended December 31, 2009.
- 10.23 Form of Performance-Based Restricted Stock Unit Agreement. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 10-Q filed on May 5, 2015.
- 10.24 Form of Time-Based Restricted Stock Unit Agreement. Incorporated herein by reference to Exhibit 10.2 of GP Strategies Corporation's Form 10-Q filed on May 5, 2015.
- 10.25 Cash Bonus Plan of GP Strategies Corporation, as amended on March 30, 2015. Incorporated herein by reference to Exhibit 10.3 of GP Strategies Corporation's Form 10-Q filed on May 5, 2015.
- 10.26 Lease Agreement, entered into as of February 28, 2013 by and between 70 CC, LLC, a Delaware limited liability company ("Landlord") and GP Strategies Corporation, a Delaware corporation ("Tenant"). Incorporated herein by reference to Exhibit 10.1 to GP Strategies Corporation's Form 8-K filed on March 5, 2013.
- 10.27 Securities Purchase Agreement, dated as of December 30, 2009, between GP Strategies Corporation and Sagard Capital Partners, L.P. Incorporated herein by reference to Exhibit 10.1 to GP Strategies Corporation's Form 8-K filed December 31, 2009.
- 10.28 Amendment, dated December 30, 2011, to Securities Purchase Agreement, dated as of December 30, 2009, between GP Strategies Corporation and Sagard Capital Partners, L.P. Incorporated herein by reference to Exhibit 10.4 of GP Strategies Corporation's Form 8-K filed on January 3, 2012.
- 10.29 Registration Rights Agreement, dated as of December 30, 2009, between GP Strategies Corporation and Sagard Capital Partners, L.P. Incorporated herein by reference to Exhibit 10.2 to GP Strategies Corporation's Form 8-K filed December 31, 2009.
- 10.30 Code of Ethics Policy. Incorporated herein by reference to Exhibit 14.1 of GP Strategies Corporation's Form 10-K for the year ended December 31, 2003.
- 10.31 Form of Indemnification Agreement. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 8-K dated December 23, 2005.
- 10.32 Global Outsourcing Services Agreement dated July 2, 2013 between HSBC Holdings plc and GP Strategies Managed Services Limited relating to the Provision of Global Learning Services. Incorporated herein by reference to Exhibit 10.1 of GP Strategies Corporation's Form 10-Q for the quarter ended September 30, 2013.
- 21 Subsidiaries of GP Strategies Corporation\*
- 23 Consent of KPMG LLP, Independent Registered Public Accounting Firm\*
- 31.1 Certification of Chief Executive Officer\*
- 31.2 Certification of Chief Financial Officer\*
- 32.1 Certification Pursuant to Section 18 U.S.C. Section 1350\*
- 101 The following materials from GP Strategies Corporation's Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.\*

\* Filed herewith.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### GP STRATEGIES CORPORATION

Dated: February 28, 2017

By /s/ Scott N. Greenberg

Scott N. Greenberg

*Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<b>Signatures</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Scott N. Greenberg</u> Scott N. Greenberg	Chief Executive Officer (Principal Executive Officer and Director)	February 28, 2017
<u>/s/ Sharon Esposito-Mayer</u> Sharon Esposito-Mayer	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2017
<u>/s/ Harvey P. Eisen</u> Harvey P. Eisen	Chairman of the Board of Directors	February 28, 2017
<u>/s/ Marshall S. Geller</u> Marshall S. Geller	Director	February 28, 2017
<u>/s/ Steven E. Koonin</u> Steven E. Koonin	Director	February 28, 2017
<u>/s/ Richard C. Pfenniger, Jr.</u> Richard C. Pfenniger, Jr.	Director	February 28, 2017
<u>/s/ Samuel D. Robinson</u> Samuel D. Robinson	Director	February 28, 2017
<u>/s/ A. Marvin Strait</u> A. Marvin Strait	Director	February 28, 2017

## Board of Directors

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### HARVEY P. EISEN

Non-Executive Chairman of the Board; Executive Committee

### MARSHALL S. GELLER

Compensation (Chair), Executive and Nominating/Corporate Governance Committees

### SCOTT N. GREENBERG

Executive Committee and Government Security Committees

### STEVEN E. KOONIN

Government Security Committee (Chair)

### RICHARD C. PFENNIGER, JR.

Nominating/Corporate Governance Committee (Chair), Audit Committee

### SAMUEL D. ROBINSON

Audit, Compensation, Executive and Nominating/Corporate Governance Committees

### A. MARVIN STRAIT

Audit Committee (Chair), Compensation Committee

## Executive Leadership

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### SCOTT N. GREENBERG

Chief Executive Officer

### DOUGLAS E. SHARP

President

### SHARON ESPOSITO-MAYER

Executive Vice President & Chief Financial Officer

### KARL BAER

Executive Vice President

### DONALD R. DUQUETTE

Executive Vice President

### KENNETH L. CRAWFORD

Senior Vice President, General Counsel & Secretary

### DAVID A. GUGALA

Executive Vice President

### DEBORAH T. UNG

Executive Vice President

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### Information Available To Shareholders

Copies of the Company's Annual Report on Form 10-K, proxy statement, press releases, committee charters, corporate governance guidelines, code of business conduct, code of ethics and other documents are available through GP Strategies' Investors page on the Internet at: [www.gpstrategies.com](http://www.gpstrategies.com).

Copies of these materials are also available without charge by request to Investor Relations at 443.367.9600 or [investors@gpstrategies.com](mailto:investors@gpstrategies.com) or by writing to our corporate headquarters at:

#### GP Strategies Corporation

Attn: Investor Relations  
70 Corporate Center  
11000 Broken Land Parkway, Suite 200  
Columbia, MD 21044

### Certifications Regarding Public Disclosures and Listing Standards

As required by the Sarbanes-Oxley Act of 2002, we have filed the Chief Executive Officer and Chief Financial Officer certifications in our 2016 Annual Report on Form 10-K. In addition, the annual certification of the Chief Executive Officer regarding compliance by GP Strategies with the corporate governance listing standards of the New York Stock Exchange was submitted without qualification following the 2016 annual meeting of shareholders.

### Independent Auditors

KPMG LLP  
1 E. Pratt Street  
Baltimore, MD 21202

### Registrar and Transfer Agent

Computershare Trust Company N.A.  
P.O. Box 30170  
College Station, TX 77842-3170  
1.800.962.4284  
[www.computershare.com/investor](http://www.computershare.com/investor)



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