CIBER INC
Form 10-Q
November 09, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from to

Commission File Number: 001-13103
Ciber, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	38-2046833
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6312 South Fiddler’s Green Circle, Suite 600E, Greenwood Village, Colorado	80111
(Address of Principal Executive Offices)	(Zip Code)

(303) 220-0100
(Registrant’s telephone number, including area code)

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 x No o

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x

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

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

There were 81,646,269 shares of the registrant's Common Stock outstanding as of November 4, 2016.

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Ciber, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUES				
Consulting services	$137,364	$180,490	$459,822	$558,790
Other revenue	6,982	12,111	25,487	33,760
Total revenues	144,346	192,601	485,309	592,550
OPERATING EXPENSES				
Cost of consulting services	110,313	133,705	366,193	418,121
Cost of other revenue	4,323	7,273	14,640	19,386
Selling, general and administrative	45,165	48,978	150,296	142,726
Goodwill Impairment	—	—	115,483	—
Amortization of intangible assets	323	55	2,349	162
Litigation settlements	4,496	—	4,496	—
Restructuring charges	417	1,002	1,156	1,738
Total operating expenses	165,037	191,013	654,613	582,133
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS	(20,691)	1,588	(169,304)	10,417
Gain on sale of assets/entity	5,595	—	12,525	—
Interest expense	(545)	(377)	(1,792)	(1,118)
Other expense, net	(528)	(5)	(1,297)	(383)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(16,169)	1,206	(159,868)	8,916
Income tax expense	2,629	1,338	7,616	3,679
INCOME (LOSS) FROM CONTINUING OPERATIONS	(18,798)	(132)	(167,484)	5,237
Gain (loss) from discontinued operations, net of income tax	14	(200)	362	(258)
CONSOLIDATED NET INCOME (LOSS)	(18,784)	(332)	(167,122)	4,979
Net income attributable to noncontrolling interests	49	24	84	16
NET EARNINGS (LOSS) ATTRIBUTABLE TO CIBER, INC.	$(18,833)	$(356)	$(167,206)	$4,963
Basic and diluted earnings (loss) per share attributable to Ciber, Inc.:				
Continuing operations	$(0.23)	$—	$(2.07)	$0.07
Discontinued operations	—	—	—	(0.01)
Basic and diluted earnings (loss) per share attributable to Ciber, Inc.	$(0.23)	$—	$(2.07)	$0.06
Weighted average shares outstanding:				
Basic	81,178	79,206	80,776	78,938
Diluted	81,178	79,206	80,776	79,725

See accompanying notes to unaudited consolidated financial statements.

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Ciber, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Consolidated net income (loss)	$(18,784)	$(332)	$(167,122)	$4,979
Foreign currency translation adjustments-gain (loss)	586	(3,193)	4,544	(10,779)
Comprehensive loss	(18,198)	(3,525)	(162,578)	(5,800)
Comprehensive income attributable to noncontrolling interests	49	24	84	16
Comprehensive loss attributable to Ciber, Inc.	$(18,247)	$(3,549)	$(162,662)	$(5,816)

See accompanying notes to unaudited consolidated financial statements.

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Ciber, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except per share amounts)
(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,434	$ 20,404
Restricted cash	2,850	—
Accounts receivable, net of allowances of $3,845 and $2,130, respectively	138,564	169,501
Other receivable-related party	452	—
Prepaid expenses and other current assets	23,979	26,340
Total current assets	172,279	216,245
Property and equipment, net of accumulated depreciation of $33,609 and $37,849, respectively	19,533	22,447
Goodwill	133,681	256,736
Intangibles, net	3,751	1,544
Other assets	5,083	5,299
TOTAL ASSETS	$ 334,327	$ 502,271
LIABILITIES AND EQUITY		
Liabilities:		
Current liabilities:		
Current portion of long-term debt	$ 39,369	$ —
Accounts payable	22,740	34,980
Accrued compensation and related liabilities	24,607	31,152
Deferred revenue	8,340	14,238
Income taxes payable	437	575
Other accrued expenses and liabilities	28,586	29,384
Total current liabilities	124,079	110,329
Long-term debt	—	32,680
Deferred income taxes, net	33,428	30,571
Other long-term liabilities	14,420	8,794
Total liabilities	171,927	182,374
Commitments and contingencies (Note 10)		
Equity:		
Ciber, Inc. shareholders' equity:		
Preferred stock, $0.01 par value, 1,000 shares authorized, no shares issued	—	—
Common stock, $0.01 par value, 100,000 shares authorized, 81,347 and 80,057 shares issued, respectively	813	801
Treasury stock, at cost, 29 and 32 shares, respectively	(33)	(113)
Additional paid-in capital	375,084	369,228
Accumulated deficit	(185,976)	(17,903)

Accumulated other comprehensive loss	(28,158)	(32,702)
Total Ciber, Inc. shareholders' equity	161,730	319,311
Noncontrolling interests	670	586
Total equity	162,400	319,897
TOTAL LIABILITIES AND EQUITY	$ 334,327	$ 502,271

See accompanying notes to unaudited consolidated financial statements.

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Ciber, Inc. and Subsidiaries
Consolidated Statement of Shareholders' Equity
(In thousands)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Accumulated deficit	Accumulated Other Comprehensive Loss	Total Ciber, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCES AT JANUARY 1, 2016	80,057	$ 801	(32)	$ (113)	$ 369,228	$ (17,903)	$ (32,702)	$ 319,311	$ 586	$ 319,897
Consolidated net income	—	—	—	—	—	(167,206)	—	(167,206)	84	(167,122)
Foreign currency translation	—	—	—	—	—	—	4,544	4,544	—	4,544
Shares issued under employee share plans, net	1,290	12	3	80	503	(867)	—	(272)	—	(272)
Share-based compensation	—	—	—	—	5,353	—	—	5,353	—	5,353
BALANCES AT SEPTEMBER 30, 2016	81,347	$ 813	(29)	$ (33)	$ 375,084	$ (185,976)	$ (28,158)	$ 161,730	$ 670	$ 162,400

See accompanying notes to unaudited consolidated financial statements.

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Ciber, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	$(167,122)	$4,979
Adjustments to reconcile consolidated net income (loss) to net cash used in operating activities:		
(Gain) loss from discontinued operations	(362)	258
Goodwill impairment	115,483	—
Gain on sale of assets/entity	(12,525)	—
Depreciation	4,388	4,115
Amortization of intangible assets	2,349	162
Deferred income tax expense	3,170	2,858
Provision for doubtful receivables	2,079	343
Share-based compensation expense	5,353	5,850
Amortization of debt costs	570	570
Other, net	163	912
Changes in operating assets and liabilities:		
Accounts receivable	19,270	(4,770)
Other current and long-term assets	(1,251)	(3,834)
Accounts payable	(10,602)	(5,935)
Accrued compensation and related liabilities	(9,193)	(24,128)
Other current and long-term liabilities	(3,240)	(16,006)
Income taxes payable/refundable	(1,284)	2,735
Cash used in operating activities — continuing operations	(52,754)	(31,891)
Cash used in operating activities — discontinued operations	(161)	(512)
Cash used in operating activities	(52,915)	(32,403)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets/entity	33,614	—
Proceeds from sale of assets/entity-restricted cash	5,700	—
Purchases of property and equipment, net	(9,053)	(6,288)
Cash provided by (used in) investing activities — continuing operations	30,261	(6,288)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on debt	216,380	263,138
Payments on debt	(209,917)	(244,476)
Employee stock purchases and options exercised	515	1,172
Purchase of shares for employee tax withholdings	(786)	(1,194)
Purchase of noncontrolling interest	—	(4,991)
Purchase of treasury stock	—	(1,665)
Cash provided by financing activities — continuing operations	6,192	11,984
Effect of foreign exchange rate changes on cash and cash equivalents	2,492	(998)
Net decrease in cash and cash equivalents	(13,970)	(27,705)
Cash and cash equivalents, beginning of period	20,404	45,858
Cash and cash equivalents, end of period	$6,434	$18,153

See accompanying notes to unaudited consolidated financial statements.

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Ciber, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

(1) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Consolidated Financial Statements include the accounts of Ciber, Inc. and its wholly-owned subsidiaries (together, “Ciber,” “the Company,” “we,” “our,” or “us”) and have been prepared in accordance wit accounting principles generally accepted in the United States (“GAAP”) for interim financial information. Consistent with these requirements, this Form 10-Q does not include all the information required by GAAP for complete financial statements. As a result, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and accompanying Notes in our Annual Report on Form 10-K for the year ended December 31, 2015.

Management believes the accompanying unaudited Consolidated Financial Statements reflect all adjustments, including normal recurring items and restructuring and other items, considered necessary for a fair statement of results for the interim periods presented. The results of operations for the nine months ended September 30, 2016 are not necessarily indicative of the results of operations for the full fiscal year.

As fully explained in Note 5, due to the balance available for borrowing under our Asset Based Lending Facility (“ABL Facility”) falling below $15 million during the three and nine months ended September 30, 2016, we became subject to certain covenants including a Fixed Charge Coverage Ratio. We were not in compliance with the Fixed Charge Coverage Ratio covenant during the first quarter 2016 and subsequently. The amount due under the ABL Facility is classified as a current liability in our balance sheet at September 30, 2016 as a result of this non-compliance, due to the fact that our lender has the right to accelerate the indebtedness making it due and payable immediately. Additionally, the maturity date of the ABL Facility is May 7, 2017, therefore requiring classification as a current liability. Our lender has not requested full payment of the facility, but if such action occurred, the Company believes it may not be able to immediately pay the amount due upon request. Further, due to the default, the Company’s ability to draw additional amounts from the ABL Facility have been limited. Management obtained a covenant waiver and amendment, and a further amendment, each subsequent to September 30, 2016 and continues to actively engage with Wells Fargo Bank NA ("Wells Fargo"). Management evaluated its working capital, cash flows, operating, investing and transactional forecasts and currently believes, based on this evaluation, the Company can continue to operate for the foreseeable future, although this cannot be assured. Additionally, the Company has announced that its Board of Directors has engaged a strategic adviser to assist in exploring strategic alternatives for the Company, which could include a potential financing, refinancing, or a merger, acquisition, joint venture, divestiture, or other disposition of some or all of the assets of the Company outside of the ordinary course of Ciber’s business. No decision has been made as to whether the Company will engage in a transaction resulting from the consideration of strategic alternatives and there can be no assurance that any transaction will occur or, if undertaken, the terms or timing of such a transaction. While management intends to execute upon the aforementioned plans, which would result in additional funds being raised and extension of the debt maturity, in the absence of such transactions management currently forecasts that it will not be able to timely satisfy its obligations on May 7, 2017, the currently scheduled maturity date of the debt. The financial statements have been prepared assuming the Company is a going concern.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). The core principle of the standard is when an entity transfers goods or services to customers, it will recognize revenue in an amount that reflects the consideration the entity expects to be entitled to for those goods or services. The update outlines a five-step model and related application guidance, which replaces most existing revenue recognition guidance. In March, April, and May 2016, the FASB issued ASU No. 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations" ("ASU 2016-08"), ASU No. 2016-10 "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-10"), and ASU No. 2016-12 "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), respectively, which provide further revenue recognition guidance related to principal versus agent considerations, performance obligations and licensing, and narrow-scope improvements and practical expedients. All of these standards will be effective for us in the first quarter of our fiscal year 2018, although early adoption is permitted. We are currently evaluating the impact of these new standards on our consolidated financial statements, as well as which transition method we intend to use. ASU 2014-09 is expected to be effective for annual periods beginning after December 15, 2017, and for interim periods within that year, and allows for both retrospective and prospective methods of adoption. We are currently evaluating the impact of implementing this guidance on our consolidated financial statements, as well as which transition method we intend to use.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”), which requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. We do not anticipate that this guidance will materially impact our consolidated financial statements, other than the required disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02") which is intended to increase transparency and comparability among organizations by recognizing all lease transactions with terms in excess of 12 months on the balance sheet as a lease liability and a right-of-use asset. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. This standard is to be applied with a modified retrospective approach at the beginning of the earliest comparative period presented in the financial statements. We are currently evaluating the impact of implementing this guidance on our consolidated financial statements.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update (“ASU”) 2016-15, "Statement of Cash Flows- Classification of Certain Cash Receipts and Cash Payments". This standard clarifies existing guidance related to accounting for cash receipts and cash payments and classification on the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted. We do not anticipate that this guidance will materially impact our consolidated financial statements.

Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-05, “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-4)” which is meant to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance as to whether an arrangement includes the sale or license of software. This update is effective for interim and annual periods beginning after December 15, 2015 and we have elected to adopt the guidance prospectively. The adoption of this guidance did not have an impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation-Stock Compensation- Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which involves accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The adoption of this guidance did not have an impact on our consolidated financial statements.

Stock and Other Compensation

On January 26, 2015, June 24, 2015, July 1, 2015 and August 10, 2015, we granted 79,761, 69,558, 47,550 and 5,000 Performance Based Restricted Share Units ("PRSUs"), respectively, to our executives. On January 1, 2016, we granted 201,868 PRSUs to our executives. The performance conditions include both an internal performance condition and an external market-based condition. We have valued the external market-based condition using a Monte

Carlo approach. Probability of reaching the internal performance condition is assessed quarterly and the associated expense is adjusted based on the target expected to be achieved. There is the potential for 441,072 shares of common stock to vest under these grants if maximum performance targets are achieved. There were no shares that vested and 104,692 shares forfeited during 2016.

In connection with the payment of cash bonuses to certain of the Company's employees, on June 29, 2016, the Company erroneously initiated the payment of $760,000 and $100,000, respectively, to our Chief Executive Officer ("CEO"), Michael Boustridge, and to our Chief Financial Officer, Christian Mezger. The Compensation Committee subsequently determined that these bonus payments to our our Chief Executive Officer and Chief Financial Officer were not duly authorized by the Compensation Committee, as required by its charter and NYSE rules, due to miscommunication at the committee level. The Compensation Committee requested that these amounts be repaid, net of tax. Mr. Mezger repaid the amount prior to September 30, 2016 and Mr. Boustridge repaid the amount subsequent to the end of the third quarter. The Compensation and Audit Committees have taken steps to strengthen the processes which led to the miscommunication, including the expansion and size of the Compensation Committee and the engagement of an outside third party to review the processes and recommend steps to remediate, and the Company is implementing the recommended changes.

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Fair Value

Authoritative guidance defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Authoritative guidance also establishes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions.

The fair value hierarchy consists of the following three levels:

•Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.

•Level 2 – Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

•Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The Company estimates the fair value of each foreign exchange forward contract by using a present value of expected cash flows model. This model calculates the difference between the current market forward price and the contracted forward price for each foreign exchange contract and applies the difference in the rates to each outstanding contract. Valuations for all derivatives fall within Level 2 of the GAAP valuation hierarchy.

Derivatives may give rise to credit risks from the possible non-performance by counterparties. Credit risk is generally limited to the fair value of those contracts that are favorable to us. The Company has limited its credit risk by entering into derivative transactions only with highly-rated global financial institutions, limiting the amount of credit exposure with any one financial institution and conducting ongoing evaluation of the creditworthiness of the financial institutions with which the Company does business.

The carrying value of the outstanding borrowings under the Company's ABL Facility, as defined in Note 5, approximates its fair value as (1) it is based on a variable rate that changes based on market conditions and (2) the margin applied to the variable rate is based on Ciber's credit risk, which has not changed since entering into the facility in May 2012. If Ciber's credit risk were to change, we would estimate the fair value of our borrowings using a discounted cash flow analysis based on current rates expected to be available from the lender for similar types of debt. The inputs used to establish the fair value of the ABL Facility are considered to be Level 2 of the GAAP Valuation hierarchy.

(2) Divestitures

Ciber Nederland B.V.

On June 16, 2016 ("the Closing Date"), the Company completed a sale of certain assets and liabilities ("the Netherlands Sale") of Ciber Nederland, B.V. ("Ciber Nederland"), which has been reported as a part of the Company's International segment, for a cash purchase price of $25.0 million ("the Purchase Price"). The Purchase Price includes $5.0 million to be held in escrow ("the Escrow Amount") to be released in equal parts at 12 and 18 months from the Closing Date. The current portion of the Escrow Amount is $2.5 million and is recorded on the Consolidated Balance

Sheets as Restricted cash. The long-term restricted portion of the Escrow Amount is $2.5 million and is recorded on the Consolidated Balance Sheets as Other assets. Subsequent to quarter end, the Purchase Price was adjusted by $3.9 million for working capital, resulting in proceeds of $28.9 million. The purchase price also is subject to a purchase price adjustment six months after closing with respect to the retention of certain Ciber Nederland customers, which adjustment is capped at the Escrow Amount. Until the resolution of contingencies, the $5.0 million in escrow has been excluded from estimated gain calculations. The gain on the sale of assets was $6.9 million for the six months ended June 30, 2016 and was adjusted downward $0.2 million, related to additional adjustments in working capital, to record a total of $6.7 million gain in the nine months ended September 30, 2016. This gain will also be adjusted after resolution of contingencies in the purchase price, allowing for the potential release of amounts in escrow.

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Ciber Norge AS

On August 26, 2016 (the "Closing Date"), the Company completed a sale of Ciber Norge AS., which has been reported as part of the Company's International segment, for a cash purchase price of $7.0 million, (the "Purchase Price") which includes $0.7 million to be held in escrow (the "Escrow Amount"), to be released in equal parts at 12 and 18 months from the Closing Date. The current portion of the Escrow Amount is $0.35 million and is recorded on the Consolidated Balance Sheets as Restricted cash. The long-term restricted portion of the Escrow Amount is $0.35 million and is recorded on the Consolidated Balance Sheets as Other assets. The Purchase Price was adjusted by $3.4 million for working capital, resulting in proceeds of $10.4 million. The Purchase Price also is subject to a purchase price adjustment twelve months after closing with respect to the retention of certain Ciber Norge customers, which adjustment is capped at $1.75 million. Until the resolution of contingencies, the $1.75 million has been excluded from gain calculations. The gain on the sale of assets was $5.0 million for the nine months ended September 30, 2016 and will be adjusted after resolution of contingencies in the purchase price, allowing for the potential release of amounts in escrow.

Ciber Sweden

On September 19, 2016, the Company completed a sale of certain assets and liabilities of Consultants in Business, Engineering and Research Sweden AB, ("Ciber Sweden"), which has been reported as a part of the Company's International segment, for a cash purchase price of $1.0 million (the "Purchase Price"). The Purchase Price was subject to a purchase price adjustment on or prior to the closing with respect to the retention of certain Ciber Sweden consultants, which adjustment is capped at 15% of the Purchase Price. Subsequent to quarter end, the Purchase Price was adjusted downward by $0.1 million, resulting in proceeds of $0.9 million. The gain on the sale of assets was $0.9 million for the nine months ended September 30, 2016 and will be adjusted after resolution of contingencies in the purchase price.

(3) Earnings (Loss) Per Share

Our computation of earnings (loss) per share — basic and diluted is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands, except per share amounts)			
Numerator:				
Net income (loss) from continuing operations	$(18,798)	$(132)	$(167,484)	$5,237
Net income attributable to noncontrolling interests	49	24	84	16
Net income (loss) attributable to Ciber, Inc. from continuing operations	(18,847)	(156)	(167,568)	5,221
Gain (loss) from discontinued operations, net of income tax	14	(200)	362	(258)
Net income (loss) attributable to Ciber, Inc.	$(18,833)	$(356)	$(167,206)	$4,963
Denominator:				
Basic weighted average shares outstanding	81,178	79,206	80,776	78,938
Dilutive effect of employee stock plans	—	—	—	787
Diluted weighted average shares outstanding	81,178	79,206	80,776	79,725
Basic and diluted earnings (loss) per share attributable to Ciber, Inc.:				
Continuing operations	$(0.23)	$—	$(2.07)	$0.07

Discontinued operations	—	—	—	(0.01)
Basic and diluted earnings (loss) per share attributable to Ciber, Inc.	$(0.23)	$—	$(2.07)	$0.06
Anti-dilutive securities omitted from the calculation	4,124	4,141	4,349	3,137

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Dilutive securities, including stock options and restricted stock units, are excluded from the diluted weighted average shares outstanding computation in periods in which they have an anti-dilutive effect, such as when we report a net loss attributable to Ciber, Inc. from continuing operations, or when stock options have an exercise price that is greater than the average market price of Ciber common stock during the period.

(4) Goodwill

Subsequent to September 30, 2016, the Company observed a sustained decrease in its stock price, thereby providing a potential indicator of goodwill impairment. As a result, the Company will initiate an impairment test during the fourth quarter of 2016.

The Company performed its annual impairment analysis, which is required as of June 30 each year. In addition, during the second quarter of 2016 the Company observed another sustained decrease in the stock price and lower than expected earnings, as well as the completion of the Netherlands Sale, thereby providing potential indicators of goodwill impairment. As a result, the Company initiated an impairment test in the three months ended June 30, 2016.

We compared the carrying values of our International and North America reporting units to their estimated fair values at June 30, 2016. We estimated the fair value of each reporting unit based on a weighting of both the income approach and the market approach. The discounted cash flows for each reporting unit serve as the primary basis for the income approach, and were based on discrete financial forecasts developed by management. Cash flows beyond the discrete forecast period of five years were estimated using the perpetuity growth method calculation. The annual average revenue growth rates forecasted for our reporting units for the first five years of our projections were approximately 3%. We have projected a minor amount of operating profit margin improvement based on expected margin benefits from certain internal initiatives. The terminal value was calculated assuming projected growth rates of 3% after five years, which reflects our current estimate of minimum long-term growth in Information Technology ("IT") spending. The income approach valuations also included each reporting unit’s estimated weighted average cost of capital, which were 17% and 13% for International and North America, respectively. The income approach was weighted as 75% and 50% of the fair value of the International and North America reporting units, respectively.

The market approach applied pricing multiples derived from publicly-traded companies that are comparable to the respective reporting units to determine their values. For our International and North America reporting unit, the Company used enterprise value/EBITDA multiples of approximately 3 and 6 using the guideline public company method. The difference in the enterprise value/EBITDA multiples used in the International and North America segments is due to under performance during 2016 in the International segment compared to its peers. For the International reporting unit, a revenue multiple was also utilized to determine the fair value using the guideline public company method. The Company used an enterprise value/EBITDA multiple of approximately 7 for the North America reporting unit using the guideline transaction method. The market approach was weighted as 25% and 50% of the fair value of the International and North America reporting units, respectively. In addition, the fair value under the market approach using the guideline public company method included a control premium of 30%. The control premium was determined based on a review of comparative market transactions. Publicly-available information regarding our market capitalization was also considered in assessing the reasonableness of the cumulative fair values of our reporting units.

Upon completing step one of the impairment test for each reporting unit, the Company determined that the fair value of the North America reporting unit was greater than the carrying value by approximately 25%. It was determined that the fair value of International reporting unit was less than the carrying value by approximately 25%, thus indicating potential impairment and requiring step two analysis.

The Company performed the second step of the goodwill test to determine the implied fair value of goodwill for the International reporting unit. The estimated implied fair value of goodwill was determined in a consistent manner utilized to estimate the amount of goodwill recognized in a business combination. As a result, we calculated the estimated fair value of certain non-recorded assets, including customer relationships, trade name and workforce. The implied fair value of goodwill was measured as the excess of the estimated fair value of the reporting unit over the amounts assigned to its assets and liabilities. The impairment loss for the reporting unit was measured by the amount that the carrying value of goodwill exceeded the implied fair value of the goodwill. Based on this assessment using reasonable estimates for the theoretical purchase price allocation, we recognized an impairment charge of $29.6 million in the three months ended June 30, 2016, resulting in no remaining goodwill in the International segment. The impairment charge in our International reporting unit is primarily a result of the Netherlands Sale, decreased operating performance of the reporting unit, including a lag in new sales and our inability to achieve additional operational efficiencies.

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During the first quarter of 2016, the Company observed a sustained decrease in the stock price and lower than expected earnings during the three months ended March 31, 2016, thereby providing a potential indicator of goodwill impairment. As a result, the Company initiated an impairment test in the three months ended March 31, 2016.

We compared the carrying values of our International and North America reporting units to their estimated fair values at March 31, 2016. We estimated the fair value of each reporting unit based on a weighting of both the income approach and the market approach. The discounted cash flows for each reporting unit serve as the primary basis for the income approach, and were based on discrete financial forecasts developed by management. Cash flows beyond the discrete forecast period of five years were estimated using the perpetuity growth method calculation. The annual average revenue growth rates forecasted for our reporting units for the first five years of our projections were approximately 3%. We have projected a minor amount of operating profit margin improvement based on expected margin benefits from certain internal initiatives. The terminal value was calculated assuming projected growth rates of 3% after five years, which reflects our current estimate of minimum long-term growth in IT spending. The income approach valuations also included each reporting unit's estimated weighted average cost of capital, which were 17% and 14% for International and North America, respectively. The market approach applied pricing multiples derived from publicly-traded companies that are comparable to the respective reporting units to determine their values. For our International and North America reporting units, we used enterprise value/EBITDA multiples of approximately 5 and 6, respectively, under the market approach using the guideline public company method and approximately 7 and 7, respectively, under the market approach using the guideline transaction method in order to value each of our reporting units. In addition, the fair value under the market approach using the guideline public company method included a control premium of 30%. The control premium was determined based on a review of comparative market transactions. Publicly-available information regarding our market capitalization was also considered in assessing the reasonableness of the cumulative fair values of our reporting units.

Upon completing step one of the impairment test for each reporting unit, the Company determined that the fair value of the North America reporting unit was greater than the carrying value by approximately 30%. It was determined that the fair value of International reporting unit was less than the carrying value by approximately 30%, thus indicating potential impairment and requiring step two analysis.

The Company performed the second step of the goodwill test to determine the implied fair value of goodwill for the International reporting unit. The estimated implied fair value of goodwill, with respect to March 31, 2016, was determined in a consistent manner utilized to estimate the amount of goodwill recognized in a business combination. As a result, we calculated the estimated fair value of certain non-recorded assets, including customer relationships, trade name and workforce. The implied fair value of goodwill was measured as the excess of the estimated fair value of the reporting unit over the amounts assigned to its assets and liabilities. The impairment loss for the reporting unit was measured by the amount that the carrying value of goodwill exceeded the implied fair value of the goodwill. Based on this assessment using reasonable estimates for the theoretical purchase price allocation, we recognized an impairment charge of $85.9 million in the three months ended March 31, 2016, which represented 69% of the goodwill of the International reporting unit prior to the impairment charge. The impairment charge in our International reporting unit was primarily a result of the decreased operating performance of the reporting unit, including a lag in new sales and our inability to achieve operational efficiencies.

We have updated our cash flow forecasts and our other assumptions used to calculate the estimated fair value of our reporting units to account for our beliefs and expectations of the current business environment. While we believe our estimates are appropriate based on our view of current business trends, no assurance can be provided that impairment charges will not be required in the future.

The changes in the carrying amount of goodwill during the nine months ended September 30, 2016, were as follows:

	International	Total

		North America	
	(In thousands)		
Balance at January 1, 2016	$123,055	$133,681	$256,736
Goodwill Impairment	(115,483)	—	(115,483)
Sale of assets	(8,620)	—	(8,620)
Effect of foreign exchange rate changes	1,048	—	1,048
Balance at September 30, 2016	$—	$133,681	$133,681

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(5) Borrowings

As of September 30, 2016, the Company has an ABL Facility of up to $54 million with Wells Fargo. The maximum amount available for borrowing at any time under such line of credit is determined according to a borrowing base valuation of eligible account receivables, which was $44.4 million at September 30, 2016. The ABL Facility provides for borrowings in the United States, the United Kingdom and Germany and matures on May 7, 2017. As of September 30, 2016, the Company had $39.7 million outstanding under the ABL Facility. The Company expects borrowings to fluctuate based on working capital needs. The Company's obligations under the ABL Facility are guaranteed by the Company and are secured by substantially all of the Company's U.S., the Netherlands, United Kingdom, and German assets. The ABL Facility includes a number of business covenants, including customary limitations on, among other things, indebtedness, liens, investments, guarantees, mergers, dispositions, acquisitions, liquidations, dissolutions, issuances of securities, payments of dividends, loans and advances, and transactions with affiliates.

On June 16, 2016, we amended our ABL Facility with Wells Fargo in connection with Wells Fargo's consent to the Netherlands Sale. As a result of this amendment and the sale of assets in the Netherlands Sale, the maximum borrowing base under the ABL Facility was reduced from $60 million to $54 million.

The ABL Facility can be prepaid in whole or in part at any time. The ABL Facility must be repaid to the extent that any borrowings exceed the maximum availability allowed under the ABL Facility.

The Company is required to be in compliance with a minimum trailing 12-month fixed charge coverage ratio of consolidated EBITDA (as defined in the ABL Facility) to consolidated fixed charges of 1.1/1.0 (the "Fixed Charge Coverage Ratio") if (i) an event of default has occurred and is continuing, (ii) Ciber fails to maintain excess availability of at least the greater of (i) $15 million or (ii) an amount equal to 25% of the aggregate amount of the commitments at any time. The Company must then continue to comply with the minimum trailing 12-month fixed charge coverage ratio until (1) no event of default is continuing and (2) excess availability has equaled or exceeded the greater of (a) $15 million or (b) an amount equal to 25% of the aggregate amount of the commitments for 30 consecutive days. Due to the balance available for borrowing falling below $15 million during the nine months ended September 30, 2016, the Company became subject to the Fixed Charge Coverage Ratio and the Company was not in compliance with the Fixed Charge Coverage Ratio during the first quarter of 2016 and subsequently.

Due to the default in the Fixed Charge Coverage Ratio during the first quarter of 2016 and subsequently, the lender has the right to declare all outstanding debt under the ABL Facility immediately due and payable. The amount due under the ABL Facility is classified as a current liability in our balance sheet at September 30, 2016 as a result of this non-compliance. Additionally, the maturity date of the ABL Facility is May 7, 2017, therefore requiring classification as a current liability. The Company's lender has not requested full payment of the facility, but if such action occurred, the Company believes it may not be able to immediately pay the amount due upon request. Further, due to the default, the Company’s ability to draw additional amounts from the ABL Facility could be limited.

The ABL Facility also contains certain requirements relating to perfection of security interests of the Loan Parties (as defined in the ABL Facility), as well as an affirmative solvency (as defined in the ABL Facility) representation applicable as of the date of the making of any Revolving Loan (as defined in the ABL Facility) or any other extension of credit. During the nine months ended September 30, 2016, Wells Fargo notified us that it had become subject to, and waived an event of default relating to an additional perfection notice requirement that had become applicable to the German borrowers, which we began to comply with in March 2016 and this requirement continues to be applicable to us. In May 2016, Wells Fargo notified us that we were not in compliance with a similar perfection notice requirement applicable to the Dutch borrowers that was applicable to us during the nine months ended September 30, 2016.

In addition, the ABL Facility includes ongoing representations including solvency of the Company. Based on the ABL Facility definition of solvency, which includes the ability to pay amounts due on the prescribed invoice due dates, the Company may have breached the solvency representation during the nine months ended September 30, 2016, and may be in breach of that representation at the time of each subsequent borrowing under the ABL Facility. This may limit future borrowings under the ABL Facility.

The ABL Facility provides that Wells Fargo would take dominion over the Company's U.S. cash and cash receipts and would automatically apply such amounts to the ABL Facility on a daily basis if (a) an event of default has occurred and is continuing or (b) Ciber fails to maintain excess availability of at least the greater of (i) $10 million or (ii) an amount equal to 16 2/3% of the aggregate amount of the commitments at any time. During such times as was applicable during the nine months ended September 30, 2016, and subsequently, Wells Fargo had the ability to exercise dominion over the Company's U.S. cash and cash receipts. During the second quarter of 2016, Wells Fargo began to exercise its right to apply the Company's U.S. cash and cash receipts to the ABL Facility. Wells Fargo will continue to have dominion over the Company's U.S. cash and cash receipts until (a) no event of default is continuing and (b) excess availability has equaled or exceeded the greater of (i) $10 million or (ii) an amount equal to 16 2/3% of the aggregate amount of the commitments under the ABL Facility for 30 consecutive days.

In addition, at all times during the term of the ABL Facility, Wells Fargo would have dominion over the cash of the United Kingdom, Dutch, and German borrowers when a balance is outstanding to those entities and would automatically apply such amounts to the ABL Facility on a daily basis. As a result, if the Company has any outstanding borrowings that are subject to the bank's dominion, such amounts would be classified as a current liability on the Consolidated Balance Sheet. At September 30, 2016, we had $2.3 million and $37.4 million of foreign and US borrowings, respectively, that were subject to the bank's dominion and are classified as a current liability on our balance sheet.

On October 27, 2016, the Company, entered into a waiver and amendment to the ABL Facility with Wells Fargo ("Amendment No. 7"). Amendment No. 7 provides for, among other things: (1) a waiver of existing events of default from March 31, 2016 to September 30, 2016; (2) an adjustment to the fixed charge coverage ratio to 1.05 to 1.0 for the periods January 2017 to April 2017; (3) changes to the applicable margin and the elimination of LIBOR rate loans; (4) consent to and the release of the assets sold in the European Refinancing (as defined below); (5) the reduction of the maximum revolver amount from $54 million to $44 million; (6) elimination of the Company's borrowing capacity in the United Kingdom and Germany; (7) changes to the US borrowing base; (8) an availability block; (9) consent for the Company's Spanish subsidiary to enter into a similar receivables purchase agreement with Faunus Group International, Inc. ("FGI"); and (10) consent to the sale of the equity interests or substantially all of the assets of the Company's Danish, Finnish and Australian subsidiaries, subject to certain conditions.

Amendment No. 7 also imposes new conditions, including: (1) a cash forecast requirement, including minimum weekly receipts and maximum weekly disbursements; (2) a requirement that the Company engage and retain a strategic advisor to prepare a confidential information memorandum and receive a letter of intent no later than November 1, 2016 regarding a potential financing, refinancing (other than the European Refinancing), or any merger, acquisition, joint venture, divestiture, or other disposition of some or all of the assets of the Company outside of the ordinary course of the Company's business with aggregate proceeds of at least $25 million, to be completed no later than December 31, 2016; (3) a requirement that the Company retain at all times a financial advisor; (4) the establishment of certain specified reserves; and (5) the establishment of certain additional fees under the ABL Facility. As of November 8, 2016, the Company is meeting its obligations relative to the Amendment No. 7 milestones. On November 3, 2016, we entered into an additional amendment ("Amendment No. 8") to the Credit Agreement, to postpone an increase to the availability block and to delay the implementation of certain changes to the U.S. borrowing base, as otherwise provided for in Amendment No. 7. The impact of Amendment No. 8 is to provide additional liquidity of approximately $5.0 million in the immediate term.

On October 27, 2016, certain United Kingdom and German subsidiaries of the Company (the "European Borrowers")entered into receivables purchase agreements (the "Receivables Purchase Agreements") with FGI pursuant to which the European Borrowers will sell certain receivables to FGI (the "European Refinancing"). Under the Receivables Purchase Agreements, the European Borrowers will sell 80% of their respective Eligible Receivables, subject to a discount rate of the greater of 5.25% per annum or 4.50% above the calendar monthly average of 90 day US LIBOR for prepayments. The proceeds at closing were approximately $6.3 million. The obligations of the European Borrowers under the Receivables Purchase Agreements are secured by substantially all of the assets of the European Borrowers. The original term of the European Refinancing is three years. If the European Borrowers terminate the Receivables Purchase Agreements during the first, second, or third year of the original term, FGI will charge a termination fee of 3.0%, 2.0% or 1.0% of the facility amount, respectively. The Receivables Purchase

Agreements do not contain financial or operational covenants, but can be terminated at will by FGI. The Receivables Purchase Agreements generally contain customary representations, warranties, covenants, and events of default and termination for facilities of this type.

Management evaluated its working capital, cash flows, operating, investing and transactional forecasts and currently believes, based on this evaluation that the Company can continue to operate for the foreseeable future, although this cannot be assured. There can be no assurance that we will achieve or be in compliance with these bank covenants until operating cash flow improves.

Additionally, the Company has announced that its Board of Directors has engaged a strategic adviser to assist in exploring strategic alternatives for the Company, which could include a potential financing, refinancing, or a merger, acquisition, joint venture, divestiture, or other disposition of some or all of the assets of the Company outside of the ordinary course of Ciber’s business. No decision has been made as to whether the Company will engage in a transaction resulting from

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the consideration of strategic alternatives and there can be no assurance that any transaction will occur or, if undertaken, the terms or timing of such a transaction.
Management believes that other sources of credit or financing might be available to the Company. However, it cannot predict at this time what types of credit or financing might be available in the future, if any. The Company can also not predict whether the costs of such credit or financing, or the terms of any new amended or new facility, would be materially less favorable to the Company.

(6) Financial Instruments

We are exposed to certain risks related to our ongoing business operations. From time to time, we may choose to use derivative instruments to manage certain risks related to foreign currency exchange rates and interest rates.

During the three and nine months of 2016 and 2015, we entered into various foreign currency forwards and a cross-currency option related to intercompany transactions denominated in a foreign currency. These forwards allow us to manage our foreign currency exposure with respect to the Euro, the Indian Rupee, the Pound Sterling, the Norwegian Krone, the Swedish Krona, and the Australian Dollar. The duration of these contracts generally ranges from one to three months, and we are generally entering into new contracts on a monthly basis. We have not elected hedge accounting for these derivatives.
The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Cross-currency option	$—	$27	$—	$(57)
Foreign currency forward contracts	511	(340)	952	1,304
Total realized and unrealized gain (loss) on derivatives	$511	$(313)	$952	$1,247

These gains and losses are included in "other expense, net" on the Consolidated Statements of Operations. Each forward and the option is recognized as either an asset or liability on our Consolidated Balance Sheets at fair value and is presented in either "prepaid expenses and other current assets" or "other accrued expenses and liabilities," as applicable. All cash flows associated with these forward instruments are classified as operating cash flows in our Consolidated Statement of Cash Flows.
The following table summarizes our outstanding foreign currency forward contracts at September 30, 2016:

Currency Purchased Forward		Currency Sold Forward		Maturity Date
AUD	3,900,000	EUR	2,658,849	10/31/2016
EUR	5,340,454	USD	6,000,000	10/31/2016
EUR	10,250,000	GBP	8,887,160	10/31/2016
INR	261,387,750	USD	3,900,000	10/31/2016
INR	323,893,630	EUR	4,300,000	10/31/2016

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(7) Income Taxes

Current period U.S. and foreign income (loss) before income taxes as well as income tax expense were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Income (loss) from continuing operations before income taxes:				
U.S.	$(4,749)	$(1,200)	$(23,818)	$1,982
Foreign	(11,420)	2,406	(136,050)	6,934
Total	$(16,169)	$1,206	$(159,868)	$8,916
Income tax expense:				
U.S.	$732	$696	$1,885	$2,037
Foreign	1,897	642	5,731	1,642
Total	$2,629	$1,338	$7,616	$3,679

Due to our history of domestic losses, we have a full valuation allowance for all U.S. net deferred tax assets, including our net operating loss and tax credit carryforwards. As a result, we cannot record any tax benefits for additional U.S. incurred losses, and any U.S. income is offset by a reduction in valuation allowance. Irrespective of our income or loss levels, we continue to record U.S. deferred tax expense related to tax-basis goodwill amortization.

The effective rate on our foreign tax expense varies with the mix of income and losses across multiple tax jurisdictions with most statutory tax rates varying from 19% to 34%. The foreign losses did not create the expected tax benefit as a result of the current mix of income and losses across jurisdictions, with income being earned in jurisdictions where taxes are paid, and losses being generated in jurisdictions that have a full valuation allowance recorded against them. Additionally, we have recorded significant goodwill impairment charges that do not result in a tax benefit at the local country level. Due to the Netherlands Sale during the second quarter of 2016, the Company recognized $3.0 million in tax expense. A subsequent event in the third quarter of 2016 adjusted the Netherlands Sale gain, resulting in a tax benefit of $0.1 million, and reducing the tax related to the Netherlands Sale to $2.9 million. During the third quarter of 2016, the Company recorded the sale of an entity in Norway and substantially all of the assets of the operations in Sweden. The Norway Sale was structured to allow for tax free treatment of the gain on sale. The gain on the Sweden Sale is offset by existing tax losses that were previously reserved, resulting in no tax expense recognized.

(8) Restructuring Charges

On July 25, 2014, we approved a restructuring plan focused on the implementation of a go-to-market model, realigning the organization and improving our near and offshore delivery mix ("the 2014 Plan"). The 2014 Plan commenced in the third quarter of 2014 and was completed in the third quarter of 2015. The 2014 Plan impacted approximately 290 people. The total amount of the restructuring charges for the 2014 Plan was approximately $27 million, substantially all of which was settled in cash. The total estimated restructuring expenses included approximately $20 million related to employee severance and related benefits and approximately $7 million related to professional fees, office closures and other expenses.

The changes in our 2014 Plan restructuring liabilities, which are primarily recorded in other accrued expenses, during the six months ended September 30, 2016, are as follows:

	Employee Severance	Professional Fees, Office	Total

	and Termination	Closures and Other	
	(In thousands)		
Restructuring liability, as of January 1, 2016	$1,791	$ 990	$2,781
Cash paid	(1,746)	—	(1,746)
Foreign exchange rate changes	40	—	40
Restructuring liability, as of September 30, 2016	$85	$ 990	$1,075

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For the three and nine months ended September 30, 2016, the Company recognized employee severance and related benefits of $0.7 million and $1.2 million, respectively. These costs represent additional restructuring activities outside of the original restructuring plans. As of September 30, 2016 and December 31, 2015, additional restructuring liabilities of $1.1 million and $0.7 million, respectively, were included in other accrued expenses.

(9) Segment Information

The following presents financial information about our reportable segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Revenues:				
International	$46,722	$82,837	$193,719	$268,819
North America	97,569	110,031	292,249	324,423
Other	812	838	2,365	2,459
Inter-segment	(757)	(1,105)	(3,024)	(3,151)
Total revenues	$144,346	$192,601	$485,309	$592,550
Operating income (loss) from continuing operations:				
International	$(8,249)	$4,556	$(18,358)	$16,194
North America	5,186	10,266	12,625	30,649
Other	29	48	203	173
Corporate expenses	(12,421)	(12,225)	(40,290)	(34,699)
Operating income (loss) from continuing operations before goodwill impairment, amortization, litigation settlements and restructuring charges	(15,455)	2,645	(45,820)	12,317
Goodwill impairment	—	—	(115,483)	—
Amortization of intangible assets	(323)	(55)	(2,349)	(162)
Litigation settlements	(4,496)	—	(4,496)	—
Restructuring charges	(417)	(1,002)	(1,156)	(1,738)
Total operating income (loss) from continuing operations	$(20,691)	$1,588	$(169,304)	$10,417

(10) Contingencies

We are subject to various claims and litigation that arise in the ordinary course of business. The litigation process is inherently uncertain. Therefore, the outcome of such matters is not predictable.
For the nine months ended September 30, 2016, the Company recorded $4.5 million in Litigation settlements on its Consolidated Statements of Operations related to settled litigation matters.

As previously reported, a lawsuit titled CamSoft Data Systems, Inc. v. Southern Electronics, et al., was filed initially in October 2009 in Louisiana state court against numerous defendants, including Ciber. The lawsuit was subsequently removed to federal court in the Middle District of Louisiana and the complaint was amended to include additional defendants and causes of action including antitrust claims, civil RICO claims, unfair trade practices, trade secret, fraud, unjust enrichment, and conspiracy claims. The suit involves many of the same parties involved in related litigation in the state court in New Orleans, which was concluded in 2009 when Ciber settled the New Orleans suit with the plaintiffs, Active Solutions and Southern Electronics, who were CamSoft's former alleged joint venturers and are now co-defendants in the current lawsuit. Proceedings in the federal appellate courts concluded in January 2015 with the matter remanded back to state court. Ciber is vigorously defending the allegations. Based on information known to us, we have established a reserve that we believe represents a probable estimate of the loss. We are unable to predict the outcome of this litigation.

A lawsuit titled Pennsylvania Turnpike Commission. v. Ciber, Inc., and Dennis Miller was filed in January 2015 in Pennsylvania state court against Ciber and a former employee. The complaint generally alleges breach of contract, negligent

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misrepresentation, violation of an anti-bid-rigging statute and procurement code, and conspiracy to commit fraud with and by Ciber's own employee. These claims arise out of a project in 2004-2008 to implement a new finance and administrative system for the Pennsylvania Turnpike Commission ("PTC"). PTC alleges $38 million in damages. We believe the claims are without merit and Ciber is vigorously defending against these allegations. At this time, we are unable to predict the outcome of this litigation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our Unaudited Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and our Audited Consolidated Financial Statements and related Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015, and with the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2015. References to "we," "our," "us," "the Company," or "Ciber" in this Quarterly Report on Form 10-Q refer to Ciber, Inc. and its subsidiaries.

We use the phrase "in local currency" to indicate that we are comparing certain financial results after removing the impact of foreign currency exchange rate fluctuations, thereby allowing for the comparison of business performance between periods. Financial results "in local currency" are calculated by restating current period activity into U.S. dollars using the comparable prior year period's foreign currency exchange rates. This approach is used for all results where the functional currency is not the U.S. dollar.

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Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to our operations, results of operations and other matters that are based on our current expectations, estimates, forecasts and projections. Words, such as “anticipate,” “believe,” “could,” “expect,” “estimate “intend,” “may,” “opportunity,” “plan,” “potential,” “project,” “should,” and “will” and similar expressions, are intended to ide these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based on assumptions as to future events that may not prove to be accurate. Risks, uncertainties and other factors could cause actual results to differ materially from those expressed or implied by our forward-looking statements.
For a more detailed discussion of our risk factors, see the information under the “Risk Factors” heading in this Quarterly Report on Form 10-Q and other documents filed with or furnished to the SEC. We undertake no obligation to publicly update any forward-looking statements in light of new information or future event other than as required by law. Readers are cautioned not to put undue reliance on forward-looking statements.

Business Overview

Ciber is a leading global information technology (“IT”) services company founded in 1974 with over 40 years of proven IT experience and a wide range of technology expertise. Ciber has the infrastructure and expertise to deliver IT services on a global scale. Focusing on the client, we take a personalized approach that includes building long-term relationships via the creation of IT solutions for the client, and implementing business strategies that reflect anticipated trends. We are committed to delivering quality solutions precisely configured to our clients' needs and achieving the highest level of customer satisfaction and self-assessed customer delight. Our goal is delivering business value to our clients.

The key initiatives of our strategic plan include: (i) focusing on high-value, tightly-defined core offerings with a well-developed portfolio of reusable solution sets; (ii) performing under heightened operational regimes and (iii) customer service.

We operate our business by geography. Our reportable operating segments consist of International and North America. Our International segment transacts business in the local currencies of the countries in which it operates. In recent years, approximately 50% to 60% of our International division's revenue has been denominated in Euros, 15% to 20% has been denominated in Great Britain Pounds ("GBP") and the balance has come from a number of other European currencies. Changes in the exchange rates between these foreign currencies and the U.S. dollar affect the reported amounts of our assets, liabilities, revenues and expenses. For financial reporting purposes, the assets and liabilities of our foreign operations are translated into U.S. dollars at current exchange rates at period end and revenues and expenses are translated at average exchange rates for the period.

Restructuring

On July 25, 2014, we approved a restructuring plan focused on the implementation of a go-to-market model, realigning the organization and improving our near and offshore delivery mix ("the 2014 Plan"). The 2014 Plan commenced in the third quarter of 2014 and was completed in the third quarter of 2015. The 2014 Plan impacted approximately 290 people. The total amount of the restructuring charges for the 2014 Plan was approximately $27 million, substantially all of which was settled in cash. The total estimated restructuring expenses included approximately $20 million related to employee severance and related benefits and approximately $7 million related to professional fees, office closures and other expenses.

Our 2014 Plan had restructuring liabilities of $2.8 million at December 31, 2015, of which Ciber paid $1.7 million in the nine months ended September 30, 2016. The remaining liability of $1.1 million is recorded in other accrued expenses as of September 30, 2016.

Divestitures

Ciber Nederland B.V.

On June 16, 2016 ("the Closing Date"), the Company completed a sale of certain assets and liabilities ("the Netherlands Sale") of Ciber Nederland, B.V. ("Ciber Nederland"), which has been reported as a part of the Company's International segment, for a cash purchase price of $25.0 million ("the Purchase Price"). The Purchase Price includes $5.0 million to be held in escrow ("the Escrow Amount") to be released in equal parts at 12 and 18 months from the Closing Date. The current portion of the Escrow Amount is $2.5 million and is recorded on the Consolidated Balance Sheets as Restricted

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cash. The long-term restricted portion of the Escrow Amount is $2.5 million and is recorded on the Consolidated Balance Sheets as Other assets. Subsequent to quarter end, the Purchase Price was adjusted by $3.9 million for working capital, resulting in proceeds of $28.9 million. The purchase price also is subject to a purchase price adjustment six months after closing with respect to the retention of certain Ciber Nederland customers, which adjustment is capped at the Escrow Amount. Until the resolution of contingencies, the $5.0 million in escrow has been excluded from estimated gain calculations. The gain on the sale of assets was $6.9 million for the six months ended June 30, 2016 and was adjusted downward $0.2 million, related to additional adjustments in working capital, to record a total of $6.7 million gain in the nine months ended September 30, 2016. This gain will also be adjusted after resolution of contingencies in the purchase price, allowing for the potential release of amounts in escrow.

Ciber Norge AS

On August 26, 2016 (the “Closing Date”), the Company completed a sale of Ciber Norge AS., which has been reported as part of the Company's International segment, for a cash purchase price of $7.0 million, (the “Purchase Price”) which includes $0.7 million to be held in escrow (the “Escrow Amount”), to be released in equal parts at 12 and 18 months from the Closing Date. The current portion of the Escrow Amount is $0.35 million and is recorded on the Consolidated Balance Sheets as Restricted cash. The long-term restricted portion of the Escrow Amount is $0.35 million and is recorded on the Consolidated Balance Sheets as Other assets. The Purchase Price was adjusted by $3.4 million for working capital, resulting in proceeds of $10.4 million. The Purchase Price also is subject to a purchase price adjustment twelve months after closing with respect to the retention of certain Ciber Norge customers, which adjustment is capped at $1.75 million. Until the resolution of contingencies, the $1.75 million has been excluded from gain calculations. The gain on the sale of assets was $5.0 million for the nine months ended September 30, 2016 and will be adjusted after resolution of contingencies in the purchase price, allowing for the potential release of amounts in escrow.

Ciber Sweden

On September 19, 2016, the Company completed a sale of certain assets and liabilities of Consultants in Business, Engineering and Research Sweden AB, (“Ciber Sweden”), which has been reported as a part of the Company's International segment, for a cash purchase price of $1.0 million (the “Purchase Price”). The Purchase Price was subject to a purchase price adjustment on or prior to the closing with respect to the retention of certain Ciber Sweden consultants, which adjustment is capped at 15% of the Purchase Price. Subsequent to quarter end, the Purchase Price was adjusted downward by $0.1 million, resulting in proceeds of $0.9 million. The gain on the sale of assets was $0.9 million for the nine months ended September 30, 2016 and will be adjusted after resolution of contingencies in the purchase price.

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Results of Operations — Comparison of the Three Months Ended September 30, 2016 and 2015

The following table and related discussion provide information about our consolidated financial results for the periods and are presented in dollars and expressed as a percentage of revenue:

	Three Months Ended September 30,			
	2016		2015	
	(In thousands)			
Consulting services	$137,364	95.2 %	$180,490	93.7 %
Other revenue	6,982	4.8	12,111	6.3
Total revenues	$144,346	100.0 %	$192,601	100.0 %
Gross profit - consulting services	$27,051	19.7 %	$46,785	25.9 %
Gross profit - other revenue	2,659	38.1	4,838	39.9
Gross profit - total	29,710	20.6	51,623	26.8
SG&A costs	45,165	31.3	48,978	25.4
Amortization of intangible assets	323	0.2	55	—
Litigation settlements	4,496	—	—	—
Restructuring charges	417	0.3	1,002	0.5
Operating income (loss) from continuing operations	(20,691)	(14.3)	1,588	0.8
Gain on sale of assets	5,595	3.9	—	—
Interest expense	(545)	(0.4)	(377)	(0.2)
Other expense, net	(528)	(0.4)	(5)	—
Income (loss) from continuing operations before income taxes	(16,169)	(11.2)	1,206	0.6
Income tax expense	2,629	1.8	1,338	0.7
Net income (loss) from continuing operations	$(18,798)	(13.0)%	$(132)	(0.1)%

Revenue by segment from continuing operations was as follows:

	Three Months Ended September 30,		
	2016	2015	% change
	(In thousands)		
International	$46,722	$82,837	(43.6)%
North America	97,569	110,031	(11.3)
Other	812	838	(3.1)
Inter-segment	(757)	(1,105)	31.5
Total revenues	$144,346	$192,601	(25.1)%

Revenues. For the three months ended September 30, 2016, total revenues decreased $48.3 million, or 25.1% in U.S. dollars in comparison to the three months ended September 30, 2015. In local currency, revenues decreased 24.2%, as compared with the three months ended September 30, 2015. This change is attributable to the following:

- International revenues decreased $36.1 million, or 43.6% overall, and decreased 41.6% in local currency compared with the three months ended September 30, 2015. Revenues declined primarily related to the Netherlands Sale and the Norway Sale, as well as decreased revenue in the United Kingdom ("U.K.") primarily due to less available resources and lower license sales, as well as a decreased revenue in Germany due to less available resources and lower utilization.

- North America revenues decreased $12.5 million, or 11.3%, compared to the three months ended September 30, 2015. This decrease is primarily due to declines in the Oracle practice due to implementation delays, as well as projects ending or ramping down. We also had declines in our SAP and ADM practices due to projects ending or ramping down. Additionally, the talent services practice declined due to increased pricing pressure from some of our key

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contracts, as well as projects ending. These decreases were partially offset by an increase in revenue in our transformation services practices during the three months ended September 30, 2016, due to a new project started during the fourth quarter of 2015.

Gross Profit. Gross profit margin decreased to 20.6% for the three months ended September 30, 2016, compared to 26.8% for the same period in 2015. Gross profit margin for our International segment decreased primarily due to increased labor costs for both our internal resources and our subcontractors, as well as lower utilization. North America gross profit margin decreased compared to the three months ended September 30, 2015 due to pricing pressure, implementation delays, and lower margins in our transformation services practice compared to the rest of our practices.

Selling, general and administrative costs ("SG&A"). Our SG&A costs decreased $3.8 million, or 7.8%, to $45.2 million for the three months ended September 30, 2016, from $49.0 million for the three months ended September 30, 2015. International SG&A costs decreased compared to the three months ended September 30, 2015 due primarily to the Netherlands sale and the Norway Sale. North America SG&A costs compared to the three months ended September 30, 2015 decreased due to a decrease in personnel costs. Our corporate SG&A costs remained fairly flat.

Operating income (loss). Our operating loss was $(20.7) million for the three months ended September 30, 2016, as compared to operating income of $1.6 million for the same period of 2015. This change was primarily due to decreased revenues in our North America and International segments, partially offset by decreased SG&A costs during the three months ended September 30, 2016, as compared to the same period in 2015.

Operating income (loss) from continuing operations by segment was as follows:

	Three Months Ended September 30, 2016	2015	% change	2016 % of revenue*	2015 % of revenue*
	(In thousands)				
International	$(8,249)	$4,556	n/m	(17.7)%	5.5 %
North America	5,186	10,266	(49.5)	5.3	9.3
Other	29	48	(39.6)	3.6	5.7
Corporate expenses	(12,421)	(12,225)	(1.6)	(8.6)	(6.3)
Operating income (loss) from continuing operations before amortization and restructuring charges	(15,455)	2,645	n/m	(10.7)	1.4
Amortization of intangible assets	(323)	(55)	100.0	(0.2)	—
Litigation settlements	(4,496)	—	100.0	(3.0)	—
Restructuring charges	(417)	(1,002)	n/m	(0.3)	(0.5)
Total operating income (loss) from continuing operations	$(20,691)	$1,588	n/m	(14.3)%	0.8 %

n/m = not meaningful

*International, North America and Other calculated as a % of their respective revenue. All other items are calculated as a % of total revenue. Column may not total due to rounding.

- International operating loss was $8.2 million for the three months ended September 30, 2016 compared to operating income of $4.6 million for the three months ended September 30, 2015. This decrease was primarily due to the Netherlands Sale and the Norway Sale, as well as increased personnel and overhead costs as a percentage of revenue.

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North America operating income decreased $5.1 million, or 49.5% compared to the three months ended September 30, 2015. The decrease was a result of a decline in revenue and profitability primarily in the Oracle, Talent Services and ADM practices.

- Corporate expenses increased $0.2 million during the three months ended September 30, 2016 compared to the three months ended September 30, 2015 primarily due to an increase in legal and consulting costs.

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Amortization of intangible assets. Amortization of intangible assets increased $0.3 million during the three months ended September 30, 2016, as compared to the three months ended September 30, 2015 due to amortization related to internally developed software which was placed into service during the second half of 2015.

Litigation settlements. Litigation settlements increased $4.5 million during the three months ended September 30, 2016, as compared to the three months ended September 30, 2015. This increase is due to settled litigation matters.

Restructuring charges. Restructuring charges decreased $0.6 million during the three months ended September 30, 2016, as compared to the three months ended September 30, 2015. This decrease is due to less employee severance and related benefits.

Gain on sale of assets/entity. Gain on sale of assets increased $5.6 million for the three months ended September 30, 2016, compared to the three months ended September 30, 2015 primarily due to the Norway sale and the Sweden Sale.

Interest expense. Interest expense increased $0.2 million during the three months ended September 30, 2016, as compared to the three months ended September 30, 2015 primarily related to higher borrowings compared to the three months ended September 30, 2015.

Other expense, net. Other expense, net increased $0.5 million for the three months ended September 30, 2016, compared to the three months ended September 30, 2015 primarily due to a change in foreign currency exchange rates.

Income taxes. Current period U.S. and foreign income (loss) before income taxes as well as income tax expense were as follows:

	Three Months Ended September 30,	
	2016	2015
	(In thousands)	
Income (loss) from continuing operations before income taxes:		
U.S.	$(4,749)	$(1,200)
Foreign	(11,420)	2,406
Total	$(16,169)	$1,206
Income tax expense:		
U.S.	$732	$696
Foreign	1,897	642
Total	$2,629	$1,338

Due to our history of domestic losses, we have a full valuation allowance for all net U.S. deferred tax assets, including our net operating loss and tax credit carryforwards. As a result, we cannot record any tax benefits for additional U.S. incurred losses and any U.S. income is offset by a reduction in valuation allowance. Irrespective of our income or loss levels, we continue to record deferred U.S. tax expense related to tax-basis goodwill amortization. We expect to record approximately $2.4 million in 2016.

The effective rate on our foreign tax expense varies with the mix of income and losses across multiple tax jurisdictions with most statutory tax rates varying from 19% to 34%. The foreign losses did not create the expected tax benefit as a result of the current mix of income and losses across jurisdictions, with income being earned in jurisdictions where taxes are paid, and losses being generated in jurisdictions that have a full valuation allowance recorded against them. Additionally, we have recorded significant goodwill impairment charges that do not result in a tax benefit at the local country level. Due to the Netherlands Sale during the second quarter of 2016, the Company recognized $3.0 million in tax expense. A subsequent event in the third quarter of 2016 adjusted the Netherlands Sale gain, resulting in a tax benefit of $0.1 million, and reducing the tax related to the Netherlands Sale to $2.9 million. During the third quarter of 2016, the Company recorded the sale of an entity in Norway and substantially all of the assets of the operations in Sweden. The Norway Sale was structured to allow for tax free treatment of the gain on sale. The gain on the Sweden Sale is offset by existing tax losses that were previously reserved, resulting in no tax expense recognized.

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For interim periods, we base our tax provision on forecasted book and taxable income for the entire year. As the forecast for the year changes, we adjust our year-to-date tax provision. Our provision for income taxes is based on many factors and is subject to significant volatility from year to year.

Results of Operations — Comparison of the Nine Months Ended September 30, 2016 and 2015

The following table and related discussion provide information about our consolidated financial results for the periods and are presented in dollars and expressed as a percentage of revenue:

	Nine Months Ended September 30,			
	2016		2015	
	(In thousands)			
Consulting services	$459,822	94.7 %	$558,790	94.3 %
Other revenue	25,487	5.3	33,760	5.7
Total revenues	$485,309	100.0 %	$592,550	100.0 %
Gross profit - consulting services	$93,629	20.4 %	$140,669	25.2 %
Gross profit - other revenue	10,847	42.6	14,374	42.6
Gross profit - total	104,476	21.5	155,043	26.2
SG&A costs	150,296	31.0	142,726	24.1
Goodwill impairment	115,483	23.8	—	—
Amortization of intangible assets	2,349	0.5	162	—
Litigation settlements	4,496	—	—	—
Restructuring charges	1,156	0.2	1,738	0.3
Operating income (loss) from continuing operations	(169,304)	(34.9)	10,417	1.8
Gain on sale of assets	12,525	2.6	—	—
Interest expense	(1,792)	(0.4)	(1,118)	(0.2)
Other expense, net	(1,297)	(0.3)	(383)	(0.1)
Income (loss) from continuing operations before income taxes	(159,868)	(32.9)	8,916	1.5
Income tax expense	7,616	1.6	3,679	0.6
Net income (loss) from continuing operations	$(167,484)	(34.5)%	$5,237	0.9 %

Revenue by segment from continuing operations was as follows:

	Nine Months Ended September 30,		
	2016	2015	% change
	(In thousands)		
International	$193,719	$268,819	(27.9)%
North America	292,249	324,423	(9.9)
Other	2,365	2,459	(3.8)
Inter-segment	(3,024)	(3,151)	n/m
Total revenues	$485,309	$592,550	(18.1)%

n/m = not meaningful

Revenues. For the nine months ended September 30, 2016, total revenues decreased $107.2 million, or 18.1% in U.S. dollars compared to the nine months ended September 30, 2015. On a local currency basis, revenues decreased 17.0%, as compared with the nine months ended September 30, 2015. This change is attributable to the following:

- International revenues decreased $75.1 million, or 27.9%, and decreased 25.5% in local currency during the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. Revenues declined due to

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decreased revenue in the United Kingdom ("U.K.") and Germany, primarily due to less available resources in these countries, as well as the impact of the Netherlands Sale and the Norway Sale.

- North America revenues decreased $32.2 million, or 9.9% compared to the first nine months of 2015. This decrease is primarily a result of implementation delays and project cost overruns, as well as completion and ramp down of projects, in our Oracle practice. Additionally we had declines in the SAP and ADM practices due to projects ending or ramping down. These decreases were partially offset by an increase in revenue in our transformation services practices during the nine months ended September 30, 2015, due to a new project started in the fourth quarter of 2015.

Gross Profit. Gross profit margin decreased to 21.5% for the nine months ended September 30, 2016, compared to 26.2% for the same period in 2015. Gross profit margin for our International segment decreased primarily due to increased labor costs for both our internal resources and our subcontractors, and slightly lower utilization. North America gross margin decreased for the first nine months of 2016 as compared to the comparable 2015 period due to implementation delays and cost overruns in our Oracle practice, as well as a decrease in SAP and ADM practices due to projects ending or ramping down.

Selling, general and administrative costs. Our SG&A costs increased by $7.6 million, or 5.3% to $150.3 million for the nine months ended September 30, 2016, from $142.7 million for the nine months ended September 30, 2015. International SG&A costs increased compared to the first nine months of 2015 due an increase in personnel costs. North America SG&A costs increased when compared to the nine months ended September 30, 2015 due to an increase in bonus costs, as well as investments in various practices. Our corporate SG&A costs increased primarily due to an increase in consulting and bonus costs as compared to the nine months ended September 30, 2015.

Operating (loss) income. Our operating loss was $169.3 million for the nine months ended September 30, 2016, as compared to income of $10.4 million for the same period of 2015. This change was primarily due to goodwill impairment of $115.5 million during the first nine months of 2016, as well as decreased revenues in our North America and International segments and increased SG&A costs.

Operating income from continuing operations by segment was as follows:

	Nine Months Ended September 30,		% change	2016 % of revenue*	2015 % of revenue*
	2016	2015			
	(In thousands)				
International	$(18,358)	$16,194	n/m	(9.5)%	6.0 %
North America	12,625	30,649	(58.8)	4.3	8.9
Other	203	173	17.3	8.6	11.0
Corporate expenses	(40,290)	(34,699)	(16.1)	(8.3)	(4.8)
Operating income (loss) from continuing operations before amortization and restructuring charges	(45,820)	12,317	n/m	(9.4)	1.4
Goodwill Impairment	(115,483)	—	100.0	(23.8)	
Amortization of intangible assets	(2,349)	(162)	n/m	(0.5)	—
Litigation settlements	(4,496)	—	100.0	(0.9)	—
Restructuring charges	(1,156)	(1,738)	33.5	(0.2)	(3.5)
Total operating income (loss) from continuing operations	$(169,304)	$10,417	n/m	(34.9)%	(2.1)%

n/m = not meaningful

*International, North America and Other calculated as a % of their respective revenue. All other items are calculated as a % of total revenue. Column may not total due to rounding.

- International recorded an operating loss of $18.4 million for the nine months ended September 30, 2016, compared to operating income of $16.2 million for the comparable period in 2015. This decrease was due to the Netherlands Sale and the Norway Sale, as well as reduced revenues from fewer resources available.

- North America operating income decreased $18.0 million, or 58.8%, compared to the first nine months of 2015. The decrease was a result of a decline in revenue and profitability primarily in the Oracle practice.

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- Corporate expenses increased $5.6 million during the current nine month period which was primarily related to an increase in consulting costs year over year.

Goodwill Impairment. Goodwill impairment was $115.5 million during the nine months ended September 30, 2016. The charge was in our International segment as a result of impairment tests performed in the first and second quarters of 2016, which were triggered by our annual goodwill impairment analysis, as well as the Netherlands Sale, lower than expected earnings and a sustained decrease in the stock price during the first six months ended June 30, 2016.

Amortization of intangible assets. Amortization of intangible assets increased $2.2 million during the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2016. The increase is due to amortization related to internally developed software which was placed into service during the second half of 2015.

Litigation settlements. Litigation settlements increased $4.5 million during the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015. This increase is due settled litigation matters.

Restructuring charges. Restructuring charges decreased $0.6 million during the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015. This decrease is due to less employee severance and related benefits.

Gain on sale of assets/entity. Gain on sale of assets increased $12.5 million during the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015 due to the Netherlands Sale, the Norway Sale and the Sweden Sale during the nine months ended September 30, 2016.

Interest expense. Interest expense increased $0.7 million for the nine months ended September 30, 2016, compared to the same period of 2015 due to higher average borrowings in the nine months ended September 30, 2016, compared to the comparable 2015 period.

Other expense, net. Other expense, net was $1.3 million for the nine months ended September 30, 2016, compared to $0.4 million for the nine months ended September 30, 2015. This change was due to foreign exchange gains and losses.

Income taxes. Current period U.S. and foreign income (loss) before income taxes as well as income tax expense were as follows:

	Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Income (loss) from continuing operations before income taxes:		
U.S.	$(23,818)	$1,982
Foreign	(136,050)	6,934
Total	$(159,868)	$8,916
Income tax expense:		
U.S.	$1,885	$2,037
Foreign	5,731	1,642
Total	$7,616	$3,679

Due to our history of domestic losses, we have a full valuation allowance for all net U.S. deferred tax assets, including our net operating loss and tax credit carryforwards. As a result, we cannot record any tax benefits for additional U.S. incurred losses and any U.S. income is offset by a reduction in valuation allowance. Irrespective of our income or loss levels, we continue to record deferred U.S. tax expense related to tax-basis goodwill amortization. We expect to record approximately $2.4 million in 2016.

The effective rate on our foreign tax expense varies with the mix of income and losses across multiple tax jurisdictions with most statutory tax rates varying from 19% to 34%. The foreign losses did not create the expected tax benefit as a result of the current mix of income and losses across jurisdictions, with income being earned in jurisdictions where taxes are paid, and losses being generated in jurisdictions that have a full valuation allowance recorded against them. Additionally, we have recorded significant goodwill impairment charges that do not result in a tax benefit at the local country level. A subsequent event in the third quarter of 2016 adjusted the Netherlands Sale gain, resulting in a tax benefit of $0.1 million, and reducing the tax related to the Netherlands Sale to $2.9 million. Due to the Netherlands Sale during the second quarter of 2016, the Company recognized $3.0 million in tax expense.During the third quarter of 2016, the Company recorded the sale of an entity in Norway and substantially all of the assets of the operations in Sweden. The Norway Sale was structured to allow for tax free treatment of the gain on sale. The gain on the Sweden Sale is offset by existing tax losses that were previously reserved, resulting in no tax expense recognized.

For interim periods, we base our tax provision on forecasted book and taxable income for the entire year. As the forecast for the year changes, we adjust our year-to-date tax provision. Our provision for income taxes is based on many factors and is subject to significant volatility from year to year.

Liquidity and Capital Resources

At September 30, 2016, we had $47.9 million in working capital, which represented a decrease from $105.9 million at December 31, 2015. This decrease was largely due to the reclassification of our debt to current liabilities during the second quarter of 2016 due to the maturity date of May 7, 2017 for our ABL Facility, as well as noncompliance with the Fixed Charge Coverage Ratio on our ABL Facility from March 31, 2016 to September, 30, 2016 and subsequently. Our current ratio was 1.4:1 at September 30, 2016, compared to 2:1 at December 31, 2015. Our primary sources of liquidity are cash flows from operations, available cash reserves, and debt capacity under our credit facility. Our liquidity is affected by many factors including, among others, fluctuations in revenue, gross profits and operating expenses, as well as changes in operating assets and liabilities. In addition, further softening in the demand for our products and services may result in higher than anticipated losses in the future and lower our cash balances at a faster rate, and lower our borrowing base under our credit facilities. Management utilizes a rolling thirteen week cash forecast as an indicator of weekly cash flows to meet operating and capital requirements. At our currently forecasted levels of revenue, expenses and capital expenditures, we believe that our existing cash, cash equivalents and marketable securities, together with our anticipated cash collections, including recent proceeds from the Netherlands Sale, the Norway Sale, the Sweden Sale and the European Refinancing, combined with cash management measures we have implemented in 2016, will be sufficient to meet our projected operating and capital expenditure requirements through the fourth quarter of 2016. We are exploring options to raise additional funds through public or private equity or equity linked securities, or debt financing, select asset dispositions, and other measures to extend that period to an additional twelve months. Should additional capital resources not become available to us through such measures, or should additional capital resources only be available on unfavorable terms, we would be required to make changes to our operating expense levels and capital expenditures to extend that period and would likely need to significantly reduce our business activities which could adversely affect our ability to compete effectively in the markets in which we participate which could, in turn, adversely affect our results of operations. If we issue equity or equity linked securities in order to raise additional funds, substantial dilution to existing shareholders may occur. If we raise cash through the incurrence of additional indebtedness, we may be subject to additional contractual restrictions on our business.

Our balance of cash and cash equivalents was $6.4 million at September 30, 2016, compared to $20.4 million at December 31, 2015. Our domestic cash balances are generally used as a sweep to reduce outstanding borrowings. Typically, most of our cash balance is maintained by our foreign subsidiaries. From time to time, we may engage in short-term loans from our foreign operations. We have not provided for additional U.S. income taxes on the undistributed earnings of foreign subsidiaries that qualify for the indefinite reinvestment exception, where we currently do not have plans to repatriate cash in the future and we consider these to be permanently reinvested in the operations of such subsidiaries. While most of our foreign earnings qualify, we have provided for additional U.S. income taxes on foreign earnings that do not meet the requirements of the indefinite reinvestment exception. If future events, including material changes in estimates of cash, working capital and long-term investment requirements, necessitate that the undistributed earnings of our foreign subsidiaries be distributed, an additional provision for income taxes may apply, which could materially affect our future tax expense.

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	Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Net cash provided by (used in) continuing operations:		
Operating activities	$(52,754)	$(31,891)
Investing activities	30,261	(6,288)
Financing activities	6,192	11,984
Net cash used in continuing operations	(16,301)	(26,195)
Cash used in operating activities — discontinued operations	(161)	(512)
Net cash used in discontinued operations:	(161)	(512)
Effect of foreign exchange rate changes on cash and cash equivalents	2,492	(998)
Net decrease in cash and cash equivalents	$(13,970)	$(27,705)

Operating activities. Cash used in operating activities used in continuing operations was $52.8 million during the nine months ended September 30, 2016, compared with $31.9 million for the nine months ended September 30, 2015. A decrease in normal short-term working capital items, particularly from a decrease in accounts receivable and an increase in accrued liabilities, contributed to the decrease in cash used in operating activities from continuing operations during the current nine month period as compared to the same period in the prior year. Our working capital fluctuates significantly due to changes in accounts receivable (discussed below), as well as the timing of our domestic payroll and accounts payable processing cycles with regard to month-end dates and other seasonal factors. We paid $2.5 million for restructuring-related costs in the first nine months of 2016 compared to $9.9 million in the first nine months of 2015. In 2016, these costs were related to severance expense, primarily in our International segment and real estate-related costs. In 2015, restructuring costs were related to severance expense, primarily in our International segment, professional fees and real estate-related costs. During the nine months ended September 30, 2016, and 2015 our domestic operations provided $2.1 million and used $19.0 million, respectively, of cash from continuing operations while our International operations used $54.9 million and $18.1 million, respectively, during the same time periods. Typically, the seasonality of our business in many European countries results in negative cash from operations in the middle part of the year with improvements in the later portion of the year. Cash flow from European receivables and payables are typically maximized in the fourth quarter.

Changes in accounts receivable can have a significant impact on our cash flow. Items that can affect our cash flow from accounts receivable include: contractual payment terms, client payment patterns (including approval or processing delays and cash management), client mix (public vs. private), fluctuations in the level of IT product sales and the effectiveness of our collection efforts. Many of the individual reasons are outside of our control and, as a result, it is normal for cash flow from accounts receivable to fluctuate from period to period, affecting our liquidity. Consistent with the nature of our business, we periodically resolve disputes with clients who challenge amounts owed to Ciber based on their interpretation of contractual provisions or their perception of the status of work performed. Appropriate reserves against disputed balances are taken when management concludes it is probable that disputed amounts will not be paid.

Total accounts receivable decreased to $138.6 million at September 30, 2016, from $169.5 million at December 31, 2015. Total accounts receivable day's sales outstanding ("DSO") increased to 77 days at September 30, 2016, from 64 days at December 31, 2015, an increase of 13 days, compared with DSO of 67 days at September 30, 2015, and 57 days at December 31, 2014, an increase of 10 days. We experienced increased DSO both in North America and International in the third quarter of 2016. This DSO increase is a result of decreased collections and increased unbilled receivables associated with fixed price projects.

Accrued compensation and related liabilities fluctuate from period to period based on several primary factors, including the timing of our normal bi-weekly U.S. payroll cycle and the timing of variable compensation payments. Bonuses are typically accrued throughout the year, and paid either quarterly or annually, based on the applicable bonus program associated with an employee's role and country in which he or she works and the extent to which bonus pools are funded, based on corporate performance. As such, bonus payments can fluctuate from quarter to quarter. Accounts payable and other accrued liabilities typically fluctuate based on when we receive actual vendor invoices and when they are paid. The largest of such items typically relates to vendor payments for IT hardware and software products that we resell and payments to services-related subcontractors.

In connection with the payment of cash bonuses to certain of the Company’s employees, on June 29, 2016, the Company erroneously initiated the payment of $760,000 and $100,000, respectively, to our Chief Executive Officer ("CEO"), Michael

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Boustridge, and to our Chief Financial Officer, Christian Mezger. The Compensation Committee subsequently determined that these bonus payments to our our Chief Executive Officer and Chief Financial Officer were not duly authorized by the Compensation Committee, as required by its charter and NYSE rules, due to miscommunication at the committee level. The Compensation Committee requested that these amounts be repaid, net of tax. Mr. Mezger repaid the amount prior to September 30, 2016 and Mr. Boustridge repaid the amount subsequent to the end of the third quarter. The Compensation and Audit Committees have taken steps to strengthen the processes which led to the miscommunication, including the expansion and size of the Compensation Committee and the engagement of an outside third party to review the processes and recommend steps to remediate, and the Company is implementing the recommended changes.

Investing activities. During the nine months ended September 30, 2016, cash provided by investing activities increased to $30.3 million from cash used in investing of $6.3 million, compared to the nine months ended September 30, 2015. The increase is due to cash received in the Netherlands Sale, which was partially offset by spending on property and equipment, which increased to $9.1 million during the nine months ended September 30, 2016, from $6.3 million in the same period of 2015. Our capital spending is primarily for technology equipment and software and to support our global employee base, as well as our management and corporate support infrastructure, and for investment in our domestic and off-shore delivery centers. Our investments will fluctuate from period to period. The fluctuation from 2015 to 2016 was due to continuing spend related to a global ERP system implementation expected to go-live in early 2017. We received $25.0 million from the Netherlands Sale, $5.0 million of which is held in escrow to be released in equal parts at 12 and 18 months from the Closing Date. Please refer to Note 2 of the Notes to Consolidated Financial Statements for further information.

Financing activities. Typically, our most significant financing activities consist of the borrowings and payments under our ABL Facility, as described below. This primarily fluctuates based on cash provided by, or used in, our domestic operations during the period as the ABL Facility is used for U.S. working capital fluctuations. During the nine months ended September 30, 2016, we had net borrowings on our ABL Facility of $6.5 million, compared with $18.7 million for the nine months ended September 30, 2015. In the first nine months of 2015 we also purchased $1.7 million of treasury stock under our publicly announced buyback plan.

Credit Agreement. As of September 30, 2016, we had an ABL Facility of up to $54 million with Wells Fargo Bank, N.A ("Wells Fargo"). The maximum amount available for borrowing at any time under such line of credit is determined according to a borrowing base valuation of eligible account receivables, which was $44.4 million at September 30, 2016. The ABL Facility provides for borrowings in the United States, the United Kingdom and Germany and matures on May 7, 2017. As of September 30, 2016, we had $39.7 million outstanding under the ABL Facility. The Company expects borrowings to fluctuate based on working capital needs. Our obligations under the ABL Facility are guaranteed by the Company and are secured by substantially all of our U.S., the Netherlands, United Kingdom, and German assets. The ABL Facility includes a number of business covenants, including customary limitations on, among other things, indebtedness, liens, investments, guarantees, mergers, dispositions, acquisitions, liquidations, dissolutions, issuances of securities, payments of dividends, loans and advances, and transactions with affiliates.

On June 16, 2016, we amended our ABL Facility with Wells Fargo Bank, N.A. in connection with Wells Fargo's consent to the Netherlands Sale. As a result of this amendment and the sale of assets in the Netherlands Sale, the maximum borrowing base under the ABL Facility was reduced from $60 million to $54 million.

The ABL Facility can be prepaid in whole or in part at any time. The ABL Facility must be repaid to the extent that any borrowings exceed the maximum availability allowed under the ABL Facility.

We are required to be in compliance with a minimum trailing 12-month fixed charge coverage ratio of consolidated EBITDA (as defined in the ABL Facility) to consolidated fixed charges of 1.1/1.0 (the "Fixed Charge Coverage Ratio") if (i) an event of default has occurred and is continuing, (ii) Ciber fails to maintain excess availability of at least the greater of (i) $15 million or (ii) an amount equal to 25% of the aggregate amount of the commitments at any time. We must then continue to comply with the minimum trailing 12-month fixed charge coverage ratio until (1) no event of default is continuing and (2) excess availability has equaled or exceeded the greater of (a) $15 million or (b) an amount equal to 25% of the aggregate amount of the commitments for 30 consecutive days. Due to the balance available for borrowing falling below $15 million during the six months ended June 30, 2016, we were subject to the Fixed Charge Coverage Ratio and we were not in compliance with the Fixed Charge Coverage Ratio from March 31, 2016 to September 30, 2016 and subsequently.

Due to the default in the Fixed Charge Coverage Ratio during 2016, the lender has the right to declare all outstanding debt under the ABL Facility immediately due and payable. The amount due under the ABL Facility is classified as a current liability in our balance sheet at September 30, 2016 as a result of this non-compliance. Additionally, the maturity date of the ABL Facility is May 7, 2017, therefore requiring classification as a current liability. Our lender has not requested full payment of the facility, but if such action occurred, we believe we may not be able to immediately pay the amount due upon request. Further, due to the default, our ability to draw additional amounts from the ABL Facility could be limited. Management is currently seeking a covenant waiver and actively engaging with Wells Fargo.

Management evaluated its working capital, cash flows, operating, investing and transactional forecasts and currently believes, based on this evaluation that we can continue to operate for the foreseeable future, although this cannot be assured. There can be no assurance that we will achieve or be in compliance with these bank covenants until operating cash flow improves.

Additionally, the Company has announced that its Board of Directors has engaged a strategic adviser to assist in exploring strategic alternatives for the Company, which could include a potential financing, refinancing, or a merger, acquisition, joint venture, divestiture, or other disposition of some or all of the assets of the Company outside of the ordinary course of Ciber's business. No decision has been made as to whether the Company will engage in a transaction resulting from the consideration of strategic alternatives and there can be no assurance that any transaction will occur or, if undertaken, the terms or timing of such a transaction. While management intends to execute upon the aforementioned plans, which would result in additional funds being raised and extension of the debt maturity, in the absence of such transactions management currently forecasts that it will not be able to timely satisfy its obligations on May 7, 2017, the currently scheduled maturity date of the debt. The financial statements have been prepared assuming the Company is a going concern.

Management believes that other sources of credit or financing might be available to us. However, we cannot predict at this time what types of credit or financing might be available in the future, if any. We can also not predict whether the costs of such credit or financing, or the terms of any new amended or new facility, would be materially less favorable to us.

The ABL Facility also contains certain requirements relating to perfection of security interests of the Loan Parties (as defined in the ABL Facility), as well as an affirmative solvency (as defined in the ABL Facility) representation applicable as of the date of the making of any Revolving Loan (as defined in the ABL Facility) or any other extension of credit. During the nine months ended September 30, 2016, Wells Fargo notified us that it had become subject to, and waived an event of default relating to an additional perfection notice requirement that had become applicable to the German borrowers, which we began to comply with in March 2016 and this requirement continues to be applicable to us. In May 2016, Wells Fargo notified us that we were not in compliance with a similar perfection notice requirement applicable to the Dutch borrowers that was applicable to us during the nine months ended September 30, 2016. We currently are working with Wells Fargo to cure this non-compliance.

In addition, the ABL Facility includes ongoing representations including solvency of the Company. Based on the ABL Facility definition of solvency, which includes the ability to pay amounts due on the prescribed invoice due dates, the Company may have breached the solvency representation during the nine months ended September 30, 2016, and may be in breach of that representation at the time of each subsequent borrowing under the ABL Facility. This may limit future borrowings under the ABL Facility.

The ABL Facility provides that Wells Fargo Bank would take dominion over the Company's U.S. cash and cash receipts and would automatically apply such amounts to the ABL Facility on a daily basis if (a) an event of default has occurred and is continuing or (b) Ciber fails to maintain excess availability of at least the greater of (i) $10 million or (ii) an amount equal to 16 2/3% of the aggregate amount of the commitments at any time. During such times as was applicable during the six months ended June 30, 2016, and subsequently, Wells Fargo had the ability to exercise dominion over the Company's U.S. cash and cash receipts. During the second quarter of 2016, Wells Fargo began to exercise its right to apply the Company's U.S. cash and cash receipts to the ABL Facility. Wells Fargo will continue to have dominion over the Company's U.S. cash and cash receipts until (a) no event of default is continuing and (b) excess availability has equaled or exceeded the greater of (i) $10 million or (ii) an amount equal to 16 2/3% of the aggregate amount of the commitments under the ABL Facility for 30 consecutive days.

In addition, at all times during the term of the ABL Facility, Wells Fargo would have dominion over the cash of the United Kingdom, Dutch, and German borrowers when a balance is outstanding to those entities and would automatically apply such amounts to the ABL Facility on a daily basis. As a result, if we had any outstanding borrowings that are subject to the bank's dominion, such amounts would be classified as a current liability on the Consolidated Balance Sheet. At September 30, 2016, we had $2.3 million and $37.4 million of foreign and US borrowings, respectively, that were subject to the bank's dominion and are classified as a current liability on our balance sheet.

We are seeking appropriate accommodations with Wells Fargo to cure our defaults under the ABL Facility, through one or more amendments or waivers. We may not be able to reach any accommodation, or obtain amendments or waivers, on favorable terms, if at all. If we are unable to reach an alternate resolution, Wells Fargo has the right to exercise remedies specified in the ABL Facility, including accelerating the repayment of debt obligations and taking collection action against us.

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If such acceleration were to occur, we currently have insufficient cash to pay the amounts owed and would be forced to seek alternative financing. However, we may not be able to obtain such financing on favorable terms, if at all.

On October 27, 2016, the Company, entered into a waiver and amendment to the ABL Facility with Wells Fargo ("Amendment No. 7"). Amendment No. 7 provides for, among other things: (1) a waiver of existing events of default from March 31, 2016 to September 30, 2016; (2) an adjustment to the fixed charge coverage ratio to 1.05 to 1.0 for the periods January 2017 to April 2017; (3) changes to the applicable margin and the elimination of LIBOR rate loans; (4) consent to and the release of the assets sold in the European Refinancing (as defined below); (5) the reduction of the maximum revolver amount from $54 million to $44 million; (6) elimination of the Company’s borrowing capacity in the United Kingdom and Germany; (7) changes to the US borrowing base; (8) an availability block; (9) consent for the Company’s Spanish subsidiary to enter into a similar receivables purchase agreement with Faunus Group International, Inc. ("FGI"); and (10) consent to the sale of the equity interests or substantially all of the assets of the Company’s Danish, Finnish and Australian subsidiaries, subject to certain conditions.

Amendment No. 7 also imposes new conditions, including: (1) a cash forecast requirement, including minimum weekly receipts and maximum weekly disbursements; (2) a requirement that the Company engage and retain a strategic advisor to prepare a confidential information memorandum and receive a letter of intent no later than November 1, 2016 regarding a potential financing, refinancing (other than the European Refinancing), or any merger, acquisition, joint venture, divestiture, or other disposition of some or all of the assets of the Company outside of the ordinary course of the Company’s business with aggregate proceeds of at least $25 million, to be completed no later than December 31, 2016; (3) a requirement that the Company retain at all times a financial advisor; (4) the establishment of certain specified reserves; and (5) the establishment of certain additional fees under the ABL Facility. As of November 8, 2016, the Company is meeting its obligations relative to the Amendment No. 7 milestones. On November 3, 2016, we entered into an additional amendment ("Amendment No. 8") to the Credit Agreement, to postpone an increase to the availability block and to delay the implementation of certain changes to the U.S. borrowing base, as otherwise provided for in Amendment No. 7. The impact of Amendment No. 8 is to provide additional liquidity of approximately $5.0 million in the immediate term.

On October 27, 2016, certain United Kingdom and German subsidiaries of the Company (the "European Borrowers")entered into receivables purchase agreements (the “Receivables Purchase Agreements”) with FGI pursuant to which the European Borrowers will sell certain receivables to FGI (the “European Refinancing”). Under the Receivables Purchase Agreements, the European Borrowers will sell 80% of their respective Eligible Receivables, subject to a discount rate of the greater of 5.25% per annum or 4.50% above the calendar monthly average of 90 day US LIBOR for prepayments. The proceeds at closing were approximately $6.3 million. The obligations of the European Borrowers under the Receivables Purchase Agreements are secured by substantially all of the assets of the European Borrowers. The original term of the European Refinancing is 3 years. If the European Borrowers terminate the Receivables Purchase Agreements during the first, second, or third year of the original term, FGI will charge a termination fee of 3.0%, 2.0% or 1.0% of the facility amount, respectively. The Receivables Purchase Agreements do not contain financial or operational covenants, but can be terminated at will by FGI. The Receivables Purchase Agreements generally contain customary representations, warranties, covenants, and events of default and termination for facilities of this type.

For more information on the specific risks we face due to our credit facilities, see Part I. “Item 1A. Risk Factors” of this report.

Off-Balance Sheet Arrangements

We do not have any reportable off-balance sheet arrangements.

Critical Accounting Policies and Estimates

For a description of our critical accounting policies and estimates, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2015.

Goodwill—We perform our annual impairment analysis of goodwill as of June 30 each year, or more often if there are potential indicators of impairment present. We test each of our reporting units for goodwill impairment. Our reporting units are the same as our operating divisions and reporting segments. The goodwill impairment test requires a two-step process. The first step consists of comparing the estimated fair value of each reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, then it is not considered impaired and no further analysis is required. If step one indicates that the estimated fair value of a reporting unit is less than its carrying value, then impairment

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potentially exists and the second step is performed to measure the amount of goodwill impairment. Goodwill impairment exists when the estimated implied fair value of a reporting unit's goodwill is less than its carrying value.

Subsequent to September 30, 2016, the Company observed a sustained decrease in its stock price, thereby providing a potential indicator of goodwill impairment. As a result, the Company will initiate an impairment test during the fourth quarter of 2016.

The Company performed its annual impairment analysis, which is required as of June 30 each year. In addition, during the second quarter of 2016 the Company observed another sustained decrease in the stock price and lower than expected earnings, as well as the completion of the Netherlands Sale, thereby providing potential indicators of goodwill impairment. As a result, the Company initiated an impairment test in the three months ended June 30, 2016.

We compared the carrying values of our International and North America reporting units to their estimated fair values at June 30, 2016. We estimated the fair value of each reporting unit based on a weighting of both the income approach and the market approach. The discounted cash flows for each reporting unit serve as the primary basis for the income approach, and were based on discrete financial forecasts developed by management. Cash flows beyond the discrete forecast period of five years were estimated using the perpetuity growth method calculation. The annual average revenue growth rates forecasted for our reporting units for the first five years of our projections were approximately 3%. We have projected a minor amount of operating profit margin improvement based on expected margin benefits from certain internal initiatives. The terminal value was calculated assuming projected growth rates of 3% after five years, which reflects our current estimate of minimum long-term growth in Information Technology ("IT") spending. The income approach valuations also included each reporting unit’s estimated weighted average cost of capital, which were 17% and 13% for International and North America, respectively. The income approach was weighted as 75% and 50% of the fair value of the International and North America reporting units, respectively.

The market approach applied pricing multiples derived from publicly-traded companies that are comparable to the respective reporting units to determine their values. For our International and North America reporting unit, the Company used enterprise value/EBITDA multiples of approximately 3 and 6 using the guideline public company method. The difference in the enterprise value/EBITDA multiples used in the International and North America segments is due to under performance during 2016 in the International segment compared to its peers. For the International reporting unit, a revenue multiple was also utilized to determine the fair value using the guideline public company method. The Company used an enterprise value/EBITDA multiple of approximately 7 for the North America reporting unit using the guideline transaction method. The market approach was weighted as 25% and 50% of the fair value of the International and North America reporting units, respectively. In addition, the fair value under the market approach using the guideline public company method included a control premium of 30%. The control premium was determined based on a review of comparative market transactions. Publicly-available information regarding our market capitalization was also considered in assessing the reasonableness of the cumulative fair values of our reporting units.

Upon completing step one of the impairment test for each reporting unit, the Company determined that the fair value of the North America reporting unit was greater than the carrying value by approximately 25%. It was determined that the fair value of International reporting unit was less than the carrying value by approximately 25%, thus indicating potential impairment and requiring step two analysis.

The Company performed the second step of the goodwill test to determine the implied fair value of goodwill for the International reporting unit. The estimated implied fair value of goodwill was determined in a consistent manner utilized to estimate the amount of goodwill recognized in a business combination. As a result, we calculated the estimated fair value of certain non-recorded assets, including customer relationships, trade name and workforce. The implied fair value of goodwill was measured as the excess of the estimated fair value of the reporting unit over the amounts assigned to its assets and liabilities. The impairment loss for the reporting unit was measured by the amount that the carrying value of goodwill exceeded the implied fair value of the goodwill. Based on this assessment using reasonable estimates for the theoretical purchase price allocation, we recognized a impairment charge of $29.6 million in the three months ended June 30, 2016, resulting in no remaining goodwill in the International segment. The impairment charge in our International reporting unit is primarily a result of the Netherlands Sale, decreased operating performance of the reporting unit, including a lag in new sales and our inability to achieve additional operational efficiencies.

During the first quarter of 2016, the Company observed a sustained decrease in the stock price and lower than expected earnings during the three months ended March 31, 2016, thereby providing a potential indicator of goodwill impairment. As a result, the Company initiated an impairment test in the three months ended March 31, 2016.

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We compared the carrying values of our International and North America reporting units to their estimated fair values at March 31, 2016. We estimated the fair value of each reporting unit based on a weighting of both the income approach and the market approach. The discounted cash flows for each reporting unit serve as the primary basis for the income approach, and were based on discrete financial forecasts developed by management. Cash flows beyond the discrete forecast period of five years were estimated using the perpetuity growth method calculation. The annual average revenue growth rates forecasted for our reporting units for the first five years of our projections were approximately 3%. We have projected a minor amount of operating profit margin improvement based on expected margin benefits from certain internal initiatives. The terminal value was calculated assuming projected growth rates of 3% after five years, which reflects our current estimate of minimum long-term growth in IT spending. The income approach valuations also included each reporting unit's estimated weighted average cost of capital, which were 17% and 14% for International and North America, respectively. The market approach applied pricing multiples derived from publicly-traded companies that are comparable to the respective reporting units to determine their values. For our International and North America reporting units, we used enterprise value/EBITDA multiples of approximately 5 and 6, respectively, under the market approach using the guideline public company method and approximately 7 and 7, respectively, under the market approach using the guideline transaction method in order to value each of our reporting units. In addition, the fair value under the market approach using the guideline public company method included a control premium of 30%. The control premium was determined based on a review of comparative market transactions. Publicly-available information regarding our market capitalization was also considered in assessing the reasonableness of the cumulative fair values of our reporting units.

Upon completing step one of the impairment test for each reporting unit, the Company determined that the fair value of the North America reporting unit was greater than the carrying value by approximately 30%. It was determined that the fair value of International reporting unit was less than the carrying value by approximately 30%, thus indicating potential impairment and requiring step two analysis.

The Company performed the second step of the goodwill test to determine the implied fair value of goodwill for the International reporting unit. The estimated implied fair value of goodwill, with respect to March 31, 2016, was determined in a consistent manner utilized to estimate the amount of goodwill recognized in a business combination. As a result, we calculated the estimated fair value of certain non-recorded assets, including customer relationships, trade name and workforce. The implied fair value of goodwill was measured as the excess of the estimated fair value of the reporting unit over the amounts assigned to its assets and liabilities. The impairment loss for the reporting unit was measured by the amount that the carrying value of goodwill exceeded the implied fair value of the goodwill. Based on this assessment using reasonable estimates for the theoretical purchase price allocation, we recognized an impairment charge of $85.9 million in the three months ended March 31, 2016, which represented 69% of the goodwill of the International reporting unit prior to the impairment charge. The impairment charge in our International reporting unit was primarily a result of the decreased operating performance of the reporting unit, including a lag in new sales and our inability to achieve operational efficiencies.

We have updated our cash flow forecasts and our other assumptions used to calculate the estimated fair value of our reporting units to account for our beliefs and expectations of the current business environment. While we believe our estimates are appropriate based on our view of current business trends, no assurance can be provided that impairment charges will not be required in the future.

We currently have a remaining goodwill balance of $133.7 million at September 30, 2016, all in the North America reporting unit. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. In estimating the fair value of the reporting units for the purpose of our annual or periodic goodwill impairment analysis, we make estimates and judgments about the future cash flows of the reporting units, including estimated growth rates and assumptions about the economic environment. Although our cash flow forecasts are based on assumptions that are consistent with the plans and estimates we are using to manage the underlying reporting units, there is significant judgment in determining the cash flows attributable to these reporting units. We consider our market capitalization, adjusted for unallocated monetary assets such as cash, debt, a control premium and other factors determined by management. As a result, several factors could result in the impairment of a material amount of our goodwill balance in future periods, including, but not limited to:

(1) Failure of Ciber to reach our internal forecasts could impact our ability to achieve our forecasted levels of cash flows and reduce the estimated fair values of our reporting units;

(2) A decline in our stock price and resulting market capitalization, if we determine that the decline is sustained and is indicative of a reduction in the fair value of either of our reporting units below their carrying values.

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Adverse changes in our market capitalization, long-term forecasts and industry growth rates could result in additional impairment charges being recorded in future periods for goodwill attributed to either of our reporting units. Any future impairment charges would adversely affect our results of operations for those periods.

For a description of our critical accounting policies and estimates, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the three months ended September 30, 2016, there were no material changes in our market risk exposure. For a complete discussion of our market risk associated with foreign currency risk and interest rate risk as of December 31, 2015, see “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures — During the fiscal period covered by this report, our management, with the participation of our principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act"). Based upon this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

During the quarter ended September 30, 2016, the Company determined that it failed to timely file a Current Report on Form 8-K relating to cash bonus payments made to the Company's Chief Executive Officer and Chief Financial Officer, which it reported in a Current Report on Form 8-K filed on August 4, 2016. The erroneous payment of these bonuses and this failure to timely file resulted from control deficiencies. The Audit Committee of the Company has reviewed the circumstances that gave rise to these control deficiencies and as a result the Company is in the process of implementing appropriate remedial measures to improve our internal controls environment.

Changes in Internal Controls — There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

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Item 1. Legal Proceedings

We are subject to various claims and litigation that arise in the ordinary course of business. The litigation process is inherently uncertain. Therefore, the outcome of such matters is not predictable.
As previously reported, a lawsuit titled CamSoft Data Systems, Inc. v. Southern Electronics, et al., was filed initially in October 2009 in Louisiana state court against numerous defendants, including Ciber. The lawsuit was subsequently removed to federal court in the Middle District of Louisiana and the complaint was amended to include additional defendants and causes of action including antitrust claims, civil RICO claims, unfair trade practices, trade secret, fraud, unjust enrichment, and conspiracy claims. The suit involves many of the same parties involved in related litigation in the state court in New Orleans, which was concluded in 2009 when Ciber settled the New Orleans suit with the plaintiffs, Active Solutions and Southern Electronics, who were CamSoft's former alleged joint venturers and are now co-defendants in the current lawsuit. Proceedings in the federal appellate courts concluded in January 2015 with the matter remanded back to state court. Ciber is vigorously defending the allegations. Based on information known to us, we have established a reserve that we believe represents a probable estimate of the loss. We are unable to predict the outcome of this litigation.
A lawsuit titled Pennsylvania Turnpike Commission. v. Ciber, Inc., and Dennis Miller was filed in January 2015 in Pennsylvania state court against Ciber and a former employee. The complaint generally alleges breach of contract, negligent misrepresentation, violation of an anti-bid-rigging statute and procurement code, and conspiracy to commit fraud with and by Ciber’s own employee. These claims arise out of a project in 2004-2008 to implement a new finance and administrative system for the Pennsylvania Turnpike Commission (“PTC”). PTC alleges $38 million in damages. We believe the claims are without merit and Ciber is vigorously defending against these allegations. At this time, we are unable to predict the outcome of this litigation.
Item 1A. Risk Factors

We operate in a dynamic and rapidly changing economic and technological environment that involves numerous risks and uncertainties, many of which are driven by factors that we cannot control or predict. The following section describes some, but not all, of the factors that could have a material adverse effect on our business, financial condition, results of operations, and the market price of our common stock.

We may need to raise additional capital to de-lever our balance sheet to allow us to continue as a going concern over the long term, but can provide no assurances of the terms thereof or how it will impact our shareholders.

As a result of our significant use of available borrowings under our ABL Facility and our European Refinancing (collectively, our "credit facilities"), recent underperformance compared to expectations and challenging current market conditions, we may need to raise additional capital to de-lever our balance sheet to allow us to continue as a going concern in the long term. Any new capital investment, or capital raised in the context of cure of a breach of our ABL Facility, including the solvency covenant, may be in the form of equity or equity linked securities, and is likely to be substantially dilutive to existing shareholders. If we raise cash through the incurrence of additional indebtedness, we may be subject to additional contractual restrictions on our business. If our financial performance does not improve or additional third-party financing is not obtained, we anticipate that we may not be able to comply with the Fixed Charge Coverage Ratio in the future and solvency covenant either currently or in the future as required by our ABL Facility, unless such covenant is amended or compliance is waived. Despite the waiver of existing events of default, Wells Fargo retains the right to declare all outstanding debt under the ABL Facility immediately due and payable and we may not have sufficient cash to fulfill this obligation.

Our credit facility limits our operational and financial flexibility, and in addition we may require substantial additional capital to support our business, and this capital may not be available to us on acceptable terms, if at all.

We have an asset-based revolving line of credit of up to $44 million, and our European Refinancing with the amount available for borrowing at any time determined based on a valuation of our eligible accounts receivable. As of September 30, 2016, we had $39.7 million of borrowings outstanding under our revolving line of credit. Any borrowings we make under our credit facilities are secured by liens on substantially all of our assets.

We are dependent on our credit facilities to meet working capital and operational requirements, and access to our credit facilities is dependent on, among other things, the borrowing base valuation of our eligible accounts receivable and the absence of a default under the ABL Facility. The amount available for borrowing under the credit facilities could be significantly
reduced if there is a reduction in our eligible accounts receivable due to poor economic conditions, operational performance, the sale of any portion of our business, or other factors. Any loss or material reduction of our ability to access funds under our credit facilities could materially and negatively impact our liquidity.

The ABL Facility includes, among other provisions, specific limitations on our ability to take certain actions, which include, among others, our ability to incur indebtedness or liens, make investments, issue guarantees, enter into certain mergers, dispositions, acquisitions, liquidations or dissolutions, issue additional securities, pay dividends, make loans and advances, and enter into transactions with affiliates as well as an availability block and certain affirmative covenants relating to the retention of a financial advisor and a strategic advisor, with required milestones relating to a financing transaction of no less than $25 million to be completed no later than December 31, 2016.

As of September 30, 2016, we are required to be in compliance with a minimum trailing 12-month fixed charge coverage ratio of consolidated EBITDA (as defined in the ABL Facility) to consolidated fixed charges of 1.1/1.0 (the "Fixed Charge Coverage Ratio") if (i) an event of default has occurred and is continuing, (ii) Ciber fails to maintain excess availability of at least the greater of (i) $15 million or (ii) an amount equal to 25% of the aggregate amount of the commitments at any time. We must then continue to comply with the minimum trailing 12-month fixed charge coverage ratio until (1) no event of default is continuing and (2) excess availability has equaled or exceeded the greater of (a) $15 million or (b) an amount equal to 25% of the aggregate amount of the commitments for 30 consecutive days. Due to the balance available for borrowing falling below $15 million during the nine months ended September 30, 2016, we became subject to the Fixed Charge Coverage Ratio and we were not in compliance with the Fixed Charge Coverage Ratio during the first quarter of 2016 and subsequently.

A default, such as our default as of September 30, 2016 for non-compliance with the Fixed Charge Coverage ratio, or a breach of the solvency representations, as described below, if not waived or cured by amendment, could cause our debt to become immediately due and payable and terminate our ability to draw upon the funds under the credit agreement. We may not be able to repay our debt or borrow sufficient funds to refinance it, and even if new financing is available, it may not be on terms acceptable to us. This could materially adversely affect our results of operations and financial condition. Additionally, if we needed to obtain a waiver under, or an amendment to, the credit agreement in the future, or if we seek other financing, if available, our cost of borrowing could increase significantly. The ABL Facility also contains certain requirements relating to perfection of security interests of the Loan Parties (as defined in the ABL Facility), as well as an affirmative solvency (as defined in the ABL Facility) representation applicable as of the date of the making of any Revolving Loan (as defined in the ABL Facility) or any other extension of credit. During the nine months ended September 30, 2016, Wells Fargo notified us that it had become subject to, and waived an event of default relating to an additional perfection notice requirement that had become applicable to the German borrowers, which we began to comply with in March 2016, and this requirement continues to be applicable to us. In May 2016, Wells Fargo notified us that we were not in compliance with a similar perfection notice requirement applicable to the Dutch borrowers that was applicable to us during the three months ended March 31, 2016 and the nine months ended September 30, 2016. Although Wells Fargo waived certain existing events of default through the Amendment on October 27, 2016, we further amended the ABL Facility with an additional amendment on November 3, 2016, to provide additional liquidity of approximately $5.0 million in the immediate term.

In addition, the ABL Facility includes ongoing representations including solvency of the Company. Based on the ABL Facility definition of solvency, which includes the ability to pay amounts due on the prescribed invoice due dates, the Company may have breached the solvency representation during the nine months ended September 30, 2016, and may be in breach of that representation at the time of each subsequent borrowing under the ABL Facility. This may limit future borrowings under the ABL Facility. The Receivables Purchase Agreements do not contain financial or operational covenants, but can be terminated at will by FGI, which may limit future borrowings under the European Refinancing.

In addition, our liquidity is affected by many factors including, among others, fluctuations in revenue, gross profits and operating expenses, as well as changes in operating assets and liabilities. In addition, further softening in the demand for our products and services may result in higher than anticipated losses in the future and lower our cash balances at a faster rate, and lower our borrowing base under our credit facilities. Management evaluated its existing cash, cash equivalents and marketable securities, together with our anticipated cash collections, including the Netherlands Sale, the Norway Sale, the Sweden Sale and the European Refinancing, combined with cash management measures we have implemented in 2016 and currently believes, based on this evaluation, the Company can continue to operate through the end of the fourth quarter 2016, although this cannot be assured. Additionally, The Company has announced that its Board of Directors has engaged a strategic adviser to assist in exploring strategic alternatives for the Company, which could include a potential financing, refinancing, or a merger, acquisition, joint venture, divestiture, or other disposition of some or all of the assets of the Company outside of the ordinary course of Ciber’s business. No decision has been made as to whether the Company will engage in a transaction resulting from the consideration of strategic alternatives and there can be no assurance that any transaction will occur or, if undertaken, the terms or timing of such a transaction.

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Should additional capital resources not become available to us through such measures, or should additional capital resources only be available on unfavorable terms, we would be required to make changes to our operating expense levels and capital expenditures to extend that period and would likely need to significantly reduce our business activities which could adversely affect our ability to compete effectively in the markets in which we participate which could, in turn, adversely affect our results of operations. If we issue equity or equity linked securities in order to raise additional funds, substantial dilution to existing shareholders may occur. If we raise cash through the incurrence of additional indebtedness, we may be subject to additional contractual restrictions on our business.

We may not be able to maintain compliance with the continued listing requirements of the New York Stock Exchange.

Our common stock is listed on the New York Stock Exchange ("NYSE"). In order to maintain that listing, we must satisfy minimum financial and other requirements including, without limitation, a requirement that our closing bid price be at least $1.00 per share. During the first, second and third quarters of 2016, the Company observed a sustained decrease in the stock price and lower than expected earnings during the three, six and nine months ended September 30, 2016. The closing price of our common stock was less than $1.00 on two days during the third quarter of 2016. On November 4, 2016, the closing price of our common stock on the NYSE was $0.73. Under the listing standards of the NYSE, if we fail to maintain a minimum closing bid price of $1.00 for 30 consecutive business days, we may receive a notice from the NYSE that we are not in compliance with this rule, in which case the NYSE could commence suspension and delisting procedures. In the event we are not in, and do not regain compliance with the rule, our common stock will no longer be listed on the NYSE. The delisting of our common stock could adversely affect the market liquidity of our common stock, our ability to obtain financing to repay debt and fund our operations. There can be no assurance that the Company will be able to sustain compliance with this rule or with the NYSE's other listing requirements.

Our results of operations may be adversely affected if we are unable to continue to evolve our business model, develop and release our new offerings or other new or enhanced products and services within the anticipated time frames, refine our existing offerings, improve efficiency, and execute on these key elements of our strategic plan or our strategic plan proves to be less successful than anticipated.

If we fail to properly analyze and classify the needs of our clients to meet next-generation market opportunities and continue to evolve our business model, develop and release our new offerings or other new or enhanced products and services within the anticipated time frames, or refine our existing offerings, we may not be able to achieve our desired client retention and growth objectives and, as a consequence, our financial performance may be negatively impacted. If we are unable to instill the appropriate operational regimes and delivery methods to increase our overall efficiency and cost effectiveness, we may not be able to increase our profitability, improve our cash flow, and strengthen our balance sheet. If we are unable to successfully execute any or all of the initiatives of our strategic plan to implement our planned strategic shift in our business model, our revenues, operating results, and profitability may be adversely affected. Even if we successfully implement our strategic plan, we cannot guarantee that our plan will be successful and that our revenues, operating results, and profitability will improve to the levels we anticipate, or at all.

Our results of operations could be adversely affected by volatile, uncertain or negative economic conditions and the effects of these conditions on our clients' businesses.

Our clients' businesses and the markets they serve are impacted by global macroeconomic conditions. Developments, such as the instability and recent recessions in the United States and Europe and the inflationary risks associated with higher oil and gas and other commodity prices, along with other developments, may have an adverse effect on our client's businesses and, consequently, on our revenue growth and profitability.

Volatile, uncertain or negative economic conditions in the markets we serve have undermined and could continue to erode business confidence and cause our clients to defer or reduce their spending on new technology initiatives or terminate existing contracts, which has and would negatively affect our business. Growth in markets we serve could be at a slow rate, or could stagnate, in either case, for an extended period of time. Changing economic growth patterns and conditions has affected and may in the future affect demand for our services. Weakening demand could have a material adverse effect on our results of operations. Ongoing economic volatility and uncertainty affects us in a number of other ways, including making it more difficult to effectively build our revenue and resource plans, particularly in consulting, and to accurately forecast client demand beyond the immediate term. This could result in, among other things, us not having the level of appropriate personnel where they are needed or having to use involuntary terminations, as we recently have done, as means to keep our supply of skills and resources in balance.

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Economic volatility and uncertainty is particularly challenging because the effects and resulting changes in demand patterns to manifest themselves in our business and results of operations over a period of time and the impacts may not be immediate. Differing demand patterns from economic volatility and uncertainty could have a significant negative impact on our business.

A data security or privacy breach could adversely affect our business.
The protection of client, employee, and company data is critical to our reputation and the success of our business. Our clients have a high expectation that we will adequately protect their confidential information. In addition, the regulatory environment surrounding cybersecurity and privacy is increasingly demanding with new and constantly changing requirements and third-party efforts to breach systems are increasing in frequency and sophistication. Protection of confidential client, employee, and Company data, along with compliance in the constantly changing regulatory environment may add expenses to our business operations. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines and/or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through a third party system breach, systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our employees or third parties, could result in system disruptions, negative publicity, legal liability, monetary damages, and damage to our reputation.

Our results of operations could be adversely affected if the market for IT services and solutions fluctuates or does not continue to grow.
Fluctuations in our customers’ needs, changes in our customers’ industries, lack of client acceptance, uncertainty of global economic conditions or weakening economic conditions, competing technologies and services or reductions in corporate spending could cause the market for IT services and solutions to grow more slowly or could reduce demand for our services and solutions. For example, economic conditions have impacted some of our customers’ operations and technology spending and have caused some of our clients to delay, cancel or scale back their IT projects or IT spending, to seek lower pricing or extended payment terms or otherwise exert pricing pressure on us, to delay payments due to us and, as occurred with several clients, to enter into bankruptcy or liquidation. Our customer's deployment time frames may vary based on the applications being deployed, the complexity and scale of the customers' businesses, the configuration requirements, and other factors, many of which are beyond our control. Delayed and reduced demand for IT services have also resulted in reductions in the growth of new business and led to increased price competition for our offerings and increased the likelihood of entering into contracts that produce lower profit margins, which may materially adversely affect our revenues, results of operations and financial condition.

Our profitability will be adversely impacted if we are unable to maintain our utilization rates and control our costs.
Our profitability depends primarily on the prices for our services, our professionals’ utilization or billable time and our costs. As a services business, our largest expense is salaries and payroll-related expenses. However, it is our skilled employees that generate our revenues. Balancing our workforce levels against the demands for our services is difficult. Delays or cutbacks in projects or delays in finding new projects could increase the non-productive time of our consultants, which would decrease our utilization levels and our profit margins. We generally cannot reduce our labor costs as quickly as negative changes in revenue may occur. In addition, in a number of the countries in which we operate, the local labor laws make it very expensive to involuntarily terminate employees. As a result, some of our operations may retain underutilized employees for longer periods. To achieve our desired level of profitability, we must maintain our utilization at an appropriate rate. If we are unable to achieve and maintain our target utilization rates, our profitability could be adversely impacted. Further, if labor costs increase, this could put upward pressure on our costs and adversely affect our profitability if we are unable to recover these increased costs by increasing the prices for our services.

If we are not able to anticipate and keep pace with rapid changes in technology, our business may be negatively affected.

Our success depends on our ability to develop and implement technology services and solutions that anticipate and keep pace with rapid and continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments on a timely basis, and our products, services and solutions may not be successful in the marketplace, or there may be a delay in market acceptance of new, enhanced or acquired products or services. In addition, services, solutions and technologies developed by current or future competitors may make our service or solution offerings uncompetitive or obsolete. Any one of these circumstances could adversely affect our ability to obtain and successfully complete client engagements.

Termination of a contract by a significant client and/or cancellation with short notice could adversely affect our financial condition.

Our clients typically retain us on a non-exclusive, engagement-by-engagement basis through master service agreements (“MSA”). Our MSAs typically do not include any commitment by our clients to give us a specific volume of business or future work. The length of individual projects and engagements can vary greatly. Our objective is to sign multi-year contracts with our clients; however, our contracts generally allow our client to terminate the contract for convenience or to reduce the amount of our services. Clients may generally cancel a contract with short notice, subject in some instances to penalty provisions but in many cases, without significant early termination cost. Termination, reduction, or delay of any given engagement could result from factors unrelated to our work product or the progress of the project, such as factors related to business or financial conditions of the client, changes in client strategies or the domestic or global economy generally. A significant number of terminations, reductions, or delays in engagements in any given period of time could negatively and materially impact our revenues and profitability.

The IT services industry, in the U.S. and internationally, is highly competitive and continually evolving, and we may not be able to compete effectively in this evolving marketplace.

We operate in a highly competitive industry that includes a large number of diverse participants. We currently compete principally with other IT professional services firms and technology vendors, including a variety of large multinational providers and large offshore service providers that offer some or all of the services that we offer, as well as many niche solution or service providers that compete with us in a specific geographic market, industry segment or service area. As we continue to implement our strategic plan, we will also face competition from legacy vendors and custom-built software vendors and from vendors of specific applications. Many of the companies in our industry have significantly greater financial, technical, offshore and marketing resources than we do. In addition, a client may choose to use its own resources rather than to engage an outside firm for the type of products or services that we can provide. We may be unable to compete successfully with current or future competitors, and our revenue and profitability may be adversely affected. Additionally, some of our competitors, particularly those located outside of the U.S. and Western Europe in regions with lower costs of doing business, may be able to provide solutions and services to clients at lower costs or on more attractive terms. Increased competition has, and may continue to, put downward pressure on the prices we can charge for our services or products. In particular, one key element of our ability to improve our profitability in the face of these trends is our ability to implement and leverage a global workforce, deploying lower-cost resources to provide quality work at higher margins. If we are not able to cost-effectively integrate our global workforce in services delivery, we may not be able to compete effectively, or maintain or improve our profitability.

Our revenues, operating results, and profitability may vary from quarter to quarter and may result in increased volatility in the price of our stock.

Our quarterly revenues, operating results, and profitability have varied significantly in the past and may continue to do so, which can create volatility in the price of our common stock. In addition, our relatively low average daily trading volume can greatly impact our stock price on a daily basis. Factors that have caused and may continue to cause variations in our revenues, operating results, and profitability include:

- the business decisions of our clients regarding the use of our services;
- the stage of completion of existing projects and/or their termination;
- our ability to continue to evolve our business model, develop and release our new offerings or other new or enhanced products and services within the anticipated time frames or refine our existing offerings;
- client satisfaction with our services;
- our clients' financial ability to pay for our services;
- our ability to properly manage and execute client projects, especially those under fixed-price arrangements;
- our ability to properly price fixed-price contracts to provide for adequate profits;

- our ability to maintain our profit margins and manage costs, including those for personnel and support services;
- restructuring costs or charges related to changes in our business operations;
- acquisition and integration costs related to possible acquisitions of other businesses;
- costs related to the discontinued operations of our former Federal division, information technology outsourcing practice, and Russian operations, including possible additional future related costs we may incur;
- costs or charges associated with potential asset sales or dispositions;
- changes in, or the application of changes in, accounting principles or pronouncements under U.S. generally accepted accounting principles;
- changes in significant accounting estimates;
- changes in interest rates on our debts;

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- currency exchange rate fluctuations;
- changes in estimates, accruals or payments of variable compensation to our employees; and
- global, regional and local economic and political conditions and related risks.

If we are not able to maintain the rates we charge for our services or an appropriate utilization rate for our consultants, we will not be able to sustain our profit margin and our profitability will suffer. A number of factors affect the rates we charge for our services, including:

- our clients' perception of our ability to add value through our services;
- changes in our pricing policies or those of our competitors;
- the introduction of new products or services by us or by our competitors;
- the use of globally-sourced, lower-cost service delivery capabilities by our competitors and our clients; and
- economic conditions.

Additionally, a number of factors affect our utilization rates, such as:

- seasonality, including number of workdays, holidays and vacations;
- our ability to transition consultants quickly from completed projects to new engagements;
- our ability to forecast demand for our services and thereby maintain an appropriately balanced and sized workforce; and
- our ability to manage employee turnover.

Our business could be adversely affected if our clients are not satisfied with our offerings or services, and we could face damage to our financial results, professional reputation and/or incur legal liability.
Our business has historically been as a professional services firm, and as a result, we have depended largely on our relationships with our clients and our reputation for high quality professional services and integrity to attract and retain clients. In addition, we depend heavily on a limited number of clients. While no specific client accounts for over 10% of our consolidated revenues, our 5 largest clients accounted for approximately 19% of our revenues in 2015. Additionally, many of our engagements involve projects that are critical to the operations of our clients' businesses and many involve the protection of confidential client information. If a client is not satisfied with the quality of work performed by us or a subcontractor, or with the type of services or solutions delivered, or if a data security breach occurs, we could incur additional costs to address the situation, the profitability of that work might be impaired, and the client's dissatisfaction with our services could damage our ability to obtain additional work from that client or other clients. Clients that are not satisfied may also seek to terminate contracts with us prematurely, potentially resulting in additional costs and loss of expected revenues. In addition, negative publicity related to our client relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new contracts with current and prospective clients. If we do not meet our contractual obligations to a client, we could be subject to legal liability. Our contracts typically include provisions to limit our exposure to legal claims relating to our services and the applications we develop; however, these provisions may not protect us, or may not be enforceable under some circumstances or under the laws of some jurisdictions. In addition, we may enter into agreements with little or no liability protection because we perceive an important economic opportunity or because our personnel did not adequately adhere to our guidelines. As a result, we may find ourselves committed to providing services that we are unable to deliver or whose delivery will cause us financial loss. If we cannot or do not fulfill our obligations, we could face legal liability. In addition, if we were to fail to properly deliver on a project, we may not be able to collect any related accounts receivable or could even be required to refund amounts paid by the client.

We may experience declines in profitability if we do not accurately estimate the cost of engagements conducted on a fixed-price basis.

When making a proposal for or managing a fixed-price engagement, we rely on our estimates of costs and timing for delivering our services, which are sometimes based on limited data and could be inaccurate. If we do not accurately estimate our costs and the timing for completion of a fixed-price project, the contract for such a project could prove unprofitable or yield a profit margin that is lower than expected. Some fixed-price engagements are subject to long-term contracts that range from three to five years. Estimating future year costs on such long-term engagements is extremely difficult and subject to additional risks. Often our cost estimates and the pricing we offer for outsourcing projects anticipate long-term cost savings resulting from transformational and other initiatives that we expect to implement and benefit from over the term of the outsourcing contract. If we fail to accurately estimate the costs of performing our services or the amount of cost savings that we will experience on long-term contracts, we may underprice our contracts as a result, causing an adverse effect on our profits.

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Losses, if any, on fixed-price contracts are recognized when the loss is determined. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-price contracts, including delays caused by factors outside of our control, could make these contracts less profitable or unprofitable and may affect the amount of revenue, profit, and profit margin reported in any period.

We rely on third-parties to perform some of our services to our customers, which if not performed to our standards, could cause significant disruption to our business and harm our reputation.
We have arrangements with third parties to perform certain services for our customers which, if not performed accurately, to our standards, and in accordance with the terms of our agreements with our customers, could result in significant disruptions or costs to us. Often in these circumstances, we are liable to our clients for the performance of these third parties. Should these third parties fail to perform timely or satisfactorily, our clients may terminate their engagements with us or withhold payment under their agreements with us until the services have been completed successfully. In addition, the timing of our revenue recognition may be affected or we may realize lower profits if we incur additional costs due to delays, if we must assign additional personnel to complete the engagement, if we are unable to otherwise provide those services internally, or if we fail to identify a replacement third party in an orderly, cost-effective and timely manner. Unsatisfactory performance by these third parties could negatively impact our relationships with our clients and harm our reputation.

If we do not continue to improve our operational, financial and other internal controls and systems to manage our growth and size or if we are unable to enter, operate and compete effectively in new geographic markets, our results of operation may suffer and the value of our business may be harmed.
Our current business and anticipated growth will continue to place significant demands on our management and other resources. Our global operations will require us to continue to develop and improve our operational procedures, financial systems, and other internal controls at our operations and facilities around the world. In particular, our continued growth will increase the challenges involved in:

- recruiting, training and retaining technical, finance, marketing and management personnel with the knowledge, skills and experience that our business model requires;
- maintaining high levels of client satisfaction;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems;
- preserving our culture, values and entrepreneurial environment; and
- effectively managing our personnel and operations and effectively communicating to our personnel worldwide our core values, strategies, and goals.

In addition, the increasing size and scope of our operations increase the possibility that a member of our personnel will engage in unlawful or fraudulent activity, breach our contractual obligations, or otherwise expose us to unacceptable business risks, despite our efforts to train our employees and maintain internal controls to prevent such instances. If we are not successful in developing and implementing the right processes and tools to manage our enterprise, our ability to compete successfully and achieve our business objectives could be impaired.
If we fail to compete effectively in the new markets we enter, or if the cost of entering those markets is substantially greater than we expect, our business, results of operations, and financial condition could be adversely affected.

Our brand and reputation are key assets and competitive advantages of our Company and our business may be affected by how we are perceived in the marketplace.

Our ability to attract and retain customers is affected by external perceptions of our brand and reputation. Reputational damage from negative perceptions or publicity could damage our reputation with customers and employees as well as prospective customers and employees. We may not be successful in detecting, preventing, or negating all changes in or impacts upon our reputation. Negative perceptions or publicity could have a material adverse effect on our business and financial results.

The outcome of litigation in which we are involved is unpredictable and an adverse decision in any such matter could subject us to damage awards and lower the market price of our common stock.

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From time to time and in the ordinary course of our business, we are a party to litigation matters such as those described in Part II Item 1, “Legal Proceedings” of this Quarterly Report on Form 10-Q. All such legal proceedings are inherently unpredictable, and the outcome can result in excessive verdicts and/or injunctive relief that may affect how we operate our business or we may enter into settlements of claims for monetary damages. Litigation is costly, time-consuming and disruptive to normal business operations. These and any other future disputes, litigations, investigations, administrative proceedings or enforcement actions we may be involved in may divert management’s time and attention that would otherwise be used to benefit our operations, result in negative publicity and harm our customer or supplier relationships.

Although we intend to contest such matters vigorously, we cannot assure you that their outcome will be favorable to us. An adverse resolution of any such matter in the future, including the results of any amicable settlement, could subject us to material damage awards or settlement payments or otherwise materially harm our business. For some complaints filed against us, we are currently unable to estimate the amount of possible losses that might be incurred should these legal proceedings be resolved against us.

We rely on a few customers for a large portion of our revenues.

Our five largest customers generated approximately 19% of our revenues for the year ended December 31, 2015. The volume of work performed for specific customers often varies from year to year, and a major customer in one year may not use our services in a subsequent year. The loss of one of our large customers could have a material adverse effect on our business and results of operations.

Our future success depends on our ability to continue to retain and attract qualified employees and any inability to do so, or a loss of key employees, could have a material adverse effect on our business.

Our business involves the delivery of professional services and is highly labor intensive. Our future success depends upon our ability to continue to attract, train, effectively motivate and retain highly-skilled technical, managerial, sales and marketing personnel. Although we invest significant resources in recruiting and retaining employees, there is often considerable competition within the IT services industry for personnel with certain in-demand qualifications, and we may be unable to compete for the most desirable employees.

From time to time, we have trouble locating sufficient numbers of highly-qualified candidates located in our desired geographic locations, with the required specific expertise or at the desired compensation levels. The inability to attract and retain qualified employees in sufficient numbers could have a serious negative effect on us, including our ability to obtain and successfully complete important client engagements and thus, maintain or increase our revenues. Such conditions could also force us to resort to the use of higher-priced subcontractors, which would adversely affect the profitability of the related engagement. In addition, our ability to attract and retain qualified personnel in India will become increasingly important as we implement our plans to expand our Global Solutions Center in India and increase the number of employees working there.

We believe that our future success substantially depends on certain key employees within the company, primarily in the senior management team. Due to the competitive employment nature of our industry, there is a risk that we will not be able to retain these key employees. The loss of one or more key employees could seriously impair our ability to continue to manage and expand our business, which could adversely affect our business and financial results. In addition, uncertainty created by turnover of key employees could result in reduced confidence in our financial performance, which could cause fluctuations in the price of our securities and result in further turnover of our employees.

We rely heavily on relationships with software vendors and the loss of one or more of our significant software vendors could have a material and adverse effect on our business and results of operations.

We have significant relationships with software vendors including SAP, Oracle, Infor, and Microsoft. Our relationships with these companies enable us to acquire customers at reduced costs and to increase win rates by allowing us to leverage our vendors' marketing efforts and benefit from strong vendor endorsements. The loss of one or more of these relationships or endorsements could reduce our revenues, result in increased sales and marketing costs, lead to longer sales cycles, harm our reputation and brand recognition, and adversely affect our results of operations. We cannot predict at this time what the impact of the loss of one or more software vendors would have on our business and results of operations.

If we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties, our business could be adversely affected.

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Our success depends, in part, upon our ability to protect our proprietary methodologies and other intellectual property. Existing laws of the various countries in which we provide services or solutions offer only limited protection of our intellectual property rights. These laws are subject to change at any time and could further limit our ability to protect our intellectual property. In addition to intellectual property laws in each jurisdiction where we operate, we rely upon a combination of confidentiality policies, nondisclosure agreements, and other contractual arrangements to protect our intellectual property rights. In some jurisdictions where we operate, there is uncertainty concerning the scope of available intellectual property protection for software and business methods, which are fields in which we rely on intellectual property laws to protect our rights. Our efforts to protect intellectual property rights may not be adequate to prevent or deter infringement or other misappropriation of our intellectual property by competitors, former employees, or other third parties, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights. Enforcing our rights might also require considerable time, money, and oversight, and we may not be successful in enforcing our rights.

Depending on the circumstances, we might need to grant a specific client greater rights in intellectual property developed in connection with a contract than we otherwise generally do. In certain situations, we might forego all rights to the use of intellectual property we create, which would limit our ability to reuse that intellectual property for other clients. Any limitation on our ability to provide a service or solution 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 services or solutions could infringe upon the intellectual property rights of others, or we might lose our ability to utilize rights we claim in intellectual property or the intellectual property of others.
We cannot be sure that our services and solutions, or the third-party software and solutions of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we could have infringement claims asserted against us or against our clients. These claims could harm our reputation, cost us money and prevent us from offering some services or solutions. In a number of our contracts, we agree to indemnify our clients for 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 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. If a claim of infringement were successful against us or our clients, an injunction might be ordered against our clients or our own services or operations, causing further damages. We could lose our ability to utilize the intellectual property of others. Third-party suppliers of software, hardware or other intellectual property assets could be acquired or sued, which could disrupt use of their products or services by us and our clients. If our ability to provide services and solutions to our clients is impaired, our operating results could be adversely affected.

In addition, if we are unable to capture the intellectual capital developed by our employees and convert such intellectual capital into reusable and commercially marketable intellectual property, our costs of delivering our services may increase, our development efforts may be duplicated and we may lose the economic advantage of owning and licensing Ciber intellectual property.

If we are unable to collect our receivables, our results of operations and cash flows could be adversely affected.

Our business depends on our ability to successfully obtain payment from our clients for the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We maintain allowances against receivables, but actual losses on client balances could differ from those that we currently anticipate and as a result, we might need to adjust our allowances. There is no guarantee that we will accurately assess the creditworthiness of our clients. In addition, timely collection of client balances depends on our ability to complete our contractual commitments and bill and collect our contracted revenues. Recent global economic conditions and other factors resulted in financial difficulties for a number of our clients and, consequently, we experienced a greater amount of bad debt expense and related payments.

If we are unable to meet our contractual requirements, we might experience delays in the collection of, and/or be unable to collect, our client balances and, if this occurs, our results of operations and cash flows could be adversely affected.

Our international operations expose us to additional risks, including fluctuations in foreign currency exchange rates, which could have adverse effects on our business and operating results.

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Our operations outside of the U.S. represented just under half of our revenues in 2015. Due to our international operations, we are subject to a number of financial and operational risks that may adversely affect our revenue and profitability, including:

- the costs and difficulties related to managing geographically diverse operations;
- differences in, and uncertainties arising from, unfamiliarity or changes in foreign business culture and practices;
- our ability to obtain the necessary visas and work permits for foreign nationals;
- restrictions on the movement of cash and the repatriation of earnings;
- multiple and possibly overlapping or conflicting laws;
- the costs of complying with a wide variety of local laws;
- operating losses incurred in certain countries and the non-deductibility of those losses for tax purposes; and
- differences in, and uncertainties arising from, changes in legal, labor, political and economic conditions.

The revenues and expenses of our international operations generally are denominated in local currencies. Accordingly, we are subject to exchange rate fluctuations between such local currencies and the U.S. dollar. These exchange rate fluctuations subject us to currency translation risk with respect to the reported results of our international operations. There can be no assurance that we will be able to reduce the currency risks associated with our international operations. We manage our exposure to changes in foreign currency exchange rates through our normal operating and financing activities and, when deemed appropriate, with derivative financial instruments. There is no assurance that we will continue to use such financial instruments in the future or that any such use will be successful in managing or controlling foreign currency risks.

We have experienced and may continue to experience material impacts to revenues and earnings due to fluctuations in foreign currency rates, and in addition, these impacts may cause material fluctuations in our revenues and earnings from period to period. Significant strengthening or weakening of the U.S. dollar against currencies like the British Pound and the Euro may materially impact our revenue and profits. As we continue to expand our presence in India, we will have increased exposure to fluctuations between the Indian Rupee and the U.S. dollar. In addition, we have transactions with clients, as well as inter-company transactions between our subsidiaries, that cross currencies and expose us to foreign currency gains and losses. These types of events are difficult to predict and may recur.

We are committing resources to new products and offerings and our profitability could be reduced if our business does not grow proportionately.

We have committed resources and invested infrastructure to develop and market our Ciber Momentum application transformation technology. This success of this component of our business strategy depends on many factors. We have experienced long product development cycles in the past and we may experience delays in the future. Although we anticipate developing our modernization business under our strategic plan, if we are unable to grow our business and revenues to sufficiently offset these investments, or on the time frame we anticipate, our profitability could be reduced.

Our operations are vulnerable to disruptions that may impact our results of operations and from which we may not recover.

As a services business, our operations around the world are highly dependent upon our employees, independent contractors, and service providers being able to effectively serve our clients. That ability may be impacted by many types of events that impact the people themselves or limit access to facilities or technology required to perform work. Examples of such events include severe weather, pandemics, natural disasters, infrastructure outages, terrorist attacks, governmental actions, political or economic instability, civil unrest, or the threat or perception that such events might occur. In such circumstances, our business continuity and disaster recovery plans may not be effective. In any such event, our results of operations could be adversely affected. In addition to the risk that we may not be able to serve our clients, we may be unable to protect our employees or facilities from harm. Where we have facilities with concentrations of employees (for instance, in several cities in the US, Europe, and India), our risk of disruption that materially impacts our results of operations may be higher. Insurance, if available for a given disruptive event, may be inadequate to compensate for the losses involved. If a disruption continues for an extended period of time, or if a short-term disruption renders a material portion of our operations ineffective for an extended period of time, our business may suffer material and potentially irreparable harm.

We cannot guarantee that we are in compliance with all applicable laws and regulations.
We are required to comply with numerous and constantly changing laws and regulations in jurisdictions around the world. If our compliance efforts prove insufficient or any of our employees fail to comply with, or intentionally disregard, any of our policies or applicable laws or regulations, a range of liabilities could result for the employee and for the Company, including, but not limited to, significant penalties and fines, sanctions or litigation, and the expenses associated with defending

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and resolving any of the foregoing, any of which could have a material impact on our business, financial condition, and operating results.

In addition, as a global company, we are subject to U.S. and foreign laws and regulations with respect to corruption, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. Violations of these laws and regulations could result in prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, fines and penalties, criminal sanctions against us, our officers, or our employees, and have a material negative adverse effect on our reputation and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these U.S. and foreign laws and regulations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, there can be no assurance that our employees or our business partners will not violate our policies.

Our insurance policies may not fully cover all losses we may incur.

Although we attempt to limit our liability for damages arising from negligent acts, errors or omissions through contractual provisions, the limitations of liability included in our contracts may not fully protect us from liability or damages and may not be enforceable in all instances. In addition, not all of our contracts may limit our exposure for certain liabilities, such as claims of third parties for which we may be required to indemnify our clients. Although we have general liability insurance coverage, this coverage may not continue to be available on terms reasonable to us or in sufficient amounts to cover one or more large claims, and our insurers may disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that are excluded from our insurance coverage or that exceed our available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We might not be successful at identifying, acquiring, or integrating businesses or entering into joint ventures, which could have a material adverse effect on our business and financial results.
In the past, we have made strategic and targeted acquisitions and joint ventures intended to enhance or add to our offerings of services and solutions, or to enable us to expand in certain geographic and other markets. In order to compete in our industry, we anticipate that we may, from time to time, in the future acquire additional businesses or enter into additional joint ventures that we believe would provide a strategic fit with our business. Potential issues associated with acquisitions and joint ventures could include, among other things: our ability to identify suitable acquisitions and joint ventures; our ability to offer potential acquisition targets and joint ventures competitive transaction terms; our ability to complete targeted transactions; our ability to realize the anticipated benefits or cost savings as a result of the acquisition or joint venture; diversion of management's attention; our ability to successfully integrate our businesses with the business of the acquired company; assimilating, motivating, recruiting and retaining key employees; potential significant costs and expenses and charges to earnings; conforming standards, controls, procedures and policies, business cultures and compensation structures among our company and the acquired company; consolidating and streamlining sales, marketing and corporate operations; potential exposure to unknown liabilities of acquired companies; loss of key employees and customers of the acquired business; and managing tax costs or inefficiencies associated with integrating our operations following completion of an acquisition or entry into a joint venture. In addition, by nature, joint ventures involve a lesser degree of control over the operations of the joint venture business, and particularly if we were to enter into such business in a minority position. If an acquisition or joint venture is not successfully completed or integrated into our existing operations, our business and financial results could be materially adversely impacted.

We could incur additional losses due to further impairment in the carrying value of our goodwill.

We have recorded a significant amount of goodwill on our consolidated balance sheet as a result of numerous acquisitions. At December 31, 2015, the carrying value of our goodwill was $256.7 million. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. We are required to test goodwill for impairment annually and do so during the second quarter of each year, as well as on an interim basis to the extent that factors or indicators become apparent that could reduce the fair value of any of our reporting units below its book value. Such factors requiring an interim test for goodwill impairment include, but are not limited to, financial performance indicators such as negative or declining cash flows or a decline in actual or planned revenue or earnings and a sustained decrease in share price. Our cash flow estimates involve projections that are inherently subject to change based on future events. A significant downward revision in the fair value of one or more of our business units that causes the carrying value to exceed the fair value could cause goodwill to be considered impaired, and could result in a non-cash impairment charge in our consolidated statement of operations.

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We have recorded several goodwill impairment charges in the past. During the first quarter of 2016, the Company observed a sustained decrease in our stock price and lower than expected earnings during the three months ended March 31, 2016, which provided a potential indicator of goodwill impairment. As a result of an impairment test for the three months ended March 31, 2016 we recorded impairment charges of $85.9 million. During the second quarter of 2016, the Company observed a sustained decrease in our stock price and lower than expected earnings, as well as the Netherlands Sale, which provided potential indicators of goodwill impairment. As a result of an impairment test for the three months ended June 30, 2016, we recorded impairment charges of $29.6 million in the three months ended June 30, 2016. We have updated our cash flow forecasts and our other assumptions used to calculate the estimated fair value of our reporting units to account for our beliefs and expectations of the current business environment. While we believe our estimates are appropriate based on our view of current business trends, no assurance can be provided that goodwill impairment will not be required during future periods.

We depend on contracts with various public sector agencies for a significant portion of our revenue and, if the spending policies or budget priorities of these agencies change, we could lose revenue.

In 2015, approximately 13% of our total revenue was from public sector clients, including state, local, and foreign governments and agencies. Such programs can be modified or amended at any time by acts of the governments or agencies involved. Moreover, a number of state and local governments and agencies are suffering from significant budget shortfalls, which may result in curtailment of spending on consulting and technology services. Many contracts with public sector clients contain provisions and are subject to laws and regulations that provide government clients with rights and remedies not typically found in commercial contracts. Among other things, governments may cancel multi-year contracts if funds become unavailable during the term of the engagement. Cancellation or reduction in price or scope could limit our ability to recover incurred costs, reimbursable expenses and profits on work completed prior to the termination. If insufficient funding is appropriated to the government entity to cover termination costs, we may not be able to fully recover our investments.

Unfavorable government audits could require us to adjust previously reported operating results, to forego anticipated revenue and subject us to penalties and sanctions.

Although we sold our Federal division in 2012, we remain responsible for any audits related to certain engagements for the U.S. federal government performed prior to the sale. The various agencies that our Federal division contracted with generally have the right to audit and review past work. As part of that process, the government agency could review our performance on the contract, our pricing practices, our cost structure, and our compliance with applicable laws, regulations, and standards. Any such audit could result in a substantial adjustment to our previously reported operating results. For example, any costs that were originally reimbursed could be subsequently disallowed, one consequence of which could be refunding cash collected in the past.

If a government audit uncovers improper or illegal activities by us, or we otherwise determine that these activities have occurred, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or disqualification from continuing to do business, or bidding on new business, with governments in various jurisdictions.

Provisions in our certificate of incorporation and bylaws and provisions under Delaware law may discourage unsolicited takeover proposals.
Provisions in our certificate of incorporation, as amended, and in our amended and restated bylaws, and Delaware General Corporate Law (the "DGCL"), may have the effect of deterring unsolicited takeover proposals or delaying or preventing changes in our control or management, including transactions in which shareholders might otherwise receive a premium for their shares over then-current market prices. These provisions include:
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authority of the board of directors, without further action by the shareholders, to fix the rights and preferences, and issue shares of preferred stock;

- the classification of our board of directors, which prevents a change of control of our board of directors at a single meeting of shareholders;

- shareholders must comply with advance notice requirements before raising a matter at a meeting of shareholders or nominating a director for election; and

- provisions in the DGCL preventing shareholders from engaging in business combinations with us, subject to certain exceptions.

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These provisions could also discourage bids for our common stock at a premium as well as create a downward pricing pressures on the market price of our common stock.
Institutional shareholders hold a significant amount of our common stock and these shareholders may have conflicts of interests with the interests of our other shareholders and may vote their shares in a way that is adverse to the interests of our other shareholders.
Institutional investors own or control approximately 78% of the voting power of our common stock. The interests of these institutional shareholders may differ from our other shareholders in material respects. As an example, these institutional investors may have an interest in our pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their investments in Ciber, even though such transactions might involve risks to other shareholders. These institutional shareholders, or their affiliates may be in the business of making or advising on investments in companies, and may from time to time in the future, acquire interests in, or provide advice to, businesses that directly or indirectly compete with our business or our customers or suppliers. These investors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us, which could materially differ from the interests of our other shareholders.

This concentration of voting power of our common stock may make it difficult for our other shareholders to approve or defeat matters that may be submitted for action by our shareholders, including the election of directors and amendments to our Certificate of Incorporation or Bylaws. This also may have the effect of deterring, delaying, or preventing a change in control of Ciber, even when such a change in control could benefit our other shareholders. These institutional shareholders may have the power to exert significant influence over our affairs in ways that may be adverse to the interests of our other shareholders.

Issues arising during the implementation of our Enterprise Resource Planning system could adversely affect our business and results of operations.

During the first quarter of 2017, we anticipate implementing an Enterprise Resource Planning ("ERP") system to support our future growth plan and to integrate significant processes. Implementing an ERP system on a widespread basis involves extensive organizational training and significant changes in business processes. In connection with the implementation, we may experience temporary information technology and business disruptions that could adversely affect our business and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities

The following table sets forth information concerning our repurchases of Ciber common stock for the three months ended September 30, 2016:

Period	Total number of shares purchased (1)	Average price paid per share	Total Number of Shares Purchased as Part of Publicly Announced Plans (2)	Approximate dollar value of shares that may yet be purchased under the plan (3)
July 1 to July 31	56,637	$ 2.20	—	$ 8,334,815
August 1 to August 31	5,187	$ 1.18	—	$ 8,334,815
September 1 to September 30	87,582	$ 1.50	—	$ 8,334,815

Total: July 1 to September 30, 2016	149,406	$ 1.75	—

(1) Shares purchased in July, August and September to satisfy minimum tax withholdings for employee stock plans.
(2) On December 15, 2014, we announced a plan to buyback up to $10 million shares of Ciber stock on the open market. The program has no minimum share repurchase amounts and there is no fixed time period under which any share repurchases must take place.
(3) As of the last day of each month.

Item 4. Mine Safety Disclosures

Not applicable.

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Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Date Filed
3.1	Restated Certificate of Incorporation of Ciber, Inc.	10-Q	001-13103	11/7/2005
3.2	Amended and Restated Bylaws of Ciber, Inc., as adopted January 25, 2016.	10-K	001-13103	2/18/2016
10.1	Purchase Agreement between Ciber International B.V and Experis AS, dated August 23, 2016.		Filed herewith	
10.2	Consent to Credit Agreement by and among Wells Fargo Bank, N.A. as Lender and Administrative Agent for the Lenders thereunder, Ciber Inc., as Borrower Representative, and Ciber AG, dated August 24, 2016.		Filed herewith	
10.3	Consent to Credit Agreement by and among Wells Fargo Bank, N.A. as Lender and Administrative Agent for the Lenders thereunder, Ciber Inc., as Borrower Representative, and Ciber AG, dated September 19, 2016		Filed herewith	
10.4	Receivables Purchase Agreement between Faunus Group, International, Inc. and Ciber UK Ltd., dated October 27, 2016.		Filed herewith	
10.5	Receivables Purchase Agreement between Faunus Group, International, Inc., Ciber AG and Ciber Managed Services GmbH, dated October 27, 2016.		Filed herewith	
10.6	Waiver and Amendment No. 7 to Wells Fargo Credit Agreement, dated October 27, 2016.		Filed herewith	
10.7	Amendment No. 8 to Wells Fargo Credit Agreement, dated November 3, 2016.		Filed herewith	
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		Filed herewith	
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		Filed herewith	
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		Furnished	
101.INS	XBRL Instance Document		Filed herewith	
101.SCH	XBRL Taxonomy Extension Schema Document		Filed herewith	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document		Filed herewith	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document		Filed herewith	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document		Filed herewith	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document		Filed herewith	

* Indicates a management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		Ciber, Inc. (Registrant)
Date:	November 9, 2016	By /s/ Michael Boustridge Michael Boustridge
		Chief Executive Officer, President, and Director (Principal Executive Officer)
		By /s/ Christian M. Mezger Christian M. Mezger Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)