NORTHWEST PIPE CO
Form 10-K
March 16, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended: December 31, 2017

or

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

For the transition period from to

Commission File Number: 0-27140

NORTHWEST PIPE COMPANY

(Exact name of registrant as specified in its charter)

OREGON	**93-0557988**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5721 SE Columbia Way, Suite 200	

Vancouver, Washington 98661

(Address of principal executive offices and zip code)

360-397-6250

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	Nasdaq Global Select Market
Preferred Stock Purchase Rights	Nasdaq Global Select Market

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

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

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

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

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

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

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

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

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

The aggregate market value of the common equity that was held by non-affiliates of the registrant was $134,068,871 as of June 30, 2017 based upon the last sales price as reported by Nasdaq.

The number of shares outstanding of the registrant’s common stock as of February 23, 2018 was 9,723,883 shares.

Documents Incorporated by Reference

The registrant has incorporated into Parts II and III of Form 10-K by reference certain portions of its Proxy Statement for its 2018 Annual Meeting of Shareholders.

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NORTHWEST PIPE COMPANY

2017 ANNUAL REPORT ON FORM 10-K

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K for the year ended December 31, 2017 (“2017 Form 10-K”), other than purely historical information, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are based on current expectations, estimates and projections about our business, management’s beliefs, and assumptions made by management. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates “forecasts,” “should,” “could” and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements as a result of a variety of important factors. While it is impossible to identify all such factors, those that could cause actual results to differ materially from those estimated by us include changes in demand and market prices for our products, product mix, bidding activity, the timing of customer orders and deliveries, production schedules, the price and availability of raw materials, price and volume of imported product, excess or shortage of production capacity, international trade policy and regulations, our ability to identify and complete internal initiatives and/or acquisitions in order to grow our Water Transmission business, the impacts of the Tax Cuts and Jobs Act of 2017 and other risks discussed in Part I — Item 1A. “Risk Factors” of this 2017 Form 10-K and from time to time in our other Securities and Exchange Commission filings and reports. Such forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this 2017 Form 10-K. If we do update or correct one or more forward-looking statements, investors and others should not conclude that we will make additional updates or corrections with respect to thereto or with respect to other forward-looking statements.

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PART I

Item 1. Business

Unless otherwise indicated, the terms “the Company,” “we,” “our” and “us” are used in this 2017 Form 10-K to refer to Northwest Pipe Company or one of our consolidated subsidiaries or to all of them taken as a whole. We were incorporated in the state of Oregon in 1966.

Overview

We are the largest manufacturer of engineered welded steel pipe water systems in North America. With our strategically located manufacturing facilities, we are well-positioned to meet North America’s growing needs for water and wastewater infrastructure. We serve a wide range of markets and our solutions-based products are a good fit for applications including water transmission, plant piping, tunnels and river crossings. We have established a prominent position based on a strong and widely-recognized reputation for quality, service and an extensive range of products engineered and manufactured to meet expectations in all categories of performance including highly corrosive environments.

We manufacture large-diameter, high-pressure, engineered welded steel pipeline systems for use in water transmission applications. Our sales have historically been driven by the need for new water infrastructure, which is based primarily on overall population growth and population movement between regions, as well as by drought conditions, which are causing a dwindling water supply from developed water sources. More recently, we have seen a trend towards spending on water infrastructure replacement, repair and upgrade.

Recent Business Developments

On December 26, 2017, we completed the sale of substantially all of the assets associated with our manufacturing facility in Atchison, Kansas (the “Atchison facility”), including all of the real and tangible personal property located at the site of that manufacturing facility. Total consideration of $37.2 million in cash was paid by the buyer, resulting in a nominal gain recognized on the sale. Of the proceeds received, $0.75 million was placed in escrow until February 2018 and approximately $3.7 million was placed in escrow for twelve months to secure our indemnification obligations under the agreement.

In March 2018, we announced our plans to close our leased Permalok® manufacturing facility in Salt Lake City, Utah and move the production to the Permalok® production facility in St. Louis, Missouri during the second quarter of 2018. This will eliminate duplicate overhead and increase production flexibility. In addition, we will begin producing Permalok® product at our Adelanto, California location, which will increase utilization of existing assets and give us better access to the West Coast trenchless market.

In March 2018, we also announced our plans to close our manufacturing facility in Monterrey, Mexico, and to cease production early in the second quarter of 2018.

Our Industry

Much of the United States water infrastructure is antiquated and many authorities, including the United States Environmental Protection Agency (the "EPA"), believe the United States water infrastructure is in critical need of updates, repairs or replacements. In its 2011 Drinking Water Infrastructure Needs Survey and Assessment released in June 2013, the EPA estimated the nation will need to spend $384 billion in infrastructure investments by 2030 to continue to provide safe drinking water to the public. The American Society of Civil Engineers (the "ASCE") has given poor ratings to many aspects of the United States water infrastructure in their *2017 Infrastructure Report Card for Drinking Water*, and in its *Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future* study published in 2016, the ASCE concludes that significant portions of many municipal water systems are 40 to 50 years old and are nearing the end of their useful lives, and estimates there will be $150 billion in capital investment needs for water and wastewater infrastructure by 2025 and $204 billion in capital investment needs by 2040. The American Water Works Association concluded in their 2012 report, *Buried No Longer: Confronting America's Water Infrastructure Challenge*, that from 2011 to 2035 more than $1 trillion will be needed to repair and expand drinking water infrastructure.

Within this market, we focus on large-diameter, engineered welded steel pipeline systems utilized in water, energy, structural and plant piping applications. Our core market is the large-diameter, high-pressure portion of a water transmission pipeline that is typically at the "upper end" of a pipeline system. This is the portion of the overall water pipeline that generally transports water from the source to a treatment plant or from a treatment plant into the distribution system, rather than the small lines that deliver water directly into households. We believe the addressable market for the products sold will be approximately $1.4 billion over the next three years.

A combination of population growth, movement to new population centers, dwindling supplies from developed water sources, substantial underinvestment in water infrastructure over the past several decades, and an increasingly stringent regulatory environment are driving demand for water infrastructure projects in the United States. These trends are increasing the need for new water infrastructure as well as the need to upgrade, repair and replace existing water infrastructure. While we believe this offers the potential for increased demand for our water infrastructure products and other products related to water transmission, we also expect that current governmental and public water agency budgetary pressures could impact near-term demand.

The primary drivers of growth in new water infrastructure installation are population growth and movement as well as dwindling supplies from developed water sources. According to the United States Census Bureau, the population of the United States will increase by approximately 72 million people between 2018 and 2050. The resulting increase in demand will require substantial new infrastructure, as the existing United States water infrastructure is not equipped to provide water to millions of new residents. The development of new sources of water at greater distances from population centers will drive the demand for new water transmission lines. The 2018 Dodge Construction Outlook forecasts public works construction starts will grow by 3% from 2017 levels.

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In addition, many current water supply sources are in danger of being exhausted, as water systems degrade over time and cause failures to the infrastructure. Much of the drinking water infrastructure in major cities was built in the mid-20th century with a lifespan of 75 to 100 years. In its *2017 Infrastructure Report Card for Drinking Water*, the ASCE estimates there are 240,000 water main breaks per year in the United States, wasting over two trillion gallons of treated drinking water, which equates to 14% to 18% of each day's treated water. The ASCE also reports that with utilities averaging a pipe replacement rate of 0.5% per year, it will take an estimated 200 years to replace the system – nearly double the useful life of the pipes. These aging water and wastewater systems will also drive demand for future investment.

Finally, the increased public awareness of problems with the quality of drinking water and efficient water usage has resulted in more stringent application of federal and state environmental regulations. The need to comply with these regulations in an environment of heightened public awareness towards water issues is expected to contribute to demand in the water infrastructure industry over the next several years as water systems will need to be installed, upgraded and replaced.

Federal initiatives to improve the conditions of the aging water infrastructure include the Water Infrastructure and Resiliency Finance Center at the EPA and the Water and Environmental Programs at the U.S. Department of Agriculture. The U.S. Senate passed the latest Water Resources Development Act, which was included in the Water Infrastructure Improvements for the Nation Act signed by the President in December 2016, which authorizes new infrastructure projects around the country and contains substantive provisions in regards to drinking water infrastructure. Additionally, the EPA's Water Infrastructure Finance and Innovation Act ("WIFIA") program provides approximately $1 billion in credit assistance for water infrastructure projects. In a June 2017 EPA press release, EPA Administrator Scott Pruitt said "Improvements are needed to address drinking and waste water infrastructure, and EPA's WIFIA program offers opportunities to provide credit assistance to spur innovative investments that address water infrastructure needs."

In addition to the Federal initiatives, individual states are also taking action. In November 2014, the State of California approved the Water Quality, Supply and Infrastructure Improvement Act ("Proposition 1"). Proposition 1 authorizes $7.5 billion in general obligation bonds to fund state water supply infrastructure projects, such as public water system improvements, surface and groundwater storage, drinking water protection, water recycling and advanced water treatment technology, water supply management and conveyance, wastewater treatment, drought relief, emergency water supplies and ecosystem and watershed protection and restoration. The State of Texas has earmarked $27 billion of future bond funding for state water projects over the next 50 years through their State Water Implementation Fund for Texas (SWIFT). This program provides low-interest and deferred loans to state agencies making approved investments in water infrastructure projects. Our strategically located manufacturing facilities are well-positioned to take advantage of the anticipated growth in demand.

Products

Water transmission pipe is used for high-pressure applications, typically requiring pipe to withstand pressures in excess of 150 pounds per square inch. Most of our water transmission products are made to custom specifications for fully engineered, large diameter, high-pressure water infrastructure systems. Other uses include pipe for piling and hydroelectric projects, wastewater treatment plants and other applications. Our primary manufacturing process has the capability to manufacture water transmission pipe in diameters ranging from 24 inches to 156 inches with wall thickness of 0.135 inch to 1.00 inch. We also have the ability to manufacture even larger and heavier pipe with other processes. We can coat and/or line these products with cement mortar, polyethylene tape, polyurethane paints, epoxies, Pritec® and coal tar enamel according to our customers' specifications. We maintain fabrication facilities that provide installation contractors with custom fabricated sections as well as straight pipe sections. We typically deliver a complete pipeline system to the installation contractor. We also manufacture Permalok® steel casing pipe, which is a proprietary pipe joining system that employs a press-fit interlocking connection system. The Permalok® product is generally installed in trenchless construction projects.

Marketing

Our plant locations in Oregon, California, West Virginia, Texas, Missouri, Utah and Mexico, allow us to efficiently serve customers throughout the United States, as well as Canada and Mexico. Our marketing strategy emphasizes early identification of potential water projects, promotion of specifications consistent with our capabilities and close contact with the project designers and owners throughout the design phase. Our in-house sales force is comprised of sales representatives, engineers and support personnel who work closely with public water agencies, contractors and engineering firms, often years in advance of projects being bid. This allows us to identify and evaluate planned projects at early stages, participate in the engineering and design process, and ultimately promote the advantages of our systems. After an agency completes a design, they publicize the upcoming bid for a water transmission project. We then obtain detailed plans and develop our estimate for the pipe portion of the project. We typically bid to installation contractors who include our bid in their proposals to public water agencies. A public water agency generally awards the entire project to the contractor with the lowest responsive bid.

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As such, the primary customers for our water transmission products are installation contractors for projects funded by public water agencies. No customer accounted for 10% or more of total Net sales from continuing operations in 2017. One customer accounted for 28% of total Net sales from continuing operations in 2016 and two customers accounted for 16% and 13% of total Net sales from continuing operations in 2015; we do not believe the potential loss of these customers would have had an adverse effect on our business due to the nature of the industry and the competition between installation contractors.

Manufacturing

Water transmission manufacturing begins with the preparation of engineered drawings of each unique piece of pipe in a project. These drawings are prepared on our proprietary computer-aided design system and are used as blueprints for the manufacture of the pipe. After the drawings are completed and approved, manufacturing begins by feeding steel coil continuously at a specified angle into a spiral weld mill which cold-forms the band into a tubular configuration with a spiral seam. Automated arc welders, positioned on both the inside and the outside of the tube, are used to weld the seam. The welded pipe is then cut at the specified length. After completion of the forming and welding phases, the finished cylinder is tested and inspected in accordance with project specifications, which may include 100% radiographic analysis of the weld seam. The cylinders are then coated and lined as specified. Possible coatings include coal tar enamel, polyethylene tape, polyurethane paint, epoxies, Pritec® and cement mortar. The inside of the pipe cylinders can be lined with cement mortar, polyurethane or epoxies. Following coating and lining, certain pieces may be custom fabricated as required for the project. This process is performed in our fabrication facilities. Typically, completed pipe segments are evaluated for structural integrity with a hydrotester. Upon final inspection, the pipe is prepared for shipment. We ship our products to project sites principally by truck.

Technology. Advances in technology help us produce high quality products at competitive prices. We have invested in modern welding and inspection equipment to improve both productivity and product quality. We own interlocking pipe joining system technologies (Permalok®) that provide an alternate joint solution used for connecting steel pipes. To stay current with technological developments in the United States and abroad, we participate in trade shows, industry associations, research projects and vendor trials of new products.

Quality Assurance. We have quality management systems in place that assure we consistently provide products that meet or exceed customer and applicable regulatory requirements. All of our quality management systems in the United States are registered by the International Organization for Standardization (“ISO”), under a multi-site registration. In addition to ISO qualification, the American Institute of Steel Construction, American Petroleum Institute, American Society for Mechanical Engineers, Factory Mutual, National Sanitation Foundation and Underwriters Laboratory have certified us for specific products or operations. The Quality Assurance department is responsible for monitoring and measuring characteristics of the product. Inspection capabilities include, but are not limited to, visual, dimensional, liquid penetrant, magnetic particle, hydrostatic, ultrasonic, real-time imaging enhancement, real-time radioscopic, base material tensile, yield and elongation, sand sieve analysis, coal-tar penetration, concrete compression, lining and coating dry film thickness, adhesion, absorption, guided bend, charpy impact, hardness, metallurgical examinations, chemical analysis, spectrographic analysis and finished product final inspection. Product is not released for shipment to our customers until there is verification that all product requirements have been met.

Product Liability. The manufacturing and use of our products involves a variety of risks. Certain losses may result, or be alleged to result, from defects in our products, thereby subjecting us to claims for damages, including consequential damages. We warrant our products to be free of certain defects for one year. We maintain insurance coverage against potential product liability claims in the amount of $51 million, which we believe to be adequate. Historically, product liability claims against us have not been material. However, there can be no assurance that product liability claims exceeding our insurance coverage will not be experienced in the future or that we will be able to maintain such insurance with adequate coverage.

Backlog

We measure backlog as a key metric to evaluate the commercial health of our business. Backlog represents the balance of remaining performance obligations under signed contracts. Binding agreements received by us may be subject to cancelation or postponement; however, cancelation would obligate the customer to pay the contract consideration proportional to the costs we have incurred through the cancelation date. As of December 31, 2017 and 2016, backlog was approximately $53 million and $57 million, respectively. Backlog as of any particular date may not be indicative of actual operating results for any fiscal period. There can be no assurance that any amount of backlog ultimately will be realized. We also have projects for which we have been notified that we are the successful bidder, but a binding agreement has not been executed (“confirmed orders”). As of December 31, 2017 and 2016, backlog and confirmed orders combined were approximately $88 million and $66 million, respectively. Projects for which a binding agreement has not been executed could be canceled.

Competition

We have several regional competitors. Most water transmission projects are competitively bid and price competition is vigorous. Price competition may reduce the gross margin on sales, which may adversely affect overall profitability. Other competitive factors include timely delivery, ability to meet customized specifications and high freight costs which may limit the ability of manufacturers located in other market areas to compete with us.

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With manufacturing facilities in Oregon, California, West Virginia, Texas, Missouri, Utah and Mexico, we believe we can more effectively compete throughout the United States, Canada and Mexico. Our primary competitor in the western United States and southwestern Canada is the Water Transmission Group of Ameron International Corporation, a wholly owned subsidiary of National Oilwell Varco, Inc. East of the Rocky Mountains, our primary competition includes: Thompson Pipe Group, which manufactures concrete pressure pipe, fiberglass reinforced polymer pressure pipe and spiral welded steel pipe; and AMERICAN SpiralWeld Pipe Company, LLC and Mid America Pipe Fabricating and Supply Co., Inc., which manufacture spiral welded steel pipe.

No assurance can be given that other new or existing competitors will not establish new facilities or expand capacity within our market areas. In February 2017, a competitor announced it was building a new spiral-welded steel pipe mill in California. In December 2017, another competitor announced its plans to build a new spiral-welded steel pipe mill in either Oklahoma or Texas. New or expanded facilities or new competitors could have a material adverse effect on our ability to capture market share and maintain product pricing.

Raw Materials and Supplies

We have historically purchased hot rolled and galvanized steel coil from both domestic and foreign steel mills, however in 2017 all steel purchases were from domestic steel mills. Domestic suppliers include Nucor Corporation, EVRAZ Inc. North America, Steel Dynamics, Inc., ArcelorMittal USA LLC, SSAB, and Big River Steel. Steel is normally purchased only after a project has been awarded to us. From time to time, we may purchase additional steel when it is available at favorable prices. Purchased steel represents a substantial portion of our cost of sales. The steel industry is highly cyclical in nature and steel prices fluctuate significantly, influenced by numerous factors beyond our control, including general economic conditions, availability of raw materials, energy costs, import duties, other trade restrictions and currency exchange rates.

We also rely on certain suppliers of coating materials, lining materials and certain custom fabricated items. We have at least two suppliers for most of our raw materials. We believe our relationships with our suppliers are positive and have no indication that we will experience shortages of raw materials or components essential to our production processes or that we will be forced to seek alternative sources of supply. Any shortages of raw materials may result in production delays and costs, which could have a material adverse effect on our financial position, results of operations or cash flows.

Environmental and Occupational Safety and Health Regulation

We are subject to federal, state, local and foreign environmental and occupational safety and health laws and regulations, violation of which could lead to fines, penalties, other civil sanctions or criminal sanctions. These environmental laws and regulations govern emissions to air; discharges to water (including stormwater); and the generation, handling, storage, transportation, treatment and disposal of waste materials. We operate under numerous governmental permits and licenses relating to air emissions, stormwater runoff and other environmental matters, and we are also subject to environmental laws requiring the investigation and cleanup of environmental contamination at properties we presently own or operate and at third-party disposal or treatment facilities to which these sites send or arrange to send hazardous waste. For example, we have been identified as a potentially responsible party at the Portland Harbor Site discussed in Note 15 of the Notes to Consolidated Financial Statements in Part II — Item 8. “Financial Statements and Supplementary Data” of this 2017 Form 10-K. We believe we are in material compliance with these laws and regulations and do not currently believe that future compliance with such laws and regulations will have a material adverse effect on our financial position, results of operations or cash flows.

Estimating liabilities for environmental investigations and cleanup is complex and dependent upon a number of factors beyond our control which may change dramatically. We have no reserves for environmental investigation or cleanup, and we believe this is appropriate based on current information; however, we cannot provide assurance that our future environmental investigation and cleanup costs and liabilities will not result in a material expense.

Employees

As of January 31, 2018, we had approximately 540 full-time employees. Approximately 34% were salaried and approximately 66% were employed on an hourly basis. All of our employees are non-union, with exception of the hourly employees at our Monterrey, Mexico facility, which represent approximately 9% of our employees. We consider our relations with our employees to be good.

Geographic Information

We sold principally all of our products in the United States and Canada. As of December 31, 2017, all material long-lived assets are located in the United States. See Note 2 and Note 6 of the Notes to Consolidated Financial Statements in Part II — Item 8. “Financial Statements and Supplementary Data” of this 2017 Form 10-K for revenue by geographic region and property and equipment information.

Executive Officers of the Registrant

Information regarding our executive officers is set forth under the caption “Directors, Executive Officers, Promoters and Control Persons” in Part III — Item 10. “Directors, Executive Officers and Corporate Governance” of this 2017 Form 10-K and is incorporated herein by reference.

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Available Information

Our internet website address is www.nwpipe.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act are available through our internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC"). All statements made in any of our securities filings, including all forward-looking statements or information, are made as of the date of the document in which the statement is included, and we do not assume or undertake any obligation to update any of those statements or documents unless we are required to do so by law. Our internet website and the information contained therein or connected thereto are not incorporated into this 2017 Form 10-K.

Additionally, the public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Item 1A. Risk Factors

You should carefully consider the following factors, together with all the other information included in this 2017 Form 10-K, in evaluating our company and our business. If any of the following risks actually occur, our business, financial condition, results of operations or cash flows could be materially and adversely affected, and the value of our stock could decline. The risks and uncertainties described below are those that we currently believe may materially affect our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. As such, you should not consider this list to be a complete statement of all potential risks or uncertainties.

Risks Related to Our Business

Our business faces an overcapacity situation due to recent capacity expansions as well as the potential for increased competition from substitute products from manufacturers of concrete, ductile iron, polyvinyl chloride ("PVC") and high density polyethylene ("HDPE") pipe. Orders in our business are competitively bid and price competition can be vigorous. In a market that already has overcapacity issues, the recent increases in capacity have negatively affected our sales, gross margins and overall profitability. Other competitive factors include timely delivery, ability to meet customized specifications and high freight costs. Although our manufacturing facilities in Oregon, California, West Virginia, Texas, Missouri, Utah and Mexico allow us to compete throughout the United States, Canada and Mexico, we cannot assure you that new or existing competitors will not establish new facilities or expand capacity further within our market areas. In February 2017, a competitor announced it was building a new spiral-welded steel pipe mill in California. In December 2017, another competitor announced its plans to build a new spiral-welded steel pipe mill in either Oklahoma or Texas. New or expanded facilities or new competitors could have a material adverse effect on our market share, product pricing, sales, gross margins and overall profitability in our business.

Water transmission pipe is manufactured generally from steel, concrete, ductile iron, PVC or HDPE. Each pipe material has advantages and disadvantages. Steel and concrete are more common materials for larger diameter water transmission pipelines because ductile iron pipe generally is limited in diameter due to the manufacturing process. The public agencies and engineers who determine the specifications for water transmission projects analyze these pipe materials for suitability for each project. Individual project circumstances normally dictate the preferred material. If we experience cost increases in raw materials, labor and overhead specific to our industry or the location of our facilities, while competing products or companies do not experience similar changes, we could experience an adverse change in the demand, price and profitability of our products, which could have a material adverse effect on our business, financial position, results of operations or cash flows.

A downturn in government spending related to public water transmission projects would adversely affect our business. Our business is primarily dependent upon spending on public water transmission projects, including water infrastructure upgrades, repairs and replacement and new water infrastructure spending, which, in turn, depends on, among other things:

- the need for new or replacement infrastructure;
- the priorities placed on various projects by governmental entities;
- federal, state and local government spending levels, including budgetary constraints related to capital projects and the ability to obtain financing; and
- the ability of governmental entities to obtain environmental approvals, right-of-way permits and other required approvals and permits.

Decreases in the number of, or government funding of, public water transmission projects would adversely affect our business, financial position, results of operations or cash flows.

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Project delays in public water transmission projects could adversely affect our business. The public water agencies constructing water transmission projects generally announce the projects well in advance of the bidding and construction process. It is not unusual for projects to be delayed and rescheduled. Projects are delayed and rescheduled for a number of reasons, including changes in project priorities, difficulties in complying with environmental and other government regulations, changes in ability to obtain adequate project funding and additional time required to acquire rights-of-way or property rights. Delays in public water transmission projects may occur with insufficient notice to allow us to replace those projects in our manufacturing schedules. As a result, our business, financial position, results of operations or cash flows may be adversely affected by unplanned downtime.

Fluctuations in steel prices and availability may affect our future results of operations. Purchased steel represents a substantial portion of our cost of sales. The steel industry is highly cyclical in nature, and at times, pricing can be highly volatile due to a number of factors beyond our control, including general economic conditions, import duties, other trade restrictions and currency exchange rates. Over the past three years, steel prices have fluctuated significantly. Our cost for a ton of steel was approximately $650 per ton in 2017, $474 per ton in 2016 and $573 per ton in 2015. In 2017, our monthly average steel purchasing costs ranged from a high of approximately $768 per ton to a low of approximately $627 per ton. This volatility can significantly affect our gross profit. On March 8, 2018, President Trump signed a proclamation imposing a 25% tariff on all imported steel products for an indefinite amount of time under Section 232 of the Trade Expansion Act of 1962. The tariff will be imposed on all steel imports with the exception of steel imported from Canada, Mexico and Australia, and the administration is considering exemption requests from other countries. We expect these actions to increase steel costs and decrease supply availability. Prior to the announcement, we had already experienced domestic price increases and limited steel availability since the beginning of 2018.

Although we seek to recover increases in steel prices through price increases in our products, we have not always been successful. Any increase in steel prices that is not offset by an increase in our prices could have an adverse effect on our business, financial position, results of operations or cash flows. In addition, if we are unable to acquire timely steel supplies, we may need to decline bid and order opportunities, which could also have an adverse effect on our business, financial position, results of operations or cash flows.

Our backlog is subject to reduction and cancelation. Backlog, which represents the balance of remaining performance obligations under signed contracts, was approximately $53 million as of December 31, 2017. Our backlog is subject to fluctuations; moreover, cancelations of purchase orders, change orders on contracts or reductions of product quantities could materially reduce our backlog and, consequently, future revenues. Our failure to replace canceled or reduced backlog could result in lower revenues, which could adversely affect our business, financial position, results of operations or cash flows.

We face risks in connection with potential acquisitions and divestitures. Acquiring businesses that expand and/or complement our operations has been an important element of our business strategy, and we continue to evaluate potential acquisitions that may expand and/or complement our business. We may not be able to successfully identify attractive acquisition candidates or negotiate favorable terms in the future. Furthermore, our ability to effectively integrate any future acquisitions will depend on, among other things, the adequacy of our implementation plans, the ability of our management to oversee and operate effectively the combined operations and our ability to achieve desired operational efficiencies. We may also consider other alternatives for our business units in order to strategically position our business and continue to compete in our markets, which may include joint-ventures and/or divestitures. Our failure to successfully integrate the operations of any businesses that we may acquire in the future or our inability to attract a business partner in which to enter into a joint-venture or a buyer willing to purchase our assets may adversely affect our business, financial position, results of operations or cash flows.

We may be unable to develop or successfully market new products or our products might not obtain necessary approvals or achieve market acceptance, which could adversely affect our growth. We will continue to actively seek to develop new products and to expand our existing products into new markets, but we cannot assure you that we will be successful in these efforts. If we are unsuccessful in developing and marketing new products, expanding into new markets, or we do not obtain or maintain requisite approvals for our products, the demand for our products could be adversely affected, which could adversely affect our business, financial position, results of operations or cash flows.

The success of our business is affected by general economic conditions, and our business may be adversely affected by an economic slowdown or recession. Periods of economic slowdown or recession in the United States, or the public perception that one may occur, have and could further decrease the demand for our products, affect the price of our products and adversely impact our business. We have been impacted in the past by the general slowing of the economy, and the economic slowdown has had an adverse impact on our business, financial position, results of operations or cash flows.

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Operating problems in our business could adversely affect our business, financial position, results of operations or cash flows. Our manufacturing operations are subject to typical hazards and risks relating to the manufacture of similar products such as:

- explosions, fires, inclement weather and natural disasters;
- mechanical failure;
- unscheduled downtime;
- labor difficulties;
- loss of process control and quality;
- disruptions to supply;
- raw materials quality defects;
- service provider delays or failures;
- transportation delays or failures;
- an inability to obtain or maintain required licenses or permits; and
- environmental hazards such as chemical spills, discharges or releases of toxic or hazardous substances or gases into the environment or workplace.

The occurrence of any of these operating problems at our facilities may have a material adverse effect on the productivity and profitability of a particular manufacturing facility or on our operations as a whole, during and after the period of these operating difficulties. These operating problems may also cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage. In addition, individuals could seek damages for alleged personal injury or property damage. Furthermore, we could be subject to present and future claims with respect to workplace injury, exposure to hazardous materials, workers' compensation and other matters. Although we maintain property and casualty insurance of the types and in the amounts that we believe are customary for our industries, we cannot assure you that our insurance coverage will be adequate for liability that may be ultimately incurred or that such coverage will continue to be available to us on commercially reasonable terms. Any claims that result in liability exceeding our insurance coverage could have an adverse effect on our business, financial position, results of operations or cash flows.

Our quarterly results of operations are subject to significant fluctuation. Our net sales and operating results may fluctuate significantly from quarter to quarter due to a number of factors, including:

- the commencement, completion or termination of contracts during any particular quarter;
- unplanned down time due to project delays or mechanical failure;
- underutilized capacity or factory productivity;
- adverse weather conditions;
- fluctuations in the cost of steel and other raw materials; and
- competitive pressures.

Results of operations in any period are not indicative of results for any future period, and comparisons between any two periods may not be meaningful.

We may be subject to claims for damages for defective products, which could adversely affect our business, financial position, results of operations or cash flows. We warrant our products to be free of certain defects. We have, from time to time, had claims alleging defects in our products. We cannot assure you that we will not experience material product liability losses in the future or that we will not incur significant costs to defend such claims. While we currently have product liability insurance, we cannot assure you that our product liability insurance coverage will be adequate for liabilities that may be incurred in the future or that such coverage will continue to be available to us on commercially reasonable terms. Any claims relating to defective products that result in liabilities exceeding our insurance coverage could have an adverse effect on our business, financial position, results of operations or cash flows.

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We may not be able to recover costs and damages from vendors that supply defective materials. We may receive defective materials from our vendors that are incorporated into our products during the manufacturing process. The cost to repair, remake or replace defective products could be greater than the amount that can be recovered from the vendor. Such excess costs could have an adverse effect on our business, financial position, results of operations or cash flows.

We have a foreign operation which exposes us to the risks of doing business abroad. Our facility in Monterrey, Mexico primarily exports products to the United States. We may operate in additional countries in the future. Any material changes in the quotas, regulations or duties on imports imposed by the United States government and our agencies or on exports imposed by these foreign governments and their agencies could adversely affect our foreign operations.

We also sell some of our products internationally. Our foreign activities are also subject to various other risks of doing business in a foreign country, including:

- currency fluctuations;
- transportation delays and interruptions;
- political, social and economic instability and disruptions;
- government embargoes or foreign trade restrictions;
- the imposition of duties, tariffs and other trade barriers;
- import and export controls;
- labor unrest and current and changing regulatory environments;
- limitations on our ability to enforce legal rights and remedies; and
- potentially adverse tax consequences.

No assurance can be given that our operations may not be adversely affected in the future. Any of these events could have an adverse effect on our operations in the future by reducing the demand for our products and services, decreasing the prices at which we can sell our products or increasing costs such that there would be an adverse effect on our business, financial position, results of operations or cash flows. We cannot assure you that we will continue to operate in compliance with applicable customs, currency exchange control regulations, transfer pricing regulations or any other laws or regulations to which we may be subject, or that any such regulations or laws will not be modified. Any failure by us to comply with any such applicable regulations or laws, or any changes in any such regulations or laws could have a material adverse effect on our business, financial position, results of operations or cash flows.

Our use of the percentage-of-completion method of accounting includes estimates. Revenue from construction contracts is recognized on the percentage-of-completion method, measured by the costs incurred to date as a percentage of the estimated total costs of each contract (the cost-to-cost method). Estimated total costs of each contract are reviewed on a monthly basis by project management and operations personnel for all active projects. All cost revisions that result in the gross profit as a percent of sales increasing or decreasing by more than two percent are reviewed by senior management personnel.

The estimated cost to complete each contract is a significant variable in the process of determining income earned and is a significant factor in the accounting for contracts. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known. Due to the variability of events affecting our estimates which have a material impact on our contract accounting, actual results could differ from those estimates, which could adversely affect our financial position, results of operations or cash flows.

See Note 2 of the Notes to Consolidated Financial Statements in Part II — Item 8. “Financial Statements and Supplementary Data” of this 2017 Form 10-K for discussion regarding the expected impact of our adoption of new guidance for revenue recognition effective in the first quarter of 2018.

We are subject to stringent environmental and health and safety laws, which may require us to incur substantial compliance and remediation costs, thereby reducing our profits. We are subject to many federal, state, local and foreign environmental and health and safety laws and regulations, particularly with respect to the use, handling, treatment, storage, discharge and disposal of substances and hazardous wastes used or generated in our manufacturing processes. Compliance with these laws and regulations is a significant factor in our business. We have incurred, and expect to continue to incur, significant expenditures to comply with applicable environmental laws and regulations. Our failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial actions.

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We are currently, and may in the future be, required to incur costs relating to the environmental assessment or environmental remediation of our property, and for addressing environmental conditions, including, but not limited to, the issues associated with our Portland, Oregon facility as discussed in Note 15 of the Notes to Consolidated Financial Statements in Part II — Item 8. “Financial Statements and Supplementary Data” of this 2017 Form 10-K. Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. Consequently, we cannot assure you that existing or future circumstances, the development of new facts or the failure of third parties to address contamination at current or former facilities or properties will not require significant expenditures by us.

We expect to continue to be subject to increasingly stringent environmental and health and safety laws and regulations. It is difficult to predict the future interpretation and development of environmental and health and safety laws and regulations or their impact on our future earnings and operations. We anticipate that compliance will continue to require capital expenditures and operating costs. Any increase in these costs, or unanticipated liabilities arising, for example, out of discovery of previously unknown conditions or more aggressive enforcement actions, could adversely affect our results of operations, and there is no assurance that they will not have a material adverse effect on our business, financial position, results of operations or cash flows.

Our information technology systems can be negatively affected by cybersecurity threats. Increased global information technology security requirements, vulnerabilities, threats and a rise in sophisticated and targeted computer crime pose a risk to the security of our systems, networks and the confidentiality, availability and integrity of our data. Despite our efforts to protect sensitive information and confidential and personal data, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches. This could lead to disclosure, modification or destruction of proprietary, employee and other key information and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations. To the extent that any disruption or security breach results in a loss or damage to our data, or an inappropriate disclosure of confidential or protected personal information, it could cause significant damage to our reputation, affect our relationships with our customers, suppliers and employees, lead to claims against us and ultimately harm our business. Additionally, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Increased levels of imports have and could continue to adversely affect pricing and demand for our products. We believe import levels are affected by, among other things, overall worldwide demand, lower cost of production in other countries, the trade practices of foreign governments, government subsidies to foreign producers and governmentally imposed trade restrictions in the United States. Increased imports in the United States and Canada which compete with our products could reduce demand for our products in the future and adversely affect our business, financial position, results of operations or cash flows.

Risks Related to Our Financial Condition

Disruptions in the financial markets and a general economic slowdown could cause us to be unable to obtain financing and expose us to risks related to the overall macro-economic environment, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. The United States equity and credit markets have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many equities to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing, even for companies who are otherwise qualified to obtain financing. These events may make it less likely that we will be able to obtain additional financing and also may make it more difficult or prohibitively costly for us to raise capital through the issuance of debt or equity securities.

We will need to substantially increase working capital if market conditions and customer order levels improve. If market conditions and customer order levels improve, we will have to increase our working capital substantially, as it will take several months for new orders to be translated into cash receipts. In general, borrowings under the Loan and Security Agreement (the "Agreement") with Bank of America, N.A. are limited to the lesser of $60 million or availability under a borrowing base, which is subject to various sublimits and borrowing restrictions as determined under the Agreement. As of December 31, 2017, we had $19.1 million available to borrow under the Agreement. We may not have sufficient availability under the Agreement to borrow the amounts we need, and other opportunities to borrow additional funds or raise capital in the equity markets may be limited or nonexistent. A shortage in the availability of working capital would have a material adverse effect on our business, financial condition, results of operations or cash flows.

The restrictions under which we operate as a result of our debt agreements could have a material adverse effect on our business, financial condition, results of operations or cash flows. We have financed our operations through cash flows from operations, available borrowings and other financing arrangements. As of December 31, 2017, we had approximately $1.1 million of capital lease obligations and no outstanding borrowings on our line of credit. However, we could incur borrowings on our line of credit in the future to finance increases in working capital, fund capital expenditures, fund negative operating cash flows or for other corporate purposes. These borrowings could become significant in the future.

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Our current and future debt and debt service obligations could:

- limit our ability to obtain additional financing for working capital or other purposes in the future;
- reduce the amount of funds available to finance our operations, capital expenditures and other activities;
- increase our vulnerability to economic downturns, illiquid capital markets and adverse industry conditions;
- limit our flexibility in responding to changing business and economic conditions, including increased competition;
- place us at a disadvantage when compared to our competitors that have less debt; and
- with respect to our borrowings that bear interest at variable rates, cause us to be vulnerable to increases in interest rates.

Our ability to make scheduled payments on our current and future debt will depend on our future operating performance and cash flows, which are subject to prevailing economic conditions, prevailing interest rate levels and other financial, competitive and business factors, many of which are beyond our control. Our inability to make scheduled payments on our debt or any of the foregoing factors would have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our failure to comply with covenants in our debt agreements could result in our indebtedness being immediately due and payable, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. The agreements governing our current and future debt include covenants that impose certain requirements with respect to our financial condition and results of operations and general business activities. These covenants place restrictions on, among other things, our ability to incur certain additional debt and to create liens or other encumbrances on assets, and our ability to experience material adverse events.

Our ability to comply with the covenants under our debt instruments in the future is uncertain and will be affected by our results of operations and financial condition as well as other events and circumstances beyond our control. If market and other economic conditions do not improve, our ability to comply with these covenants may be impaired. A failure to comply with the requirements of these covenants, if not waived or cured, could permit acceleration of the related debt. If any of our debt is accelerated, we cannot assure you that we would have sufficient assets to repay such debt or that we would be able to refinance such debt on commercially reasonable terms or at all. The acceleration of a significant portion of our current and future debt could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Risks Related to Our Internal Control Over Financial Reporting

We have identified material weaknesses in internal control in prior years. No material weaknesses were identified as of December 31, 2017, 2016 or 2015. However, we cannot assure you that material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in material weaknesses, or could result in material misstatements in our financial statements. These misstatements could result in a restatement of financial statements, cause us to fail to meet our reporting obligations or cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

Risks Related to Our Common Stock

The relatively low trading volume of our common stock may limit your ability to sell your shares. Although our shares of common stock are listed on the Nasdaq Global Select Market ("Nasdaq"), we have historically experienced a relatively low trading volume. If we have a low trading volume in the future, holders of our shares may have difficulty selling a large number of shares of our common stock in the manner or at a price that might otherwise be attainable.

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The market price of our common stock could be subject to significant fluctuations. The market price of our common stock has experienced, and may continue to experience, significant volatility. Among the factors that could affect our stock price are:

- our operating and financial performance and prospects;
- quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and net sales;
- changes in revenue or earnings estimates or publication of research reports by analysts;
- loss of any member of our senior management team;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructuring;
- sales of our common stock by shareholders;
- relatively low trading volume;
- general market conditions and market expectations for our industry and the financial health of our customers; and
- domestic and international economic, legal and regulatory factors unrelated to our performance.

The stock markets in general have experienced broad fluctuations that have often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

Certain provisions of our governing documents and Oregon law could discourage potential acquisition proposals. Our articles of incorporation contain provisions that:

- classify the board of directors into three classes, each of which serves for a three-year term with one class elected each year;

- provide that directors may be removed by shareholders only for cause and only upon the affirmative vote of 75% of the outstanding shares of common stock; and

- permit the board of directors to issue preferred stock in one or more series, fix the number of shares constituting any such series and determine the voting powers and all other rights and preferences of any such series, without any further vote or action by our shareholders.

In addition, we are subject to the Oregon Business Combination Act, which imposes certain restrictions on business combination transactions and may encourage parties interested in acquiring us to negotiate in advance with our board of directors. We also have a shareholder rights plan that acts to discourage any person or group from making a tender offer for, or acquiring, more than 15% of our common stock without the approval of our board of directors. Any of these provisions could discourage potential acquisition proposals, could deter, delay or prevent a change in control that our shareholders consider favorable and could depress the market value of our common stock.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Our facilities serve regional markets, which vary in the number and sizes of projects year-over-year. Consequently, we have excess manufacturing capacity from time to time at each of our facilities. We believe the quality and productive capacity of our facilities are sufficient to maintain our competitive position for the foreseeable future.

The following tables provide certain information about our operating facilities as of December 31, 2017:

Location	Manufacturing Space (approx. sq. ft.)	Property Size (approx. acres)	Number and Type of Mills
Portland, Oregon	300,000	25	3 Spiral mills
Adelanto, California	200,000	100	3 Spiral mills, 1 Plate roll
Parkersburg, West Virginia	145,000	90	2 Spiral mills
Saginaw, Texas (2 facilities)	170,000	50	2 Spiral mills
Monterrey, Mexico	40,000	5	Multiple line fabrication capability
St Louis, Missouri	100,000	20	2 Plate rolls
Salt Lake City, Utah	47,000	1	2 Plate rolls

As of December 31, 2017, we owned all of our facilities except for one of our Saginaw, Texas facilities, our St. Louis, Missouri facility and our Salt Lake City, Utah facility, which are leased. Additionally, land adjacent to our Portland, Oregon facility used for parking and pipe storage is leased.

Item 3. Legal Proceedings

We are party to a variety of legal actions arising out of the normal course of business. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material impact on our consolidated financial results. We are also involved in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines, penalties and other costs in substantial amounts. See Note 15 of the Notes to Consolidated Financial Statements in Part II — Item 8. “Financial Statements and Supplementary Data” of this 2017 Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is quoted on the Nasdaq under the symbol “NWPX.” The price range per share of common stock presented below represents the highest and lowest closing sales prices for our common stock on the Nasdaq during each quarter of the two most recent years.

	Low	High
2017		
First Quarter	$15.31	$19.39
Second Quarter	12.67	17.03
Third Quarter	14.57	19.17
Fourth Quarter	16.94	21.08
2016		
First Quarter	$7.74	$11.18
Second Quarter	8.56	10.80
Third Quarter	10.59	12.33
Fourth Quarter	11.94	18.77

There were 28 shareholders of record as of February 20, 2018. A substantially greater number of holders of our common stock are beneficial holders, whose shares of record are held by banks, brokers and other financial institutions. There were no cash dividends declared or paid in fiscal years 2017 or 2016, and we do not intend to pay cash dividends in the foreseeable future. We have not issued any securities during the past three years that were not registered under the Securities Act.

On March 17, 2017, we filed a registration statement on Form S-3 (Registration No. 333-216802) with the SEC covering the potential future sale of up to $120 million of our equity and/or debt securities or combinations thereof. The registration statement was amended on August 18, 2017 and declared effective by the SEC on September 15, 2017. This registration statement provides another potential source of capital, in addition to other alternatives already in place. We cannot be certain that funding will be available on favorable terms or available at all. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience significant dilution. As of the date of this 2017 Form 10-K, we have not yet sold any securities under this registration statement, nor do we have an obligation to do so. Please refer to the factors discussed in Part I – Item 1A. “Risk Factors” of this 2017 Form 10-K.

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Stock Performance Graph

The following graph compares the performance of our common stock to the performance of the Russell 2000 Index and a weighted composite index of certain peer companies (the “Peer Group”) selected by us. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity markets. The Peer Group is comprised of Mueller Water Products, Inc., Lindsay Corporation and Aegion Corporation.

The comparisons in the chart below are provided in response to SEC disclosure requirements and, therefore, are not intended to forecast or be indicative of future performance of our common stock.

	Indexed Return		
	Northwest Pipe Company	**Russell 2000 Index**	**Peer Group**
December 31, 2012	100.00	100.00	100.00
December 31, 2013	158.26	138.82	122.87
December 31, 2014	126.24	145.62	125.69
December 31, 2015	46.90	139.19	111.77
December 31, 2016	72.17	168.85	149.55
December 31, 2017	80.22	193.58	154.24

Securities Authorized for Issuance under Equity Compensation Plans

The information with respect to equity compensation plans is included under Part III — Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” of this 2017 Form 10-K.

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Item 6. Selected Financial Data

The following tables include selected consolidated financial data and should be read in conjunction with Part II — Item 8. “Financial Statements and Supplementary Data,” and Part II — Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this 2017 Form 10-K.

The consolidated financial data as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 are derived from our audited Consolidated Financial Statements included in this 2017 Form 10-K. The consolidated financial data as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013 are derived from audited Consolidated Financial Statements which are not included in this 2017 Form 10-K and are adjusted for discontinued operations.

	Year Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(In thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Net sales	$132,780	$149,387	$173,160	$238,545	$226,427
Gross profit (loss)	5,823	(317)	606	39,601	46,953
Income (loss) from continuing operations	(8,392)	(6,741)	(17,812)	10,439	13,481
Loss on discontinued operations	(1,771)	(2,522)	(11,576)	(28,326)	(14,404)
Net loss	(10,163)	(9,263)	(29,388)	(17,887)	(923)
Earnings per Common Share:					
Basic - Income (loss) from continuing operations	$(0.88)	$(0.71)	$(1.86)	$1.10	$1.43
Loss on discontinued operations	(0.18)	(0.26)	(1.21)	(2.98)	(1.53)
Net loss per share	$(1.06)	$(0.97)	$(3.07)	$(1.88)	$(0.10)
Diluted - Income (loss) from continuing operations	$(0.88)	$(0.71)	$(1.86)	$1.09	$1.41
Loss on discontinued operations	(0.18)	(0.26)	(1.21)	(2.95)	(1.51)
Net loss per share assuming dilution	$(1.06)	$(0.97)	$(3.07)	$(1.86)	$(0.10)

	December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(In thousands)				
Consolidated Balance Sheet Data:					
Total assets	$230,324	$241,555	$259,380	$351,882	$433,459
Long-term debt and capital lease obligations, less current portion	737	602	676	45,701	93,581
Stockholders' equity	200,264	209,213	217,560	245,635	261,850

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors that have affected our consolidated financial condition and results of operations during the periods included herein. This discussion should be read in conjunction with our historical Consolidated Financial Statements and Notes to Consolidated Financial Statements in Part II – Item 8. "Financial Statements and Supplementary Data" of this 2017 Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part I – Item 1A. "Risk Factors" or in other parts of this 2017 Form 10-K.

Overview

We are the largest manufacturer of engineered steel pipe water systems in North America. With our strategically located manufacturing facilities, we are well-positioned to meet North America's growing needs for water and wastewater infrastructure. We serve a wide range of markets and our solutions-based products are a good fit for applications including water transmission, plant piping, tunnels and river crossings. We have established a prominent position based on a strong and widely-recognized reputation for quality, service and an extensive range of products engineered and manufactured to meet expectations in all categories of performance including highly corrosive environments. These pipeline systems are produced from several manufacturing facilities, which are located in Portland, Oregon; Adelanto, California; Parkersburg, West Virginia; Saginaw, Texas; Salt Lake City, Utah; St. Louis, Missouri; and Monterrey, Mexico.

Our water infrastructure products are sold generally to installation contractors, who include our products in their bids to municipal agencies or privately-owned water companies for specific projects. We believe our sales are substantially driven by spending on new water infrastructure with a recent trend towards spending on water infrastructure replacement, repair and upgrade. Within the total range of pipe products, our products tend to fit the larger diameter, higher-pressure applications.

Our Current Economic Environment

We operate our business with a long-term time horizon. Projects are often planned for many years in advance, and are sometimes part of 50-year build out plans. Long-term demand for water infrastructure projects in the United States appears strong. However, in the near term, we expect that strained governmental and water agency budgets and increased capacity from competition could impact the business. Fluctuating steel costs will also be a factor, as the ability to adjust our selling prices as steel costs fluctuate will depend on market conditions. Purchased steel represents a substantial portion of our cost of sales, and changes in our selling prices often correlate directly to changes in steel costs.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements included in Part II — Item 8. “Financial Statements and Supplementary Data” of this 2017 Form 10-K, which have been prepared in accordance with accounting principles generally accepted in the United States of America.

Management Estimates:

The preparation of our Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, we evaluate all of our estimates, including those related to revenue recognition, inventories, property and equipment, including depreciation and valuation, goodwill, share-based compensation, income taxes, allowance for doubtful accounts and litigation and other contingencies. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies and related judgments and estimates affect the preparation of our Consolidated Financial Statements.

Revenue Recognition:

Revenue from construction contracts is recognized on the percentage-of-completion method. For a majority of contracts, revenue is measured by the costs incurred to date as a percentage of the estimated total costs of each contract (the cost-to-cost method). Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation. Selling, general and administrative costs are charged to expense as incurred. The cost of steel is recognized as a project cost when the steel is introduced into the manufacturing process. Estimated total costs of each contract are reviewed on a monthly basis by project management and operations personnel for all active projects. All cost revisions that result in the gross profit as a percent of sales increasing or decreasing by more than two percent are reviewed by senior management personnel.

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We begin recognizing revenue on a project when persuasive evidence of an arrangement exists, recoverability is reasonably assured and project costs are incurred. Costs may be incurred before we have persuasive evidence of an arrangement. In those cases, if recoverability from that arrangement is probable, the project costs are deferred and revenue recognition is delayed.

Changes in job performance, job conditions and estimated profitability, including those arising from contract change orders, contract penalty provisions, foreign currency exchange rate movements, changes in raw materials costs and final contract settlements may result in revisions to estimates of revenue, costs and income and are recognized in the period in which the revisions are determined. Provisions for losses on uncompleted contracts are made in the period such losses become known.

See Note 2 of the Notes to Consolidated Financial Statements in Part II — Item 8. “Financial Statements and Supplementary Data” of this 2017 Form 10-K for discussion regarding the expected impact of our adoption of new guidance for revenue recognition effective in the first quarter of 2018.

Inventories:

Inventories are stated at the lower of cost and net realizable value. Determining net realizable value of inventories involves judgments and assumptions, including projecting selling prices and cost of sales. To estimate net realizable value, we review recent sales and gross profit history, existing customer orders, current contract prices, industry supply and demand, forecasted steel prices, replacement costs, seasonal factors, general economic trends and other information, as applicable. If future market conditions are less favorable than those projected by us, inventory write-downs may be required. The cost of raw material inventories of steel is either on a specific identification basis or on an average cost basis. The cost of all other raw material inventories, as well as work-in-process and supplies is on an average cost basis. The cost of finished goods uses the first-in, first-out method of accounting.

Property and Equipment:

Property and equipment are recorded at cost, and are depreciated using either the units of production method or a straight-line method depending on the classification of the asset. Depreciation expense calculated under the units of production method may be less than, equal to, or greater than depreciation expense calculated under the straight-line method. We evaluate historical and projected units of production at each plant to reassess the units of production expected on an annual basis.

We assess impairment of property and equipment whenever changes in circumstances indicate that the carrying values of the asset group may not be recoverable. The recoverable value of long-lived assets is determined by estimating future undiscounted cash flows using assumptions about our expected future operating performance. Estimates of future cash flows used in the recoverability test incorporate our own assumptions about the use of the asset group and shall consider all available evidence. Our estimates of undiscounted cash flows may differ from actual cash flow due to, among other things, technological changes, economic conditions or changes to our business operations. If we determine the carrying value of the property and equipment will not be recoverable, we calculate and record an impairment loss.

Share-based Compensation:

We recognize the compensation cost of employee and director services received in exchange for awards of equity instruments based on the grant date estimated fair value of the awards. Share-based compensation cost is recognized over the period during which the employee or director is required to provide service in exchange for the award, and as forfeitures occur, the associated compensation cost recognized to date is reversed.

We estimate the fair value of restricted stock units and performance share awards (“PSAs”) using the value of our stock on the date of grant, with the exception of market-based PSAs, for which a Monte Carlo simulation model is used. The Monte Carlo simulation model calculates many potential outcomes for an award and estimates fair value based on the most likely outcome.

Income Taxes:

We account for income taxes using an asset and liability approach that requires the recognition of deferred income tax assets and liabilities for the expected future tax consequences of events that have been recognized in our Consolidated Financial Statements or tax returns. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized. The determination of our provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. Our provision for income taxes primarily reflects a combination of income earned and taxed in the various United States federal and state and, to a lesser extent, foreign jurisdictions. Jurisdictional tax law changes, increases or decreases in permanent differences between book and tax items, accruals or adjustments of accruals for unrecognized tax benefits or valuation allowances and our change in the mix of earnings from these taxing jurisdictions all affect the overall effective income tax rate.

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We record income tax reserves for federal, state, local and international exposures relating to periods subject to audit. The development of reserves for these exposures requires judgments about tax issues, potential outcomes and timing, and is a subjective estimate. We assess our income tax positions and record income tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting dates. For those income tax positions where it is more-likely-than-not that an income tax benefit will be sustained, we have recorded the largest amount of income tax benefit with a greater than 50% likelihood of being realized upon settlement with a tax authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that an income tax benefit will be sustained, no income tax benefit has been recognized in the Consolidated Financial Statements.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a federal corporate income tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. We have estimated our provision for income taxes in accordance with the Act and guidance available as of the date of this filing and as a result have recorded $0.9 million as additional income tax expense in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional amount related to the remeasurement of certain deferred income tax assets and liabilities, based on the rates at which they are expected to reverse in the future, was $0.6 million. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was $0.2 million based on cumulative foreign earnings of $1.1 million.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of United States generally accepted accounting principles in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, we have determined that the $0.6 million of the deferred income tax expense recorded in connection with the remeasurement of certain deferred tax assets and liabilities and the $0.2 million of current tax expense recorded in connection with the transition tax on the mandatory deemed repatriation of foreign earnings was a provisional amount and a reasonable estimate as of December 31, 2017. Additional work is necessary for a more detailed analysis of our deferred income tax assets and liabilities and our historical foreign earnings as well as potential correlative adjustments. Any subsequent adjustment to these amounts will be recorded to current income tax expense when the analysis is complete.

Allowance for Doubtful Accounts:

We maintain allowances for estimated losses resulting from the inability of our customers to make required payments based on historical experience and management's judgment. The extension and revision of credit is determined by obtaining credit rating reports or financial information on the customer. An allowance is recorded based on a variety of factors, including our historical collection experience and our historical product quality claims. At least monthly, we review past due balances to identify the reasons for non-payment. We will write down or write off a receivable account once the account is deemed uncollectible for reasons such as customer quality claims, a contract dispute, deterioration in the customer’s financial position, a bankruptcy filing or other events. We believe the reported allowances as of December 31, 2017 are adequate. If the customer’s financial conditions were to deteriorate resulting in their inability to make payments, additional allowances may need to be recorded which would result in additional expense being recorded for the period in which such determination was made.

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Results of Operations

The following table sets forth, for the periods indicated, certain financial information regarding costs and expenses expressed in dollars (in thousands) and as a percentage of total Net sales from continuing operations.

	Year Ended December 31, 2017		Year Ended December 31, 2016		Year Ended December 31, 2015	
	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales
Net sales	$132,780	100.0%	$149,387	100.0%	$173,160	100.0%
Cost of sales	126,957	95.6	149,704	100.2	172,554	99.7
Gross profit (loss)	5,823	4.4	(317)	(0.2)	606	0.3
Selling, general and administrative expense	14,143	10.6	16,921	11.3	20,378	11.7
Impairment of goodwill	-	0.0	-	0.0	5,282	3.1
Gain on sale of facility	-	0.0	(7,860)	(5.3)	-	0.0
Restructuring expense	881	0.7	990	0.7	-	0.0
Operating loss	(9,201)	(6.9)	(10,368)	(6.9)	(25,054)	(14.5)
Other income	193	0.1	24	0.0	58	0.0
Interest income	6	0.0	14	0.0	1	0.0
Interest expense	(490)	(0.3)	(509)	(0.4)	(1,340)	(0.7)
Loss from continuing operations before income taxes	(9,492)	(7.1)	(10,839)	(7.3)	(26,335)	(15.2)
Income tax benefit	(1,100)	(0.8)	(4,098)	(2.8)	(8,523)	(4.9)
Loss from continuing operations	(8,392)	(6.3)	(6,741)	(4.5)	(17,812)	(10.3)
Discontinued operations:						
Loss from operations of discontinued operations	(1,779)	(1.4)	(3,180)	(2.1)	(15,004)	(8.7)
Gain on sale of facility	6	0.0	-	0.0	-	0.0
Income tax benefit	(2)	0.0	(658)	(0.4)	(3,428)	(2.0)
Loss on discontinued operations	(1,771)	(1.4)	(2,522)	(1.7)	(11,576)	(6.7)
Net loss	$(10,163)	(7.7)%	$(9,263)	(6.2)%	$(29,388)	(17.0)%

We have one operating segment, Water Transmission, which manufactures large-diameter, high-pressure steel pipeline systems for use in water infrastructure applications, which are primarily related to drinking water systems. These products are also used for hydroelectric power systems, wastewater systems and other applications. In addition, we make products for industrial plant piping systems and certain structural applications. See Note 3 of the Notes to Consolidated Financial Statements in Part II – Item 8. “Financial Statements and Supplementary Data” of this 2017 Form 10-K for information on discontinued operations, which includes the results of the Atchison facility which were historically reported in the Tubular Products segment.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net sales. Net sales from continuing operations decreased 11.1% to $132.8 million in 2017 from $149.4 million in 2016. No customer accounted for 10% or more of total Net sales from continuing operations in 2017. One customer accounted for 28% of total Net sales from continuing operations in 2016; we do not believe the potential loss of this customer would have had an adverse effect on our business due to the nature of the industry and the competition between installation contractors.

The decrease in sales was due to a 45% decrease in tons produced, offset by a 62% increase in selling price per ton. The decrease in tons produced was due to project timing. The increase in selling prices per ton was due to improved market conditions and a change in product mix, combined with a 42% increase in material costs per ton. Higher material costs generally lead to higher contract values and, therefore, higher net sales as contractors and municipalities are aware of the input costs and market conditions. Bidding activity, backlog and production levels may vary significantly from period to period affecting sales volumes.

Gross profit (loss). Gross profit increased to a $5.8 million gross profit (4.4% of Net sales from continuing operations) in 2017 from a $0.3 million gross loss (negative 0.2% of Net sales from continuing operations) in 2016. During 2017, we did not pursue projects that did not meet our gross profit goals, which contributed to the lower volumes noted in Net sales above. The increase in gross profit was due to improved pricing as well this focus on margin over volume.

Selling, general and administrative expense. Selling, general and administrative expense decreased 16.4% to $14.1 million (10.6% of Net sales from continuing operations) in 2017 from $16.9 million (11.3% of Net sales from continuing operations) in 2016. The decrease was due primarily to $2.4 million in lower wages and benefits due to lower headcount and a $0.8 million decrease in professional fees.

Restructuring expense**.** In response to adverse market conditions, the decision was made in the second quarter of 2016 to close the Denver, Colorado facility, which was subsequently sold in October 2016. In 2017 and 2016, we incurred restructuring expenses of $0.9 million and $1.0 million, respectively, which includes employee severance and termination related restructuring expenses of $0 and $0.5 million, respectively, and expense related to demobilization activities of $0.9 million and $0.5 million, respectively. We completed the demobilization project and vacated the facility in the first quarter of 2017.

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Income taxes. The Income tax benefit from continuing operations was $1.1 million in 2017 (an effective income tax benefit rate of 11.6%) compared to an Income tax benefit from continuing operations of $4.1 million in 2016 (an effective income tax benefit rate of 37.8%). The effective income tax rate for 2017 was lower than statutory rates primarily because a significant portion of our net operating losses from the period are subject to a valuation allowance. In addition, the estimated effective income tax rate for 2017 was affected by the accounting change discussed in Note 2 of the Notes to Consolidated Financial Statements in Part II – Item 8. "Financial Statements and Supplementary Data" of this 2017 Form 10-K, under which we recognized $0.8 million of excess tax deficiencies from share-based compensation as an income tax expense from continuing operations, as well as the impact of $0.9 million from the Tax Cuts and Jobs Act of 2017 discussed in Note 16 of the Notes to Consolidated Financial Statements in Part II — Item 8. "Financial Statements and Supplementary Data" of this 2017 Form 10-K. These amounts were slightly offset by the favorable impact of a decrease in unrecognized income tax benefits due to a lapse in the statute of limitations. The effective income tax rate can change significantly depending on the relationship of permanent income tax deductions and tax credits to estimated pre-tax income or loss and the changes in valuation allowances. Accordingly, the comparison of effective income tax rates between periods is not meaningful in all situations.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net sales. Net sales from continuing operations decreased 13.7% to $149.4 million in 2016 from $173.2 million in 2015. One customer accounted for 28% of total Net sales from continuing operations in 2016 and two customers accounted for 16% and 13% of total Net sales from continuing operations in 2015. We do not believe the potential loss of these customers would have had an adverse effect on our business due to the nature of the industry and the competition between installation contractors.

The decrease in sales was due to a 27% decrease in average selling price per ton offset in part by a 19% increase in tons produced. The decrease in selling prices per ton was due to a 15% decrease in material costs per ton and increased competition, as well as a change in product mix. Bidding activity, backlog and production levels may vary significantly from period to period affecting sales volumes.

Gross profit (loss). Gross profit decreased 152.3% to a $0.3 million gross loss (negative 0.2% of Net sales from continuing operations) in 2016 from a $0.6 million gross profit (0.3% of Net sales from continuing operations) in 2015. The decrease in gross profit was due to the significant competition that we experienced on our project bids, which led to decreased selling prices, combined with the mix of projects produced in 2016.

Selling, general and administrative expense. Selling, general and administrative expense decreased 17.0% to $16.9 million (11.3% of Net sales from continuing operations) in 2016 from $20.4 million (11.7% of Net sales from continuing operations) in 2015. The decrease was due primarily to $1.4 million in lower wages and benefits due to lower headcount and a $1.4 million decrease in professional fees.

Gain on sale of facility. On October 4, 2016, we completed the sale of our Denver, Colorado facility and recorded a gain on the sale of $7.9 million in the fourth quarter of 2016.

Interest expense. Interest expense decreased to $0.5 million in 2016 from $1.3 million in 2015. The decrease was a result of a decrease in borrowings under the line of credit and capital leases in 2016 compared to 2015. Interest expense in 2015 included the write-off of unamortized financing costs totaling $0.4 million associated with the termination of a bank line of credit agreement.

Income taxes. The Income tax benefit from continuing operations was $4.1 million in 2016 (an effective income tax benefit rate of 37.8%) compared to an Income tax benefit from continuing operations of $8.5 million in 2015 (an effective income tax benefit rate of 32.4%). The effective income tax benefit rate from continuing operations for 2015 includes the impact of the recognition of research and development tax credits (which increased the effective income tax benefit rate) as well as non-deductibility of expense related to the impairment of goodwill and the valuation allowance recorded (both of which decreased the effective income tax benefit rate). The effective income tax rate can change significantly depending on the relationship of permanent income tax deductions and tax credits to estimated pre-tax income or loss and the changes in valuation allowances. Accordingly, the comparison of effective income tax rates between periods is not meaningful in all situations.

Liquidity and Capital Resources

Sources and Uses of Cash

Our principal sources of liquidity generally include operating cash flows and the Agreement with Bank of America, N.A. From time to time our long-term capital needs may be met through the issuance of long-term debt or additional equity. Our principal uses of liquidity generally include capital expenditures, working capital and debt service. Information regarding our cash flows for the years ended December 31, 2017, 2016 and 2015 are presented in our Consolidated Statements of Cash Flows contained in this 2017 Form 10-K, and are further discussed below.

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As of December 31, 2017, our working capital (current assets minus current liabilities) excluding current assets held for sale was $123.8 million compared to $93.2 million as of December 31, 2016. Cash and cash equivalents totaled $43.6 million and $21.8 million as of December 31, 2017 and 2016, respectively. This increase is primarily attributable to the cash proceeds received in December 2017 from the sale of substantially all of the assets of the Atchison facility. There were no borrowings under the Agreement as of December 31, 2017 and 2016.

Fluctuations in our working capital accounts result from timing differences between production, shipment, invoicing and collection, as well as changes in levels of production and costs of materials. We typically have a relatively large investment in working capital, as we generally pay for materials, labor and other production costs in the initial stages of a project, while payments from our customers are generally received after finished product is delivered. Our revenues are recognized on a percentage-of-completion method; therefore, cash receipts typically occur subsequent to when revenue is recognized and the elapsed time between when revenue is recorded and when cash is received can be significant. As such, our payment cycle is a significantly shorter interval than our collection cycle, although the effect of this difference in the cycles may vary by project, and from period to period.

Net Cash Provided by (Used in) Operating Activities From Continuing Operations

Net cash used in operating activities from continuing operations in 2017 was $5.8 million. This was primarily the result of fluctuations in working capital accounts that included increases in trade and other receivables and decreases in accrued and other liabilities, offset by decreases in inventories and increases in accounts payable.

Net cash used in operating activities from continuing operations in 2016 was $1.8 million. This was primarily the result of our net loss from continuing operations adjusted for noncash charges of $8.8 million for depreciation and capital lease amortization offset by $7.9 million for the gain on sale of facility and the net positive cash flow effect of a decrease in our working capital accounts, other than cash and cash equivalents. The decreases consisted primarily of the reduction in our inventories and income tax refunds received during the year. These were partially offset by a reduction in accrued liabilities stemming from fewer loss margin job reserves than the prior year.

Net cash provided by operating activities from continuing operations in 2015 was $20.8 million. This was primarily the result of our net loss from continuing operations adjusted for noncash charges of $7.3 million for depreciation and capital lease amortization and $5.3 million for impairment of goodwill, and the net positive cash flow effect of a decrease in our working capital. The decrease in working capital was primarily driven by decreases in accounts receivable of $15.7 million and inventories of $9.9 million, partially offset by a net decrease in accounts payable and accrued liabilities of $4.5 million.

Net Cash Provided by (Used in) Investing Activities From Continuing Operations

Net cash used in investing activities from continuing operations in 2017 was $2.7 million. Capital expenditures of $2.9 million in 2017 were primarily standard capital replacement. Capital expenditures in 2018 are expected to be approximately $8.6 million for standard capital replacement.

Net cash provided by investing activities from continuing operations in 2016 was $11.7 million. This was primarily due to net proceeds of $13.9 million received from the sale of our Denver, Colorado facility on October 4, 2016. Capital expenditures of $2.3 million in 2016 were primarily standard capital replacement.

Net cash provided by investing activities from continuing operations in 2015 was $4.7 million. Capital expenditures of $6.8 million in 2015 were primarily standard capital replacement. Offsetting the cash used for additions to property and equipment was $4.3 million provided by an escrow that was released to us in April 2015 related to the March 2014 disposition of the oil country tubular goods business and $7.2 million collected on a note receivable.

Net Cash Used in Financing Activities From Continuing Operations

Net cash used in financing activities from continuing operations in 2017 was $0.5 million, primarily due to the capital lease payments totaling $0.3 million and the $0.1 million payment of contingent consideration in February 2017 for amounts earned on 2016 revenues from Permalok Corporation.

Net cash used in financing activities from continuing operations in 2016 was $1.5 million, primarily from the payment of contingent consideration in January 2016 for amounts earned on 2015 revenues of Permalok Corporation.

Net cash used in financing activities from continuing operations in 2015 was $47.6 million, which resulted primarily from net repayments under our line of credit and capital lease payments totaling $46.9 million.

We anticipate that our existing cash and cash equivalents, cash flows expected to be generated by operations and amounts available under the Agreement will be adequate to fund our working capital and capital expenditure requirements for at least the next twelve months. To the extent necessary, we may also satisfy capital requirements through additional bank borrowings, senior notes, term notes, subordinated debt and capital and operating leases, if such resources are available on satisfactory terms. We have from time to time evaluated and continue to evaluate opportunities for acquisitions and expansion. Any such transactions, if consummated, may use a portion of our working capital or necessitate additional bank borrowings or other sources of funding.

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On March 17, 2017, we filed a registration statement on Form S-3 (Registration No. 333-216802) with the SEC covering the potential future sale of up to $120 million of our equity and/or debt securities or combinations thereof. The registration statement was amended on August 18, 2017 and declared effective by the SEC on September 15, 2017. This registration statement provides another potential source of capital, in addition to other alternatives already in place. We cannot be certain that funding will be available on favorable terms or available at all. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience significant dilution. As of the date of this 2017 Form 10-K, we have not yet sold any securities under this registration statement, nor do we have an obligation to do so. Please refer to the factors discussed in Part I – Item 1A. "Risk Factors" of this 2017 Form 10-K.

Borrowings on Line of Credit

As of December 31, 2017, we had no outstanding borrowings and $2.0 million of outstanding letters of credit under the Agreement with Bank of America, N.A. dated October 26, 2015, as amended on October 19, 2016. The Agreement expires on October 25, 2018 and provides for revolving loans and letters of credit in the aggregate of up to the maximum principal amount (the "Revolver Commitment") of $60 million, subject to a borrowing base. We have the ability to increase the Revolver Commitment to $100 million, subject to the provisions of the Agreement.

The borrowing base is calculated by applying various advance rates to eligible accounts receivable, costs and estimated earnings in excess of billings, inventories and fixed assets, subject to various exclusions, adjustments and sublimits by asset class. Additionally, the Agreement effectively limits availability under the borrowing base during times when our Fixed Charge Coverage Ratio, as defined in the Agreement, is not met for the previous twelve-month period. As of December 31, 2017, the Fixed Charge Coverage Ratio was not met, and therefore the availability limit applied. Including the effect of this limit, we had additional borrowing capacity of $19.1 million, net of outstanding letters of credit, under the Agreement as of December 31, 2017. Based on our business plan and forecasts of operations, we expect to have sufficient credit availability to support our operations for at least the next twelve months.

Borrowings under the Agreement bear interest at rates related to London Interbank Offered Rate plus 1.75% to 2.25%, or at Bank of America's prime rate plus 0.75% to 1.25%. Borrowings under the Agreement are secured by substantially all of our assets.

Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

The following table sets forth our scheduled contractual commitments that will affect our future liquidity as of December 31, 2017 (in thousands):

	Payments due by period				
	Total	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Capital leases	$1,055	$318	$526	$211	$-
Operating leases	6,272	1,698	2,350	1,179	1,045
Interest payments (1)	98	43	45	10	-
Total obligations (2) (3)	$7,425	$2,059	$2,921	$1,400	$1,045

(1) These amounts represent estimated future interest payments related to our capitalized leases.

(2) Excludes liabilities associated with our pension and our deferred compensation plan as we are unable to reasonably estimate the ultimate amount or timing of settlement of such obligations. As of December 31, 2017, liabilities associated with our pension and deferred compensation plan are $1.7 million and $6.2 million, respectively and are recorded in Other long-term liabilities in the Consolidated Balance Sheets.

(3) Due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits as of December 31, 2017, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, approximately $4.1 million in uncertain tax positions has been excluded from the contractual table above. For further information, see Note 16 of the Notes to Consolidated Financial Statements in Part II — Item 8. "Financial Statements and Supplementary Data" of this 2017 Form 10-K.

We also have entered into letters of credit that total approximately $2.0 million as of December 31, 2017. The letters of credit relate to workers' compensation insurance. Based on the nature of these arrangements and our historical experience, we do not expect to make any material payments under these arrangements.

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future material effect on our financial position, results of operations or cash flows.

Adoption of New Accounting Pronouncements

For a discussion of new accounting pronouncements affecting our company, see Note 2 of the Notes to Consolidated Financial Statements in Part II – Item 8. “Financial Statements and Supplementary Data” of this 2017 Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The primary market risks affecting our business relate to our exposure to commodity risk, interest rate risk and foreign currency exchange rate risk.

Commodity Risk

Certain materials we use in our business are classified as commodities traded in the worldwide markets, of which the most significant commodity is steel, used in the manufacturing of pipe. We do not hedge our commodity risk and do not enter into any transactions in commodities for trading purposes. The impact of volatility in steel prices varies significantly. This volatility can significantly affect our gross profit. Although we seek to recover increases in steel prices through price increases in our products, we have not always been successful.

Steel comprises approximately 20% to 30% of project costs. As this raw material represents a substantial portion of our cost of sales, we attempt to minimize our risk exposure to steel price volatility by submitting bids based on general assumptions of the expected price of steel when we will receive a purchase order or contract, which is typically awarded within 30 to 90 days of the bid date, as well as ordering steel as soon as possible after a project is awarded.

Interest Rate Risk

As of December 31, 2017 and 2016, we had no debt outstanding accruing interest at a variable rate. Our capital leases bear fixed rates of interest. Assuming average interest rates and borrowings on variable rate debt over the past two years, a hypothetical 1.0%, or 100 basis points, change in interest rates would not have a material impact on our Interest expense in either year.

Foreign Currency Exchange Rate Risk

We conduct business in various foreign countries and, from time to time, settle our transactions in foreign currencies. We have established a program that utilizes foreign currency forward contracts to offset the risk associated with the effects of certain foreign currency exposures, typically arising from sales contracts denominated in Canadian currency. Foreign currency forward contracts are consistent with our strategy for financial risk management and are not used for trading or for speculative purposes. As of December 31, 2017, the total notional amount of these derivative contracts was $2.3 million (CAD$2.9 million), of which we applied hedge accounting to $2.1 million (CAD$2.7 million). As of December 31, 2017, all of our contracts had a remaining maturity of less than twelve months except two contracts with a combined notional amount of $2.1 million (CAD$2.7 million) which have remaining maturities of 15 to 17 months. As of December 31, 2016, the total notional amount of these derivative contracts was $4.3 million (CAD$5.8 million), of which we applied hedge accounting to $3.4 million (CAD$4.5 million).

A hypothetical 10% change in the Canadian Dollar foreign currency exchange rate would not have a material impact on our reported 2017 or 2016 Net sales from continuing operations.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements required by this item are included on pages F-1 to F-29 at the end of this 2017 Form 10-K. The financial statement schedule required by this item is included on page S-1. The quarterly information required by this item is included in Note 20 of the Notes to Consolidated Financial Statements.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are designed to provide reasonable assurance that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC") and that such information is accumulated and communicated to our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosures.

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Our management, with the participation of the CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2017. Based on their evaluation, as of December 31, 2017, the Company's CEO and CFO have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to provide reasonable assurance that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("U.S. GAAP"). Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

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

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an assessment of our internal control over financial reporting as of December 31, 2017. In making this assessment, we used the criteria set forth in "Internal Control-Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by Moss Adams LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2017 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors, Executive Officers, Promoters and Control Persons

The information required by Paragraph (a) and Paragraphs (c) through (g) of Item 401 of Regulation S-K (except for information required by Paragraph (e) of that Item to the extent the required information pertains to our executive officers) and Item 405 of Regulation S-K is hereby incorporated by reference from our definitive proxy statement for the 2018 Annual Meeting of Shareholders under the captions *Election of Directors* and *Section 16(a) Beneficial Ownership Reporting Compliance*.

Name	**Age as of December 31, 2017**	**Current Position with Company**
Scott Montross	53	Director, President and Chief Executive Officer
Robin Gantt	46	Senior Vice President, Chief Financial Officer and Corporate Secretary
Martin Dana	52	Executive Vice President, Business Development and Strategy
William Smith	62	Executive Vice President, Water Transmission
Aaron Wilkins	43	Vice President of Finance and Corporate Controller

Scott Montross has served as our Director, President and CEO since January 1, 2013. Mr. Montross joined the Company in May 2011 and served as our Executive Vice President and Chief Operating Officer. Mr. Montross has served in Senior Vice President level positions since 2003 with commercial, operational and planning responsibilities and has spent a total of 24 years in the steel industry prior to joining the Company. Mr. Montross previously served as the Executive Vice President of the Flat Products Group for EVRAZ Inc. North America's Oregon Steel Division from 2010 to 2011, as the Vice President and General Manager of EVRAZ Inc. North America from 2007 to 2010, as the Vice President of Marketing and Sales for Oregon Steel Mills, Inc. from 2003 to 2007 and as the Vice President of Marketing and Sales for National Steel Corporation from 2002 to 2003.

Robin Gantt has served as our Senior Vice President and CFO since January 2011 and Corporate Secretary since June 2015, after joining the Company in July 2010. Ms. Gantt served as the CFO and Treasurer of EVRAZ Inc. North America from September 2007 through January 2010. From July 2005 through August 2007, Ms. Gantt served as Corporate Controller of Oregon Steel Mills, Inc., which became EVRAZ Inc. North America after its acquisition by Evraz Group S.A. in January 2007. Ms. Gantt joined Oregon Steel Mills, Inc. in 1999, holding several finance and accounting positions of increasing responsibility before being appointed to Controller in 2005.

Martin Dana served as our Executive Vice President, Business Development and Strategy from April 2016 until his resignation in January 2018. Previous positions at the Company held by Mr. Dana include Executive Vice President, Sales and Marketing, Executive Vice President, Tubular Products Group, Vice President of Operations for Tubular Products, Vice President of Sales and Marketing for the Water Transmission Group and other management and Vice President level positions since joining the Company in 1999. Prior to joining the Company, Mr. Dana held positions at Oregon Steel Mills, Inc.

William Smith has served as our Executive Vice President, Water Transmission since April 2016. Prior to that, Mr. Smith served as our Executive Vice President, Operations and as Vice President of Operations for Water Transmission. Prior to joining the Company in 2010, Mr. Smith spent 14 years with Ameron International Corporation, holding several key positions including President, Water Transmission. A 41-year veteran of the steel pipe business, Mr. Smith has held positions with United Concrete Pipe, Thompson Steel Pipe and LB Foster.

Aaron Wilkins has served as our Corporate Controller since March 2014 and was named Vice President of Finance and Corporate Controller in September 2016. Prior to joining the Company, Mr. Wilkins served two years as CFO of Omega Morgan, an industrial moving and transportation company. Prior to that, Mr. Wilkins served seven years with Oregon Steel Mills, Inc. and then EVRAZ Inc. North America holding several finance and accounting positions including Corporate Controller and Assistant Treasurer and Director of Finance of EVRAZ Inc. North America’s Flat Products Group.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics for all employees and a Code of Ethics for Senior Financial Officers. Copies can be found on our website at www.nwpipe.com in the Corporate Governance area of the Investor Relations section or by writing to Northwest Pipe Company, attn. Corporate Secretary, 5721 SE Columbia Way, Suite 200, Vancouver, WA 98661. None of the material on our website is part of this 2017 Form 10-K. If there is any waiver from any provision of either the Code of Business Conduct and Ethics or the Code of Ethics for Senior Financial Officers, we will disclose the nature of such waiver on our website or in a Current Report on Form 8-K.

Corporate Governance

The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is hereby incorporated by reference from our definitive proxy statement for the 2018 Annual Meeting of Shareholders under the captions *Nominating and Governance Committee, Nominations by Shareholders* and *Audit Committee*.

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Item 11. Executive Compensation

The information required by this Item is hereby incorporated by reference from our definitive proxy statement for the 2018 Annual Meeting of Shareholders under the captions *Executive Compensation, Compensation Committee Interlocks and Insider Participation,* and *Compensation Committee Report*.

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

The following table provides information as of December 31, 2017, with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) (1)	Weighted-average exercise price of outstanding options, warrants and rights (b) (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	193,583	$24.15	589,142
Equity compensation plans not approved by security holders (3)	-	-	-
Total	193,583	$24.15	589,142

(1) Consists of our 2007 Stock Incentive Plan.

(2) The weighted-average exercise price set forth in this column is calculated excluding outstanding restricted stock units, since recipients are not required to pay an exercise price to receive the shares subject to these awards.

(3) We do not have any equity compensation plans or arrangements that have not been approved by shareholders.

The information required by Item 403 of Regulation S-K is included in our definitive proxy statement for the 2018 Annual Meeting of Shareholders under the caption *Stock Owned by Management and Principal Shareholders* and is incorporated herein by reference.

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

The information required by this Item is hereby incorporated by reference from our definitive proxy statement for the 2018 Annual Meeting of Shareholders under the captions *Certain Relationships and Related Transactions* and *Election of Directors*.

Item 14. Principal Accounting Fees and Services

The information required by this Item is hereby incorporated by reference from our definitive proxy statement for the 2018 Annual Meeting of Shareholders under the caption *Independent Registered Public Accounting Firm*.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) *Consolidated Financial Statements*

The Consolidated Financial Statements, together with the reports thereon of Moss Adams LLP and PricewaterhouseCoopers LLP are included on the pages indicated below.

(a) (2) *Financial Statement Schedule*

The following schedule is filed herewith:

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is included in the Consolidated Financial Statements or notes thereto.

(a) (3) Exhibits included herein:

Exhibit Number	Description
2.1	Asset Purchase Agreement by and between Northwest Pipe Company and Centric Pipe, LLC, incorporated by reference to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on April 1, 2014.
2.2	Asset Purchase Agreement between Northwest Pipe Company and Almacenadora Afirme, S.A. de C.V., Organización Auxiliar del Crédito, Afirme Grupo Financiero, dated as of December 22, 2017, incorporated by reference to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on December 29, 2017
2.3	Real Estate Purchase Agreement between Northwest Pipe Company and Almacenadora Afirme, S.A. de C.V., Organización Auxiliar del Crédito, Afirme Grupo Financiero, dated as of December 22, 2017, incorporated by reference to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on December 29, 2017
3.1	Second Restated Articles of Incorporation, incorporated by reference to Exhibits to the Company's Registration Statement on Form S-1, as amended, effective November 30, 1995, Commission Registration No. 33-97308 ("the S-1")
3.2	First Amendment to Second Restated Articles of Incorporation, incorporated by reference to Exhibits to the Company's Registration Statement on Form S-3, as amended, effective November 1, 2006, Commission Registration No. 333-137923
3.3	Third Amended and Restated Bylaws, incorporated by reference to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 7, 2016
4.1	Amended and Restated Rights Agreement, dated as of June 18, 2009, between the Company and Mellon Investor Services LLC as Rights Agent, incorporated by reference to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on June 19, 2009

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Exhibit Number	**Description**
10.1	1995 Stock Option Plan for Nonemployee Directors, incorporated by reference to Exhibits to the S-1*
10.2	Northwest Pipe NQ Retirement Savings Plan, dated July 1, 1999, incorporated by reference to Exhibits to the Company's Quarterly Report Form 10-Q for the quarter ended June 30, 2000, as filed with the Securities and Exchange Commission on August 11, 2000*
10.3	Northwest Pipe Company 2007 Stock Incentive Plan, incorporated by reference to Appendix A to the Company's Definitive Proxy Statement dated April 20, 2007, as filed with the Securities and Exchange Commission on April 26, 2007*
10.4	Executive Employment Agreement dated December 19, 2012 between Northwest Pipe Company and Richard A. Roman, incorporated by reference to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on December 20, 2012*
10.5	Amendment to the Northwest Pipe Company 2007 Stock Incentive Plan dated April 12, 2013, incorporated by reference to Appendix A to the Company's Definitive Proxy Statement, as filed with the Securities and Exchange Commission on April 17, 2013*
10.6	Executive Employment Agreement between Northwest Pipe Company and Gary A. Stokes, incorporated by reference to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on April 4, 2014*
10.7	Form of Restricted Stock Unit Agreement, incorporated by reference to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on June 4, 2014*
10.8	Form of Performance Share Award Agreement, incorporated by reference to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on June 4, 2014*
10.9	Loan and Security Agreement dated October 26, 2015, among Northwest Pipe Company, Permalok Corporation and Bank of America, N.A., incorporated by reference to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on October 29, 2015
10.10	Form of Long Term Incentive Plan Agreement, incorporated by reference to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 21, 2016*
10.11	Amended and Restated Change in Control Agreement between Scott Montross and Northwest Pipe Company dated August 1, 2016, incorporated by reference to the Company's Form 10-Q for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on August 3, 2016*
10.12	Form of Amended and Restated Change in Control Agreement between Northwest Pipe Company and each of Robin Gantt, Martin Dana and Bill Smith dated August 1, 2016, incorporated by reference to the Company's Form 10-Q for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on August 3, 2016*

10.13	Amendment Number One to Loan and Security Agreement dated October 19, 2016, by and between Northwest Pipe Company and Permalok Corporation, individually and collectively as borrower, and Bank of America, N.A., as agent and lender, incorporated by reference to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on October 24, 2016
10.14	Change in Control Agreement between Northwest Pipe Company and Aaron Wilkins dated August 1, 2016, incorporated by reference to the Company's Form 10-Q for the quarter ended September 30, 2016, as filed with the Securities and Exchange Commission on November 2, 2016*
10.15	Form of Performance Share Unit Agreement, incorporated by reference to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on January 17, 2018*
21.1	Subsidiaries of the Registrant, filed herewith
23.1	Consent of Moss Adams LLP, filed herewith
23.2	Consent of PricewaterhouseCoopers LLP, filed herewith
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith

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Exhibit Number	Description
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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*This exhibit constitutes a management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

Northwest Pipe Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Northwest Pipe Company and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the years ended December 31, 2017 and 2016, and the related notes and schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for the years ended December 31, 2017 and 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also include evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Moss Adams LLP

Portland, Oregon

March 16, 2018

We have served as the Company’s auditor since 2016.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Northwest Pipe Company

In our opinion, the consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the period ended December 31, 2015 present fairly, in all material respects, the results of operations and cash flows of Northwest Pipe Company and its subsidiaries for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended December 31, 2015 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Portland, Oregon

March 4, 2016, except for the effects of discontinued operations discussed in Note 3 to the consolidated financial statements, as to which the date is March 16, 2018

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NORTHWEST PIPE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended December 31,		
	2017	**2016**	**2015**
Net sales	$132,780	$149,387	$173,160
Cost of sales	126,957	149,704	172,554
Gross profit (loss)	5,823	(317)	606
Selling, general and administrative expense	14,143	16,921	20,378
Impairment of goodwill	-	-	5,282
Gain on sale of facility	-	(7,860)	-
Restructuring expense	881	990	-
Operating loss	(9,201)	(10,368)	(25,054)
Other income	193	24	58
Interest income	6	14	1
Interest expense	(490)	(509)	(1,340)
Loss from continuing operations before income taxes	(9,492)	(10,839)	(26,335)
Income tax benefit	(1,100)	(4,098)	(8,523)
Loss from continuing operations	(8,392)	(6,741)	(17,812)
Discontinued operations:			
Loss from operations of discontinued operations	(1,779)	(3,180)	(15,004)
Gain on sale of facility	6	-	-
Income tax benefit	(2)	(658)	(3,428)
Loss on discontinued operations	(1,771)	(2,522)	(11,576)
Net loss	$(10,163)	$(9,263)	$(29,388)
Basic and diluted loss per share:			
Continuing operations	$(0.88)	$(0.71)	$(1.86)
Discontinued operations	(0.18)	(0.26)	(1.21)
Net loss per share	$(1.06)	$(0.97)	$(3.07)
Shares used in per share calculations:			
Basic and diluted	9,613	9,588	9,560

The accompanying notes are an integral part of these consolidated financial statements.

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NORTHWEST PIPE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	Year Ended December 31,		
	2017	**2016**	**2015**
Net loss	$(10,163)	$(9,263)	$(29,388)
Other comprehensive income (loss), net of tax:			
Pension liability adjustment	57	131	238
Unrealized gain (loss) on cash flow hedges	(19)	(76)	57
Other comprehensive income, net of tax	38	55	295
Comprehensive loss	$(10,125)	$(9,208)	$(29,093)

The accompanying notes are an integral part of these consolidated financial statements.

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NORTHWEST PIPE COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share amounts)

	December 31,	
	2017	**2016**
Assets		
Current assets:		
Cash and cash equivalents	$43,646	$21,829
Trade and other receivables, less allowance for doubtful accounts of $477 and $515	28,990	25,555
Costs and estimated earnings in excess of billings on uncompleted contracts	44,502	43,663
Inventories	17,055	18,645
Prepaid expenses and other	6,562	2,096
Assets held for sale	-	36,822
Total current assets	140,755	148,610
Property and equipment, net	78,756	81,671
Other assets	10,813	11,274
Total assets	$230,324	$241,555
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$7,521	$5,267
Accrued liabilities	6,563	10,925
Billings in excess of costs and estimated earnings on uncompleted contracts	2,599	2,038
Current portion of capital lease obligations	318	325
Total current liabilities	17,001	18,555
Capital lease obligations, less current portion	737	602
Deferred income taxes	941	1,282
Other long-term liabilities	11,381	11,903
Total liabilities	30,060	32,342
Commitments and contingencies (Note 15)		
Stockholders’ equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued or outstanding	-	-
Common stock, $.01 par value, 15,000,000 shares authorized, 9,619,755 and 9,601,011 shares issued and outstanding	96	96
Additional paid-in-capital	119,856	118,680
Retained earnings	81,757	91,920
Accumulated other comprehensive loss	(1,445)	(1,483)
Total stockholders’ equity	200,264	209,213
Total liabilities and stockholders’ equity	$230,324	$241,555

The accompanying notes are an integral part of these consolidated financial statements.

NORTHWEST PIPE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollar amounts in thousands)

	Common Stock Shares	Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances, December 31, 2014	*9,520,067*	$ *95*	$ *116,802*	$ *130,571*	$ *(1,833)*	$ *245,635*
Net loss	-	-	-	*(29,388)*	-	*(29,388)*
Other comprehensive income:						
Unrealized gain on cash flow hedges, net of tax expense of $34	-	-	-	-	*57*	*57*
Pension liability adjustment, net of tax expense of $237	-	-	-	-	*238*	*238*
Issuance of common stock under stock compensation plans	*44,685*	*1*	*(424)*	-	-	*(423)*
Tax benefit from stock compensation plans	-	-	*19*	-	-	*19*
Tax deficiency from stock compensation plans	-	-	*(352)*	-	-	*(352)*
Share-based compensation expense	-	-	*1,774*	-	-	*1,774*
Balances, December 31, 2015	*9,564,752*	*96*	*117,819*	*101,183*	*(1,538)*	*217,560*
Net loss	-	-	-	*(9,263)*	-	*(9,263)*
Other comprehensive income (loss):						
Unrealized loss on cash flow hedges, net of tax benefit of $43	-	-	-	-	*(76)*	*(76)*
Pension liability adjustment, net of tax expense of $82	-	-	-	-	*131*	*131*
Issuance of common stock under stock compensation plans	*36,259*	-	*(31)*	-	-	*(31)*
Tax deficiency from stock compensation plans	-	-	*(909)*	-	-	*(909)*
Share-based compensation expense	-	-	*1,801*	-	-	*1,801*
Balances, December 31, 2016	*9,601,011*	*96*	*118,680*	*91,920*	*(1,483)*	*209,213*
Net loss	-	-	-	*(10,163)*	-	*(10,163)*
Other comprehensive income (loss):						
Unrealized loss on cash flow hedges, net of tax benefit of $6	-	-	-	-	*(19)*	*(19)*
Pension liability adjustment, net of tax expense of $21	-	-	-	-	*57*	*57*

Issuance of common stock under stock compensation plans	*18,744*	-	*(24*)	-	-	*(24*)
Share-based compensation expense	-	-	*1,200*	-	-	*1,200*
Balances, December 31, 2017	*9,619,755*	$ *96*	$ *119,856*	$ *81,757*	$ *(1,445*)	$ *200,264*

The accompanying notes are an integral part of these consolidated financial statements.

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NORTHWEST PIPE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities:			
Net loss	$ *(10,163)*	$ *(9,263)*	$ *(29,388)*
Loss on discontinued operations	*(1,771)*	*(2,522)*	*(11,576)*
Loss from continuing operations	*(8,392)*	*(6,741)*	*(17,812)*
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities:			
Depreciation and capital lease amortization	*6,060*	*8,768*	*7,332*