UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 27, 2019.

Or

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

For the Transition Period from to .

Commission File Number 001-33076

WILLDAN GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**14-1951112**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2401 East Katella Avenue, Suite 300, Anaheim, California 92806
(Address of principal executive offices) (Zip Code)
(800) 424-9144
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of Exchange
Common Stock, par value $0.01 per share	WLDN	The Nasdaq Stock Market LLC (Nasdaq Global 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 15(d) of the Securities Exchange Act of 1934. 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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 ☐ Smaller reporting company ☐ Emerging growth company ☐

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as reported on the Nasdaq Global Market, as of the last business day of the registrant's most recently completed second fiscal quarter was $393.6 million.

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

On March 5, 2020, there were 11,545,411 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates information by reference from the registrant's definitive proxy statement for the registrant's 2020 Annual Meeting to be filed on or prior to 120 days after the end of the registrant's fiscal year.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K (this "10-K") contains statements that constitute forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995, as amended. These statements concern our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition, which are subject to risks and uncertainties. All statements other than statements of historical fact included in this 10-K are forward-looking statements. These statements may include words such as "aim," "anticipate," "assume," "believe," "can have," "could," "due," "estimate," "expect," "goal," "intend," "likely," "may," "objective," "plan," "potential," "positioned," "predict," "should," "target," "will," "would" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events or trends. For example, all statements we make relating to our plans and objectives for future operations, growth or initiatives and strategies are forward-looking statements.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions. We derive many of our forward-looking statements from our own operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that predicting the impact of known factors is very difficult, and we cannot anticipate all factors that could affect our actual results.

All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from our expectations. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- our ability to adequately complete projects in a timely manner;
- our ability to compete successfully in the highly competitive energy efficiency services market;
- changes in state, local and regional economies and government budgets;
- our ability to win new contracts, to renew existing contracts and to compete effectively for contracts awarded through bidding processes;
- our ability to successfully integrate our acquisitions and execute on our growth strategy;
- our ability to make principal and interest payments on our outstanding debt as they come due; and
- our ability to obtain financing and to refinance our outstanding debt as it matures.

The above is not a complete list of factors or events that could cause actual results to differ from our expectations, and we cannot predict all of them. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements disclosed under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this 10-K, as such disclosures may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission (the "SEC"), including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and public communications. You should evaluate all forward-looking statements made in this 10-K and otherwise in the context of these risks and uncertainties.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on any forward-looking statements we make. These forward-looking statements speak only as of the date of this 10-K and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties and other factors that are in many cases beyond our control. Except as required by law, we undertake no obligation to update or revise any forward-looking statements publicly, whether as a result of new information, future developments or otherwise.

PART I

ITEM 1. BUSINESS

Overview

Willdan Group, Inc. ("Willdan") is a provider of professional, technical and consulting services to utilities, private industry, and public agencies at all levels of government. As resources and infrastructures undergo continuous change, we help organizations and their communities evolve and thrive by providing a wide range of technical services for energy solutions and government infrastructure. Through engineering, program management, policy advisory, and software and data management, we design and deliver trusted, comprehensive, innovative, and proven solutions to improve efficiency, resiliency, and sustainability in energy and infrastructure to our clients.

The original company was founded in 1964, and Willdan, a Delaware corporation, was formed in 2006 to serve as our holding company. We have a rich heritage of partnering with public agencies in communities with populations ranging from 10,000 to 300,000 people, as we believe that communities of this size are underserved by large outsourcing companies who tend to focus on securing large federal, state, and private sector projects. We commenced providing energy efficiency services in 2008 and, as a result, our client base has grown to include investor-owned and other public utilities as well as substantial energy users in government and business.

Our overall growth strategy revolves around a combination of strong organic expansion and strategic acquisitions which provides us the ability to expand the breadth and depth of the services we provide to new and existing clients. We believe that we are well positioned to capitalize on the ongoing expansion and transformation of the energy and infrastructure environments.

We operate our business through a nationwide network of offices spread across 24 states and the District of Columbia. We serve 18 of the 25 largest electric utilities and 5 of the 10 largest municipal utilities in the United States ("U.S."). Our business with public and private utilities has concentrations in California and New York, but includes numerous other utilities in the Midwest, Southeast and Mountain states and we expect additional acquisitions will continue to expand our geographic footprint. Our business with public agencies is concentrated in California, New York, and Arizona. We also serve special districts, school districts, a large range of public agencies and private industry.

Our broad portfolio of services operates within two financial reporting segments: (1) Energy and (2) Engineering and Consulting. The interfaces and synergies between these segments are important elements of our strategy to design and deliver trusted, comprehensive, innovative, and proven solutions for our customers.

Our Markets

We operate in the energy efficiency services market and the engineering and consulting market. We provide a wide variety of services related to energy efficiency and sustainability, engineering, construction management, economic and financial consulting, and national preparedness and interoperability services primarily to public agencies, utilities, and commercial/industrial firms.

The energy efficiency services market continues to expand in response to the increasing awareness of global warming, climate change issues, and the advent of new technologies in renewable energy generation and the electrification of the nation's economy. Private industry and public agencies increasingly seek out cost-effective, turnkey solutions that provide innovative energy efficiency, renewable energy, water conservation and sustainability services. State and local governments frequently turn to specialized resource conservation firms to strike the balance between environmental responsibility and economic competitiveness. The use of energy efficiency services, including audits, program design, benchmark analysis, metering and incentivized sale and installation of selected energy efficiency measures provides public agencies, utilities and commercial/industrial firms with the ability to realize long-term savings.

The engineering and consulting market has grown as public agencies and utilities, as well as private utilities and firms, find it more efficient to outsource design, construction oversight, advisory, and training services to service providers, rather than maintain the necessary staff and resources to provide such services themselves. For example, we design and provide construction oversight of infrastructure projects for state, and local governments who have increased their infrastructure-related spending as a result of population growth, increases in local and state funding and aging infrastructure. We provide consulting services to public agencies as they raise the necessary funds to develop such infrastructure projects and provide other services. Relatedly, we provide local government staffing, traffic and transportation engineering, studies, plan reviews, grant support, and inspections. We also advise public agencies on disaster and emergency preparedness.

We believe we are a market and customer driven company, focused on growth and value creation for our clients, employees and shareholders. We seek to establish close working relationships with our clients and expand the breadth and depth of the services we provide to them over time. We believe the market for these services is, and will be, driven by a number of factors, including:

- Demand for services and solutions that provide energy efficiency, sustainability, water conservation, infrastructure development and renewable energy in the public and private sectors;
- Changes in technology that affect the generation, distribution and consumption of energy;
- Aging infrastructure, which leads to a need for increased capacity in engineering consulting and construction management services;
- The need for small and medium sized communities to obtain highly specialized services without incurring the costs of hiring permanent staffing and the associated support structure;
- Demand by constituents for a wider variety of services;
- Financial assistance from government-funded programs and state legislation for local communities to provide services to constituents; and
- Changes in government policy.

Our Services

We offer services in two financial reporting segments: (1) Energy and (2) Engineering and Consulting. Management established these segments based upon the services provided, the different marketing strategies associated with these services and the specialized needs of their respective clients.

The following table presents the approximate percentage of our consolidated contract revenue attributable to each segment.

	Fiscal Year		
	2019	**2018**	**2017**
Energy	84 %	72 %	73 %
Engineering and Consulting	16 %	28 %	27 %

During fiscal year 2019, we derived 34.7% of our Energy segment contract revenues from two customers, Consolidated Edison of New York and the Los Angeles Department of Water and Power ("LADWP"), and we derived 25% of our Engineering and Consulting segment contract revenues from one customer, the City of Elk Grove.

For further information related to our financial reporting segments, see Part II, Item 8, Note 9, *Segment Information and Geographical Information*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Energy Efficiency Services

Our Energy segment provides specialized, innovative, comprehensive energy solutions to businesses, utilities, state agencies, municipalities, and non-profit organizations in the U.S. Our experienced engineers, consultants, and staff help our clients realize cost and energy savings by tailoring efficient and cost-effective solutions to assist in optimizing energy spend. Our energy efficiency services include comprehensive audit and surveys, program design, master planning, demand reduction, grid optimization, benchmarking analyses, design engineering, construction management, performance contracting, installation, alternative financing, measurement and verification services, and advances in software and data analytics.

Our energy efficiency services include the following:

Energy Efficiency. We provide complete energy efficiency consulting and engineering services, including program design, management and administration; marketing, customer outreach, and project origination; energy audits and feasibility analyses; implementation; training; management; retro-commissioning; data management and reporting; measurement and verification services; and construction management.

Program Design and Implementation. We assist utilities and governmental clients with the design, development and implementation of energy efficiency plans and programs. These plans include the design, outreach, and implementation of strategies to deliver energy efficiency, water conservation, renewable energy planning, and to reduce greenhouse gas.

Direct Customer Support. We assist clients (including hospitals, hotels, government offices, schools, and private companies) in developing and managing facilities and related infrastructures through a holistic, practical approach to facility management. Our services cover audits, local compliance, operations and maintenance review, renewable energy planning, master plan development, infrastructure analyses, Leadership in Energy and Environmental Design ("LEED") certification for buildings, and strategies for energy spend and greenhouse gas reduction.

Turnkey Facility and Infrastructure Projects. We provide turnkey/design-build facility and infrastructure improvement projects to a wide array of private and public clients including municipalities, county governments, public and private K-12 schools, and higher education institutions. Our services cover preliminary planning, project design, construction management, commissioning, post-project support and measurement and verification.

Project Examples. The following are examples of typical projects in the Energy segment:

- *Consolidated Edison, New York.* We serve as Consolidated Edison's program manager and implementer for its Small Business Direct Install ("SMB") program across the utility's New York City and Westchester County service areas. The SMB program, Consolidated Edison's largest energy efficiency program, helps customers save energy, lower their bills, and protect the environment by providing financial incentives to identify and install energy efficiency measures. To support this effort, we provide full-service program implementation, including outreach and direct sales to potential commercial customers, on-site energy efficiency assessments, direct implementation of energy-savings measures, and subcontractor management.

- *Dormitory Authority-State New York ("DASNY"), New York.* Our subsidiary, Willdan Energy Solutions ("WES"), provides services to Genesys in its performance of rehabilitation, construction management, architectural, and engineering services at various college and university sites within New York State. Services for DASNY under these contracts also include energy efficient design, utility cost evaluation, and various regulatory compliance services. Specific project descriptions are set out by DASNY in work authorizations, which are issued under the terms of the master contracts.

- *Marshak Science Building Rehabilitation, The City University of New York.* Performed under the DASNY master contract, the Marshak Science Building is a mid-rise, 750,000 square-foot science building, which consists of a 350,000 square-foot, 13-story tower and a 300,000 square-foot plaza level and underground. The science building houses research and teaching labs, a vivarium, a morgue, office areas, a library, an auditorium, a gymnasium and a pool. We were responsible for the study, design, and construction management that included the retrofit of 200 standard-flow fume hoods to low-flow, high-efficiency hoods and the installation of high-entrainment fume hood exhaust systems, new lab make-up air units with heat recovery, liquid desiccant dehumidification systems, new supply air risers and general exhaust risers throughout the tower, new hot water and chilled water risers, new central station air handling equipment, new high-temperature hot water to low-temperature hot water heat exchangers, and a lab fit-out with chilled beam secondary heating and cooling.

- *San Diego Gas and Electric ("SDG&E"), California*. We provide peak-load reduction and energy capacity to SDG&E by coordinating the installation of proven energy efficiency measures, including chiller retrofits, chiller variable-frequency drives ("VFDs"), HVAC VFDs, evaporative cooling, demand control ventilation, two-way valves, and chilled water pump VFDs. These measures produce both peak-load reductions and energy savings.

- *Healthcare Energy Efficiency Program ("HEEP"), Southern California Edison ("SCE").* We are the implementer of HEEP, which provides incentives and support to healthcare-related facilities to implement energy efficiency upgrades related to lighting, HVAC, boilers, medical equipment, building automation systems, VFDs, sensors, vending controls and retro-commissioning. We perform American Society of Heating, Refrigerating and Air-Conditioning Engineers ("ASHRAE") Level I and II audits and ongoing analysis and support of installed measures, as well as develop customized energy efficiency measures including energy savings and peak demand reduction estimates. Further, we provide financial calculations including forecasted cost savings, payback, and return on investment. We assist with contractor referrals, request for proposals, and monitoring of installation, as well as perform measurement and verification ("M&V") to ensure energy savings are achieved.

- *Baldwin High School, Kansas.* We provided a central plant HVAC replacement and building wide HVAC controls installation. We installed a new chilled water and boiler plant and refurbished two large air handling units. We also installed new heating hot water control valves on all variable air volume boxes and new HVAC controls to ensure the achievement of specified energy cost savings for the school.

- *Entergy Corporation, Louisiana.* We supported Entergy's investments in grid data and analytics capabilities across its electric distribution footprint through a software license for LoadSEER, the modeling application of Integral Analytics. LoadSEER was developed to provide unique insights and modeling capability for distributed energy resources ("DERs") and the evolving distribution grid. The application is used in short- and long-term circuit-level planning and to proactively integrate renewables, energy storage, and efficiency investments. LoadSEER combines multi-layer risk, geospatial, and scenario modeling; utilities' existing tools; engineering efforts; and multiple data sources in order to deliver dynamic, granular load profiles and perform valuation analyses.

Engineering and Consulting Services

Our Engineering and Consulting segment provides civil engineering-related construction management, building and safety, city engineering, city planning, geotechnical, material testing and other engineering consulting services to our clients. Our engineering services include rail, port, water, mining and other civil engineering projects. We also provide economic and financial consulting to public agencies along with national preparedness and interoperability services, communications, and technology solutions. Lastly, we supplement the engineering services that we offer our clients by offering expertise and support for the various financing techniques public agencies utilize to finance their operations and infrastructure. We also support the mandated reporting and other requirements associated with these financings. We do not provide underwriting or financial advisory services for municipal securities.

In general, contracts for engineering and consulting services are awarded by public agencies based primarily upon the qualifications of the engineering or consulting professional, rather than the proposed fees. We have longstanding relationships with many of these agencies and are recognized as having relevant expertise and customer focused services. A substantial percentage of our work is for existing clients that we have served for many years.

Our Engineering and Consulting services include the following:

Building and Safety. Our building and safety services range from managing and staffing an entire municipal building department to providing specific outsourced services, such as plan review and field inspections. Other related services under this umbrella include performing accessibility compliance and providing disaster recovery teams, energy compliance evaluations, permit processing and issuance, seismic retrofitting programs, and structural plan review. Many of our building and safety services contracts are with municipalities and counties where we supplement the capacity of in-house staff.

City Engineering and Code Enforcement. We provide municipalities with city engineering services and assist with the development, implementation and enforcement of building and development codes. These services are tailored to the unique needs of each municipality, ranging from staffing an entire engineering department to carrying out specific projects within a municipality.

Development Review. We offer development plan review and inspection services including Americans with Disabilities Act ("ADA") compliance, preliminary and final plats (maps), grading and drainage, complete infrastructure improvements for residential site plans, commercial site plans, industrial development and subdivision, and major master plan development services. We have reviewed grading plans, street lighting and traffic signal plans, erosion control plans, storm drain plans, street improvement plans, and sewer water and utility plans.

Disaster Recovery. We provide disaster recovery services to cities, counties and local government. Our experience in disaster recovery includes assisting communities in the disaster recovery process following earthquakes, firestorms, mudslides and other natural disasters. We typically organize and staff several local disaster recovery centers which function as "one-stop permit centers" that guarantee turn-around performance for fast-track plan checking and inspection services. Additionally, we have performed street and storm drain clean-up, replacement or repair of damaged storm drains, streets, and bridges, debris management and preparation and implementation of a near-term erosion and sediment control program.

Geotechnical. Our geotechnical and earthquake engineering services include soil engineering, earthquake and seismic hazard studies, geology and hydrogeology engineering, and construction inspection. We operate a licensed, full-service geotechnical laboratory at our headquarters in Anaheim, California, which offers an array of testing services, including construction materials testing and inspection.

Planning and Surveying. We assist communities with a full range of planning services, from the preparation of long-range policy plans to assistance with the day-to-day operations of a planning department. For several cities, we provide contract staff support, which ranges from staffing entire departments to providing interim or long-term services to entities that have determined that it is not cost-effective to have a full-time engineer on staff, to relieve peak workload situations or to fill vacant positions during a job search. Typical assignments include land use studies, development of specific plans or general plan elements, design guidelines, and zoning ordinances. We also provide surveying and mapping services, including major construction layout, design survey, topographic survey, aerial mapping, Geographic Information Systems, and right-of-way engineering.

Program and Construction Management. We provide comprehensive program and construction management services to our public sector clients. These services include construction administration, inspection, observation, labor compliance, and community relations, depending on the client's needs and the scope of the specific project. Our construction management experience encompasses projects such as streets, bridges, sewers and storm drains, water systems, parks, pools, public buildings, and utilities.

Structures. Our structural engineering services include bridge design, bridge evaluation and inspection, highway and railroad bridge planning and design, highway interchange design, railroad grade separation design, bridge seismic retrofitting, building design and retrofit, sound wall and retaining wall design, and planning and design for bridge rehabilitation and replacement.

Transportation and Traffic. We provide a wide range of services relating to transportation, traffic and other infrastructure projects. For example, our transportation engineering services cover a full spectrum of support functions, including right of way, utility relocation, landscape, survey and mapping, geographic information systems, public outreach, and interagency coordination. Our traffic engineering services include serving as the contract city traffic engineer in communities, as well as performing design and traffic planning projects for our clients.

Water Resources. We assist clients in addressing the many facets of water development, treatment, distribution and conservation, including energy savings, technical, financial, legal, political, and regulatory requirements. Our core competencies include hydraulic modeling, master planning, rate studies and design and construction services. Our design experience includes reservoirs, pressure reducing stations, pump and lift stations, and pipeline alignment studies, as well as water/wastewater collection, distribution, and treatment facilities. We also provide a complete analysis and projection of storm flows for use in drainage master plans and for individual storm drain systems to reduce flooding in streets and adjacent properties. We design open and closed storm drain systems and detention basin facilities, for cities, counties and the Army Corp of Engineers.

District Administration. We administer special districts on behalf of public agencies. The types of special districts administered include community facilities districts (in California, Mello-Roos districts), assessment districts, landscape and lighting districts, school facilities improvement districts, benefit assessment districts, fire suppression districts, and business improvement districts. Our district administration services include calculating the annual levy for each parcel in the district; billing charges directly or through a county tax roll; preparing the annual Engineer's Report, budget and resolutions; reporting on collections and payment status; calculating prepayment quotes; and providing financial analyses, modeling and budget forecasting.

The key to our district administration services is our proprietary software package, MuniMagic+℠: Municipal Administration & Government Information Coordinator, which we developed internally to redefine the way we administer special districts. MuniMagic+℠ is a database management program that maintains parcel data; calculates special taxes, assessments, fees and charges; manages payment tracking; maintains bond-related information in a single, central location; and provides reporting, financial modeling and analysis at multiple levels of detail. MuniMagic+℠ offers a significant competitive advantage in an industry driven by the ability to accurately process large quantities of data.

Financial Consulting. We perform economic analyses and financial projects for public agencies, including fee and rate studies; utility rate analysis; utility system appraisals and asset acquisitions; economic development and redevelopment planning; Community Choice Aggregation feasibility studies, in which local entities contemplate aggregating buying power in order to secure alternative energy supply contracts; real estate and market analysis associated with planning efforts, and development fee studies; special district formation and other special projects.

Federal Compliance. We offer several services that support bonded debt compliance reporting for cities, counties, states, school districts, water districts, housing authorities, 501(c)(3) and other municipal entities. We provide federal compliance services to approximately 750 issuers in 42 states and the District of Columbia managing approximately $70 billion in municipal debt.

Emergency Preparedness, Planning and Training. We design, develop, implement, review and evaluate public and private agencies' emergency operations and hazard mitigation preparedness and plans. We also provide customized training courses and exercises.

The following are examples of typical projects we have performed in the Engineering and Consulting segment:

- *City of Elk Grove, California, City Engineering, Capital Improvement, and Infrastructure Services.* We provide comprehensive technical support to the Public Works and Development Services Departments for the over 170,000-resident community of Elk Grove, California. Services include public counter service, drainage/stormwater/NPDES, traffic engineering, permitting, land development review and inspection, CIP design and construction support, and city planning. Serving the two City departments is a team of over 40 of our full-time engineers, architects, scientists, managers, observers/inspectors, project managers, administrative support staff, and a team of subconsultants. All work is accomplished through a task order process that defines the scope of work, time of performance, and cost of services.

- *City of Palm Springs, California, Engineering and Construction Management Services.* We provide construction management and public works inspection services related to the City's Police Department Remodel Project. The project involves the remodeling of the training center, lobby, records area, detective bureau, and men's and women's locker rooms. We are acting as Owner's Representative and Construction Manager responsible for coordinating all aspects of the construction, including coordination with the City's Building Inspection Staff.

- *Contra Costa County, California, City Engineering Services.* We provide finance review, financial analysis, and contract administration services for the Contra Costa County Public Works Department. Willdan is providing municipal services in a variety of professional and technical administrative and finance measures.

- *County of Los Angeles, California, Traffic Engineering Services.* We provide professional traffic engineering services for the Lower Azusa Road/Los Angeles Street Traffic Signal Synchronization Project. The services include meetings and project coordination with Los Angeles County and various municipalities as well as field review, equipment inventory, reporting for recommended improvements, traffic signal base plans, traffic signal improvement plans and traffic signal utility plans for 29 signalized intersection along the Lower Azusa/Los Angeles Street corridor.

- *County of Orange, California, Code Enforcement Services.* Our code enforcement team is responsible for responding to citizen concerns and investigations of a variety of code violations throughout the unincorporated areas of Orange County in support of its Neighborhood Preservation Program, including the reviewing, processing, and closing of code enforcement cases related to land use, zoning, building, grading, nuisance, and property maintenance violations. Our staff performs review of all case files, inspection of properties, filing notices and complaints against violators, documenting, and preparing violation cases for the district attorney's office and/or County counsel and testifying in court. We assist in the entitlement/development process consisting of general land use, zoning and building violations.

- *State of Nevada, Building and Safety Services.* We have provided building safety/plan check services for the State of Nevada Public Works Department since 2007. Projects for the State of Nevada include several for the University of Nevada, Las Vegas and Reno campuses. The projects consist of installation of photo voltaic and parking lot lighting upgrades, a new baseball clubhouse, and the complete structural upgrade and remodel of several historic buildings at the Reno campus.

- *Property Assessed Clean Energy ("PACE").* PACE is a financing mechanism that enables low-cost, long-term funding for energy efficiency, renewable energy and water conservation projects. PACE financing is repaid as an assessment on the property owner's regular tax bill, and is processed the same way as other local public benefit assessments that have been utilized for decades. Depending on local legislation, PACE can be used to pay for new heating and cooling systems, solar panels, insulation and more for commercial, nonprofit and residential properties. This allows property owners to implement improvements without a large up-front cash payment. We have partnered with Ygrene Energy Fund to provide a national PACE program.

Clients

Our clients primarily consist of investor and municipal owned energy utilities, public and governmental agencies including cities, counties, redevelopment agencies, water districts, school districts and universities, state agencies, federal agencies and a variety of other special districts and agencies. We also provide services to private industry, hospitals, hotels, and other commercial enterprises.

We are organized to profitably manage numerous small and large contracts at the same time. The majority of our contracts typically range from $1,000 to $10,000,000 in contract revenue; however, some of our multi-year contracts have the capacity to provide up to, and in excess, of $100,000,000 in revenue for the implementation of certain energy efficiency programs. Our contracts typically have a duration of between two and thirty-six months, although we have city services contracts that have been in effect for over 30 years. Most of our contracts include a provision allowing for termination for convenience after reimbursement of any unbilled effort under the contract. As of December 27, 2019, we had approximately 1,900 open projects.

During fiscal year 2019, we had individual customers that accounted for more than 10% of our consolidated contract revenues. For fiscal year 2019, the LADWP and Consolidated Edison of New York accounted for 17.9% and 11.2% of our consolidated contract revenue, respectively. For fiscal year 2019, our top 10 customers accounted for 50.6% of our consolidated contract revenues.

Our largest clients are based in New York and California. In fiscal year 2019, services provided to clients in California accounted for 41.1% of our consolidated contract revenue and services provided to clients in New York accounted for 27.2% of our consolidated contract revenue.

In 2013, Lime Energy collaborated with Duke Energy - Progress to launch the first ever small business direct install program in North Carolina and South Carolina. Since its launch, the program has grown to encompass all eligible Duke Energy customers in North Carolina, South Carolina, Ohio, Indiana, and Kentucky. The Small Business Energy Saver Program offers eligible commercial customers the opportunity to retrofit a comprehensive list of existing inefficient equipment with more energy-efficient measures. The program provides integrated turn-key services including program marketing, energy assessments, installation by local contractors, up to 80 percent incentives to offset the cost of projects, and education to encourage the replacement of existing equipment with improvements in lighting, refrigeration, and HVAC. We continue to implement programs across these five states and have completed over 18,000 projects for Duke Energy resulting in over 567,000 MWh in savings to small businesses.

We collaborate with the LADWP through the Commercial Direct Install Program, which is a small business lighting energy efficiency program that serves all commercial customers in LADWP territory with demand up to 250kW. On average, this program implements 8,000 energy efficiency projects a year and has implemented almost 80,000 projects since program inception in 2008. Over that time, we have saved LADWP and its customers over 480,000 MWh per year and 96 MW of peak demand. We have also provided lead generation identifying roughly 9,000 HVAC tune-ups, 6,000 programmable thermostats installations, and 5,000 hot water efficiency upgrades.

In January 2017, we announced a new three-year contract with Consolidated Edison to implement Consolidated Edison’s Small and Medium Business Direct Install (“SMB”) program across the utility's New York City and Westchester County service area. This program replaced and expanded Consolidated Edison's Small Business Direct Install (“DCI”) program, which we had implemented since 2009. It continues the process of diversifying the program offerings. The Consolidated Edison contract continues through the end of 2022. The SMB program, Consolidated Edison's largest energy efficiency program, helps customers save energy, lower their bills and protect the environment by providing financial incentives to identify and buy down the cost of energy efficiency measures. To support this effort, we provide full-service program implementation including outreach and direct sales to potential commercial customers, on-site energy efficiency assessments, direct implementation of energy savings measures and subcontractor management. The administration of incentive payments to other contractors providing services through the program is included in Willdan’s scope, but the structure of the contract is such that these payments are not included in revenue or expenses. Consolidated Edison may terminate the contract at any time for any reason.

In connection with our acquisition of substantially all of the assets of Genesys Engineering, P.C. (“Genesys”) in March 2016, we entered into an administrative services agreement with Genesys pursuant to which our subsidiary, WES, provides Genesys with ongoing administrative, operational and other non-professional support services. Under such administrative services agreement, WES provides administrative services for a series of Genesys’s DASNY contracts. WES provides administrative services to Genesys in its performance of rehabilitation and construction work and architectural and engineering services at various sites within New York State for DASNY under these contracts, including energy efficient design, utility cost evaluation and review, and various regulatory compliance services. Specific project descriptions are set out by DASNY in work authorizations, which are issued under the terms of the contracts. The termination dates of the DASNY contracts vary; the latest of which is February 12, 2021. Work authorized but not yet completed under this contract continues to be bound by the terms of the agreement beyond the termination date until completion of the projects. Genesys expects to receive an amendment from DASNY to the master contract extending the termination date under DASNY's option to extend this contract term twice, one year at a time. DASNY may at any time terminate any of the contracts or suspend all projects, for its convenience and without cause.

Contract Structure

We generally provide our services under contracts, purchase orders, or retainer letters. The agreements we enter into with our clients typically incorporate one of three principal types of pricing provisions:

- *Time-and-materials provisions* provide for reimbursement of costs and overhead plus a fee for labor based on the time expended on a project multiplied by a negotiated hourly billing rate. The profitability achievable on a time-and-materials basis is driven by billable headcount and cost control.

- *Unit-based provisions* require the delivery of specific units of work, such as energy efficiency savings goals measured in kWh or Therms, arbitrage rebate calculations, dissemination of municipal securities continuing disclosure reports, or building plan checks, at an agreed price per unit, with the total payment under the contract determined by the actual number of units performed.

- *Fixed price provisions* require all work under a contract to be performed for a specified lump sum, which may be subject to adjustment if the scope of the project changes. Contracts with fixed price provisions carry certain inherent risks, including risks of losses from underestimating costs, delays in project completion, problems with new technologies, price increases for materials, and economic and other changes that may occur over the contract period. Consequently, the profitability, if any, of fixed price contracts can vary substantially. Willdan typically hedges some of these risks through the use of fixed price subcontracts for services, material, and equipment.

The following table presents, for the periods indicated, the approximate percentage of our contract revenue subject to each type of pricing provision:

	Fiscal Year	
	2019	**2018**
Time-and-materials	16 %	27 %
Unit-based	65 %	47 %
Fixed price	19 %	26 %
Total	100 %	100 %

In relation to the pricing provisions, our service-related contracts, including operations and maintenance services and a variety of technical assistance services, are accounted for over the period of performance, in proportion to the cost of performance. Award and incentive fees are recorded when they are fixed and determinable and consider customer contract terms.

For time-and-materials and fixed price contracts, we bill our clients periodically in accordance with the contract terms, based on costs incurred on either an hourly fee basis or on a percentage of completion basis or upon the achievement of certain prescribed milestones, as the project progresses. For unit-based contracts, we bill our clients upon delivery and completion of the contracted item or service, and in some cases, in advance of delivery.

Our contracts come up for renewal periodically and, at the time of renewal, may be subject to renegotiation or recompetition, which could impact the profitability on that contract. In addition, during the term of a contract, public agencies may request additional or revised services which may impact the economics of the transaction. Most of our contracts permit our clients, with prior notice, to terminate the contracts at any time without cause. While we have a large volume of transactions and generally low customer concentration, the renewal, termination, or modification of a contract may have a material effect on our consolidated operations.

Competition

Our competition varies by type of client, type of service and geography. The range of competitors for any one project can vary depending upon technical specialties, the relative value of the project, geographic location, financial terms, risks associated with the work, and any client-imposed restrictions. We often compete with many other firms ranging from small local firms to large national firms. Contract awards are based primarily on qualifications, relevant experience, staffing capabilities, geographic presence, financial stability and price.

Our Energy segment and our Engineering and Consulting segment competes with firms such as Ecology & Environment, Inc., Iteris, Inc., NV5 Global, Inc., ICF International, Inc., and Ameresco, Inc. In addition, in certain public finance consulting services, we may compete with large accounting firms.

Doing business with utilities and governmental agencies is complex and requires the ability to understand and comply with intricate regulations and to satisfy periodic audits. We have been serving cities, counties, special districts and other public agencies for over half a century. We believe that the ability to understand these requirements and to successfully conduct business with utilities, governmental entities and agencies is a barrier to entry for potential competitors.

Unlike some of our competitors, we focus our services on utilities and public sector clients. Utility and public sector clients generally choose among competing firms by weighing the quality, experience, innovation and timeliness of the firm's services. When selecting consultants for engineering projects, many utilities and government agencies are required to, and others choose to, employ Qualifications Based Selection ("QBS"). QBS requires the selection of the most technically qualified firms for a project, while the financial and legal terms of the engagement are generally secondary.

Our competition varies geographically. Although we provide services in several states, we may be stronger in certain service lines in some geographical areas than in other regions. Similarly, some of our larger competitors are stronger in some service lines in certain localities but are not as competitive in others. Our smaller competitors generally are limited both geographically as well as by the depth and breadth of services they are able to provide.

We believe that no single competitor has sufficient market share to influence the markets in which we operate in.

Insurance

To address the hazards inherent in our business, we maintain insurance coverage through the following policies: commercial general liability, automobile liability, workers' compensation and employer's liability, cyber liability, professional liability and umbrella/excess liability. However, if any claims, settlements, or judgements, individually or in the aggregate, exceed our policy limits, we are liable to pay these claims from our assets. We believe our coverage limits reasonably protect us from any material adverse impact that may arise from these insured risks.

Employees

At December 27, 2019, we employed a total of 1,451 employees, excluding contractors. Our employees include, among others, licensed electrical, mechanical, structural, geotechnical and civil engineers; land surveyors; certified building officials; certified inspectors and plans examiners; licensed architects and landscape architects; certified planners; energy sales and audit specialists; installation technicians; program managers; policy advisors and information technology specialists. We believe that we attract and retain highly skilled personnel with significant industry experience and strong client relationships by offering them challenging assignments in a stable work environment combined with employee benefit programs that we believe are competitive with those offered by our competitors.

The following table sets forth the number of our employees in each of our business segments and our holding company:

	2019	2018	2017
Energy	900	677	381
Engineering and Consulting	487	469	448
Holding Company Employees (Willdan Group, Inc.)	64	56	53
Total	1,451	1,202	882

Intellectual Property

We believe we have strong name recognition and that this provides us with a competitive advantage in obtaining new business. Consequently, we believe it is important to protect our brand identity through trademark registrations. The Willdan, Willdan Group, Inc., Willdan Engineering, Willdan Infrastructure, Willdan Financial Services, Willdan Energy Solutions and Willdan Homeland Services names are service marks of ours, and we have obtained a service mark for the Willdan and "W" logo. We have also obtained federal service mark registration with the United States Patent and Trademark Office for the "Willdan" name, "Willdan Group, Inc." name and the "extending your reach" tagline. The name and logo of our proprietary software, MuniMagic+℠, are registered service marks of Willdan Financial Services, and we have registered a federal copyright for the source code for the MuniMagic+℠ software. In connection with our acquisitions, we have obtained the trademark for our "LoadSEER" software, have obtained the patent for "Optimization of Microgrid Energy Use and Distribution", have obtained the service marks for the Enerpath, Enerworks and Lime/Green Dial Design, and have obtained the registered copyright of Lime, Lime Energy, Lime Energy "less is more" design and Main Street Efficiency.

Available Information

We maintain an Internet website at http://www.willdan.com. Through our website, in the "Investors" section under the heading "SEC Filings", we make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports, as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. We also make available on this website our prior earnings calls under the heading "Events and Presentations" and our Code of Ethical Conduct under the heading "Investors—Corporate Governance." The information on our website is not a part of or incorporated by reference into this filing. The SEC maintains an Internet site that contains reports, proxy, and information statements and other information regarding our filings at http://www.sec.gov.

ITEM 1A. RISK FACTORS

Risks Relating to Our Business and Industry

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of risks and uncertainties that could cause our actual results to differ materially from the results and expectations contained in this report. Additional risks we do not yet know of or that we currently think are immaterial may also affect our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected.

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

Our engagements often involve large-scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. We may commit to a client that we will complete a project by a scheduled date or that, when completed, a project will achieve specified performance standards (e.g., some of our contracts stipulate certain energy savings requirements). If the project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. The uncertainty of the timing of a project can present difficulties in planning the amount of personnel needed for the project. If the project is delayed or canceled, we may bear the cost of an underutilized workforce that was dedicated to fulfilling the project. In addition, performance of projects can be affected by a number of factors beyond our control, including, among other things, unavoidable delays from government inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials (including but not limited to import restrictions or pandemics or other public health emergencies such as the recent coronavirus outbreak), changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, and labor disruptions. To the extent these events occur, the total costs of the project could exceed our estimates, and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability. Further, any defects or errors, or failures to meet our clients' expectations, could result in claims for damages against us. Failure to meet performance standards or complete performance on a timely basis could also adversely affect our reputation and client base.

We are susceptible to risks relating to the energy efficiency services industry, which represented 84% of our consolidated contract revenue in fiscal year 2019, and a loss of customers or other downturn in demand for those services could have a material impact on our revenues, profitability and financial condition.

Consolidated contract revenue generated from our Energy segment has continued to increase, from 49% of our consolidated contract revenues in fiscal year 2014 to 84% of our consolidated contract revenues in fiscal year 2019. This increase is primarily due to acquisitions we have made in this segment in recent fiscal years, including our acquisition of Lime Energy in fiscal year 2018, as well as an increase in demand for these services. A loss of customers, inability to procure or maintain contracts, or downturn in demand could have a material adverse impact on our business, results of operations and financial condition. To address risks related to increased dependence on the energy efficiency services business, we must do the following:

- Maintain and expand our current utility relationships and develop new relationships;
- Maintain, enhance and add to our existing energy efficiency services;
- Execute our business and marketing strategies successfully; and
- Achieve the energy savings that are specified in our contracts.

If we are unable to accomplish these objectives and we suffer a downturn in business from energy efficiency services, we may not be able to supplement the loss of revenue from our other services and it may result in lower revenues and have an adverse impact on our business, results of operations and financial condition.

Our top two clients and one of our utility programs accounted for 34% of our consolidated contract revenue for fiscal year 2019 and our top ten clients accounted for 51% of our consolidated contract revenue. If we have a loss or reduction of business from any of these clients or utility programs, it could result in significant harm to our revenue, profitability and financial condition.

For fiscal year 2019, we derived 51% of our consolidated contract revenue from our top ten clients. In addition, our top two clients and one of our utility programs accounted for 34% of our consolidated contract revenue. LADWP, Consolidated Edison of New York, and DASNY accounted for 17.9%, 11.2% and 5.4%, respectively, of our consolidated contract revenue in fiscal year 2019. The amounts due from these clients represented 29% of our outstanding accounts receivable as of December 27, 2019. These clients are not committed to purchase any minimum amount of our services, as our agreements with them are based on a "purchase order" model. As a result, they may discontinue utilizing some or all of our services with little or no notice. As well, certain of our contracts (for example, our contract relating to LADWP) are with other entities that are periodically funded by the applicable utility. Such funding is subject to periodic renewal and is outside our control or its contract counterparty and may, at times, be delayed or inhibited.

The loss of this utility program or these clients (or financial difficulties at this utility program or these clients, which result in nonpayment or nonperformance) could have a significant and adverse effect on our business, results of operations and financial condition. We expect Consolidated Edison, DASNY and the utility program associated with the LADWP to continue to account for a significant portion of our consolidated contract revenue for the foreseeable future. If these clients or utility program significantly reduce their business or orders with us, default on their agreements with us or fail to renew or terminate their agreements with us, our business, results of operations and financial condition could be materially and adversely affected. We may not be able to win new contracts to replace these contracts if they are terminated early or expire as planned without being renewed.

In addition, the potential for requests from certain clients, including Consolidated Edison and DASNY, or the utility program associated with the LADWP, to significantly increase the services we provide them requires us to have sufficient resource capacity available in the regions where they are located. If we are unable to maintain such resource capacity, these clients or utility program may reduce or stop purchasing certain services from us. If such clients or utility program reduce or stop purchasing certain services from us, we may have substantial capacity available in regions where we do not have corresponding clients to service.

Our failure to win new contracts and renew existing contracts with private and public sector clients could adversely affect our business, results of operations and financial condition.

Our business depends on our ability to win new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process. If we are not able to replace the revenue from expiring contracts, either through follow-on contracts or new contracts, our business, results of operations and financial condition may be adversely affected. A number of factors affect our ability to win new contracts and renew existing contracts, including, among other things, market conditions, financing arrangements, required governmental approvals, our client relationships and professional reputation. For example, a client may require us to provide a bond or letter of credit to protect the client should we fail to perform under the terms of the contract. If negative market conditions arise, or if we fail to secure adequate financial arrangements or the required government approval, we may not be able to pursue particular projects, which could adversely affect our business, results of operations and financial condition. Any factor that diminishes our reputation or client relationships with federal, state and local governments, as well as commercial clients, could make it substantially more difficult for us to compete successfully for both new engagements and qualified employees. To the extent our reputation and/or client relationships deteriorate, our business, results of operations and financial condition could be adversely affected.

Our contracts may contain provisions that are unfavorable to us and permit our clients to, among other things, terminate our contracts partially or completely at any time prior to completion.

Certain of our contracts contain provisions that allow our clients or utility programs to terminate or modify the contract at their convenience upon short notice. For example, Los Angeles Department of Water and Power, Consolidated Edison of New York, and DASNY, our three largest sources of revenue, may terminate their contracts with us at any time for any reason. If one of these clients or utility programs terminates their contract for convenience, we may only bill the client or utility program, as applicable, for work completed prior to the termination, plus any commitments and settlement expenses such client or utility program agrees to pay, but not for any work not yet performed.

In addition, many of our government contracts and task and delivery orders are incrementally funded as appropriated funds become available. The reduction or elimination of such funding can result in contract options not being exercised and further work on existing contracts and orders being curtailed. In any such event, we would have no right to seek lost fees or other damages. If a client were to terminate, decline to exercise options under, or curtail further performance under one or more of our major contracts, it could have a material adverse effect on our business, results of operations and financial condition.

Our substantial leverage and significant debt service obligations due to debt incurred in connection with our acquisitions could adversely affect our business, results of operations and financial condition.

Prior to 2018, we operated our business with little to no outstanding indebtedness. However, in connection with the completion of our acquisitions of Lime Energy in November 2018, The Weidt Group in March 2019, Onsite Energy in July 2019, and E3, Inc. in October 2019, we incurred approximately $129.0 million in indebtedness. As of December 27, 2019, we had approximately $131.0 million of consolidated indebtedness (excluding intercompany indebtedness) outstanding, of which $125.0 million was secured obligations (exclusive of $2.7 million of outstanding undrawn letters of credit) and we have an additional $45.0 million of availability under our revolving credit facility (after giving effect to outstanding letters of credit), all of which would be secured debt, if drawn. Our financial performance could be adversely affected by our substantial leverage. We may also incur significant additional indebtedness in the future, subject to various conditions.

This significant level of indebtedness could have important negative consequences to us, including, among other things:

- we may have difficulty satisfying our obligations with respect to our outstanding debt obligations;
- we may have difficulty obtaining financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes;
- we may need to use all, or a substantial portion, of our available excess cash flow to pay interest and principal on our debt, which will reduce the amount of money available to finance our operations and other business activities, including, among other things, working capital requirements, capital expenditures, acquisitions, or other general corporate purposes;
- our debt level increases our vulnerability to general economic downturns and adverse industry conditions;
- our debt level could limit our flexibility in planning for, or reacting to, changes in our business and in our industry in general;
- we are exposed to the risk of increased interest rates as some of our borrowings have variable interest rates;
- our substantial amount of debt and the amount we must pay to service our debt obligations could place us at a competitive disadvantage compared to our competitors that have less debt;

- we may have increased borrowing costs;
- our clients or insurance carriers may react adversely to our significant debt level; and
- our failure to comply with the financial and other restrictive covenants in our debt instruments which, among other things, require us to maintain specified financial ratios and limit our ability to incur debt and sell assets, could result in an event of default that, if not cured or waived, could have a material adverse effect on our business or prospects.

Our high level of indebtedness relative to our historical performance requires that we use a substantial portion of our cash flow from operations to pay principal of, and interest on, our indebtedness, which will reduce the availability of cash to fund working capital requirements, future acquisitions, capital expenditures or other general corporate or business activities. Debt outstanding under our term loan and revolving credit facility bear interest at variable rates. If market interest rates increase, debt service on our variable-rate debt will rise, which could adversely affect our cash flow, results of operations and financial position. For the fiscal year ended December 27, 2019, a 1.00% increase in interest rates would have increased total interest expense under our term loan and revolving credit facility by $1.2 million. Although we may employ hedging strategies such that a portion of our variable rate debt carries a fixed rate of interest, any hedging arrangement put in place may not offer complete protection from this risk. Additionally, the remaining portion of our variable rate debt that is not hedged will be subject to changes in interest rates.

In addition, our term loan will amortize quarterly in an amount equal to 10% annually and each borrowing under our delayed draw term loan will amortize quarterly in an amount equal to 2.5% beginning with the first full fiscal quarter ending after the initial borrowing date. Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the amounts due on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The Credit Agreement restricts our ability to dispose of assets and use the proceeds from those dispositions and also restricts our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially adversely affect our financial position and results of operations. If we cannot make scheduled payments on our debt, we will be in default and the lenders under our Credit Agreement could terminate their commitments to loan money and could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

All of our $130.0 million of debt outstanding under our credit agreement as of December 27, 2019 bears interest at a floating rate that uses LIBOR as the applicable reference rate to calculate the interest. Our credit agreement provides that, if the administrative agent has determined that adequate means do not exist for ascertaining LIBOR or the lenders have advised the administrative agent that (i) LIBOR does not adequately and fairly reflect the cost to lenders for maintaining their loans or (ii) making or funding LIBOR loans has become impracticable for the lenders, then, unless we amend the credit agreement to replace LIBOR with an alternative reference rate, all of our outstanding loans under the credit agreement will be converted to Base Rate Loans and the component of the Base Rate based upon LIBOR will not be used in any determination of the Base Rate. Further, the lenders under our credit agreement will no longer be obligated to make loans using LIBOR as the applicable reference rate.

If the rate used to calculate interest on our outstanding floating rate debt under our credit agreement that currently uses LIBOR were to increase by 1.0% either as a result of an increase in LIBOR or the result of the conversion to Base Rate Loans, we would expect to incur additional interest expense on such indebtedness as of December 27, 2019 of approximately $1.2 million on an annualized basis. Uncertainty as to the nature of potential changes to LIBOR, fallback provisions, alternative reference rates or other reforms could adversely impact our interest expense on our floating rate debt that currently uses LIBOR as the applicable reference rate. In addition, any alternative reference rates to LIBOR may result in interest that does not correlate over time with the payments that would have been made on our indebtedness if LIBOR was available in its current form. Further, the discontinuance or modification of LIBOR and uncertainty of an alternative reference rate may result in the increase in the cost of future indebtedness, which could have a material adverse effect on our financial condition, cash flow and results of operations

We may not be able to obtain capital when desired on favorable terms, if at all, or without dilution to our stockholders, which may impact our ability to execute on our current or future business strategies.

We anticipate that our current cash, cash equivalents, cash provided by operating activities and borrowing ability under our revolving line of credit will be sufficient to meet our current and anticipated needs for general corporate purposes during the next 12 months. It is possible, however, that we may not generate sufficient cash flow from operations or otherwise have the capital resources to meet our future capital needs, particularly given our increased level of indebtedness due to our acquisitions.

If we do not generate sufficient cash flow from operations or otherwise, we may need additional financing to execute on our current or future business strategies, including hiring additional personnel, developing new or enhancing existing service lines, expanding our business geographically, enhancing our operating infrastructure, acquiring complementary businesses, or otherwise responding to competitive pressures. We cannot assure you that additional financing will be available to us on favorable terms, or at all. Furthermore, if we raise additional funds through the issuance of convertible debt or equity securities, the percentage ownership of our stockholders could be significantly diluted, and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. If adequate funds are not available or are not available on acceptable terms, if and when needed, our ability to fund our operations, meet obligations in the normal course of business, take advantage of strategic business opportunities, or otherwise respond to competitive pressures would be significantly limited.

***Restrictive covenants in our credit agreement may restrict our ability to pursue certain business strategies*.**

Our credit agreement limits or restricts our and our subsidiaries ability to, among other things:

- incur, create or assume additional indebtedness;
- incur, create or assume liens securing debt or other encumbrances on our assets;
- purchase, hold or acquire unpermitted acquisitions or investments;
- make loans or advances;
- pay dividends or make distributions to our stockholders;
- purchase or redeem our stock;
- repay indebtedness that is junior to indebtedness under our Credit Agreement;
- acquire the assets of, or merge or consolidate with, other companies; and
- sell, lease, or otherwise dispose of assets.

Our credit agreement also requires that we maintain a maximum total leverage ratio and a minimum fixed charge coverage ratio, tested on a quarterly basis, which we may not be able to achieve. The covenants may impair our ability to finance future operations or capital needs or to engage in other favorable business activities. Failing to comply with these covenants could result in an event of default under the Credit Agreement, which could result in us being required to repay the amounts outstanding thereunder prior to maturity. These prepayment obligations could have an adverse effect on our business, results of operations and financial condition.

Furthermore, if we are unable to repay the amounts due and payable under the credit agreement, the lenders could proceed against the collateral granted to them to secure that indebtedness. In the event the lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

Changes in banks' inter-bank lending rate reporting practices or the method pursuant to which LIBOR is determined may adversely affect our business, results of operations and financial condition.

London Interbank Offered Rate ("LIBOR") and other indices which are deemed "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or have other consequences which cannot be predicted. For example, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, has announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. That announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Moreover, it is possible that LIBOR will be discontinued or modified prior to 2021. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented in the United Kingdom or elsewhere. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect our indebtedness that bears interest at a floating rate determined by reference to LIBOR.

All of our $130.0 million of debt outstanding under our credit agreement as of December 27, 2019 bears interest at a floating rate that uses LIBOR as the applicable reference rate to calculate the interest. Our credit agreement provides that, if the administrative agent has determined that adequate means do not exist for ascertaining LIBOR or the lenders have advised the administrative agent that (i) LIBOR does not adequately and fairly reflect the cost to lenders for maintaining their loans or (ii) making or funding LIBOR loans has become impracticable for the lenders, then, unless we amend the credit agreement to replace LIBOR with an alternative reference rate, all of our outstanding loans under the credit agreement will be converted to Base Rate Loans and the component of the Base Rate based upon LIBOR will not be used in any determination of the Base Rate. Further, the lenders under our credit agreement will no longer be obligated to make loans using LIBOR as the applicable reference rate.

If the rate used to calculate interest on our outstanding floating rate debt under our credit agreement that currently uses LIBOR were to increase by 1.0% either as a result of an increase in LIBOR or the result of the conversion to Base Rate Loans, we would expect to incur additional interest expense on such indebtedness as of December 27, 2019 of approximately $1.2 million on an annualized basis. Uncertainty as to the nature of potential changes to LIBOR, fallback provisions, alternative reference rates or other reforms could adversely impact our interest expense on our floating rate debt that currently uses LIBOR as the applicable reference rate. In addition, any alternative reference rates to LIBOR may result in interest that does not correlate over time with the payments that would have been made on our indebtedness if LIBOR was available in its current form. Further, the discontinuance or modification of LIBOR and uncertainty of an alternative reference rate may result in the increase in the cost of future indebtedness, which could have a material adverse effect on our financial condition, cash flow and results of operations.

Any of the above changes or any other consequential changes to LIBOR or any other "benchmark", or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on our financial condition, cash flow and results of operations. In addition, any of these alternative methods may result in interest payments that do not correlate over time with the payments that would have been made on our indebtedness if LIBOR was available in its current form.

Changes to tax laws and regulations, including changes to the energy efficient building deduction, could adversely affect our business, results of operations and financial condition.

Tax laws and regulations are highly complex and subject to interpretation, and the tax laws and regulations to which we are subject to change over time. Our tax filings are based upon our interpretation of the tax laws in effect in various jurisdictions for the periods for which the filings are made. As our business grows, we are required to comply with increasingly complex taxation rules and practices. We are subject to tax in multiple U.S. tax jurisdictions. Changes in federal, state and local tax laws and regulations could adversely affect our business, results of operations and financial condition.

On December 22, 2017, the legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law. The Tax Act reduces the U.S. federal corporate income tax rate from 35% to 21%, restricts the deductibility of certain business expenses, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously deferred from U.S. tax and creates new U.S. taxes on certain foreign sourced earnings, among other provisions. In the fourth quarter of fiscal year 2017, which was the period of enactment, we made a reasonable estimate of the effects of the Tax Act and recognized a provisional decrease in deferred tax expense of $1.3 million.

Shortly after the Tax Act was enacted, the SEC issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") to address the application of GAAP and direct taxpayers to consider the impact of the Tax Act as "provisional" when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for the change in tax law. SAB 118 provided a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740.

Our future effective income tax rate may be impacted by a number of factors, including, among other things:

- governmental authorities increasing taxes or eliminating deductions;
- changes in the jurisdictions in which earnings are taxed;
- the resolution of issues arising from tax audits with various tax authorities;
- changes in the valuation of our deferred tax assets and liabilities due to changes in applicable accounting standards;
- adjustments to estimated taxes upon finalization of various tax returns;
- changes in available tax credits;
- changes in stock-based compensation;
- other changes in tax laws and regulations, and
- new or modified interpretation of tax laws and/or administrative practices, including the Tax Act.

Any significant increase in our future effective income tax rate could reduce net earnings and free cash flow for future periods.

Demand for our services is cyclical and vulnerable to economic downturns. If economic growth slows, government fiscal conditions worsen, public and private construction/renovation activity slows, or client spending declines, it may have a material adverse effect on our business, results of operations and financial condition. In particular, changes in the local and regional economies of New York, California and North Carolina could have a material adverse effect on our business, results of operations and financial condition.

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

In particular, adverse economic and other conditions affecting the local and regional economies of New York, California and North Carolina may reduce the demand for our services, which could have a material adverse effect on our business, results of operations and financial condition. During fiscal year 2019, approximately 41.1% and 27.2% of our consolidated contract revenue was derived from services rendered to public agencies, utilities, and private industry in California and New York, respectively. As a result of our acquisition of Lime Energy, the percentage of our consolidated contract revenue derived from North Carolina increased. California, New York and North Carolina each experienced an economic downturn in fiscal year 2009, which negatively impacted our revenue and profitability. Any future downturns could have similar significant adverse impacts on our business, results of operations and financial condition.

Our business, financial condition and results of operations may also be adversely affected by conditions that impact the construction sector in general, including, among other things:

- Changes in national and local market conditions due to changes in general or local economic conditions and neighborhood characteristics;
- Slow-growth or no-growth initiatives or legislation;
- Adverse changes in local and regional governmental policies on investment in infrastructure;
- Adverse changes in federal and state policies regarding the allocation of funds to local and regional agencies;
- The impact of present or future environmental legislation and compliance with environmental laws and other regulatory requirements;
- Changes in real estate tax rates and assessments;
- Increases in interest rates and changes in the availability, cost and terms of financing;
- Adverse changes in other governmental rules and fiscal policies; and

- Earthquakes, fires, floods and other natural disasters, geopolitical instability, war, terrorist attack, pandemics or other public health emergencies (such as the recent coronavirus outbreak), which can cause uninsured losses, and other factors which are beyond our control.

Any of these factors could adversely affect the demand for our services, which could have a material adverse effect on our business, results of operations and financial condition.

Because we primarily provide services to municipalities, public utilities and other public agencies, we are more susceptible to the unique risks associated with government contracts.

We primarily work for utilities, municipalities and other public agencies. Consequently, we are exposed to certain risks associated with public agency and government contracting, any one of which can have a material adverse effect on our business, results of operations and financial condition. These risks include:

- The ability of the public agency to terminate the contract with 30 days’ prior notice or less;

- Changes in public agency spending and fiscal policies which can have an adverse effect on demand for our services;

- Contracts that are subject to public agency budget cycles, and often are subject to renewal on an annual basis;

- The often wide variation of the types and pricing terms of contracts from agency to agency;

- The difficulty of obtaining change orders and additions to contracts; and

- The requirement to perform periodic audits as a condition of certain contract arrangements.

Each year, client funding for some of our government contracts rely on government appropriations or public-supported financing. If adequate public funding is delayed or is not available, then we may not be able to realize all of our anticipated revenue and profits from such contracts, which could adversely affect our business, results of operations and financial condition.

A substantial portion of our revenue is derived from contracts with agencies and departments of state and local governments. During fiscal 2019 and 2018, approximately 28% and 49%, respectively, of our consolidated contract revenue was derived from contracts with government entities.

Each year, client funding for some of our government contracts may directly or indirectly rely on government appropriations or public-supported financing. Legislatures may appropriate funds for a given project on a year-by-year basis, even though the project may take more than one year to perform. In addition, public-supported financing such as state and local municipal bonds may be only partially raised to support existing projects. Similarly, the impact of the economic downturn on state and local governments may make it more difficult for them to fund projects. In addition to the state of the economy and competing political priorities, public funds and the timing of payment of these funds may be influenced by, among other things, curtailments in the use of government contracting firms, increases in raw material costs, delays associated with insufficient numbers of government staff to oversee contracts, budget constraints, the timing and amount of tax receipts, and the overall level of government expenditures. If adequate public funding is not available or is delayed, then our profits and revenue could decline and we will not realize all of our potential revenue and profit from that contract.

We derive significant revenue and profit from contracts awarded through a competitive bidding process, which can impose substantial costs on us, and we will lose revenue and profit if we fail to compete effectively.

We derive significant revenue and profit from contracts that are awarded through a competitive bidding process. Competitive bidding imposes substantial costs and presents a number of risks, including:

- The substantial cost and managerial time and effort that we spend to prepare bids and proposals;
- The need to estimate accurately the resources and costs that will be required to service any contracts we are awarded, sometimes in advance of the final determination of their full scope;
- The expense and delay that may arise if our competitors protest or challenge awards made to us pursuant to competitive bidding, as discussed below; and
- The opportunity cost of not bidding on and winning other contracts we may have otherwise pursued.

To the extent we engage in competitive bidding and are unable to win particular contracts, we not only incur substantial costs in the bidding process that negatively affect our operating results, but we may lose the opportunity to operate in the market for the services provided under those contracts for a number of years. Even if we win a particular contract through competitive bidding, our profit margins may be depressed or we may even suffer losses as a result of the costs incurred through the bidding process and the need to lower our prices to overcome competition.

Our financial results may suffer if we do not effectively manage our expanded operations following our acquisition of Lime Energy. We have incurred, and will incur, significant integration costs related to those efforts.

Due to our acquisition of Lime Energy on November 9, 2018, the size of our business has increased significantly. The $120.0 million purchase price represented approximately 85.3% of our total consolidated assets at the time of acquisition. Our future success will depend, in part, upon our ability to manage and integrate this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of additional operations and associated increased costs and complexity. There can be no assurances we will be successful or that we will realize the expected benefits currently anticipated from our acquisition of Lime Energy.

As a result, we anticipate that we will incur significant integration expenses. These transaction expenses and integration costs have been, and will continue to be charged as an expense in the period incurred. The significant transaction expenses and integration costs could materially affect our results of operations in the period in which such charges are recorded. Although we believe that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of Lime Energy's business, will offset incremental transaction and integration costs over time, this net benefit may not be achieved in the near term, or at all.

We have made and expect to continue to make acquisitions that could disrupt our operations and adversely impact our business, results of operations and financial condition. Our failure to conduct due diligence effectively, or our inability to successfully integrate acquisitions, could impede us from realizing all of the benefits of the acquisitions, which could weaken our results of operations.

A key part of our growth strategy, as shown by our ten acquisitions from 2015 through 2019, is to acquire other companies that complement our lines of business, broaden our technical capabilities and/or expand our geographic presence. We expect to continue to acquire companies as an element of our growth strategy; however, our ability to make acquisitions may be restricted by our inability to incur additional indebtedness and/or make unpermitted acquisitions or investments under our Credit Agreement. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations or the expectations of securities analysts. For example:

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

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

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

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

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

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

If we fail to conduct due diligence on our potential targets effectively, we may, for example, not identify problems at target companies, or fail to recognize incompatibilities or other obstacles to successful integration. Our inability to successfully integrate future acquisitions within the intended timeframes or at all could impede us from realizing all of the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if implemented ineffectively, may preclude realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of the combining companies may result in unanticipated problems, expenses, liabilities and competitive responses and may cause our stock price to decline. The difficulties of integrating an acquisition include, among others:

- issues in integrating information, communications and other systems;

- incompatibility of logistics, marketing and administration methods;

- maintaining employee morale and retaining key employees;

- consequences from a change in tax treatment;

- the ability to deduct or claim tax attributes or benefits such as operating losses or business tax credits;

- integrating the business cultures and management philosophies of both companies;

- preserving important strategic client relationships;

- potential unknown liabilities and unforeseen increased expenses or delays associated with the acquisition, including costs to integrate beyond current estimates;

- consolidating corporate and administrative infrastructures and eliminating duplicative operations; and

- coordinating and integrating geographically separate organizations.

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

Further, acquisitions may cause us to:

- issue common stock that would dilute our current stockholders' ownership percentage;
- use a substantial portion of our cash resources;
- increase our interest expense, leverage and debt service requirements (if we incur additional debt to pay for an acquisition);
- assume liabilities, including environmental liabilities, for which we do not have indemnification from the former owners. Further, indemnification obligations may be subject to dispute or concerns regarding the creditworthiness of the former owners;
- record goodwill and non-amortizable intangible assets that are subject to impairment testing and potential impairment charges;
- experience volatility in earnings due to changes in contingent consideration related to acquisition earn-out liability estimates;
- incur amortization expenses related to certain intangible assets;
- lose existing or potential contracts as a result of conflict of interest issues;
- incur large and immediate write-offs; or
- become subject to litigation.

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

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

Moreover, our continued expansion into new states will increase our legal and regulatory risk. Our failure, or alleged failure, to comply with applicable laws and regulations in any new jurisdiction in which we operate, and ensuing inquiries or investigations by regulatory and enforcement authorities, may result in regulatory action, including suspension or revocation of one or more of our licenses, civil or criminal penalties or other disciplinary actions and restrictions on or suspension of some or all of our business operations. As a result, our business could suffer, our reputation could be harmed, one or more of our contracts with governmental or non-governmental entities could be terminated and we could be subject to additional legal risk. This could, in turn, increase the size and number of claims and damages asserted against us, subject us to additional regulatory investigations, enforcement actions or other proceedings or lead to increased regulatory or supervisory concerns. We may also be required to spend additional time and resources on any necessary remedial measures. Our success depends, in part, on our ability to anticipate these risks and manage these challenges. We cannot predict the timing or form of any current or future regulatory or law enforcement initiatives, and any such initiatives could have a material adverse effect on our business, results of operations and financial condition.

Our acquired businesses may underperform relative to our expectations.

We may not be able to maintain the levels of growth, revenue, earnings or operating efficiency that we and our acquired businesses have historically achieved or might achieve separately. The business and financial performance of our acquired businesses are subject to certain risks and uncertainties, including, among other things:

- the risk of the loss of, or changes to, our acquired businesses' relationships with their clients;
- in the case of Lime Energy, the dependence on a limited number of utility programs and terminable contracts to generate substantially all of its revenue;
- the inability of our acquired businesses to generate new customers to diversify their customer base;
- our acquired businesses often rely on subcontractors to meet their contractual obligations and the failure by such subcontractors to properly and effectively perform their services in a timely manner may cause delays in the delivery of our acquired businesses' services;
- negative publicity or reputation from any prior investigations and settlements that our acquired businesses are involved in; and
- reliance on the senior management and key employees of our acquired businesses.

If our goodwill or other intangible assets become impaired, then our profits may be significantly reduced.

Because we have recently completed a number of acquisitions, goodwill and other intangible assets represent a substantial portion of our assets. As of December 27, 2019, our goodwill was $127.6 million and other intangible assets were $76.8 million. Under generally accepted accounting principles in the United States, we are required to perform a goodwill impairment test for potential impairment at least on an annual basis. We also assess the recoverability of the unamortized balance of our intangible assets when indications of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. The goodwill impairment test requires us to determine the fair value of our reporting units, which are the components at or one level below our reportable segments. In determining fair value, we make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations. We also analyze current economic indicators and market valuations to help determine fair value. To the extent economic conditions that would impact the future operations of our reporting units change, our goodwill may be deemed to be impaired, and we would be required to record a non-cash charge that could result in a material adverse effect on our business, results of operations and financial condition. We had no goodwill impairment in fiscal 2019, fiscal 2018, or fiscal 2017.

In addition, if we experience a decrease in our stock price and market capitalization over a sustained period, we could have to record an impairment charge in the future. The amount of any impairment could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken.

We often rely on subcontractors. The quality of our service and our ability to perform under some of our contracts would be adversely affected if qualified subcontractors are unavailable for us to engage, if our subcontractors fail to satisfy their obligations to us or other parties, or if we are unable to maintain these relationships which, in each case, could adversely affect our business, results of operations and financial condition.

Under some of our contracts, we rely on the efforts and skills of subcontractors for the performance of some of the tasks. Subcontractor services and other direct costs comprised approximately 55% and 49% of our consolidated contract revenue in fiscal years 2019 and 2018, respectively. Our use of subcontractors has increased in recent years as a result of the increase in the percentage of our revenues derived from the direct installation of energy efficiency measures, including performance contracting and construction management services for more complex projects. The growth in these activities has been derived both from our acquisitions and from organic growth in the form of new and expanded energy efficiency programs that include the direct installation of energy efficiency measures. We expect these activities to continue to grow in 2020 as a percentage of our total revenues. Our Energy segment generally utilizes a higher percentage of subcontractors than Engineering and Consulting segment. The absence of qualified subcontractors with whom we have a satisfactory relationship could adversely affect the quality of our service offerings and therefore, adversely affect our business, results of operations and financial condition.

If our contractors and subcontractors fail to satisfy their obligations to us or other parties, or if we are unable to maintain these relationships, our business, results of operations and financial condition could be adversely affected.

We depend on subcontractors in conducting our business and, in particular, we rely heavily on subcontractors in our Energy segment, the operation of which is conducted substantially through our WES subsidiary. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if a subcontractor fails to deliver on a timely basis the agreed-upon supplies, fails to perform the agreed-upon services, or goes out of business, then we may be required to purchase the services or supplies from another source at a higher price, and our ability to fulfill our obligations as a prime contractor may be jeopardized. This may reduce the profit to be realized or result in a loss on a project for which the services or supplies are needed.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. The absence of qualified subcontractors with which we have a satisfactory relationship could adversely affect the quality of our service and our ability to perform under some of our contracts. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or teaming arrangement relationships with us, or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts, or refuses to pay under a contract.

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

To prepare consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions as of the date of the consolidated financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenue and expenses, as well as disclosures of contingent assets and liabilities. For example, we typically recognize revenue of our fixed price contracts using the percentage-of-completion method over the life of a contract based on the proportion of costs incurred to date compared to the total costs estimated to be incurred at completion for the entire project. Areas requiring significant estimates by our management include:

- the application of the percentage-of-completion method of accounting and revenue recognition on contracts, change orders, and contract claims, including related unbilled accounts receivable;
- unbilled accounts receivable, including amounts related to requests for equitable adjustment to contracts that provide for price redetermination, primarily with the U.S. federal government. These amounts are recorded only when they can be reliably estimated and realization is probable;
- provisions for uncollectible receivables, client claims, and recoveries of costs from subcontractors, vendors, and others;
- provisions for income taxes, valuation allowances, and unrecognized tax benefits;
- value of goodwill and recoverability of other intangible assets;
- valuations of assets acquired and liabilities assumed in connection with business combinations;

- valuation of contingent earn-out liabilities recorded in connection with business combinations;
- valuation of employee benefit plans;
- valuation of stock-based compensation expense; and
- accruals for estimated liabilities, including litigation and insurance reserves.

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

We are subject to various routine and non-routine governmental reviews, audits and investigations, and unfavorable government audit results could force us to adjust previously reported operating results, could affect future operating results, could subject us to a variety of penalties and sanctions, and could result in harm to our reputation.

Government departments and agencies and their representatives audit and review our contract performance, pricing practices, cost structure, financial capability and compliance with applicable laws, rules and regulations. Audits could raise issues that have significant adverse effects, including, among other things, substantial adjustments to our previously reported operating results and substantial effects on future operating results. Historically, we have not experienced significant disallowed costs as a result of government audits. However, we can provide no assurance that government audits will not result in material disallowances for incurred costs in the future. In addition, we must also comply with other government regulations related to employment practices, environmental protection, health and safety, tax, accounting, and anti-fraud measures, as well as many other regulations in order to maintain our government contractor status. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct, and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud, or other improper activities. If a government audit, review or investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, repayment of amounts already received under contracts, forfeiture of profits, suspension of payments, fines and suspension or debarment from doing business with federal and state and local government agencies and departments, any of which could adversely affect our reputation, our business, results of operations and financial condition, and/or the value of our stock. We may also lose business if we are found not to be sufficiently able to meet ongoing cash flow and financial obligations on a timely basis. In addition, we could suffer serious harm to our reputation and our stock price could decline if allegations of impropriety are made against us, whether true or not.

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

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

- our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees;
- our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and workforces;
- our ability to manage attrition;
- our need to devote time and resources to training, business development, professional development, and other non-chargeable activities; and
- our ability to match the skill sets of our employees to the needs of the marketplace.

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

If we are unable to accurately estimate and control our contract costs, then we may incur losses on our contracts, which could decrease our operating margins and reduce our profits. In particular, our fixed-price contracts could increase the unpredictability of our earnings.

In fiscal year 2019, approximately 19% of our consolidated contract revenue was derived from fixed-price contracts. Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur (which protects clients) and, consequently, we are exposed to a number of risks than either time-and-materials and unit-based contracts. We realize a profit on fixed price contracts only if we can control our costs and prevent cost overruns on our contracts. Fixed price contracts require cost and scheduling estimates that are based on a number of assumptions, including those about future economic conditions, costs, and availability of labor, equipment and materials, and other exigencies. We could experience cost overruns if these estimates were initially inaccurate as a result of errors or ambiguities in the contract specifications, or become inaccurate as a result of a change in circumstances following the submission of the estimate due to, among other things, unanticipated technical or equipment problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather delays, changes in costs of raw materials, or the inability of our vendors or subcontractors to perform their obligations. If cost overruns occur, we could experience reduced profits or, in some cases, a loss for that project. If a project is significant, or if there are one or more common issues that impact multiple projects, costs overruns could increase the unpredictability of our earnings, as well as have a material adverse impact on our business, results of operations and financial condition.

Under our time-and-material contracts, we are generally paid for our efforts at negotiated hourly billing rates for our staff, plus reimbursement for subcontractors and other direct costs. Profitability on these contracts is driven by control over the number of hours required to execute the tasks, the mix of staff utilized and the percentage of staff time expended on directly billable activities. Many of our time-and-materials contracts are subject to maximum contract values. In the event that we estimate the potential to exceed those maximum contract values at the contracted rates, revenue relating to these contracts is recognized as if these contracts were fixed-price contracts.

If we are unable to accurately estimate and manage our costs, we may incur losses on our contracts, which could decrease our operating margins and significantly reduce or eliminate our profits. Certain of our contracts require us to satisfy specific design, engineering, procurement, or construction milestones in order to receive payment for the work completed or equipment or supplies procured prior to achievement of the applicable milestone. As a result, under these types of arrangements, we may incur significant costs or perform significant amounts of services prior to receipt of payment. If a client determines not to proceed with the completion of the project or if the client defaults on its payment obligations, we may face difficulties in collecting payment of amounts due to us for the costs previously incurred or for the amounts previously expended to purchase equipment or supplies.

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

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

Legislation, policy, rules or regulations may be enacted that limit or change the ability of state, regional or local agencies to contract for our privatized services. Such changes would affect our ability to obtain new contracts and may decrease the demand for our services.

Legislation is proposed periodically, particularly in the states of New York and California, that attempts to limit the ability of governmental agencies to contract with private consultants to provide services. Should such changes occur and be upheld, demand for our services may be materially adversely affected. During fiscal year 2019, approximately 90% of our consolidated contract revenue was derived from services rendered to public agencies, including public utilities. While attempts at such legislation have failed in the past, such measures could be adopted in the future.

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

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

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

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

For example, the Professional Engineers in California Government, or PECG, a union representing state civil service employees, began challenging Caltrans' hiring of private firms in 1986, and in 2002 began a judicial challenge of Caltrans' hiring practices based on Caltrans' interpretation of the effect of Proposition 35 (*Professional Engineers in California Government, et al. v. Kempton*). The California Supreme Court ruled in favor of Caltrans, concluding that Caltrans may hire private contractors to perform architectural and engineering services on public works. Although Caltrans was successful in this litigation, similar claims may be brought in the future and we cannot predict their outcome. If a state or other public employee union is successful in its challenge and as a result the ability of state agencies to hire private firms is severely limited, such a decision would likely lead to additional litigation challenging the ability of the state, counties, municipalities and other public agencies to hire private engineering, architectural and other firms, the outcome of which could affect our ability to compete for contracts and may have an adverse effect on our business, results of operations and financial condition.

Changes in elected or appointed officials could have a material adverse effect on our ability to retain an existing contract with or obtain additional contracts from a public agency.

Since the decision to retain our services is made by individuals, such as city managers, city councils and other elected or appointed officials, our business and financial results or condition could be adversely affected by the results of local and regional elections. A change in the individuals responsible for selecting consultants for and awarding contracts on behalf of a public agency (for example, due to an election) could adversely affect our ability to retain an existing contract with or obtain additional contracts from such public agency.

The loss of key personnel or our inability to attract and retain qualified personnel could impair our ability to provide services to our clients and otherwise conduct our business effectively.

As primarily a professional and technical services company, we are labor-intensive and, therefore, our ability to attract, retain, and expand our senior management and our professional and technical staff, including management and staff acquired in connection with our business acquisitions, is an important factor in determining our future success. We believe there are only a limited number of available qualified executives in the energy efficiency services industry, and we therefore have encountered, and will likely continue to encounter, intense competition for qualified employees from other companies in the industry. In addition, the market for qualified engineers is competitive and, from time to time, it may be difficult to attract and retain qualified individuals with the required expertise within the timeframe demanded by our clients. Further, we rely heavily upon the expertise and leadership of our senior management. If we are unable to retain executives and other key personnel, the roles and responsibilities of those employees will need to be filled, which may require that we devote time and resources to identify, hire, and integrate new employees. The loss of the services of any of these key personnel could adversely affect our business, results of operations and financial condition. We do not maintain key-man life insurance policies on any of our executive officers or senior managers. Our failure to attract and retain key individuals could impair our ability to provide services to our clients and conduct our business effectively.

We operate in a highly competitive and fragmented industry, and we may not be able to compete effectively with our larger competitors. If we are unable to compete successfully, our business, results of operations and financial condition will be adversely affected.

The markets for energy efficiency and sustainability, engineering, construction management, economic and financial consulting, design planning and national preparedness services is competitive and highly fragmented. Contract awards in our market, while ultimately dependent on the size and scope of a particular project, are based primarily on quality of service, relevant experience, staffing capabilities, reputation, past performance, customer relationships, technology, geographic presence, stability and price. We face strong competition primarily from other regional, national, and international providers of energy efficiency and sustainability consulting services, local electrical and mechanical contractors and engineering firms, lighting and lighting fixture manufacturers and lighting fixture distributors. Some of our competitors in certain service areas have more personnel and greater financial, technical and marketing resources than us. Others are smaller and more specialized, and concentrate their resources in particular areas of expertise. Further, the technical and professional aspects of some of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors.

For example, our Energy segment, which represented approximately 84% and 72% of our consolidated contract revenue for fiscal years 2019 and 2018, respectively, and our Engineering and Consulting segment, which represented approximately 16% and 28% of our consolidated contract revenue for fiscal years 2019 and 2018, respectively, competes with firms such as Ecology & Environment, Inc., Iteris, Inc., NV5 Global, Inc., ICF International, Inc., and Ameresco, Inc. In addition, in certain public finance consulting services, we may compete with large accounting firms. We can offer no assurance that we will be able to compete successfully in the future with these or other competitors.

In addition to our existing competitors, new competitors such as large national or international engineering and/or construction companies could enter our markets. Many of these current and potential competitors are better capitalized than we are, have longer operating histories and strong existing client relationships, greater name recognition, and more extensive engineering, technology and sales and marketing capabilities. Competitors could focus their substantial resources on developing a competing business model or energy efficiency services that may be potentially more attractive to clients than our products or services. In addition, we may face competition from other products or technologies that reduce demand for electricity. Our competitors may also offer energy efficiency services at reduced prices in order to improve their competitive positions. Any of these competitive factors could make it more difficult for us to attract and retain clients, require us to lower our prices in order to remain competitive, and reduce our revenue and profitability, any of which could have a material adverse effect on our business, results of operations and financial condition.

Our services may expose us to liability in excess of our current insurance coverage, which may have a material adverse effect on our liquidity.

Our services involve significant risks of professional and other liabilities, which may substantially exceed the fees we derive from our services. In addition, from time to time, we assume liabilities as a result of indemnification provisions contained in our service contracts. We cannot predict the magnitude of these potential liabilities.

We are liable to pay these claims from our assets if and when the aggregate settlement or judgment amount exceeds our policy limits. We are liable to pay claims from our assets if and when the aggregate settlement or judgment amount exceeds our policy limits. Our professional liability policy is a “claims made” policy. Thus, only claims made during the term of the policy are covered. If we terminate our professional liability policy and do not obtain retroactive coverage, we would be uninsured for claims made after termination even if these claims are based on events or acts that occurred during the term of the policy. Further, our insurance may not protect us against liability because our policies typically have various exceptions to the claims covered and also require us to assume some costs of the claim even though a portion of the claim may be covered. In addition, if we expand into new markets, we may not be able to obtain insurance coverage for these new activities or, if insurance is obtained, the dollar amount of any liabilities incurred could exceed our insurance coverage. A partially or completely uninsured claim, if successful and of significant magnitude, could have a material adverse effect on our liquidity.

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

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

Product liability and personal injury claims could have a material adverse effect on our business, results of operations and financial condition.

We face exposure to product liability and personal injury claims in the event that our services cause bodily injury or property damage. Since the majority of our products use electricity, it is possible that the products we use could result in injury, whether due to product malfunctions, defects, improper installation or other causes. Further, we face exposure to personal injury claims in the event that an individual is injured because of our negligence or the negligence of one of our subcontractors. Moreover, we may not have adequate resources in the event of a successful claim against us. A successful product liability or personal injury claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages which could materially adversely affect our business, results of operations and financial condition.

If our business partners fail to perform their contractual obligations on a project, we could be exposed to legal liability, loss of reputation and profit reduction or loss on the project.

We routinely enter into subcontracts and, occasionally, joint ventures, teaming arrangements, and other contractual arrangements so that we can jointly bid and perform on a particular project. Success under these arrangements depends in large part on whether our business partners fulfill their contractual obligations satisfactorily. In addition, when we operate through a joint venture in which we are a minority holder, we have limited control over many project decisions, including decisions related to the joint venture’s internal controls, which may not be subject to the same internal control procedures that we employ. If these unaffiliated third parties do not fulfill their contract obligations, the partnerships or joint ventures may be unable to adequately perform and deliver their contracted services. Under these circumstances, we may be obligated to pay financial penalties, provide additional services to ensure the adequate performance and delivery of the contracted services, and may be jointly and severally liable for the other’s actions or contract performance. These additional obligations could result in reduced profits and revenues or, in some cases, significant losses for us with respect to the joint venture, which could also affect our reputation in the industries we serve.

If our reports and opinions are not in compliance with professional standards and other regulations or without the appropriate disclaimers or in a misleading or incomplete manner, we could be subject to monetary damages and penalties.

We issue reports and opinions to clients based on our professional engineering expertise, as well as our other professional credentials. Our reports and opinions may need to comply with professional standards, licensing requirements, securities regulations, and other laws and rules governing the performance of professional services in the jurisdiction in which the services are performed. In addition, we could be liable to third parties who use or rely upon our reports or opinions even if we are not contractually bound to those third parties. For example, if we deliver an inaccurate report or one that is not in compliance with the relevant standards, and that report is made available to a third party, we could be subject to third-party liability, resulting in monetary damages and penalties.

In addition, the reports and other work product we produce for clients sometimes include projections, forecasts and other forward-looking statements. Such information by its nature is subject to numerous risks and uncertainties, any of which could cause the information produced by us to ultimately prove inaccurate. While we include appropriate disclaimers in the reports that we prepare for our clients, once we produce such written work product, we do not always have the ability to control the manner in which our clients use such information. As a result, if our clients reproduce such information to solicit funds from investors for projects without appropriate disclaimers and the information proves to be incorrect, or if our clients reproduce such information for potential investors in a misleading or incomplete manner, our clients or such investors may threaten to or file suit against us for, among other things, securities law violations.

We may be required to pay liquidated damages if we fail to meet milestone requirements in our contracts.

We may be required to pay liquidated damages if we fail to meet milestone requirements in our contracts. Failure to meet any of the milestone requirements could result in additional costs, and the amount of such additional costs could exceed the projected profits on the project. These additional costs include liquidated damages paid under contractual penalty provisions, which can be substantial and can accrue on a regular basis.

Force majeure events, including natural disasters and terrorist actions, could negatively impact the economies in which we operate or disrupt our operations, which may adversely affect our business, results of operations and financial condition.

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

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

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

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

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents, or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws, and any other applicable laws or regulations. Our policies mandate compliance with these regulations and laws, and we take precautions to prevent and detect misconduct. However, since our internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, we cannot assure that our controls will protect us from reckless or criminal acts committed by our employees or agents. Our failure to comply with applicable laws or regulations, or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

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

Our safety program is a fundamental element of our overall approach to risk management, and the implementation of the safety program is a significant issue in our dealings with our clients. We maintain an enterprise-wide group of health and safety professionals to help ensure that the services we provide are delivered safely and in accordance with standard work processes. Unsafe job sites and office environments have the potential to increase employee turnover, increase the cost of a project to our clients, expose us to types and levels of risk that are fundamentally unacceptable, and raise our operating costs. The implementation of our safety processes and procedures are monitored by various agencies and rating bureaus and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. Our failure to meet these requirements or our failure to properly implement and comply with our safety program could result in reduced profitability or the loss of projects or clients or potential litigation and could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to liabilities under environmental laws and regulations. For example, our retrofitting process frequently involves responsibility for the removal and disposal of components containing hazardous materials and at times requires that our contractors or subcontractors work in hazardous conditions, either of which could give rise to a claim against us.

Our services are subject to numerous U.S. and international environmental protection laws and regulations that are complex and stringent. For example, we must comply with a number of U.S. federal government laws that strictly regulate the handling, removal, treatment, transportation, and disposal of toxic and hazardous substances. Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (“CERCLA”), and comparable state laws, we may be required to investigate and remediate regulated hazardous materials. CERCLA and comparable state laws typically impose strict, joint and several liabilities without regard to whether a company knew of or caused the release of hazardous substances. The liability for the entire cost of clean-up could be imposed upon any responsible party. Other principal U.S. federal environmental, health, and safety laws affecting us include, but are not limited to, the Resource Conversation and Recovery Act, National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, the Federal Mine Safety and Health Act of 1977 (the “Mine Act”), the Toxic Substances Control Act, and the Superfund Amendments and Reauthorization Act. Our business operations may also be subject to similar state and international laws relating to environmental protection. Further, past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations, could result in substantial costs to us, including clean-up costs, fines, civil or criminal sanctions, and third-party claims for property damage or personal injury or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

For example, when we retrofit a client's facility, we assume responsibility for removing and disposing of its existing lighting fixtures. Certain components of these fixtures contain trace amounts of mercury and other hazardous materials. Older components may also contain trace amounts of polychlorinated biphenyls, or PCBs. We utilize licensed and insured hazardous waste disposal companies to remove and/or dispose of such components. Failure to properly handle, remove or dispose of the components containing these hazardous materials in a safe, effective and lawful manner could give rise to liability against us, or could expose our workers, our subcontractor's workers or other persons to these hazardous materials, which could result in claims against us. Further, our workers and subcontractor's workers are sometimes required to work in hazardous environments that present a risk of serious personal injury, which could result in claims against us. A successful personal injury claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages and could materially adversely affect our business, results of operations and financial condition.

Our bylaws, our certificate of incorporation and Delaware law contain provisions that could discourage another company from acquiring us and may prevent attempts by our stockholders to replace or remove our current management.

Provisions of our bylaws, our certificate of incorporation and Delaware law may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which our stockholders might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our board of directors. These provisions include:

- eliminating the ability of stockholders to call special meetings of stockholders;
- requiring at least a supermajority vote of the outstanding shares of our common stock for stockholders to amend our bylaws or certain provisions of our certificate of incorporation;
- not providing for cumulative voting in the election of directors;
- prohibiting stockholder action by written consent;
- establishing advance notice procedure for stockholders to make nominations of candidates for election as directors, or bring other business before an annual or special meeting of the stockholders; and
- authorizing the Board of Directors to issue "blank check" preferred stock or authorized but unissued shares of common stock without stockholder approval.

In addition, we are subject to Section 203 of the Delaware General Corporation Law. In general, subject to some exceptions, Section 203 prohibits a Delaware corporation from engaging in any business combination with any "interested stockholder" (which is generally defined as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation), for a three-year period following the date that the stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring or preventing a change in control that our stockholders might consider to be in their best interests.

Together, these charter and statutory provisions could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby potentially reducing the likelihood that our stockholders could receive a premium for their common stock in an acquisition.

Systems and information technology interruption could adversely impact our ability to operate.

We rely heavily on computer, information, and communications technology and systems to operate. From time to time, we experience system interruptions and delays. If we are unable to effectively deploy software and hardware, upgrade our systems and network infrastructure, and take steps to improve and protect our systems, systems operations could be interrupted or delayed. In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism, and similar events or disruptions. Any of these or other events could cause system interruption, delays, and loss of critical data that could delay or prevent operations, and could have a material adverse effect on our business, results of operations and financial condition, and could negatively impact our clients.

Cyber security breaches or other improper disclosure of confidential and personal data could result in liability, harm our reputation and impact our ability to operate.

We store and process increasingly large amounts of confidential information concerning our employees, customers, contractors and vendors, as well as confidential information on behalf of our customers (such as information regarding applicants in programs on which we perform services through our contractual relationships with customers). Therefore, we must ensure that we are at all times compliant with various privacy laws, rules, and regulations. The risk of failing to comply with these laws, rules, and regulations increases as we continue to expand. For example, the European's Union General Data Protection Regulation, which became effective in May 2018, extends the scope of the European Union data protection laws to all companies processing data of European Union residents, regardless of the company's location. Moreover, we must ensure that all of our vendors who have access to such information also have the appropriate privacy policies, procedures and protections in place. We also need to protect our own internal trade secrets and other business confidential information from disclosure.

Although we rely on industry-accepted security measures and technology to securely maintain all confidential and proprietary information on our information systems, the continued occurrence of high-profile data breaches of other companies provides evidence of an external environment increasingly hostile to information security. In the ordinary course of business, we have been targeted by malicious cyber-attacks. Cybersecurity attacks in particular are evolving, and we face the constant risk of cybersecurity threats, including, among other things, computer viruses, malicious code, attacks by computer hackers, organized cyber-attacks, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and/or corruption of data. Improper disclosure of this information could harm our reputation, lead to legal exposure from customers, or subject us to liability under laws, rules and regulations that protect personal or other confidential data, resulting in increased costs or loss of revenue.

This environment demands that we continuously improve our design and coordination of security controls. We have devoted and will continue to devote significant resources to the security of our computer systems, but they may still be vulnerable to threats. For example, a user who circumvents security measures could misappropriate confidential or proprietary information, including information regarding us, our personnel and/or our customers, or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. We also rely in part on third-party software and information technology vendors to run our critical accounting, project management and financial information systems. We depend on our software and information technology vendors to provide long-term software and hardware support for our information systems. Our software and information technology vendors may decide to discontinue further development, integration or long-term software and hardware support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our accounting, project management and financial information to other systems, thus increasing our operational expense, as well as disrupting the management of our business operations. Despite these efforts, it is possible that our security controls over data, our training, and other practices we follow may not prevent the improper disclosure of personally identifiable or other confidential information. Any of these events could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows.

The diversity of the services we provide, and the clients we serve, may create actual, potential, and perceived conflicts of interest and conflicts of business that limit our growth and could lead to potential liabilities for us.

Because we provide services to a wide array of both government and commercial clients, occasions arise where, due to actual, potential, or perceived conflicts of interest or business conflicts, we cannot perform work for which we are qualified. A number of our contracts contain limitations on the work we can perform for others, such as, for example, when we are assisting a government agency or department in developing regulations or enforcement strategies. Actual, potential, and perceived conflicts limit the work we can do and, consequently, can limit our growth and adversely affect our operating results. In addition, if we fail to address actual or potential conflicts properly, or even if we simply fail to recognize a perceived conflict, we may be in violation of our existing contracts, may otherwise incur liability, and may lose future business for not preventing the conflict from arising, and our reputation may suffer. Particularly as we grow our commercial business, we anticipate that conflicts of interest and business conflicts will pose a greater risk.

The price of our common stock has fluctuated significantly in the past year and may continue to be volatile, which may make it difficult for you to resell your common stock when you want or at prices you find attractive.

The price of our common stock is volatile and may fluctuate significantly. For example, during our fiscal year ended December 27, 2019, the closing price of our stock ranged from a high of $40.24 per share to a low of $26.99 per share. We cannot assure you as to the prices at which our common stock will trade or that an active trading market in our common stock will be sustained in the future. In addition to the matters discussed in other risk factors included herein, some of the reasons for fluctuations in our stock price could include:

- our operating and financial performance and prospects, including quarter-to-quarter variations;
- the depth and liquidity of the market for our common stock;
- investor perception of us and the industry in which we operate;
- the level, or lack thereof, of research coverage of our common stock;
- general financial, political, domestic, international, economic and other market conditions;
- proposed or completed acquisitions by us or our competitors;
- the hiring or departure of key personnel; and
- adverse judgments or settlements obligating us to pay damages.

In addition, public stock markets have experienced, and may in the future experience, extreme price and trading volume volatility. This volatility has significantly affected the market prices of securities of many companies, including our peer companies, and such volatility has often been unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our common stock.

A significant drop in the price of our stock could expose us to the risk of securities class action lawsuits which could result in substantial costs and divert management's attention and resources, which could adversely affect our business. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom are awarded equity securities, the value of which is dependent on the performance of our stock price.

We do not expect to pay any cash dividends for the foreseeable future.

We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors, subject to compliance with applicable law and any contractual provisions, including under the Credit Agreement governing our credit facility and agreements governing any additional indebtedness we may incur in the future, that restrict or limit our ability to pay dividends, and will depend upon, among other factors, our results of operations, financial condition, earnings, capital requirements and other factors that our Board of Directors deems relevant. Further, because we are a holding company, our ability to pay dividends depends on our receipt of cash dividends from our operating subsidiaries, which may further restrict our ability to pay dividends as a result of the laws of their jurisdiction of organization, agreements of our subsidiaries or covenants under our existing or future indebtedness. Our Credit Agreement limits our ability to pay dividends on our common stock. Our ability to pay dividends may also be restricted by the terms of any future credit agreement or any future debt or preferred equity securities of ours or of our subsidiaries.

If securities or industry analysts publish inaccurate or unfavorable research about us, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research reports that securities or industry analysts publish about us, our business and our industry. Assuming we obtain securities or industry analyst coverage, if one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about us, our business or our industry, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located at 2401 East Katella Avenue, Anaheim, California, where we lease approximately 18,000 square feet of office space. In addition, we lease office space in 56 other locations nationwide, principally in California and New York, and also have one office in Canada. In total, our facilities contain approximately 289,000 square feet of office space and are subject to leases that expire through 2027. We rent a small portion of this total space on a month-to-month basis. We believe that our existing facilities are adequate to meet current requirements and that suitable additional or substitute space will be available as needed to accommodate any expansion of operations and for additional offices.

ITEM 3. LEGAL PROCEEDINGS

We are subject to claims and lawsuits from time to time, including those alleging professional errors or omissions that arise in the ordinary course of business against firms that operate in the engineering and consulting professions. We carry professional liability insurance, subject to certain deductibles and policy limits, for such claims as they arise and may from time to time establish reserves for litigation that is considered probable of a loss.

In accordance with accounting standards regarding loss contingencies, we accrue an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated, and we disclose the amount accrued and an estimate of any reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements not to be misleading. We do not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote.

Because litigation outcomes are inherently unpredictable, our evaluation of legal proceedings often involves a series of complex assessments by management about future events and can rely heavily on estimates and assumptions. If the assessments indicate that loss contingencies that could be material to any one of our financial statements are not probable, but are reasonably possible, or are probable, but cannot be estimated, then we disclose the nature of the loss contingencies, together with an estimate of the possible loss or a statement that such loss is not reasonably estimable.

While the consequences of certain unresolved proceedings are not presently determinable, and a reasonable estimate of the probable and reasonably possible loss or range of loss in excess of amounts accrued for such proceedings cannot be made, an adverse outcome from such proceedings could have a material adverse effect on our earnings in any given reporting period. However, in the opinion of our management, after consulting with legal counsel, and taking into account insurance coverage, the ultimate liability related to current outstanding claims and lawsuits is not expected to have a material adverse effect on our financial statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Since November 21, 2006, the common stock of Willdan Group, Inc. has been listed and traded on the Nasdaq Global Market under the symbol “WLDN”.

Stockholders

As of March 5, 2020, there were 151 stockholders of record of our common stock. This number does not include persons who hold our common stock in nominee or “street name” accounts through brokers or banks.

Dividends

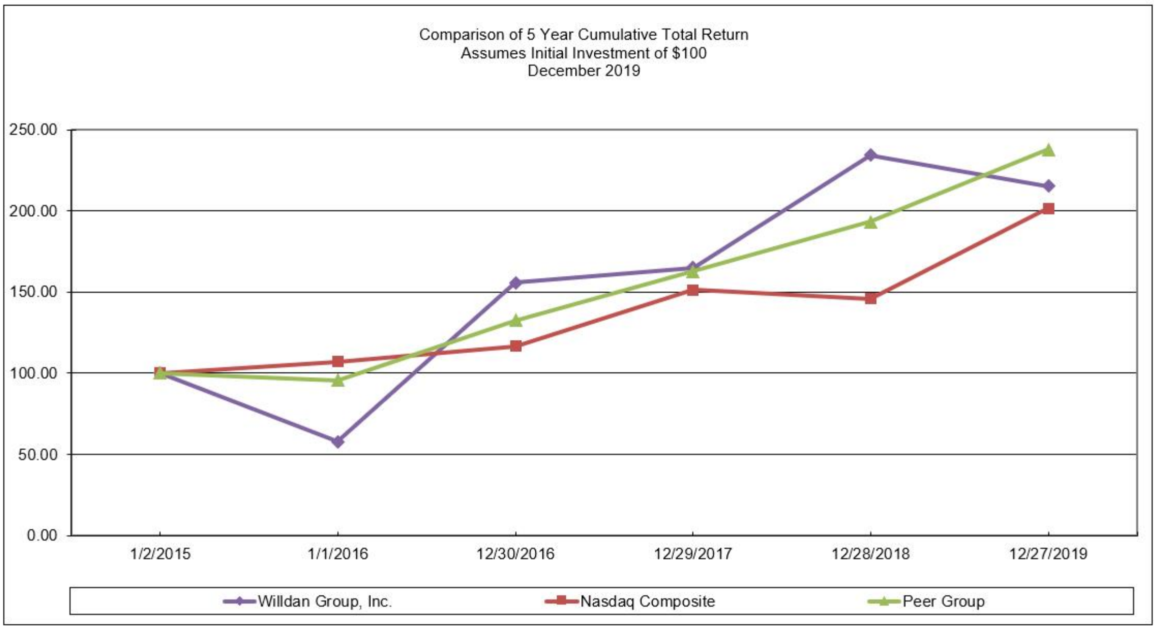
We did not declare or pay cash dividends on our common stock in fiscal years 2019 and 2018.

We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors, subject to compliance with applicable law and any contractual provisions, including under the Credit Agreement and agreements governing any additional indebtedness we may incur in the future, that restrict or limit our ability to pay dividends, and will depend upon, among other factors, our results of operations, financial condition, earnings, capital requirements and other factors that our board of directors deems relevant. Because we are a holding company, our ability to pay dividends depends on our receipt of cash dividends from our operating subsidiaries, which may further restrict our ability to pay dividends as a result of the laws of their jurisdiction of organization, agreements of our subsidiaries or covenants under our existing or future indebtedness.

Performance Graph

The following graph compares the 5-year cumulative total stockholder return of our common stock with the cumulative total return of the Nasdaq Composite and a customized peer group. The customized peer group consists of: Ecology & Environment, Inc., Iteris, Inc., NV5 Global, Inc., ICF International, Inc. and Ameresco, Inc. The peer group investment is weighted by market capitalization as of January 2, 2015 and is adjusted monthly. An investment of $100, with reinvestment of all dividends, is assumed to have been made in our common stock, in the peer group and in the Nasdaq Composite on January 2, 2015, and the relative performance of each is tracked through and including December

27, 2019. The stock price performance shown in the graph is not necessarily indicative of future stock price performance.



Recent Sales of Unregistered Securities

On November 12, 2019, in connection with our acquisition of E3, Inc., we issued 162,088 shares of our common stock to the stockholders of E3, Inc. (the “E3, Inc. Stock Issuance”), as partial consideration for our acquisition of E3, Inc.

The issuance of our common stock in the E3, Inc. Stock Issuance was not registered under the Securities Act. Such shares were issued in a private placement exempt from the registration requirements of the Securities Act, in reliance on the exemptions set forth in Section 4(a)(2) of the Securities Act and Rule 506 under Regulation D for issuances to less than 35 non-accredited investors.

Issuer Repurchases of Equity Securities

During the three months ended December 27, 2019, we repurchased an aggregate of 582 shares of our common stock at an average price of $30.30 per share from employees to satisfy tax withholding obligations incurred in connection with the vesting of restricted stock.

ITEM 6. SELECTED FINANCIAL DATA

The financial data set forth below should be read in conjunction with our corresponding consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this annual report.

	Fiscal Year				
	2019	2018	2017	2016	2015
	(in thousands except per share amounts)				
Consolidated Statement of Operations Data:					
Contract revenue	$ 443,099	$ 272,252	$ 273,352	$ 208,941	$ 135,103
Direct costs of contract revenue (inclusive of directly related depreciation and amortization):					
Salaries and wages	64,485	46,588	44,743	39,024	31,880
Subcontractor services and other direct costs	243,641	132,693	151,919	104,236	50,200
Total direct costs of contract revenue	308,126	179,281	196,662	143,260	82,080
General and administrative expenses:					
Salaries and wages, payroll taxes, employee benefits	66,303	45,248	36,534	31,084	25,741
Facilities and facility related	8,568	5,600	4,624	4,085	4,246
Stock-based compensation	12,112	6,262	2,774	1,239	777
Depreciation and amortization	15,027	6,060	3,949	3,204	2,072
Other	23,600	17,030	15,105	14,525	12,657
Total general and administrative expenses	125,610	80,200	62,986	54,137	45,493
Income from operations	9,363	12,771	13,704	11,544	7,530
Other (expense) income:					
Interest expense	(4,900)	(700)	(111)	(179)	(207)
Other, net	193	90	98	2	18
Total other expense, net	(4,707)	(610)	(13)	(177)	(189)
Income before income tax expense	4,656	12,161	13,691	11,367	7,341
Income tax (benefit) expense	(185)	2,131	1,562	3,068	3,082
Net income	$ 4,841	$ 10,030	$ 12,129	$ 8,299	$ 4,259
Earnings per common share:					
Basic	$ 0.43	$ 1.08	$ 1.42	$ 1.01	$ 0.54
Diluted	$ 0.41	$ 1.03	$ 1.32	$ 0.97	$ 0.52
Weighted average common shares outstanding:					
Basic	11,162	9,264	8,541	8,219	7,834
Diluted	11,766	9,763	9,155	8,565	8,113
Other Operating Data (unaudited):					
Adjusted EBITDA (1)	$ 37,716	$ 25,422	$ 21,814	$ 16,428	$ 10,944
Employee headcount at period end (2)	1,451	1,202	882	831	688

	Fiscal Year Ended				
	December 27, 2019	December 28, 2018	December 29, 2017	January 1, 2017	January 2, 2016
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 5,452	$ 15,259	$ 14,424	$ 22,668	$ 16,487
Working capital	43,495	44,784	26,832	24,189	22,499
Total assets	439,913	301,836	138,172	108,347	72,345
Total indebtedness (3)	130,917	72,255	3,332	6,590	5,823
Total stockholders' equity	167,278	144,289	70,652	49,918	37,616

(1) Adjusted EBITDA, a non-GAAP measure, is a supplemental measure used by our management to measure our operating performance. We define Adjusted EBITDA as net income plus interest expense, income tax expense

(benefit), stock-based compensation, interest accretion, depreciation and amortization, transaction costs, and less gain on sale of equipment. Adjusted EBITDA is not a measure of net income determined in accordance with U.S. generally accepted accounting principles ("GAAP"). We believe Adjusted EBITDA is useful because it allows our management to evaluate our operating performance and compare the results of our operations from period to period and against our peers without regard to our financing methods, capital structure and non-operating expenses. We use Adjusted EBITDA to evaluate our performance for, among other things, budgeting, forecasting and incentive compensation purposes. Adjusted EBITDA has limitations as an analytical tool and should not be considered as an alternative to, or more meaningful than, net income as determined in accordance with GAAP. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's costs of capital, as well as the historical costs of depreciable assets. Our definition of Adjusted EBITDA may also differ from those of many companies reporting similarly named measures.

The following is a reconciliation of net income to Adjusted EBITDA:

	Fiscal Year				
	2019	**2018**	**2017**	**2016**	**2015**
			(in thousands)		
Net income	$ 4,841	$10,030	$12,129	$ 8,299	$ 4,259
Interest expense	4,900	700	111	179	207
Income tax expense (benefit)	(185)	2,131	1,562	3,068	3,082
Stock-based compensation	12,112	6,262	2,774	1,239	777
Interest accretion [(a)]	(302)	(1,425)	1,156	439	547
Depreciation and amortization	15,472	6,211	4,082	3,204	2,072
Transaction costs [(b)]	886	1,527	178	59	293
Gain on sale of equipment	(8)	(14)	—	—	—
Adjusted EBITDA	$37,716	$25,422	$21,992	$16,487	$11,237

(a) Interest accretion represents the imputed interest on the earn-out payments to be paid by us in connection with the acquisitions of Abacus and substantially all of the assets of 360 Energy in January 2015, the acquisition of Integral Analytics, Inc. in July 2017, the acquisition of Newcomb Anderson McCormick, Inc. ("NAM") in April 2018, and the acquisition of Energy and Environmental Economics, Inc. ("E3, Inc.") in October 2019. Interest accretion is included in other expenses.

(b) Transaction costs for fiscal year 2019 represented costs associated with our acquisitions of The Weidt Group, Onsite Energy, and E3, Inc. and related financings.

(2) Includes full-time and part-time employees.

(3) Total indebtedness includes notes payable outstanding under our Term Loan Facility and notes payable that we issued to the sellers of Abacus and the sellers of substantially all of the assets of 360 Energy in connection with our acquisitions of each in January 2015. We had $95.0 million outstanding under our Term A Loan, $30.0 million outstanding under our Delayed Draw Term Loan Facility, and $5.0 million outstanding under our Revolving Credit Facility as of December 27, 2019. Total indebtedness does not include the earn-out payments owed in connection with our acquisitions of Abacus, Economists.com, LLC ("Economists LLC"), Integral Analytics, NAM, substantially all of the assets of 360 Energy, and E3, Inc. For more information on our indebtedness, see Part II, Item 8, *Debt,* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

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

Our Company

We are a provider of professional, technical and consulting services to utilities, private industry, and public agencies at all levels of government. As resources and infrastructures undergo continuous change, we help organizations and their communities evolve and thrive by providing a wide range of technical services for energy solutions and government infrastructure. Through engineering, program management, policy advisory, and software and data management, we design and deliver trusted, comprehensive, innovative, and proven solutions to improve efficiency, resiliency, and sustainability in energy and infrastructure to our clients.

Our broad portfolio of services operates within two reporting segments: (1) Energy and (2) Engineering and Consulting. The interfaces and synergies between these segments are important elements of our strategy to design and deliver trusted, comprehensive, innovative, and proven solutions for our customers.

Our Energy segment provides specialized, innovative, comprehensive energy solutions to businesses, utilities, state agencies, municipalities, and non-profit organizations in the U.S. Our experienced engineers, consultants, and staff help our clients realize cost and energy savings by tailoring efficient and cost-effective solutions to assist in optimizing energy spend. Our energy efficiency services include comprehensive audit and surveys, program design, master planning, demand reduction, grid optimization, benchmarking analyses, design engineering, construction management, performance contracting, installation, alternative financing, measurement and verification services, and advances in software and data analytics.

Our Engineering and Consulting segment provides civil engineering-related construction management, building and safety, city engineering, city planning, geotechnical, material testing and other engineering consulting services to our clients. Our engineering services include rail, port, water, mining and other civil engineering projects. We also provide economic and financial consulting to public agencies along with national preparedness and interoperability services, communications, and technology solutions. Lastly, we supplement the engineering services that we offer our clients by offering expertise and support for the various financing techniques public agencies utilize to finance their operations and infrastructure. We also support the mandated reporting and other requirements associated with these financings. We do not provide underwriting or financial advisory services for municipal securities.

Key Developments

On March 8, 2019, we acquired substantially all of the assets of the energy practice division of The Weidt Group Inc. ("The Weidt Group"). The Weidt Group works with utilities to make available to the utilities' customers accessible strategies for building lifelong energy performance through analysis, benchmarking, verification and software development. We believe the acquisition will expand our presence in the upper Midwest of the U.S. and better position us to help utilities make their grids more resilient. The aggregate purchase price for The Weidt Group was $22.1 million, inclusive of working capital adjustments, consisting of $8.1 million funded from cash on hand and $14.0 million funded from our credit facilities.

On July 2, 2019, we acquired substantially all of the assets and liabilities of Onsite Energy Corporation ("Onsite Energy"). Onsite Energy is an energy efficiency services and project implementation firm that specializes in energy upgrades and commissioning for industrial facilities. We believe the acquisition will expand our presence in the California-based industrial energy management services. The aggregate purchase price for Onsite Energy was a maximum of $26.4 million, subject to certain holdback and working capital adjustments, consisting of $8.4 million funded from cash on hand and $18.0 million funded from our credit facilities.

On October 28, 2019, we acquired all of the capital stock of Energy and Environmental Economics, Inc. ("E3, Inc."). E3, Inc. is an energy consulting firm that helps utilities, regulators, policy makers, developers, and investors make strategic decisions as they implement new public policies, respond to technological advances, and address customers' shifting expectations in clean energy. We believe the acquisition will expand our portfolio of services in the energy consulting marketplace. The aggregate purchase price for E3, Inc. is a maximum of $44.0 million, subject to certain holdbacks and capital adjustments, consisting of $27.0 million paid in cash using funds from our credit facilities, $5.0 million resulting from the issuance of 162,088 shares of the Company's common stock, and (iii) up to $12.0 million to be paid in cash if E3, Inc. exceeds certain financial targets during the three years after the closing of the acquisition of E3, Inc.

In connection with our acquisition of E3, Inc., we expanded our operations into Canada. Revenue from our Canadian operations were not material for fiscal year 2019. For additional information on our acquisitions, see Part II, Item 8, Note 13, *Business Combinations*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Results of Operations

Summary Comparison of 2019, 2018, and 2017

The following table sets forth, for the periods indicated, certain information derived from our consolidated statements of comprehensive income[(1)]:

	Fiscal Year 2019		2018		2017	
	(in thousands, except percentages)					
Contract revenue [(2)]	$ 443,099	100.0 %	$ 272,252	100.0 %	$ 273,352	100.0 %
Direct costs of contract revenue (inclusive of directly related depreciation and amortization):						
Salaries and wages	64,485	14.6	46,588	17.1	44,743	16.4
Subcontractor services and other direct costs	243,641	55.0	132,693	48.7	151,919	55.6
Total direct costs of contract revenue	308,126	69.5	179,281	65.9	196,662	71.9
General and administrative expenses:						
Salaries and wages, payroll taxes and employee benefits	66,303	15.0	45,248	16.6	36,534	13.4
Facilities and facility related	8,568	1.9	5,600	2.1	4,624	1.7
Stock-based compensation	12,112	2.7	6,262	2.3	2,774	1.0
Depreciation and amortization	15,027	3.4	6,060	2.2	3,949	1.4
Other	23,600	5.3	17,030	6.3	15,105	5.5
Total general and administrative expenses	125,610	28.3	80,200	29.5	62,986	23.0
Income from operations	9,363	2.1	12,771	4.7	13,704	5.0
Other income (expense):						
Interest expense, net	(4,900)	(1.1)	(700)	(0.3)	(111)	(0.0)
Other, net	193	0.0	90	0.0	98	0.0
Total other expense, net	(4,707)	(1.1)	(610)	(0.2)	(13)	(0.0)
Income before income taxes	4,656	1.1	12,161	4.5	13,691	5.0
Income tax (benefit) expense	(185)	(0.0)	2,131	0.8	1,562	0.6
Net income	$ 4,841	1.1 %	$ 10,030	3.7 %	$ 12,129	4.4 %

(1) Percentages are expressed as a percentage of contract revenue and may not total due to rounding.
(2) Revenue for 2019 and 2018 is presented in accordance with Accounting Standards Codification ("ASC") 606. Revenue for 2017 is presented in accordance with ASC 605. For information related to our transition from ASC 605 to ASC 606, see Part II, Item 8, Note 1, *Organization and Basis of Presentation*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

The following tables provides information about disaggregated revenue of the Company's two segments Energy and Engineering and Consulting by contract type, client type and geographical region[(1)(2)(3)]:

	2019								
	Energy			Engineering and Consulting			Total		
	(in thousands, except percentages)								
Contract Type									
Time-and-materials	$	18,625	5.0%	$	54,560	75.4%	$	73,185	16.5%
Unit-based		272,978	73.6%		14,391	19.9%		287,369	64.9%
Fixed price		79,112	21.3%		3,433	4.7%		82,545	18.6%
Total	$	370,715	100.0%	$	72,384	100.0%	$	443,099	100.0%
Client Type									
Commercial	$	39,311	10.6%	$	4,895	6.8%	$	44,206	10.0%
Government		57,020	15.4%		67,049	92.6%		124,069	28.0%
Utilities		274,384	74.0%		440	0.6%		274,824	62.0%
Total	$	370,715	100.0%	$	72,384	100.0%	$	443,099	100.0%
Geography									
Domestic	$	370,715	83.7%	$	72,384	16.3%	$	443,099	100.0%

	2018								
	Energy			Engineering and Consulting			Total		
	(in thousands, except percentages)								
Contract Type									
Time-and-materials	$	13,790	7.0%	$	59,744	79.2%	$	73,534	27.0%
Unit-based		113,749	57.8%		13,300	17.6%		127,049	46.7%
Fixed price		69,294	35.2%		2,375	3.1%		71,669	26.3%
Total	$	196,833	100.0%	$	75,419	100.0%	$	272,252	100.0%
Client Type									
Commercial	$	20,715	10.5%	$	4,882	6.5%	$	25,597	9.4%
Government		62,897	32.0%		70,091	92.9%		132,988	48.8%
Utilities		113,221	57.5%		446	0.6%		113,667	41.8%
Total	$	196,833	100.0%	$	75,419	100.0%	$	272,252	100.0%
Geography									
Domestic	$	196,833	72.3%	$	75,419	27.7%	$	272,252	100.0%

(1) Revenue for 2019 and 2018 is presented in accordance with Accounting Standards Codification ("ASC") 606. For information related to our transition from ASC 605 to ASC 606, see Part II, Item 8, Note 1, *Organization and Basis of Presentation*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.
(2) We adopted ASC 606 utilizing a modified retrospective approach in accordance with ASU 2016-10. As such, fiscal year 2017 comparative information is not presented.
(3) Revenue from our Canadian operations were not material for fiscal year 2019. For fiscal year 2018 and 2017, we did not have any foreign revenues.

Fiscal Year 2019 Compared to Fiscal Year 2018

Contract revenue. Consolidated contract revenue increased $170.8 million, or 62.4%, in fiscal year 2019 compared to fiscal year 2018, primarily as a result of a full year of contract revenue related to our acquisition of Lime Energy Co. ("Lime Energy") in October 1, 2018, compared to a partial year of such revenues in the prior year, and increases in contract revenue related to our acquisitions of E3, Inc., Onsite Energy, and the Weidt Group during fiscal year 2019. This increase was partially offset by a decrease in contract revenue in the Engineering and Consulting segment due to normal fluctuations in the level of services provided.

Contract revenue in our Energy segment increased $173.9 million, or 88.0%, in fiscal year 2019 compared to fiscal year 2018. Contract revenue in our Engineering and Consulting segment decreased $3.0 million, or 4.0%, in fiscal year 2019 compared to fiscal year 2018. Contract revenue for the Energy segment increased as a result of the reasons mentioned above as Lime Energy, E3 Inc., Onsite Energy, and the Weidt Group are included in our Energy segment. Contract revenue for the Engineering and Consulting segment decreased primarily as a result of lower subcontracted revenue during fiscal year 2019.

Direct costs of contract revenue. Direct costs of consolidated contract revenue increased $128.8 million, or 71.4%, in fiscal year 2019 compared to fiscal year 2018, primarily as a result of a full year of direct costs of contract revenue related to Lime Energy, compared to a partial year of such costs in the prior year, and an increase in direct costs of contract revenues related to our acquisitions of E3, Inc., Onsite Energy, and the Weidt Group during fiscal year 2019.

Direct cost of contract revenue in our Energy segment increased $129.4 million, or 94.7%, to $266.0 million for fiscal year 2019 from $136.6 million for fiscal year 2018 as a result of the acquisitions in the Energy segment mentioned above which collectively contributed $132.3 million in direct costs of contract revenue in fiscal year 2019. Direct costs of contract revenue for the Engineering and Consulting segment decreased $1.3 million, or 3.0%, to $41.4 million for fiscal year 2019 from $42.7 million for fiscal year 2018 in conjunction with the decrease in revenue in this segment.

Subcontractor services and other direct costs increased by $110.2 million and salaries and wages increased by $17.9 million compared to the prior year. Within direct costs of contract revenue, salaries and wages decreased to 14.6% of contract revenue for fiscal year 2019 from 17.1% for fiscal year 2018. Subcontractor services and other direct costs increased to 55.0% of contract revenue for fiscal year 2019 from 48.7% of contract revenue for fiscal year 2018. Salaries and wages within direct costs of contract revenue decreased as a percentage of contract revenue and subcontractor services increased as a percentage of contract revenue, primarily as a result of increased mix of revenues derived from the Lime acquisition which contain a higher percentage of material costs and installation subcontracting and a lower percentage of labor costs compared to the previous year.

General and administrative expenses. General and administrative (“G&A”) expenses increased by $45.4 million, or 56.6%, to $125.6 million for fiscal year 2019 from $80.2 million for fiscal year 2018. The increase in G&A expenses consisted of an increase of $43.3 million in the Energy segment and an increase of $2.4 million in the unallocated corporate expenses, partially offset by a decrease of $3.0 million in the Engineering and Consulting segment. The increase in G&A expenses in the Energy segment was primarily attributed of a full year of G&A expenses related to our acquisition of Lime Energy, compared to a partial year of such expenses in the prior year, and an increase in G&A expenses related to our acquisitions of E3, Inc., Onsite Energy, and The Weidt Group during fiscal year 2019, which collectively contributed $40.9 million in G&A expenses in fiscal year 2019. The increase in our unallocated corporate expenses is primarily attributable to increased acquisition-related costs related to E3, Inc., Onsite Energy, and the Weidt Group. The decrease in G&A expenses in the Engineering and Consulting segment was primarily attributed to lower contract revenues in that segment as described above.

Of the $42.7 million increase in G&A expenses, $18.3 million resulted from an increase in salaries and wages, payroll taxes and employee benefits, $5.9 million resulted from an increase in stock-based compensation, $9.0 million resulted from an increase in depreciation and amortization, $6.7 million resulted from an increase in other general and administrative expenses and $3.0 million resulted from an increase in facilities and facility related expenses. The increase in salaries and wages, payroll taxes and employee benefits was primarily attributable to the addition of employees from the acquisitions of Lime Energy, The Weidt Group, Onsite Energy, and E3, Inc. The increase in facilities and facility related expenses was primarily due to the addition of offices in connection with our fiscal year 2019 acquisitions. The increase in stock-based compensation expenses was primarily related to an increase in stock grants to current employees and executives. The increase in depreciation and amortization was primarily due to an increase in amortization of intangible assets derived from the acquisitions of Lime Energy, The Weidt Group, Onsite Energy, and

E3, Inc. The increase in other general and administrative expenses was primarily due to acquisition costs related to the acquisition of the Weidt Group, Onsite Energy, and E3, Inc.

Income from operations. Our operating income decreased by $0.8 million, or 6.3% as a result of the factors noted above. As a percentage of contract revenue, operating income decreased to 2.7% in fiscal year 2019 compared to 4.7% in fiscal year 2018. This decrease was primarily attributable to higher direct costs of contract revenue, as a percentage of revenue, partially offset by lower G&A expenses, as a percentage of contract revenue.

Total other expense, net. Total other expense, net, increased to $4.7 million for fiscal year 2019 as compared $610,000 for fiscal year 2018. This increase in total other expense, net is primarily the result of higher interest expense during fiscal year 2019 as a result of borrowings under our credit facilities related to our acquisitions of Lime Energy, the Weidt Group, Onsite Energy, and E3, Inc.

Income tax (benefit) expense. We recorded an income tax benefit of $0.2 million for fiscal year 2019, as compared to $2.1 million expense for fiscal year 2018. The effective tax rate for fiscal year 2019 was (4.0)%, as compared to 17.5% for fiscal year 2018. The decrease in the year-over-year effective tax rate for fiscal year 2019 and the difference between the tax expense recorded and the expense that would be recorded by applying the federal statutory rate was primarily attributable to increased deductions for stock options, increased research and development credits, and the impact of the energy efficient commercial building deductions recognized in 2019.

Net income. As a result of the above factors, our net income was $4.8 million for fiscal year 2019, as compared to net income of $10.0 million for fiscal year 2018.

Fiscal Year 2018 Compared to Fiscal Year 2017

Contract revenue. Our contract revenue was $272.3 million for fiscal year 2018, with $196.8 million attributable to the Energy segment and $75.4 million attributable to the Engineering and Consulting segment. Consolidated contract revenue decreased $1.1 million, or 0.4%, to $272.3 million for fiscal year 2018 from $273.4 million for fiscal year 2017. This was primarily the result of a decrease in contract revenue for our Energy segment of $2.8 million, or 1.4%, to $196.8 million for fiscal year 2018 from $199.6 million for fiscal year 2017 and an increase in contract revenue for our Engineering and Consulting segment of $1.7 million, or 2.3%, to $75.4 million for fiscal year 2018 from $73.7 million for fiscal year 2017. Contract revenue for the Energy segment decreased primarily due to the substantial completion of certain large construction management projects with high pass-through subcontractor costs during fiscal year 2018, offset by the addition of incremental contract revenue of $24.4 million as a result of our acquisition of Lime Energy. Contract revenue for the Engineering and Consulting segment increased primarily due to the increased subcontractor revenues under certain of our existing capital improvement projects and continued growth across the country in the Property Assessed Clean Energy Program (PACE) that Willdan Financial Services manages, along with an increased demand for consulting services in Texas and Arizona.

Direct costs of contract revenue. Direct costs of contract revenue decreased by $17.4 million, or 8.8%, compared to the prior year, to $179.3 million for fiscal year 2018, with $136.6 million attributable to the Energy segment and $42.7 million attributable to the Engineering and Consulting segment. Direct costs of contract revenue for our Energy segment decreased by $18.2 million, or 11.7%, compared to the prior year, primarily due to the completion of certain large construction management projects during fiscal year 2018 that resulted in the decrease of related pass-through expenses, offset by $18.8 million that was attributable to the incremental costs as a result of our acquisition of Lime Energy. Direct costs of contract revenue increased for our Engineering and Consulting segment by $0.8 million, or 1.9%, in conjunction with the increase in revenue in that segment.

Subcontractor services and other direct costs decreased by $19.2 million and salaries and wages increased by $1.8 million compared to the prior year. Within direct costs of contract revenue, salaries and wages increased to 17.1% of contract revenue for fiscal year 2018 as compared to 16.4% for fiscal year 2017. Subcontractor services and other direct costs decreased to 48.7% of contract revenue for fiscal year 2018 from 55.6% of contract revenue for fiscal year 2017. Subcontractor services decreased primarily as a result of a reduction in pass-through subcontractor expenses as a result of the completion of certain Energy construction management projects, partially offset by increased use of subcontractor services under certain of our existing Engineering and Consulting engineering capital improvement projects.

General and administrative expenses. General and administrative expenses increased by $17.2 million, or 27.3%, to $80.2 million for fiscal year 2018 from $63.0 million for fiscal year 2017. This reflected increases of $8.4 million in general and administrative expenses of the Energy segment, $2.4 million in general and administrative expenses of the Engineering and Consulting segment and $6.4 million in general and administrative expenses of the unallocated corporate expenses. General and administrative expenses increased by $5.9 million primarily as a result of incremental expenses associated with the acquisition of Lime Energy and NAM, as well as the growth of contract revenues in Engineering and Consulting segment. General and administrative expenses as a percentage of contract revenue were 29.5% for fiscal year 2018 as compared to 23.0% for fiscal year 2017. Our general and administrative expenses increased as a percentage of contract revenue, compared to the prior year, primarily due to increases in salaries and wages, employee taxes and employee benefits from the addition of employees from the acquisitions of Lime Energy and NAM, the implementation of a performance based restricted stock unit award program that increased stock compensation under our unallocated corporate expenses.

Of the $17.2 million increase in general and administrative expenses, approximately $8.7 million resulted from an increase in salaries and wages, payroll taxes and employee benefits, $3.5 million resulted from an increase in stock-based compensation, $2.1 million resulted from an increase in depreciation and amortization, $1.9 million resulted from an increase in other general and administrative expenses and $1.0 million resulted from an increase in facilities and facility related expenses. The increase in salaries and wages, payroll taxes and employee benefits was primarily due to the addition of employees from the acquisitions of Lime Energy and NAM. The increase in stock-based compensation expenses was primarily due to the implementation of a performance based restricted stock unit award program and issuing grants to current employees and the Board of Directors. The increase in depreciation and amortization was primarily due to an increase in amortization of intangible assets from the acquisitions of Lime Energy and NAM. The increase in other general and administrative expenses was primarily due to acquisition costs related to the acquisition of Lime Energy. The increase in facilities and facility related expenses was primarily due to the addition of NAM offices in San Francisco and Los Angeles, upgrades to data services lines in current offices and overall increase in base rent.

Income from operations. As a result of the above factors, our operating income decreased by $0.9 million or 6.8% to $12.8 million for fiscal year 2018 as compared to $13.7 million for fiscal year 2017. The decrease was primarily due to the increase in general and administrative expenses. Income from operations, as a percentage of contract revenue, was 4.7% for fiscal year 2018 and 5.0% for fiscal year 2017. The decrease in operating margin was primarily due to an increase in total general and administrative expenses, partially offset by an increase in contract revenues, net of subcontracting and other direct costs.

Total other expense, net. Total other expense, net, increased to $610,000 for fiscal year 2018 as compared $13,000 for fiscal year 2017. This increase in total other expense, net is primarily the result of higher interest expense during fiscal year 2018, due to borrowing of $70.0 million under our prior delayed draw term loan facility for the acquisition of Lime Energy.

Income tax expense. We recorded an income tax expense of $2.1 million for fiscal year 2018, as compared to $1.6 million for fiscal year 2017. The effective tax rate for fiscal year 2018 was 17.5%, as compared to 11.4% for fiscal year 2017. The increase in the year-over-year effective tax rate for fiscal year 2018 and the difference between the tax expense recorded and the expense that would be recorded by applying the federal statutory rate was primarily attributable to increased state taxes, decreased deductions for stock options and disqualifying dispositions and the impact of the Tax Act recognized in 2017, partially offset by energy efficient commercial building deductions recognized in 2018 and increased research and development credits. The difference between the tax expense recorded and the expense that would be recorded by applying the federal statutory rate in fiscal year 2017 primarily relates to stock options and disqualifying dispositions and the impact of the Tax Act.

On December 22, 2017, the Tax Act was enacted into law, which, among other items, lowered the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the Tax Act, we recorded a one-time decrease in deferred tax expense of $1.3 million for the fiscal quarter ended December 29, 2017 to account for the remeasurement of our deferred tax assets and liabilities on the enactment date. For further discussion of our income tax provision, see Part II, Item 8, Note 11, I*ncome Taxes*, of the notes to our consolidated financial statements included in this Annual report on Form 10-K.

Shortly after the Tax Act was enacted, the SEC issued guidance under SAB 118 to address the application of GAAP and directing taxpayers to consider the impact of the Tax Act as "provisional" when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for the change in tax law. In accordance with SAB 118, we recognized the provisional tax impacts. As of December 28, 2018, our accounting for the Tax Act is complete. An adjustment of $0.2 million additional deferred tax expense was recorded due to the corporate tax rate change impact on adjustments to temporary differences that were estimated at the time of the tax provision and finalized for the tax return.

Net income. As a result of the above factors, our net income was $10.0 million for fiscal year 2018, as compared to net income of $12.1 million for fiscal year 2017.

Liquidity and Capital Resources

	Fiscal Year		
	2019	**2018**	**2017**
		(in thousands)	
Net Cash Provided by (used in):			
Operating activities	$ 11,621	$ 7,568	$ 11,069
Investing activities	(78,348)	(126,390)	(16,781)
Financing activities	56,920	119,657	(2,532)
Net increase (decrease) in cash and cash equivalents	$ (9,807)	$ 835	$ (8,244)

As of December 29, 2019, we had $5.5 million of cash and cash equivalents. Our cash decreased by $9.8 million since December 28, 2018. We generated cash flow from operations of $11.6 million during fiscal year 2019, partially offset by net cash used for acquisitions and capital expenditures. Our primary source of liquidity is cash generated from operations. In addition, as of December 27, 2019, we had a $100 million Term A Loan with $95.0 million outstanding, a $50.0 million Revolving Credit Facility with $5.0 million outstanding and $2.7 million in letters of credit issued, and a $50.0 million Delayed Draw Term Loan with $30.0 million outstanding, each scheduled to mature on June 26, 2024. We believe that our cash and cash equivalents on hand, cash generated by operating activities and available borrowings under our revolving credit facility will be sufficient to finance our operating activities for at least the next 12 months.

Cash Flows from Operating Activities

Cash flows provided by operating activities were $11.6 million for fiscal year 2019, as compared to $7.6 million and $11.1 million for fiscal years 2018 and 2017, respectively. Cash flow from operating activities primarily consists of net income, adjusted for non-cash charges, such as depreciation and amortization and stock-based compensation, plus or minus changes in operating assets and liabilities. The net cash provided by changes in operating assets and liabilities in 2019 reflects changes as a result of our fiscal year 2019 acquisitions, combined with a decrease in accounts receivable and an increase in accrued liabilities, partially offset by an increase in contract assets. Cash flows provided by operating activities for fiscal year 2018 resulted primarily from our net income, as adjusted for non-cash activity such as depreciation and amortization and stock-based compensation and collections of accounts receivable, partially offset by increases in contract assets combined with decreases in accrued liabilities and accounts payable. Cash flows provided by operating activities for fiscal year 2017 resulted primarily from our net income and increases in accrued liabilities and accounts payable, partially offset by increases in accounts receivable.

Cash Flows used in Investing Activities

Cash flows used in investing activities were $78.3 million for fiscal year 2019, as compared to $126.4 million and $16.8 million for fiscal years 2018 and 2017, respectively. Cash flows used in investing activities for fiscal year 2019 were primarily due to cash paid for the acquisitions of The Weidt Group, Onsite Energy, and E3, Inc. Cash flows used in investing activities for fiscal year 2018 were primarily due to cash paid for the acquisition of Lime Energy. Cash flows used in investing activities for fiscal year 2017 were primarily due to cash paid for the acquisition of Integral Analytics and the purchase of equipment and leasehold improvements.

Cash Flows from Financing Activities

Cash flows provided by financing activities were $56.9 million for fiscal year 2019, as compared to cash flows used in financing activities of $119.7 million for fiscal year 2018 and $2.5 million for fiscal year 2017. Cash flows provided by financing activities for fiscal year 2019 were primarily attributable to borrowings under our credit facilities related to our acquisitions of The Weidt Group, Onsite Energy, and E3, Inc. Cash flows provided by financing activities for fiscal year 2018 were primarily attributable to borrowings under our Delayed Draw Term Loan Facility and the net proceeds from our equity offering, each related to our acquisition of Lime Energy. Cash flows used in financing activities for fiscal year 2017 were primarily attributable to payments on notes payable and payments on contingent consideration related to our previous acquisitions, which were partially offset by proceeds from stock option exercises and borrowings under our line of credit.

Off-Balance Sheet Arrangements

Other than operating lease commitments, we do not have any off-balance sheet financing arrangements or liabilities. In addition, our policy is not to enter into futures or forward contracts. Finally, we do not have any majority-owned subsidiaries or any interests in, or relationships with, any special-purpose entities that are not included in the consolidated financial statements. We have, however, an administrative services agreement with Genesys in which we provide Genesys with ongoing administrative, operational and other non-professional support services. We manage Genesys and have the power to direct the activities that most significantly impact Genesys' performance, in addition to being obligated to absorb expected losses from Genesys. Accordingly, we are the primary beneficiary of Genesys and consolidate Genesys as a variable interest entity.

Short and Long-term Liquidity

Contractual Obligations

The following table sets forth our known as of December 27, 2019:

Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
			(in thousands)		
Long term debt [1]	$ 131,060	$ 13,720	$ 70,674	$ 46,666	$ —
Interest payments on debt outstanding [2]	16,553	4,529	7,600	4,424	—
Operating leases	27,443	6,418	10,571	5,923	4,530
Finance leases	589	394	195	—	—
Total contractual cash obligations	$ 175,645	$ 25,061	$ 89,040	$ 57,013	$ 4,530

(1) Long-term debt includes $95.0 million outstanding on our Term A Loan, $5.0 million outstanding on our Revolving Credit Facility and $30.0 million outstanding on our Delayed Draw Term Loan as of December 27, 2019. We have assumed no future borrowings or repayments (other than at maturity) for purposes of this table.

(2) Borrowings under our Delayed Draw Term Loan bear interest at a variable rate. Future interest payments on our Delayed Draw Term Loan Facility are estimated using floating rates in effect as of December 27, 2019.

We are obligated to pay earn-out payments in connection with our acquisitions of E3, Inc. and Integral Analytics. We are obligated to pay up to (i) $12.0 million in cash if E3, Inc. exceeds certain financial targets during the three years after the E3, Inc. closing date, and (ii) $12.0 million in cash based on future work obtained from the business of Integral Analytics during the four years after the closing of the acquisition, payable in installments, if certain financial targets are met during the four years. As of December 27, 2019, we had contingent consideration payable of $10.0 million related to these acquisitions. For fiscal 2019, our statement of operations includes $1.0 million of accretion (excluding fair value adjustments) related to the contingent consideration.

Outstanding Indebtedness

See part II, Item 8, Note 5, "*Debt Obligations*", of the Notes to consolidated financial statements included in this Annual Report on Form 10-K for information regarding our indebtedness, including information about new borrowings and repayments, principal repayment terms, interest rates, covenants, and other key terms of our outstanding indebtedness.

Insurance Premiums

We have also financed, from time to time, insurance premiums by entering into unsecured notes payable with insurance companies. See part II, Item 8, Note 5, "*Debt Obligations*", of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for information regarding our financing arrangements related to our insurance premiums including principal repayment terms, interest rates, and other related key terms.

Interest Rate Swap

We have entered into an interest rate swap agreement to moderate our exposure to fluctuations in interest rates underlying our variable rate debt. For more information, see Part II, Item 7A, "*Quantitative and Qualitative Disclosures About Market Risk*", and Note 4, "*Derivatives*", to the Notes of Consolidated Financial Statements included in this Annual Report on Form 10-K.

Impact of Inflation

Due to the average duration of our projects and our ability to negotiate prices as contracts end and new contracts begin, we believe our operations have not been, and, in the foreseeable future, are not expected to be, materially impacted by inflation.

Components of Revenue and Expense

Contract Revenue

We generally provide our services under contracts, purchase orders or retainer letters. The agreements we enter into with our clients typically incorporate one of three principal types of pricing provisions: time-and-materials, unit-based, and fixed price. Revenue on our time-and-materials and unit-based contracts are recognized as the work is performed in accordance with specific terms of the contract. As of December 27, 2019, approximately 17% of our contracts are time-and-materials contracts and approximately 65% of our contracts are unit-based contracts, compared to approximately 27% for time-and-materials contracts and approximately 47% for unit-based contracts as of December 28, 2018. Such change was attributed to the acquisition of Lime Energy in 2018 which significantly increased the percentage of revenue derived from unit-based contracts.

Some of these contracts include maximum contract prices, but contract maximums are often adjusted to reflect the level of effort to achieve client objectives and thus the majority of these contracts are not expected to exceed the maximum. Contract revenue on our fixed price contracts is determined on the percentage of completion method based generally on the ratio of direct costs incurred to date to estimated total direct costs at completion. Many of our fixed price contracts involve a high degree of subcontracted fixed price effort and are relatively short in duration, thereby lowering the risks of not properly estimating the percent complete.

Adjustments to contract cost estimates are made in the periods in which the facts requiring such revisions become known. When the revised estimate indicates a loss, such loss is recognized in the current period in its entirety. Claims and change orders that have not been finalized are evaluated to determine whether or not a change has occurred in the enforceable rights and obligations of the original contract. If these non-finalized changes qualify as a contract modification, a determination is made whether to account for the change in contract value as a modification to the existing contract, or a separate contract and revenue under the claims or change orders is recognized accordingly. Costs related to un-priced change orders are expensed when incurred, and recognition of the related revenue is based on the assessment above of whether or not a contract modification has occurred. Estimated profit for un-priced change orders is recognized only if collection is probable.

Our contracts come up for renewal periodically and at the time of renewal may be subject to renegotiation, which could impact the profitability on that contract. In addition, during the term of a contract, public agencies may request additional or revised services which may impact the economics of the transaction. Most of our contracts permit our clients, with prior notice, to terminate the contracts at any time without cause. While we have a large volume of contracts, the renewal, termination or modification of a contract, in particular contracts with Consolidated Edison, the City of Elk Grove, DASNY, and utility programs associated with Los Angeles Department of Water and Power and Duke Energy Corp., may have a material effect on our consolidated operations.

Some of our contracts include certain performance guarantees, such as a guaranteed energy saving quantity. Such guarantees are generally measured upon completion of a project. In the event that the measured performance level is less than the guaranteed level, any resulting financial penalty, including any additional work that may be required to fulfill the guarantee, is estimated and charged to direct expenses in the current period. We have not experienced any significant costs under such guarantees.

Direct Costs of Contract Revenue

Direct costs of contract revenue consist primarily of that portion of salaries and wages that have been incurred in connection with revenue producing projects. Direct costs of contract revenue also include material costs, subcontractor services, equipment and other expenses that are incurred in connection with revenue producing projects. Direct costs of contract revenue exclude that portion of salaries and wages related to marketing efforts, vacations, holidays and other time not spent directly generating revenue under existing contracts. Such costs are included in general and administrative expenses. Additionally, payroll taxes, bonuses and employee benefit costs for all of our personnel are included in general and administrative expenses since no allocation of these costs is made to direct costs of contract revenue.

Other companies may classify as direct costs of contract revenue some of the costs that we classify as general and administrative costs. We expense direct costs of contract revenue when incurred.

General and Administrative Expenses

G&A expenses include the costs of the marketing and support staffs, other marketing expenses, management and administrative personnel costs, payroll taxes, bonuses and employee benefits for all of our employees and the portion of salaries and wages not allocated to direct costs of contract revenue for those employees who provide our services. G&A expenses also include facility costs, depreciation and amortization, professional services, legal and accounting fees and administrative operating costs. Within G&A expenses, “Other” includes expenses such as professional services, legal and accounting, computer costs, travel and entertainment, marketing costs and acquisition costs. We expense general and administrative costs when incurred.

Critical Accounting Policies

This discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP"). To prepare these financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses in the reporting period. Our actual results may differ from these estimates. We have provided a summary of our significant accounting policies in Part II, Item 8, Note 1, *Organization and Operations of the Company*, of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. We describe below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and results of operations. Our management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions management believes are reasonable as of the date of this report.

Contract Assets and Liabilities

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or pre-agreed schedules. Billings in any given fiscal period do not necessarily correlate with revenue recognized for that period. Contract assets include unbilled amounts typically resulting from revenue under contracts where the percentage-of-completion method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer and right to repayment is not unconditional. Contract assets also include retainage amounts withheld from billings to our clients pursuant to provisions in our contracts and other revenues earned but not billed in the current period. Contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue.

Contract Accounting

We enter into contracts with our clients that contain various types of pricing provisions, including fixed price, time-and-materials, and unit-based provisions. We recognize revenues in accordance with ASU 2014-09, Revenue from Contracts with Customer, codified as ASC Topic 606 and the related amendments (collectively, "ASC 606"). As such, we identify a contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation in the contract and recognize revenue when (or as) we satisfy a performance obligation.

The following table reflects our two reportable segments and the types of contracts that each most commonly enters into for revenue generating activities.

Segment	Contract Type	Revenue Recognition Method
Energy	Time-and-materials	Time-and-materials
	Unit-based	Unit-based
	Software license	Unit-based
	Fixed price	Percentage-of-completion
Engineering and Consulting	Time-and-materials	Time-and-materials
	Unit-based	Unit-based
	Fixed price	Percentage-of-completion

Revenue on the vast majority of our contracts will continue to be recognized over time because of the continuous transfer of control to the customer. Revenue on fixed price contracts is recognized on the percentage-of-completion method based generally on the ratio of direct costs incurred-to-date to estimated total direct costs at completion. We use the percentage-of-completion method to better match the level of work performed at a certain point in time in relation to our effort that will be required to complete a project. In addition, the percentage-of-completion method is a common method of revenue recognition in our industry.

Many of our fixed price contracts involve a high degree of subcontracted fixed price effort and are relatively short in duration, thereby lowering the risks of not properly estimating the percent complete. Revenue on time-and-materials and unit-based contracts is recognized as the work is performed in accordance with the specific rates and terms of the contract. We recognize revenues for time-and-materials contracts based upon the actual hours incurred during a reporting period at contractually agreed upon rates per hour and also include in revenue all reimbursable costs incurred during a reporting period. Certain of our time-and-materials contracts are subject to maximum contract values and, accordingly, when revenue is expected to exceed the maximum contract value, these contracts are generally recognized under the percentage-of-completion method, consistent with fixed price contracts. For unit-based contracts, we recognize the contract price of units of a basic production product as revenue when the production product is delivered during a period. Revenue recognition for software licenses issued by the Energy segment is generally recognized utilizing the unit-based revenue recognition method at a point in time, upon acceptance of the software by the customer and in recognition of the fulfillment of the performance obligation. Certain additional performance obligations beyond the base software license may be separated from the gross license fee and recognized on a straight-line basis over time. Revenue for amounts that have been billed but not earned is deferred and such deferred revenue is referred to as contract liabilities in the accompanying condensed consolidated balance sheets.

To determine the proper revenue recognition method for contracts, we evaluate whether two or more contracts should be combined and accounted for as one single contract and whether the combined contract should be accounted for as one performance obligation. With respect to our contracts, it is rare that multiple contracts should be combined into a single performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, which is mainly because we provide a significant service of integrating a complex set of tasks and components into a single project or capability.

We may enter into contracts that include separate phases or elements. If each phase or element is negotiated separately based on the technical resources required and/or the supply and demand for the services being provided, we evaluate if the contracts should be segmented. If certain criteria are met, the contracts would be segmented which could result in revenues being assigned to the different elements or phases with different rates of profitability based on the relative value of each element or phase to the estimated total contract revenue. Segmented contracts may comprise up to approximately 2.0% to 3.0% of our consolidated contract revenue.

Contracts that cover multiple phases or elements of the project or service lifecycle (development, design, construction and maintenance and support) may be considered to have multiple performance obligations even when they are part of a single contract. For contracts with multiple performance obligations, we allocate the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract. For the periods presented, the value of the separate performance obligations under contracts with multiple performance obligations (generally measurement and verification tasks under certain energy performance contracts) were not material. In cases where we do not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then adds an appropriate margin for the distinct good or service.

We provide quality of workmanship warranties to customers that are included in the sale and are not priced or sold separately or do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications and industry standards. We do not consider these types of warranties to be separate performance obligations.

In some cases, we have a master service or blanket agreement with a customer under which each task order releases us to perform specific portions of the overall scope in the service contract. Each task order is typically accounted for as a separate contract because the task order establishes the enforceable rights and obligations, and payment terms.

Under ASC 606, variable consideration should be considered when determining the transaction price and estimates should be made for the variable consideration component of the transaction price, as well as assessing whether an estimate of variable consideration is constrained. For certain of our contracts, variable consideration can arise from modifications to the scope of services resulting from unapproved change orders or customer claims. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on assessments of legal enforceability, our performance, and all information (historical, current and forecasted) that is reasonably available to us.

Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract-related estimates regularly through a company-wide disciplined project review process in which management reviews the progress and execution of our performance obligations and the estimate at completion ("EAC"). As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule and the related changes in estimates of revenues and costs. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, the performance of subcontractors, and the availability and timing of funding from the customer, among other variables.

We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the period it is identified.

Contracts are often modified to account for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new rights or obligations or changes the existing enforceable rights or obligations. Most of our contract modifications are for goods or services that are not distinct from existing contracts due to the significant integration provided in the context of the contract and are accounted for as if they were part of the original contract. The effect of a contract modification that is not distinct from the existing contract on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

For contract modifications that result in the promise to deliver goods or services that are distinct from the existing contract and the increase in price of the contract is for the same amount as the standalone selling price of the additional goods or services included in the modification, we account for such contract modifications as a separate contract.

We include claims to vendors, subcontractors and others as a receivable and a reduction in recognized costs when enforceability of the claim is established by the contract and the amounts are reasonably estimable and probable of being recovered. The amounts are recorded up to the extent of the lesser of the amounts management expects to recover or to costs incurred.

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized using the percentage-of-completion method of revenue recognition.

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based upon our review of all outstanding amounts on a quarterly basis. Management determines allowances for doubtful accounts through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience. Historical credit losses have been minimal with governmental entities and large public utilities, but disputes may arise related to these receivable amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

In addition to the above, we derive revenue from software licenses and professional services and maintenance fees. In accordance with ASC 606, we perform an assessment of each contract to identify the performance obligations, determine the overall transaction price for the contract, allocate the transaction price to the performance obligations, and recognize the revenue when the performance obligations are satisfied.

We utilize the residual approach by which we estimate the standalone selling price by reference to the total transaction price less the sum of the observable standalone selling prices of other goods or services promised in the contract. The software license revenue is typically recognized at a point in time when control is transferred to the client, which is defined as the point in time when the client can use and benefit from the license. The software license is delivered before related services are provided and is functional without services, updates, or technical support. Related professional services include training and support services in which the standalone selling price is determined based on an input measure of hours incurred to total estimated hours and is recognized over time, usually which is the life of the contract.

For further information on the types of contracts under which we perform our services, see Part II, Item 8, Note 1, *Organization and Operations of the Company*, of the Notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 27, 2019.

Goodwill

We test our goodwill at least annually for possible impairment. We complete our annual testing of goodwill as of the last day of the first month of our fourth fiscal quarter each year to determine whether there is impairment. In addition to our annual test, we regularly evaluate whether events and circumstances have occurred that may indicate a potential impairment of goodwill. We did not recognize any goodwill impairment charges in fiscal years 2019, 2018, or 2017. We had goodwill of approximately $127.6 million and $97.7 million, as of December 27, 2019 and December 28, 2018, respectively, which primarily relates to our acquisitions.

We test our goodwill for impairment at the level of our reporting units, which are components of our operating segments. In January 2017, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) Update No. 2017-04 (“ASU 2017-04”), *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This accounting guidance eliminates the requirement to compare the implied fair value of reporting unit goodwill with the carrying amount of that goodwill (commonly referred to as Step 2) from the goodwill impairment test. The new standard does not change how a goodwill impairment is identified. We will continue to perform our quantitative and qualitative goodwill impairment test by comparing the fair value of each reporting unit to its carrying amount, but if we are required to recognize a goodwill impairment charge, under the new standard the amount of the charge will be calculated by subtracting the reporting unit’s fair value from its carrying amount. Under the prior standard, if we were required to recognize a goodwill impairment charge, Step 2 required us to calculate the implied value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination and the amount of the charge was calculated by subtracting the reporting unit’s implied fair value of goodwill from its actual goodwill balance.

To estimate the fair value of our reporting units, we use both an income approach based on management’s estimates of future cash flows and other market data and a market approach based upon multiples of earnings before interest, taxes, depreciation and amortization, or EBITDA, earned by similar public companies. Once the fair value is determined, we then compare the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is determined to be less than the carrying value, we perform an additional assessment to determine the extent of the impairment based on the implied fair value of goodwill compared with the carrying amount of the goodwill. In the event that the current implied fair value of the goodwill is less than the carrying value, an impairment charge is recognized.

Inherent in such fair value determinations are significant judgments and estimates, including but not limited to assumptions about our future revenue, profitability and cash flows, our operational plans and our interpretation of current economic indicators and market valuations. To the extent these assumptions are incorrect or economic conditions that would impact the future operations of our reporting units change, any goodwill may be deemed to be impaired, and an impairment charge could have in a material impact on our financial position or results of operation. Almost all of our goodwill is contained in our Energy segment, with the remainder in our Engineering and Consulting segment. At our measurement date, the estimated fair value of our Energy segment exceeded its carrying value. Any reduction in the estimated fair value of our Energy segment could result in an impairment charge of goodwill associated with this segment in future periods.

Accounting for Claims Against Us

We accrue an undiscounted liability related to claims against us for which the incurrence of a loss is probable and the amount can be reasonably estimated. We disclose the amount accrued and an estimate of any reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements not to be misleading. We do not accrue liabilities related to claims when the likelihood that a loss has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote. Losses related to recorded claims are included in general and administrative expenses.

Determining probability and estimating claim amounts is highly judgmental. Initial accruals and any subsequent changes in our estimates could have a material effect on our consolidated financial statements.

Business Combinations

The acquisition method of accounting for business combinations requires us to use significant estimates and assumptions, including fair value estimates, as of the business combination date. For reporting periods prior to the completion of our procedures to value assets and liabilities, the acquisition method requires us to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which we may adjust the provisional amounts recognized for a business combination) based upon new information about facts that existed on the business combination date.

Under the acquisition method of accounting, we recognize separately from goodwill the identifiable assets acquired, the liabilities assumed, and any non-controlling interests in an acquiree, at the acquisition date fair value. We measure goodwill as of the acquisition date as the excess of consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Costs that we incur to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration. We charge these acquisition costs to other general and administrative expense as they are incurred.

Should the initial accounting for a business combination be incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date and we record those adjustments to our financial statements. We recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, including the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date.

As of December 27, 2019, we had not yet completed our final estimate of fair value of the assets acquired and liabilities assumed relating to the acquisitions of The Weidt Group, Onsite Energy, and E3, Inc. due to the timing of the transactions and lack of complete information necessary to finalize such estimates of fair value. Accordingly, we have preliminarily estimated the fair values of the assets acquired and the liabilities assumed and will finalize such fair value estimates within twelve months of the acquisition date. For further discussion of our acquisitions, see Part II, Item 8, Note 13, "*Business Combinations*" of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial reporting basis and tax basis of our assets and liabilities, subject to a judgmental assessment of the recoverability of deferred tax assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when it is more-likely-than-not that some of the deferred tax assets may not be realized. Significant judgment is applied when assessing the need for valuation allowances. Areas of estimation include our consideration of future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, we would adjust the related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. On December 22, 2017, the Tax Act was enacted into law, which, among other items, lowered the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the Tax Act, we recorded a one-time decrease in deferred tax expense of $1.3 million for the fiscal quarter ended December 29, 2017 to account for the remeasurement of our deferred tax assets and liabilities on the enactment date. As of December 28, 2018, our accounting for the Tax Act was complete. An adjustment of $0.2 million additional deferred tax expense was recorded due to the corporate tax rate change impact on adjustments to temporary differences that were estimated at the time of the tax provision and finalized for the tax return.

During each fiscal year, management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets. For fiscal years 2019 and 2018, we ultimately determined that it was more-likely-than-not that the entire California net operating loss will not be utilized prior to expiration. Significant pieces of objective evidence evaluated included our history of utilization of California net operating losses in prior years for each of our subsidiaries, as well as our forecasted amount of net operating loss utilization for certain members of the combined group. As a result, at the end of fiscal years 2019 and 2018, we recorded a valuation allowance in the amount of $86,000, for each year, related to California net operating losses.

For acquired business entities, if we identify changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment and we record the offset to goodwill. We record all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense.

We recognize the tax benefit from uncertain tax positions if it is more-likely-than-not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits in income tax expense. As of December 27, 2019, we recorded a liability of $142,000 for uncertain tax positions related to miscellaneous tax deductions taken in open tax years, all of which, if recognized, would affect our effective tax rate. The decrease of $282,000 from fiscal year 2018 is primarily related to the expiration of uncertain tax positions. Approximately $0.1 million of interest and penalties have been recorded related to unrecognized tax benefits as of December 27, 2019.

During the three months ended December 27, 2019, the Internal Revenue Service continued its audit of our tax return for the fiscal year ended December 30, 2016. We have not determined the impact of this examination due to the audit process having not been completed.

Recent Accounting Standards

For a description of recently issued and adopted accounting pronouncements, including adoption dates and expected effects on our results of operations and financial condition, see Part II, Item 8, Note 2, "*Recent Accounting Pronouncements*", of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes. Market risk is attributed to all market risk sensitive financial instruments, including long-term debt.

As of December 27, 2019, we had cash and cash equivalents of $5.5 million. This amount represents cash on hand in business checking accounts with BMO.

We do not engage in trading activities and do not participate in foreign currency transactions.

We are subject to interest rate risk in connection with our Term A Loan and borrowings, if any, under our revolving credit facility and delayed draw term loan, each of which bears interest at variable rates. As of December 27, 2019, $95.0 million was outstanding under our Term A loan, $30.0 million was outstanding under our delayed draw term loan, $5.0 million was outstanding and $2.7 million in letters of credit were issued under the revolving credit facility. Each of our Term A loan, revolving credit facility and delayed draw term loan mature as of June 26, 2024 and are governed by our credit agreement. Borrowings under the credit agreement bear interest at a rate equal to either, at our option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.5% or one-month LIBOR plus 1.00% (the "Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 0.125% to 1.00% with respect to Base Rate borrowings and 1.125% to 2.00% with respect to LIBOR borrowings. The applicable margin is based upon our consolidated total leverage ratio. We are also required to pay a commitment fee for the unused portion of the revolving credit Facility and the delayed draw term loan, which ranges from 0.15% to 0.35% per annum depending on our consolidated total leverage ratio, and fees on the face amount of any letters of credit outstanding under the revolving credit facility, which range from 0.84% to 2.00% per annum, in each case, depending on whether such letter of credit is a performance or financial letter of credit and our consolidated total leverage ratio.

The Term A loan amortizes quarterly in installments of $2.5 million beginning with the fiscal quarter ending September 27, 2019, with a final payment of all then remaining principal and interest due on the maturity date of June 26, 2024. Each borrowing under our delayed draw term loan will amortize quarterly in an amount equal to 2.5% of the aggregate outstanding borrowings under the delayed draw term loan, beginning with the first full fiscal quarter ending after the initial borrowing date, with a final payment of all then remaining principal and interest due on the maturity date of June 26, 2024.

On January 31, 2019, we entered into an interest swap agreement for $35.0 million notional amount. The interest swap agreement was designated as a cash flow hedge to fix the variable interest rate on a portion of the outstanding principal amount under our prior term loan facility. The interest swap fixed rate is 2.47% and the amortization is quarterly in an amount equal to 10% annually. The interest swap agreement expires on January 31, 2022.

Based upon the amount of our outstanding indebtedness as of December 27, 2019, a one percentage point increase in the effective interest rate would change our annual interest expense by approximately $1.2 million in 2019.

Risk Related to Potential LIBOR Transition

All of our $130.0 million of debt outstanding under our credit agreement as of December 27, 2019 bears interest at a floating rate that uses LIBOR as the applicable reference rate to calculate the interest. The Chief Executive of the U.K. Financial Conduct Authority (the “FCA”), which regulates the London Interbank Offered Rate, or LIBOR, has announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. That announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Moreover, it is possible that LIBOR will be discontinued or modified prior to 2021.

Our credit agreement provides that, if the administrative agent has determined that adequate means do not exist for ascertaining LIBOR or the lenders have advised the administrative agent that (i) LIBOR does not adequately and fairly reflect the cost to lenders for maintaining their loans or (ii) making or funding LIBOR loans has become impracticable for the lenders, then, unless we amend the credit agreement to replace LIBOR with an alternative reference rate, all of our outstanding loans under the credit agreement will be converted to Base Rate Loans and the component of the Base Rate based upon LIBOR will not be used in any determination of the Base Rate Further, the lenders under our credit agreement will no longer be obligated to make loans using LIBOR as the applicable reference rate. If the rate used to calculate interest on our outstanding floating rate debt under our credit agreement that currently uses LIBOR were to increase by 1.0% either as a result of an increase in LIBOR or the result of the conversion to Base Rate Loans, we would expect to incur additional interest expense on such indebtedness as of December 27, 2019 of approximately $1.2 million on an annualized basis.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Willdan Group, Inc.
Anaheim, California

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Willdan Group, Inc. (the "Company") as of December 27, 2019 and December 28, 2018, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for the years ended December 27, 2019 and December 28, 2018, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 27, 2019, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 27, 2019 and December 28, 2018, and the results of its operations and its cash flows for the years ended December 27, 2019 and December 28, 2018 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 27, 2019, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these 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's Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on the Company's 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 audits to obtain reasonable assurance about whether the 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 financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the 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. As permitted, the Company has excluded the operations of The Weidt Group, Onsite Energy, and E3, Inc. acquired during 2019, which is described in Note 13 of the consolidated financial statements, from the scope of management's report on internal control over financial reporting. As such, it has also been excluded from the scope of our audit of internal control over financial reporting. 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/Crowe LLP

We have served as the Company's auditor since 2018.

Sherman Oaks, California
March 5, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Willdan Group, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of comprehensive income, stockholders' equity, and cash flows of Willdan Group, Inc. (the Company) for the year ended December 29, 2017 and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the year ended December 29, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 audit 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. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2015 to 2018.

Irvine, California
March 9, 2018, except for note 2 (Segment Information and Contract Accounting), note 4, and note 13, as to which the date is October 3, 2018

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	December 27, 2019	December 28, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 5,452	$ 15,259
Accounts receivable, net of allowance for doubtful accounts of $1,147 and $442 at December 27, 2019 and December 28, 2018, respectively	57,504	61,346
Contract assets	101,418	51,851
Other receivables	4,845	1,893
Prepaid expenses and other current assets	6,254	5,745
Total current assets	175,473	136,094
Equipment and leasehold improvements, net	12,051	7,998
Goodwill	127,647	97,748
Right-of-use assets	22,297	—
Other intangible assets, net	76,837	44,364
Other assets	16,296	2,386
Deferred income taxes, net	9,312	12,321
Total assets	$ 439,913	$ 300,911
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$ 34,000	$ 36,829
Accrued liabilities	67,615	37,401
Contingent consideration payable	5,155	3,113
Contract liabilities	5,563	5,075
Notes payable	13,720	8,572
Finance lease obligations	375	320
Lease liability	5,550	—
Total current liabilities	131,978	91,310
Contingent consideration payable	4,891	1,616
Notes payable	116,631	62,214
Finance lease obligations, less current portion	191	224
Lease liability, less current portion	18,411	—
Deferred lease obligations	—	724
Other noncurrent liabilities	533	534
Total liabilities	272,635	156,622
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock, $0.01 par value, 10,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.01 par value, 40,000 shares authorized; 11,497 and 10,968 shares issued and outstanding at December 27, 2019 and December 28, 2018, respectively	115	110
Additional paid-in capital	132,547	114,008
Accumulated other comprehensive loss	(396)	—
Retained earnings	35,012	30,171
Total stockholders’ equity	167,278	144,289
Total liabilities and stockholders’ equity	$ 439,913	$ 300,911

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share amounts)

	Fiscal Year		
	2019	**2018**	**2017**
Contract revenue	$ 443,099	$ 272,252	$ 273,352
Direct costs of contract revenue (inclusive of directly related depreciation and amortization):			
Salaries and wages	64,485	46,588	44,743
Subcontractor services and other direct costs	243,641	132,693	151,919
Total direct costs of contract revenue	308,126	179,281	196,662
General and administrative expenses:			
Salaries and wages, payroll taxes and employee benefits	66,303	45,248	36,534
Facilities and facility related	8,568	5,600	4,624
Stock-based compensation	12,112	6,262	2,774
Depreciation and amortization	15,027	6,060	3,949
Other	23,600	17,030	15,105
Total general and administrative expenses	125,610	80,200	62,986
Income from operations	9,363	12,771	13,704
Other income (expense):			
Interest expense, net	(4,900)	(700)	(111)
Other, net	193	90	98
Total other expense, net	(4,707)	(610)	(13)
Income before income taxes	4,656	12,161	13,691
Income tax (benefit) expense	(185)	2,131	1,562
Net income	4,841	10,030	12,129
Other comprehensive income:			
Net unrealized loss on derivative contracts	(396)	—	—
Comprehensive income	$ 4,445	$ 10,030	$ 12,129
Earnings per share:			
Basic	$ 0.43	$ 1.08	$ 1.42
Diluted	$ 0.41	$ 1.03	$ 1.32
Weighted-average shares outstanding:			
Basic	11,162	9,264	8,541
Diluted	11,766	9,763	9,155

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in	Accumulated other Comprehensive	Retained	
	Shares	Amount	Capital	(Loss)/Gain	Earnings	Total
Balances at December 30, 2016	8,348	$ 83	$ 42,376	$ —	$ 7,459	$ 49,918
Shares of common stock issued in connection with employee stock purchase plan	62	1	829	—	—	830
Shares of common stock issued in connection with incentive stock plan	298	3	1,898	—	—	1,901
Stock issued to acquire business	91	1	3,099	—	—	3,100
Stock-based compensation	—	—	2,774	—	—	2,774
Net income	—	—	—	—	12,129	12,129
Balances at December 29, 2017	8,799	$ 88	$ 50,976	$ —	$ 19,588	$ 70,652
Shares of common stock issued in connection with employee stock purchase plan	65	1	1,299	—	—	1,300
Shares of common stock issued in connection with incentive stock plan	85	1	667	—	—	668
Shares used to pay taxes on stock grants	—	—	(442)	—	—	(442)
Unregistered sales of equity securities and use of proceeds	(15)	—	—	—	—	—
Restricted Stock Awards	22	—	—	—	—	—
Stock issued to acquire businesses	2,012	20	55,246	—	—	55,266
Stock-based compensation expense	—	—	6,262	—	—	6,262
Net income	—	—	—	—	10,030	10,030
Cumulative effect from adoption of ASC 606	—	—	—	—	553	553
Balance at December 28, 2018	10,968	$ 110	$ 114,008	$ —	$ 30,171	$ 144,289
Shares of common stock issued in connection with employee stock purchase plan	62	1	1,739	—	—	1,740
Shares of common stock issued in connection with incentive stock plan	115	1	930	—	—	931
Shares used to pay taxes on stock grants	(76)	(2)	(2,878)	—	—	(2,880)
Issuance of restricted stock award and units	213	2	(2)	—	—	—
Unregistered sales of stock	53	1	1,699	—	—	1,700
Stock issued to acquire businesses	162	2	4,939	—	—	4,941
Stock-based compensation expense	—	—	12,112	—	—	12,112
Net income	—	—	—	—	4,841	4,841
Net unrealized loss on derivative contracts	—	—	—	(396)	—	(396)
Balance at December 27, 2019	11,497	$ 115	$ 132,547	$ (396)	$ 35,012	$ 167,278

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 4,841	$ 10,030	$ 12,129
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,472	6,211	4,082
Deferred income taxes, net	(209)	(2,890)	621
(Gain) loss on sale/disposal of equipment	(8)	(12)	27
Provision for doubtful accounts	1,051	470	(189)
Stock-based compensation	12,112	6,262	2,774
Accretion and fair value adjustments of contingent consideration	(302)	(1,426)	1,156
Changes in operating assets and liabilities, net of effects from business acquisitions:			
Accounts receivable	11,627	3,177	(7,412)
Contract assets	(34,598)	(11,539)	(5,744)
Other receivables	(2,714)	4,081	(1,126)
Prepaid expenses and other current assets	(343)	(154)	(1,096)
Other assets	(6,520)	(778)	25
Accounts payable	(6,294)	(1,583)	3,186
Accrued liabilities	16,761	(1,945)	4,329
Contract liabilities	315	(2,272)	(1,593)
Right-of-use assets	430	(64)	(100)
Net cash provided by operating activities	11,621	7,568	11,069
Cash flows from investing activities:			
Purchase of equipment and leasehold improvements	(6,637)	(2,105)	(2,178)
Proceeds from sale of equipment	45	59	—
Cash paid for acquisitions, net of cash acquired	(71,756)	(124,344)	(14,603)
Net cash used in investing activities	(78,348)	(126,390)	(16,781)
Cash flows from financing activities:			
Payments on contingent consideration	(1,381)	(4,296)	(1,709)
Payments on notes payable	(1,842)	(477)	(4,164)
Payments on debt issuance costs	(709)	(1,300)	—
Proceeds from notes payable	—	1,805	—
Borrowings under term loan facility and line of credit	138,000	70,000	1,000
Repayments under term loan facility and line of credit	(78,000)	(2,500)	—
Principal payments on finance leases	(639)	(367)	(390)
Proceeds from stock option exercise	931	668	1,901
Proceeds from sales of common stock under employee stock purchase plan	1,740	1,300	830
Proceeds from equity raise	—	55,266	—
Shares used to pay taxes on stock grants	(2,880)	(442)	—
Proceeds from unregistered sales of equity	1,700	—	—
Net cash provided by (used in) financing activities	56,920	119,657	(2,532)
Net increase (decrease) in cash and cash equivalents	(9,807)	835	(8,244)
Cash and cash equivalents at beginning of period	15,259	14,424	22,668
Cash and cash equivalents at end of period	$ 5,452	$ 15,259	$ 14,424
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 4,169	$ 494	$ 111
Income taxes	4,052	3,163	2,750
Supplemental disclosures of noncash investing and financing activities:			
Issuance of common stock related to business acquisitions	—	—	3,100
Contingent consideration related to business acquisitions	—	943	5,400
Other working capital adjustment	—	63	113
Equipment acquired under finance leases	661	462	294

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Willdan Group, Inc. ("Willdan") is a provider of professional, technical and consulting services to utilities, private industry, and public agencies at all levels of government. As resources and infrastructures undergo continuous change, the Company helps organizations and their communities evolve and thrive by providing a wide range of technical services for energy solutions and government infrastructure. Through engineering, program management, policy advisory, and software and data management, the Company designs and delivers trusted, comprehensive, innovative, and proven solutions to improve efficiency, resiliency, and sustainability in energy and infrastructure.

Basis of Presentation

The Company has prepared its Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The consolidated statement of stockholders' equity includes repurchases of shares of our common stock from employees to satisfy tax withholding obligations incurred in connection with the vesting of restricted stock or performance stock units, which amount is presented as a reduction of additional paid-in capital and common stock.

Fiscal Years

The Company operates and reports its annual financial results based on 52 or 53-week periods ending on the Friday closest to December 31. The Company operates and reports its quarterly financial results based on the 13-week period ending on the Friday closest to March 31, June 30 and September 30 and the 13 or 14-week period ending on the Friday closest to December 31, as applicable. Fiscal years 2019, 2018 and 2017 contained 52 weeks. All references to years in the notes to consolidated financial statements represent fiscal years.

Principles of Consolidation

The consolidated financial statements include the accounts of Willdan Group, Inc. and its wholly-owned subsidiaries and their respective subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Amounts classified as "Costs and estimated earnings in excess of billings on uncompleted contracts" and "Billings in excess of costs and estimated earnings on uncompleted contracts" on the consolidated of cash flows of the Company's Annual Report on Form 10-K for the year ended December 29, 2017 have been reclassified as "Contract assets" and "Contract liabilities", respectively, to conform to current year presentation.

Certain prior year amounts have been reclassified in the condensed consolidated balance sheets to conform to the current year presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid investments purchased with a remaining maturity of three months or less are considered to be cash equivalents. The Company from time to time may be exposed to credit risk with its bank deposits in excess of the FDIC insurance limits and with uninsured money market investments. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fair Value of Financial Instruments

The Company uses the three-tier hierarchy of fair value measurement, which prioritizes the inputs. These tiers include: Level 1 (the highest priority), defined as observable inputs, such as quoted prices in active markets, Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 (the lowest priority), defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company's financial instruments consist primarily of cash, cash equivalents, accounts receivable, contract assets, other receivables, prepaid expenses and other current assets, accounts payable, accrued liabilities and contract liabilities. The carrying amounts of certain other assets and contingent consideration are discounted to their present value because the time between the origination of these instruments and their expected realization or payment is greater than one year.

As of December 27, 2019 and December 28, 2018, the carrying amounts of the Company's cash and cash equivalents, accounts receivable, contract assets, other receivables, prepaid expenses and other current assets, accounts payable, accrued liabilities and contract liabilities, approximate their fair values because of the relatively short period of time between the origination of these instruments and their expected realization or payment. The carrying amounts of debt obligations approximate their fair values since the terms are comparable to terms currently offered by local lending institutions for loans of similar terms to companies with comparable credit risk.

The carrying amounts of the derivative financial instrument is valued based on Level 2 inputs.

Variable Interest Entities

The Company accounts for variable interest entities in accordance with Accounting Standards Codification ("ASC") 810, Consolidation. Under ASC 810, a variable interest entity ("VIE") is created when any of the following criteria are present: (a) the equity investment at risk in the entity is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by other parties, including the equity holders; (b) the entity's equity holders as a group either (i) lack the direct or indirect ability to make decisions about the entity, (ii) are not obligated to absorb expected losses of the entity or (iii) do not have the right to receive expected residual returns of the entity; or (c) the entity's equity holders have voting rights that are not proportionate to their economic interests, and the activities of the entity involve or are conducted on behalf of the equity holder with disproportionately few voting rights. If an entity is deemed to be a VIE pursuant to ASC 810, the enterprise that has both (i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (ii) the obligation to absorb the expected losses of the entity or right to receive benefits from the entity that could be potentially significant to the VIE is considered the primary beneficiary and must consolidate the VIE. In accordance with ASC 810, the Company performs ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE.

As of December 27, 2019, the Company had one VIE — Genesys Engineering, P.C. ("Genesys"). Pursuant to New York law, the Company does not own capital stock of Genesys and does not have control over the professional decision making of Genesys's engineering services. The Company, however, has entered into an administrative services agreement with Genesys pursuant to which WES, the Company's wholly-owned subsidiary, will provide Genesys with ongoing administrative, operational and other non-professional support services. The Company manages Genesys and has the power to direct the activities that most significantly impact Genesys's performance, in addition to being obligated to absorb expected losses from Genesys. Accordingly, the Company is the primary beneficiary of Genesys and consolidates Genesys as a VIE.

Management also concluded there is no noncontrolling interest related to the consolidation of Genesys because management determined that (i) the shareholder of Genesys does not have more than a nominal amount of equity investment at risk, (ii) WES absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES and the Company has, since entering into the administrative services agreement, had to continuously defer service fees for Genesys, and (iii) the Company believes Genesys will continue to have a shortfall on payment of its service fees for the foreseeable future, leaving no expected residual returns for the shareholder. For more information regarding Genesys, see Note 8 "Commitments and Variable Interest Entities."

Segment Information

The Company presents segment information externally consistent with the manner in which the Company's chief operating decision maker reviews information to assess performance and allocate resources.

Willdan Group, Inc. ("WGI") is a holding company and performs administrative functions on behalf of its subsidiaries, such as treasury, legal, accounting, information systems, human resources and certain business development activities, and earns revenue that is only incidental to the activities of the enterprise. As a result, WGI does not meet the definition of an operating segment.

During the first quarter of fiscal 2018, the Company revised its segment reporting to conform to changes in its internal management reporting. As a result, beginning with the first quarter of fiscal 2018, the Company's two segments are (i) Energy, and (ii) Engineering and Consulting, and the Company's chief operating decision maker, which continues to be its chief executive officer, receives and reviews financial information in this format. Accordingly, segment information has been revised for comparison purposes for all periods presented in the accompanying Consolidated Financial Statements and Notes to Consolidated Financial Statements. See Note 9 "*Segment Information*" more information.

Contract Assets and Liabilities

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized using the percentage-of-completion method of revenue recognition. Contract assets include unbilled amounts typically resulting from revenue under contracts where the percentage-of-completion method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. In addition, contract assets include retainage amounts withheld from billings to the Company's clients pursuant to provisions in our contracts. Contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue.

Adoption of ASC 606

On December 30, 2017, the Company adopted ASC 606, using the modified retrospective method applied to those contracts which were not completed as of December 29, 2017. Prior to adopting ASC 606, the Company established an implementation team, which included senior managers from its finance and accounting group. The implementation team evaluated the impact of adopting ASC 606 on its contracts expected to be uncompleted as of December 30, 2017 (the date of adoption). The evaluation included reviewing its accounting policies and practices to identify differences that would result from applying the requirements of the new standard. The Company identified and made changes to its processes, systems and controls to support recognition and disclosure under the new standard. The implementation team worked closely with various professional consultants and attended several formal conferences and seminars to conclude on certain interpretative issues.

The Company recognizes engineering and consulting contract revenue over time using the percentage-of-completion method, based primarily on contract cost incurred to date compared to total estimated contract cost. Revenue on the vast majority of its contracts will continue to be recognized over time because of the continuous transfer of control to the customer. Revenue recognition for software licenses issued by the Energy segment is recognized at a point in time, upon acceptance of the software by the customer and in recognition of the fulfillment of the performance obligation. Certain additional performance obligations beyond the base software license may be separated from the gross license fee and recognized on a straight-line basis over time.

Contract Balances

Results for operating periods beginning after December 30, 2017 are presented under ASC 606, while comparative information has not been restated and continues to be reported in accordance with the accounting standards in effect for those periods.

The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to retained earnings in the balance sheet as of December 30, 2017 as follows:

	Balance at December 29, 2017	Adjustments Due to ASC 606	Balance at December 30, 2017
		(in thousands)	
Assets			
Accounts receivable, net of allowance for doubtful accounts	$ 38,441	$ (8,560)	$ 29,881
Contract assets	$ 24,732	$ 9,328	$ 34,060
Liabilities			
Deferred income taxes, net	$ 2,463	$ (215)	$ 2,248
Equity			
Retained earnings	$ 19,588	$ 553	$ 20,141

The impact of adoption on its condensed consolidated balance sheet and cash flows for the fiscal year ended December 28, 2018 was as follows:

	For the year ended December 28, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
		(in thousands)	
Assets			
Accounts receivable, net of allowance for doubtful accounts	$ 61,346	$ 68,240	$ (6,894)
Contract assets	$ 51,851	$ 44,981	$ 6,870
Liabilities			
Deferred income taxes, net	$ —	$ 112	$ (112)
Equity			
Retained earnings	$ 30,171	$ 29,889	$ 282

	For the year ended December 28, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
		(in thousands)	
Cash flows from operating activities			
Accounts receivable, net of allowance for doubtful accounts	$ 3,177	$ (3,717)	$ 6,894
Contract assets	(11,539)	(4,645)	(6,894)
Total cash flows used in operating activities	$ (8,362)	$ (8,362)	$ —

The impact of adoption on the Company's opening balance sheet for fiscal year 2018 was primarily related to deferred revenues and unrecognized license renewals associated with software license agreements currently in force reclassified to retained earnings, net of the deferred income tax impact and reclassification of amounts between accounts receivable net of allowance for doubtful accounts and contract assets based on whether an unconditional right to consideration has been established or not.

The impact of adoption on the Company's balance sheet at December 28, 2018 was primarily related to conforming the accounting treatment of most of our non-cancellable software license contracts, which were previously recorded over time based on prior acceptable accounting methods, and now recognize the full amount of such licenses upon acceptance of the software by the customer.

The impact of adoption on its statement of operations was not material for the fiscal year ended December 28, 2018.

Contract Accounting

The Company enters into contracts with its clients that contain various types of pricing provisions, including fixed price, time-and-materials, and unit-based provisions. The Company recognizes revenues in accordance with ASU 2014-09, Revenue from Contracts with Customer, codified as ASC Topic 606 and the related amendments (collectively "ASC 606"). As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

The following table reflects the Company's two reportable segments and the types of contracts that each most commonly enters into for revenue generating activities.

Segment	Contract Type	Revenue Recognition Method
Energy	Time-and-materials	Time-and-materials
	Unit-based	Unit-based
	Software license	Unit-based
	Fixed price	Percentage-of-completion
Engineering and Consulting	Time-and-materials	Time-and-materials
	Unit-based	Unit-based
	Fixed price	Percentage-of-completion

Revenue on the vast majority of the Company's contracts will continue to be recognized over time because of the continuous transfer of control to the customer. Revenue on fixed price contracts is recognized on the percentage-of-completion method based generally on the ratio of direct costs incurred-to-date to estimated total direct costs at completion. The Company uses the percentage-of-completion method to better match the level of work performed at a certain point in time in relation to the effort that will be required to complete a project. In addition, the percentage-of-completion method is a common method of revenue recognition in the Company's industry.

Many of the Company's fixed price contracts involve a high degree of subcontracted fixed price effort and are relatively short in duration, thereby lowering the risks of not properly estimating the percent complete. Revenue on time-and-materials and unit-based contracts is recognized as the work is performed in accordance with the specific rates and terms of the contract. The Company recognizes revenues for time-and-materials contracts based upon the actual hours incurred during a reporting period at contractually agreed upon rates per hour and also includes in revenue all reimbursable costs incurred during a reporting period. Certain of the Company's time-and-materials contracts are subject to maximum contract values and, accordingly, when revenue is expected to exceed the maximum contract value, these contracts are generally recognized under the percentage-of-completion method, consistent with fixed price contracts. For unit-based contracts, the Company recognizes the contract price of units of a basic production product as revenue when the production product is delivered during a period. Revenue recognition for software licenses issued by the Energy segment is generally recognized at a point in time, utilizing the unit-based revenue recognition method, upon acceptance of the software by the customer and in recognition of the fulfillment of the performance obligation. Certain additional performance obligations beyond the base software license may be separated from the gross license fee and recognized on a straight-line basis over time. Revenue for amounts that have been billed but not earned is deferred, and such deferred revenue is referred to as contract liabilities in the accompanying condensed consolidated balance sheets.

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined contract should be accounted for as one performance obligation. With respect to the Company's contracts, it is rare that multiple contracts should be combined into a single performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, which is mainly because the Company provides a significant service of integrating a complex set of tasks and components into a single project or capability.

The Company may enter into contracts that include separate phases or elements. If each phase or element is negotiated separately based on the technical resources required and/or the supply and demand for the services being provided, the Company evaluates if the contracts should be segmented. If certain criteria are met, the contracts would be segmented which could result in revenues being assigned to the different elements or phases with different rates of profitability based on the relative value of each element or phase to the estimated total contract revenue. Segmented contracts may comprise up to approximately 2.0% to 3.0% of the Company's consolidated contract revenue.

Contracts that cover multiple phases or elements of the project or service lifecycle (development, construction and maintenance and support) may be considered to have multiple performance obligations even when they are part of a single contract. For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract. For the periods presented, the value of the separate performance obligations under contracts with multiple performance obligations (generally measurement and verification tasks under certain energy performance contracts) were not material. In cases where the Company does not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Company forecasts the Company's expected costs of satisfying a performance obligation and then adds an appropriate margin for the distinct good or service.

The Company provides quality of workmanship warranties to customers that are included in the sale and are not priced or sold separately or do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications and industry standards. The Company does not consider these types of warranties to be separate performance obligations.

In some cases, the Company has a master service or blanket agreement with a customer under which each task order releases the Company to perform specific portions of the overall scope in the service contract. Each task order is typically accounted for as a separate contract because the task order establishes the enforceable rights and obligations, and payment terms.

Under ASC 606, variable consideration should be considered when determining the transaction price and estimates should be made for the variable consideration component of the transaction price, as well as assessing whether an estimate of variable consideration is constrained. For certain of the Company's contracts, variable consideration can arise from modifications to the scope of services resulting from unapproved change orders or customer claims. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on assessments of legal enforceability, the Company's performance, and all information (historical, current and forecasted) that is reasonably available to the Company.

Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. As a significant change in one or more of these estimates could affect the profitability of the Company's contracts, the Company reviews and updates the Company's contract-related estimates regularly through a company-wide disciplined project review process in which management reviews the progress and execution of the Company's performance obligations and the estimate at completion (EAC). As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule and the related changes in estimates of revenues and costs. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, the performance of subcontractors, and the availability and timing of funding from the customer, among other variables.

The Company recognizes adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, the Company recognizes the full amount of estimated loss in the period it is identified.

Contracts are often modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new rights or obligations or changes the existing enforceable rights or obligations. Most of the Company's contract modifications are for goods or services that are not distinct from existing contracts due to the significant integration provided in the context of the contract and are accounted for as if they were part of the original contract. The effect of a contract modification that is not distinct from the existing contract on the transaction price and the Company's measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

For contract modifications that result in the promise to deliver goods or services that are distinct from the existing contract and the increase in price of the contract is for the same amount as the standalone selling price of the additional goods or services included in the modification, the Company accounts for such contract modifications as a separate contract.

The Company includes claims to vendors, subcontractors and others as a receivable and a reduction in recognized costs when enforceability of the claim is established by the contract and the amounts are reasonably estimable and probable of being recovered. The amounts are recorded up to the extent of the lesser of the amounts management expects to recover or to costs incurred.

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized using the percentage-of-completion method of revenue recognition.

Direct costs of contract revenue consist primarily of that portion of technical and nontechnical salaries and wages that has been incurred in connection with revenue producing projects. Direct costs of contract revenue also include production expenses, subcontractor services and other expenses that are incurred in connection with revenue producing projects.

Direct costs of contract revenue exclude that portion of technical and nontechnical salaries and wages related to marketing efforts, vacations, holidays and other time not spent directly generating revenue under existing contracts. Such costs are included in general and administrative expenses. Additionally, payroll taxes, bonuses and employee benefit costs for all Company personnel are included in general and administrative expenses in the accompanying consolidated statements of comprehensive income since no allocation of these costs is made to direct costs of contract revenue. No allocation of facilities costs is made to direct costs of contract revenue. Other companies may classify as direct costs of contract revenue some of the costs that the Company classifies as general and administrative costs. The Company expenses direct costs of contract revenue when incurred.

Included in revenue and costs are all reimbursable costs for which the Company has the risk or on which the fee was based at the time of bid or negotiation. No revenue or cost is recorded for costs in which the Company acts solely in the capacity of an agent and has no risks associated with such costs.

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based upon a review of all outstanding amounts on a quarterly basis. Management determines allowances for doubtful accounts through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience. The Company's historical credit losses have been minimal with governmental entities and large public utilities, but disputes may arise related to these receivable amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Retainage, included in contract assets, represents amounts withheld from billings to the Company's clients pursuant to provisions in the contracts and may not be paid to the Company until specific tasks are completed or the project is completed and, in some instances, for even longer periods. At December 27, 2019 and December 28, 2018, contract assets included retainage of approximately $5.4 million and $6.7 million, respectively.

In addition to the above, the Company derives revenue from software licenses and professional services and maintenance fees. In accordance with ASC 606, the Company performs an assessment of each contract to identify the performance obligations, determine the overall transaction price for the contract, allocate the transaction price to the performance obligations, and recognize the revenue when the performance obligations are satisfied.

The Company utilizes the residual approach by which it estimates the standalone selling price by reference to the total transaction price less the sum of the observable standalone selling prices of other goods or services promised in the contract. The software license revenue is typically recognized at a point in time when control is transferred to the client, which is defined as the point in time when the client can use and benefit from the license. The software license is delivered before related services are provided and is functional without services, updates, or technical support. Related professional services include training and support services in which the standalone selling price is determined based on an input measure of hours incurred to total estimated hours and is recognized over time, usually which is the life of the contract.

General and Administrative Expenses

General and administrative expenses include the costs of the marketing and support staff, other marketing expenses, management and administrative personnel costs, payroll taxes, bonuses and employee benefits for all of the Company's employees and the portion of salaries and wages not allocated to direct costs of contract revenue for those employees who provide the Company's services. General and administrative expenses also include facility costs, depreciation and amortization, professional services, legal and accounting fees and administrative operating costs. Within general and administrative expenses, "Other" includes expenses such as provision for billed or unbilled receivables, professional services, legal and accounting, computer costs, travel and entertainment, marketing costs and acquisition costs. The Company expenses general and administrative costs when incurred.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 require, among other things, that lessees recognize the following for all leases (unless a policy election is made by class of underlying asset to exclude short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or the direct use of, a specified asset for the lease term. The FASB issued ASU 2018-11 on July 30, 2018, which allows entities to apply the provisions of ASC 842 at the effective date without adjusting comparative periods.

On December 29, 2018, the Company adopted ASU 2016-02 using the modified retrospective method. Under this guidance, the net present value of future lease payments is recorded as right-of-use assets and lease liabilities. In addition, the Company elected the 'package of practical expedients' permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. In addition, the Company elected not to utilize the hindsight practical expedient to determine the lease term for existing leases. The Company also elected the practical expedient to not separate lease and non-lease components for its facilities leases. Previously, all of the Company's office leases were classified as operating leases and rent expense was included in facilities expense in the consolidated statements of comprehensive income.

In addition, the Company leases certain equipment under financing leases. The economic substance of the leases is a financing transaction for acquisition of equipment and leasehold improvements. Accordingly, the right-of-use assets for these leases are included in the balance sheets in equipment and leasehold improvements, net of accumulated depreciation, with a corresponding amount recorded in current portion of financing lease obligations or noncurrent portion of financing lease obligations, as appropriate. The financing lease assets are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis and included in depreciation expense in the statements of comprehensive income. The interest associated with financing lease obligations is included in interest expense in the statements of comprehensive income. For more information, see Note 2, "*Recent Accounting Pronouncements*", and Note 7, "*Leases*".

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Equipment under capital leases is stated at the present value of the minimum lease payments as of the acquisition date. Depreciation and amortization on equipment are calculated using the straight-line method over estimated useful lives of two to five years. Leasehold improvements and assets under capital leases are amortized using the straight-line method over the shorter of estimated useful lives or the term of the related lease.

Following are the estimated useful lives used to calculate depreciation and amortization:

Category	**Estimated Useful Life**
Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	3 years
Automobiles and trucks	3 years
Field equipment	5 years

Goodwill

Goodwill represents the excess of costs over fair value of the assets acquired. The Company completes its annual testing of goodwill as of the last day of the first month of its fourth fiscal quarter each year to determine whether there is impairment. Goodwill, which has an indefinite useful life, is not amortized, but instead tested for impairment at least annually or more frequently if events and circumstances indicate that the asset might be impaired. Impairment losses for reporting units are recognized to the extent that a reporting unit's carrying amount exceeds its fair value.

Long-lived assets

Long-lived assets, such as equipment, leasehold improvements and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Accounting for Claims against the Company

The Company accrues an undiscounted liability related to claims against it for which the incurrence of a loss is probable and the amount can be reasonably estimated. The Company discloses the amount accrued and an estimate of any reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for its financial statements not to be misleading. The Company does not accrue liabilities related to claims when the likelihood that a loss has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote. Losses related to recorded claims are included in general and administrative expenses.

Determining probability and estimating claim amounts is highly judgmental. Initial accruals and any subsequent changes in the Company's estimates could have a material effect on its consolidated financial statements.

Stock-based Compensation

The Company accounts for all stock-based compensation under the fair value recognition provisions of the accounting standard entitled "*Compensation—Stock Compensation.*" Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite vesting period. The fair values of all stock options granted and the fair values of all Employee Stock Purchase Plan ("ESPP") purchase rights are estimated using the Black-Scholes option-valuation model. The Black-Scholes option-valuation model requires the input of highly subjective assumptions. Performance-based restricted stock unit awards ("PBRSUs") are granted to certain employees and vest only after the achievement of pre-determined performance metrics. Once the performance metrics are met, vesting of PBRSUs is subject to continued service by the employee. At the end of each reporting period, the Company evaluates the probability that PBRSUs will be earned. The Company records stock-based compensation expense based on the probability that the performance metrics will be achieved over the vesting period.

Business Combinations

The acquisition method of accounting for business combinations requires the Company to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which the Company may adjust the provisional amounts recognized for a business combination based upon new information about facts that existed on the business combination date).

Under the acquisition method of accounting, the Company recognizes separately from goodwill the identifiable assets acquired, the liabilities assumed, and any non-controlling interests in an acquiree, at the acquisition date fair value.

The Company measures goodwill as of the acquisition date as the excess of consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Costs that the Company incurs to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration. The Company charges these acquisition costs to general and administrative expense as they are incurred.

On October 28, 2019, the Company acquired all of the capital stock of Energy and Environmental Economics, Inc. On July 2, 2019, the Company acquired substantially all of the assets and liabilities of Onsite Energy Corporation. On March 8, 2019, the Company acquired substantially all of the assets of the energy practice division of The Weidt Group Inc. On November 9, 2018, the Company completed the acquisition of Lime Energy, Co. On April 30, 2018, the Company acquired all of the outstanding equity interests of Newcomb Anderson McCormick, Inc. For further discussion of these acquisitions, see Note 13 “*Business Combinations*”.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial reporting basis and tax basis of the Company’s assets and liabilities, subject to a judgmental assessment of the recoverability of deferred tax assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when it is more-likely-than-not that some of the deferred tax assets may not be realized. Significant judgment is applied when assessing the need for valuation allowances. Areas of estimation include the Company’s consideration of future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, the Company would adjust the related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. On December 22, 2017, the Tax Act was enacted into law, which among other items, lowered the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the Tax Act, the Company recorded a one-time decrease in deferred tax expense of $1.3 million for the fiscal quarter ended December 29, 2017 to account for the remeasurement of the Company’s deferred tax assets and liabilities on the enactment date. As of December 28, 2018, the Company’s accounting for the Tax Act was complete. An adjustment of $0.2 million additional deferred tax expense was recorded due to the corporate tax rate change impact on adjustments to temporary differences that were estimated at the time of the tax provision and finalized for the tax return.

During each fiscal year, management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets. For fiscal years 2019 and 2018, the Company ultimately determined that it was more-likely-than-not that the entire California net operating loss will not be utilized prior to expiration. Significant pieces of objective evidence evaluated included the Company’s history of utilization of California net operating losses in prior years for each of the Company’s subsidiaries, as well as the Company’s forecasted amount of net operating loss utilization for certain members of the combined group. As a result, at the end of fiscal years 2019 and 2018, the Company recorded a valuation allowance in the amount of $86,000, for each year, related to California net operating losses.

For acquired business entities, if the Company identifies changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment and the Company records the offset to goodwill. The Company records all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense.

The Company recognizes the tax benefit from uncertain tax positions if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

Earnings per Share

The Company computes basic income per common share using net income and the weighted average number of common shares outstanding during the period. Diluted income per common share is computed using net income and the weighted average number of common shares and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include dilutive outstanding employee stock options, RSAs, PBRSUs, and rights to purchase shares of common stock under the Company's ESPP.

Other Comprehensive Income (loss), Net of Tax

Other comprehensive income (loss), net of tax refers to revenue, expenses, gains and losses that are recorded as an element of shareholders' equity but are excluded from net income. The Company's other comprehensive income (loss), net of tax is comprised of unrealized gains or losses on its interest rate swap agreement designated as cash flow hedges.

Derivatives

The Company accounts for its interest rate swap as designated cash flow hedges to mitigate variations in interest payments under a portion of its LIBOR-based term loans due to variations in the LIBOR index. The Company pays interest monthly at a fixed rate and receives interest monthly at the LIBOR rate on the notional amount of the contract with realized gains or losses recognized in interest expense.

Operating Cycle

In accordance with industry practice, amounts realizable and payable under contracts that extend beyond one year are included in current assets (included in contract assets) and current liabilities.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Recently Adopted

In February 2016, the FASB issued ASU 2016-02. ASU 2016-02 supersedes ASC 840 “Leases”. The amendments in this update require, among other things, that lessees recognize the following for all leases (unless a policy election is made by class of underlying asset to exclude short-term leases) at the commencement date: (1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee’s right to use, or the direct use of, a specified asset for the lease term. The FASB issued ASU 2018-11 on July 30, 2018, which allows entities to apply the provisions of ASC 842 at the effective date without adjusting comparative periods. The Company adopted this standard effective December 29, 2018, the first day of the fiscal year ending December 27, 2019, using the modified retrospective method and elected the ‘package of practical expedients’ permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. In addition, the Company elected not to utilize the hindsight practical expedient to determine the lease term for existing leases. The Company also elected the short-term lease recognition exemption for all leases that qualify and elected the practical expedient to not separate lease and non-lease components for our facilities leases. Adoption of Topic 842 resulted in an increase of right-of-use assets and operating lease liabilities of $10.9 million and $11.9 million, respectively, as of December 29, 2018. The adoption of Topic 842 did not have material impact on the Company’s retained earnings, consolidated net earnings or cash flows.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). ASU 2017-04 simplifies the test for goodwill impairment by removing Step 2 from the goodwill impairment test. Companies will now perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value not to exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company adopted this standard for its fiscal 2019 goodwill impairment test, which was performed as of the first day of the Company’s fourth quarter, September 28, 2019. The adoption of this standard did not have a material impact on the Company’s Consolidated Financial Statements.

In June 2018, the FASB issued ASU 2018-07, “Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting” (“ASU 2018-07”), which expands the scope of current stock compensation recognition standards to include share-based payment transactions for acquiring goods and services from nonemployees. The Company adopted this standard effective December 29, 2018. The adoption of this standard did not have a material impact on the Company’s Consolidated Financial Statements.

In October 2018, the FASB issued ASU No. 2018-16, “Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes” (“ASU 2018-16”). ASU 2018-16 allows for the use of the OIS rate based on the SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, Derivatives and Hedging. The Company adopted this standard in the first quarter of fiscal 2019. The Company’s adoption of ASU 2018-16 did not have a material impact on its Condensed Consolidated Financial Statements.

Accounting Pronouncements Recently Issued

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 requires entities to report “expected” credit losses on financial instruments and other commitments to extend credit rather than the current “incurred loss” model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 will also require enhanced disclosures relating to significant estimates and judgments used in estimating credit losses, as well as the credit quality. The amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which for the Company is first quarter 2020. The Company is currently evaluating the impact this update will have on its Condensed Consolidated Financial Statements.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"). ASU 2019-12 amends the accounting for income taxes by, among other things, removing: (i) The exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income); (ii) The exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (iii) The exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (iv) The exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, which for the Company is the first quarter of fiscal 2021. The Company is currently evaluating the impact this update will have on its Condensed Consolidated Financial Statements.

3. SUPPLEMENTAL FINANCIAL STATEMENT DATA

Accounts Receivable

Accounts receivable consisted of the following:

	December 27, 2019	December 28, 2018
	(in thousands)	
Billed	$ 58,651	$ 61,788
Unbilled [1]	96,041	45,158
Contract retentions	5,377	6,693
Other assets [2]	14,075	1,626
	174,144	115,265
Allowance for doubtful accounts	(1,147)	(442)
	$ 172,997	$ 114,823

(1) Unbilled portion represents contract assets which is presented separately from accounts receivable on the consolidated balance sheets.
(2) Other assets represents a portion of receivables greater than one year from the normal course of business presented separately from current assets on the consolidated balance sheets.

The movements in the allowance for doubtful accounts consisted of the following:

	Fiscal Year		
	2019	2018	2017
		(in thousands)	
Balance as of the beginning of the year	$ 442	$ 369	$ 785
(Recovery of) provision for doubtful accounts	1,051	470	(189)
Write-offs of uncollectible accounts	(346)	(397)	(227)
Balance as of the end of the year	$ 1,147	$ 442	$ 369

Billed accounts receivable represent amounts billed to clients that have yet to be collected. Unbilled accounts receivable represent revenue recognized, but not yet billed, pursuant to contract terms or accounts billed after the period end. Substantially all unbilled receivables as of December 27, 2019 and December 28, 2018 are, or were expected to be, billed and collected within twelve months of such date. Contract retentions represent amounts invoiced to clients where payments have been withheld pending the completion of certain milestones, other contractual conditions or upon the completion of the project. These retention agreements vary from project to project and could be outstanding for several months.

Allowances for doubtful accounts have been determined through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience.

The Los Angeles Department of Water and Power ("LADWP") accounted for 16% of the Company's outstanding receivables as of December 27, 2019. The Dormitory Authority-State of New York ("DASNY") accounted for 21% of the Company's outstanding receivables as of December 28, 2018.

From time to time, in connection with factoring agreements, the Company sells trade accounts receivable without recourse to third party purchasers in exchange for cash. During 2019, the Company sold trade accounts receivable and received cash proceeds of $4.9 million. The discounts on the trade accounts receivable sold during 2019 were $0.2 million and were recorded within "Other" general and administrative expenses in the consolidated financial statements. During 2018, the Company did not sell any trade accounts receivable.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Equipment and Leasehold Improvements

Equipment and leasehold improvements were as follows:

	December 27, 2019	December 28, 2018
	(in thousands)	
Furniture and fixtures	$ 4,614	$ 3,551
Computer hardware and software	14,789	10,874
Leasehold improvements	2,410	1,419
Equipment under finance leases	1,957	1,304
Automobiles, trucks, and field equipment	3,564	2,635
	27,334	19,783
Accumulated depreciation and amortization	(15,283)	(11,785)
Equipment and leasehold improvements, net	$ 12,051	$ 7,998

Depreciation expense of equipment and leasehold improvements totaled $3.4 million, $1.6 million, and $1.5 million in fiscal years 2019, 2018, and 2017, respectively.

Included in accumulated depreciation and amortization is $509,000, $374,000 and $380,000 of amortization expense related to equipment held under finance leases in fiscal years 2019, 2018, and 2017, respectively.

Accrued Liabilities

Accrued liabilities were as follows:

	December 27, 2019	December 28, 2018
	(in thousands)	
Accrued subcontractor costs	$ 45,366	$ 21,446
Accrued bonuses	7,756	5,273
Other	4,630	2,489
Compensation and payroll taxes	3,286	2,544
Employee withholdings	3,463	2,137
Paid leave bank	3,114	3,512
Total accrued liabilities	$ 67,615	$ 37,401

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses certain interest rate derivative contracts to hedge interest rate exposures on its variable rate debt. The Company's hedging program is not designated for trading or speculative purposes.

The Company recognizes derivative instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. The Company records changes in the fair value (i.e., gains or losses) of the derivatives that have been designated as cash flow hedges in its consolidated balance sheets as accumulated other comprehensive income (loss) and in its condensed consolidated statements of comprehensive (loss) income as a loss or gain on cash flow hedge valuation.

On January 31, 2019, the Company entered into an interest rate swap agreement that the Company designated as cash flow hedge to fix the variable interest rate on a portion of the Company's 2018 Term Loan Facility. The interest rate swap agreement total notional amount of $35.0 million, has a fixed annual interest rate of 2.47% and expires on January 31, 2022. As of December 27, 2019, the effective portion of the Company's interest rate swap agreement designated as a cash flow hedge before tax effects was $0.5 million, of which no amounts were reclassified from accumulated other comprehensive income to interest expense in 2019. The Company expects to reclassify $0.4 million from accumulated other comprehensive income to interest expense within the next twelve months.

The fair values of the Company's outstanding derivatives designated as hedging instruments were as follows:

		Fair Value of Derivative Instruments as of	
	Balance Sheet Location	**December 27, 2019**	**December 28, 2018**
		(in thousands)	
Interest rate swap agreement	Accrued liabilities	$ (241)	$ —
Interest rate swap agreement	Other noncurrent (liabilities) assets	$ (306)	$ —

The impact of the effective portions of derivative instruments in cash flow hedging relationships and fair value relationships on other comprehensive income was $0.5 million for the year ended December 27, 2019.

The accumulated balances and reporting period activities for the year ended December 27, 2019 related to reclassifications out of accumulated other comprehensive income (loss) are summarized as follows:

	Gain (Loss) on Derivative Instruments	**Accumulated Other Comprehensive Loss**
	(in thousands)	
Balances at December 28, 2018	$ —	$ —
Other comprehensive loss before reclassifications	(546)	(546)
Amounts reclassified from accumulated other comprehensive income:		
Income tax benefit (expense) related to derivative instruments	150	150
Net current-period other comprehensive loss	(396)	(396)
Balances at December 27, 2019	$ (396)	$ (396)

5. DEBT OBLIGATIONS

Debt obligations, excluding obligations under finance leases (see Note 7, *Leases*, below), consisted of the following:

	December 27, 2019	December 28, 2018
	(in thousands)	
Outstanding borrowings on Term A Loan	$ 95,000	$ 70,000
Outstanding borrowings on Revolving Credit Facility	5,000	—
Outstanding borrowings on Delayed Draw	30,000	—
Other debt agreements	1,060	1,711
Total debt	131,060	71,711
Issuance costs and debt discounts	(709)	(925)
Subtotal	130,351	70,786
Less current portion of long-term debt	13,720	8,572
Long-term debt portion	$ 116,631	$ 62,214

New Credit Facilities

On June 26, 2019, the Company and certain of its subsidiaries entered into an Amended and Restated Credit Agreement (as amended by the First Amendment, dated as of August 15, 2019, and the Second Amendment, dated as of November 6, 2019, the "Credit Agreement") with a syndicate of financial institutions as lenders and BMO Harris Bank, N.A. ("BMO"), as administrative agent. The Credit Agreement amended and restated the Company's prior credit agreement, which was entered into on October 1, 2018 with a syndicate of financial institutions as lenders and BMO and was scheduled to mature on October 1, 2023.

The Credit Agreement provides for (i) a $100.0 million term loan (the "Term A Loan"), (ii) up to $50.0 million in delayed draw term loans (the "Delayed Draw Term Loan"), and (iii) a $50.0 million revolving credit facility (the "Revolving Credit Facility" and, collectively with the Term A Loan and the Delayed Draw Term Loan, the "Credit Facilities"), each maturing on June 26, 2024. The Company may borrow under the Delayed Draw Term Loan any time and from time to time until June 26, 2022; provided that each borrowing under the Delayed Draw Term Loan must be a minimum of $10.0 million, the Company may not make more than five borrowings under the Delayed Draw Term Loan and any borrowings made under the Delayed Draw Term Loan will permanently reduce future borrowing capacity under the Delayed Draw Term Loan. In addition, the Company must satisfy certain conditions prior to borrowing under the Delayed Draw Term Loan, including, but not limited to, that upon giving effect to such borrowing under the Delayed Draw Term Loan and any Credit Event (as defined in the Credit Agreement) in connection therewith, the Company will be in compliance with all financial covenants on a pro forma basis and the Company's consolidated total leverage ratio will be no greater than 0.25x less than the consolidated total leverage ratio covenant compliance level in effect at the time of such borrowing.

The Company may also request lenders to add incremental term loans or increase the aggregate commitment under the Revolving Credit Facility by an aggregate amount of up to $100.0 million, subject to meeting certain conditions, and only if the existing or new lenders agree to provide the additional term or revolving commitments.

Borrowings under the Credit Facilities bear interest at a rate equal to either, at the Company's option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.50% or one-month LIBOR plus 1.00% (the "Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 0.125% to 1.00% with respect to Base Rate borrowings and 1.125% to 2.00% with respect to LIBOR borrowings. The applicable margin varies based upon the Company's consolidated total leverage ratio. The Company will also pay commitment fees for the unused portion of the Revolving Credit Facility and the Delayed Draw Term Loan, which ranges from 0.15% to 0.35% per annum depending on the Company's consolidated total leverage ratio, and fees on the face amount of any letters of credit outstanding under the Revolving Credit Facility, which range from 0.84% to 2.00% per annum, in each case, depending on whether such letter of credit is a performance or financial letter of credit and the Company's consolidated total leverage ratio. The Term A Loan issuance costs are amortized to interest expense over the term of the loan, and as of December 27, 2019, issuance costs of $0.7 million remained unamortized. The Delayed Draw Term Loan and Revolving Credit Facility issuance cost of $0.8 million are included in assets in the accompanying condensed consolidated balance sheets.

The Term A Loan amortizes quarterly in installments of $2.5 million beginning with the fiscal quarter ending September 27, 2019, with a final payment of all then remaining principal and interest due on the maturity date of June 26, 2024. Each borrowing under the Delayed Draw Term Loan will amortize quarterly in an amount equal to 2.5% of the aggregate outstanding borrowings under the Delayed Draw Term Loan, beginning with the first full fiscal quarter ending after the initial borrowing date, with a final payment of all then remaining principal and interest due on the maturity date of June 26, 2024. The amounts outstanding under the Credit Facilities may be prepaid in whole or in part at any time without penalty.

Willdan is the borrower under the Credit Agreement and its obligations under the Credit Agreement are guaranteed by its present and future domestic subsidiaries (other than any inactive subsidiaries and Factoring SPV (as defined in the Credit Agreement)). In addition, subject to certain exceptions, all such obligations are secured by substantially all of the assets of Willdan and the subsidiary guarantors.

The Credit Agreement requires compliance with financial covenants, including a maximum total consolidated leverage ratio and a minimum fixed charge coverage ratio. The Credit Agreement also contains customary restrictive covenants including (i) restrictions on the incurrence of additional indebtedness and additional liens on property, (ii) restrictions on permitted acquisitions and other investments and (iii) limitations on asset sales, mergers and acquisitions. Further, the Credit Agreement limits the Company's payment of future dividends and distributions and share repurchases by the Company. Subject to certain exceptions, the borrowings under the Credit Agreement are also subject to mandatory prepayment from (a) any issuances of debt or equity securities, (b) any sale or disposition of assets, (c) insurance and condemnation proceeds (d) representation and warranty insurance proceeds related to insurance policies issued in connection with acquisitions and (e) excess cash flow. The Credit Agreement includes customary events of default.

The Company believes that, as of December 27, 2019, it was in compliance with all covenants contained in the Credit Agreement.

As of December 27, 2019, the Company's composite interest rate, exclusive of the effects of upfront fees, undrawn fees and issuance cost amortization, was 3.7% and $2.7 million in letters of credit were issued.

Prior Credit Facilities

2018 Credit Facility

On October 1, 2018, in connection with the acquisition of Lime Energy, the Company entered into a credit agreement (the "2018 Credit Agreement") with a syndicate of financial institutions as lenders, and BMO Harris Bank, N.A., as administrative agent. The 2018 Credit Agreement initially provided for up to a $90.0 million delayed draw term loan facility (the "2018 Term Loan Facility") and a $30.0 million revolving credit facility (collectively, the "2018 Credit Facilities"), each maturing on October 1, 2023. On October 10, 2018, as a result of the Company's completed equity offering, the amount available for borrowing under the 2018 Term Loan Facility was reduced to $70.0 million. On November 9, 2018, in connection with the closing of the acquisition of Lime Energy, the Company borrowed $70.0 million (the "2018 Term Loan") under the 2018 Term Loan Facility. The proceeds of such borrowing were used to pay part of the consideration owed in connection with the acquisition along with related fees and expenses. On June 26, 2019, in connection with the Company entering into the Credit Agreement, the 2018 Credit Agreement was amended and restated.

The 2018 Credit Facilities bore interest at a rate equal to either, at the Company's option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.50% or one-month LIBOR plus 1.00% ("Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 0.25% to 3.00% with respect to Base Rate borrowings and 1.25% to 4.00% with respect to LIBOR borrowings. The applicable margin was based upon the Company's consolidated total leverage ratio. The Company was also required to pay a commitment fee for the unused portion of the revolving credit facility, which ranged from 0.20% to 0.40% per annum depending on the Company's consolidated total leverage ratio, and fees on the face amount of any letters of credit outstanding under the revolving credit facility, which ranged from 0.94% to 4.00% per annum, in each case, depending on whether such letter of credit was a performance or financial letter of credit and the Company's consolidated total leverage ratio.

Borrowings under the 2018 Credit Agreement were guaranteed by all of the Company's direct and indirect domestic subsidiaries (other than inactive subsidiaries). In addition, subject to certain exceptions, all such obligations were secured by substantially all of the assets of Willdan Group, Inc. and the subsidiary guarantors.

2017 Credit Facility

On January 20, 2017, the Company and each of its subsidiaries, as guarantors, entered into an Amended and Restated Credit Agreement (the "2017 Credit Agreement") with BMO, as lender. The 2017 Credit Agreement amended and extended the Company's prior credit agreement. The 2017 Credit Agreement provided for a $35.0 million revolving line of credit, including a $10.0 million standby letter of credit sub-facility, and was scheduled to mature on January 20, 2020. Borrowings under the 2017 Credit Agreement bore interest at a rate equal to either, at the Company's option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.5% or one-month London Interbank Offered Rate ("LIBOR") plus 1% (the "Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 0.25% to 1.00% with respect to Base Rate borrowings and 1.25% to 2.00% with respect to LIBOR borrowings. The applicable margin was based upon the consolidated leverage ratio of the Company. The Company was also required to pay a commitment fee for the unused portion of the revolving line of credit, which ranged from 0.20% to 0.35% per annum, and fees on any letters of credit drawn under the facility, which ranged from 0.94% to 1.50%, in each case, depending on the Company's consolidated leverage ratio.

Borrowings under the 2017 Credit Agreement were guaranteed by all of the Company's direct and indirect subsidiaries and secured by substantially all of the Company's and the Guarantors' assets. On October 1, 2018, in connection with the Company entering into the 2018 Credit Agreement, the 2017 Credit Agreement was terminated.

Other Debt Agreements

Insurance Premiums

The Company's annual commercial insurance policy protection package renews in the fourth quarter of every year. From time to time, the Company will finance insurance premiums by entering into unsecured notes payable with insurance companies. During the Company's annual insurance renewals in the fourth quarter of its year ended December 27, 2019, the Company did not finance any of its insurance premiums for the 2020 fiscal year. During the Company's annual insurance renewals in the fourth quarter of its fiscal year ended December 28, 2018, the Company elected to finance its insurance premiums for the 2019 fiscal year with a note payable bearing interest at an annual rate of 4.3%, payable in monthly principal and interest installments of $149,881 through October 2019. As of December 28, 2018, the unpaid balance of the financed premiums totaled $1.5 million.

Software Agreements

The Company has also financed, from time to time, software costs by entering into unsecured notes payable with software providers. During the fiscal year ended December 28, 2018, the Company elected to finance its IBM software costs of $0.2 million with a note payable bearing interest at an annual rate of 4.656%, payable in monthly principal and interest installments of $6,315 through November 2021. As of December 27, 2019, and December 28, 2018, the unpaid balance related to the IBM software agreement totaled $133,000 and $211,000, respectively.

Utility Customer Agreement

In connection with the acquisition of substantially all of the assets of Onsite Energy, the Company assumed a contract dispute settlement agreement between Onsite Energy and one of its utility customers dated December 20, 2018 (the "Utility Customer Agreement") where Onsite Energy agreed to pay $1.7 million, bearing interest at an imputed annual rate of 4.332%, payable in quarterly principal and interest installments through June 2021. The unpaid balance of the Utility Customer Agreement totaled $0.9 million as of December 27, 2019.

Future Debt Payments

The following table summarizes the combined principal installments for the Company's debt obligations, excluding capital leases, over the next five years and beyond, as of December 27, 2019:

Fiscal Year:		
2020		13,720
2021		38,007
2022		32,667
2023		32,667
Thereafter		13,999
Total debt maturities		131,060
Issuance costs and debt discounts		(709)
Net carrying value	$	130,351

6. GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 27, 2019, the Company had $127.6 million of goodwill, which primarily relates to the Energy segment and the acquisitions within this segment of E3, Inc., Lime Energy, NAM, Integral Analytics and Abacus Resource Management Company ("Abacus") and substantially all of the assets of Onsite Energy, The Weidt Group, Genesys and 360 Energy Engineers, LLC ("360 Energy"). The remaining goodwill relates to the Engineering and Consulting reporting segment and the acquisition within this segment of Economists LLC.

The changes in the carrying value of goodwill by reporting unit were as follows:

	December 28, 2018	Additional Purchase Cost	Additions / Adjustments	December 27, 2019
		(in thousands)		
Reporting Unit:				
Energy	$ 96,999	$ 39,690	$ (9,791)	$ 126,898
Engineering and Consulting	749			749
	$ 97,748	$ 39,690	$ (9,791)	$ 127,647

	December 29, 2017	Additional Purchase Cost	Additions / Adjustments	December 28, 2018
		(in thousands)		
Reporting Unit:				
Energy	$ 37,435	$ 59,466	$ 98	$ 96,999
Engineering and Consulting	749	—	—	749
	$ 38,184	$ 59,466	$ 98	$ 97,748

The Company tests its goodwill at least annually for possible impairment. The Company completes its annual testing of goodwill as of the last day of the first month of its fourth fiscal quarter each year to determine whether there is impairment. In addition to the Company's annual test, it regularly evaluates whether events and circumstances have occurred that may indicate a potential impairment of goodwill. No impairment was recorded in any year during the three-year period ended December 27, 2019.

The gross amounts and accumulated amortization of the Company's acquired identifiable intangible assets with finite useful lives, included in other intangible assets, net in the accompanying consolidated balance sheets, were as follows:

	December 27, 2019		December 28, 2018		
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization	Amortization Period
					(in years)
Finite:					
Backlog	$ 7,134	$ 3,763	$ 2,514	$ 2,155	1.0
Tradename	13,351	4,882	10,301	3,118	2.5 - 6.0
Non-compete agreements	2,320	1,384	1,420	1,042	4.0 - 5.0
Developed technology	14,620	3,227	12,920	944	8.0
Customer relationships	60,733	8,065	25,219	2,441	5.0 - 8.0
Total finite intangible assets	$ 98,158	$ 21,321	$ 52,374	$ 9,700	
In-process research and technology [(1)]	—	—	1,690	—	
Total intangible assets	$ 98,158	$ 21,321	$ 54,064	$ 9,700	

(1) In-process research and technology is not amortized until put into use.

At the time of acquisition, the Company estimates the fair value of the acquired identifiable intangible assets based upon the facts and circumstances related to the particular intangible asset. Inherent in such estimates are judgments and estimates of future revenue, profitability, cash flows and appropriate discount rates for any present value calculations. The Company preliminarily estimates the value of the acquired identifiable intangible assets and then finalizes the estimated fair values during the purchase allocation period, which does not extend beyond 12 months from the date of acquisition.

The Company's amortization expense for acquired identifiable intangible assets with finite useful lives was $11.6 million, $4.5 million and $2.4 million for the fiscal years 2019, 2018 and 2017, respectively.

Estimated amortization expense for acquired identifiable intangible assets for fiscal year 2020 and the succeeding years is as follows:

	Future Intangible Asset Amortization expense
	(in thousands)
Fiscal year:	
2020	13,025
2021	11,622
2022	11,233
2023	9,962
2024	6,871
Thereafter	24,124
	$ 76,837

7. LEASES

The Company leases certain office facilities under long-term, non-cancellable operating leases that expire at various dates through the year 2027. In addition, the Company is obligated under finance leases for certain furniture and office equipment that expire at various dates through the year 2022.

On December 29, 2018, the Company adopted ASU No. 2016-02, Leases (Topic 842) using the modified retrospective method. Under this guidance, the net present value of future lease payments is recorded as right-of-use assets and lease liabilities. In addition, the Company elected the ‘package of practical expedients’ permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. In addition, the Company elected not to utilize the hindsight practical expedient to determine the lease term for existing leases. The Company elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company did not recognize right-of-use assets or lease liabilities, including not recognizing right-of-use assets or lease liabilities for existing short-term leases of those assets in transition. The Company also elected the practical expedient to not separate lease and non-lease components for our facilities leases.

From time to time, the Company enters into non-cancelable leases for some of our facility and equipment needs. These leases allow the Company to conserve cash by paying a monthly lease rental fee for the use of facilities and equipment rather than purchasing them. The Company’s leases have remaining terms ranging from one to eight years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases within one year. Currently, all of the Company’s leases contain fixed payment terms. The Company may decide to cancel or terminate a lease before the end of its term, in which case we are typically liable to the lessor for the remaining lease payments under the term of the lease. Additionally, all of our month-to-month leases are cancelable by the Company or the lessor, at any time, and are not included in our right-of-use asset or lease liability. As of December 27, 2019, the Company had no leases with residual value guarantees. Typically, the Company has purchase options on the equipment underlying its long-term leases. The Company may exercise some of these purchase options when the need for equipment is on-going and the purchase option price is attractive. Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification in accordance with “ASC” Topic 842-10-25. Leases are accounted for as operating or financing leases, depending on the terms of the lease.

Financing Leases

The Company leases certain equipment under financing leases. The economic substance of the leases is a financing transaction for acquisition of equipment and leasehold improvements. Accordingly, the right-of-use assets for these leases are included in the balance sheets in equipment and leasehold improvements, net of accumulated depreciation, with a corresponding amount recorded in current portion of financing lease obligations or noncurrent portion of financing lease obligations, as appropriate. The financing lease assets are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis and included in depreciation expense. The interest associated with financing lease obligations is included in interest expense.

Right-of-use assets

Operating leases are included in right-of-use assets, and current portion of lease liability and noncurrent portion of lease liability, as appropriate. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company’s leases do not provide an implicit rate to calculate present value, the Company determines this rate by estimating the Company’s incremental borrowing rate at the lease commencement date. The right-of-use asset also includes any lease payments made and initial direct costs incurred at lease commencement and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The following is a summary of the lease expense:

	Fiscal Year	
	2019	2018
	(in thousands)	
Operating lease cost	$ 5,053	$ -
Finance lease cost:		
Amortization of assets	509	-
Interest on lease liabilities	36	-
Total net lease cost	$ 5,598	$ -

The following is a summary of lease information presented on the Company's consolidated balance sheet as of December 27, 2019:

	December 27, 2019	December 28, 2018
	(in thousands)	
Operating leases:		
Right-of-use assets	$ 22,297	$ —
Lease liability	$ 5,550	$ —
Lease liability, less current portion	18,411	—
Total lease liabilities	$ 23,961	$ —
Finance leases (included in equipment and leasehold improvements, net):		
Equipment and leasehold improvements, net	$ 1,957	$ —
Accumulated depreciation	(1,291)	—
Total equipment and leasehold improvements, net	$ 666	$ —
Finance lease obligations	$ 375	$ —
Finance lease obligations, less current portion	191	—
Total finance lease obligations	$ 566	$ —
Weighted average remaining lease term (in years):		
Operating Leases	4.59	—
Finance Leases	1.47	—
Weighted average discount rate:		
Operating Leases	5.14 %	— %
Finance Leases	4.80 %	— %

Rent expense and related charges for common area maintenance for all facility operating leases for fiscal years 2019, 2018 and 2017 was approximately $6,190,000 $4,486,000, and $3,624,000, respectively.

The following is a summary of other information and supplemental cash flow information related to finance and operating leases for 2019:

	Fiscal Year	
	2019	2018
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	$ 5,151	$ —
Operating cash flow from finance leases	36	—
Financing cash flow from finance leases	639	—
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$ 4,918	$ —

The following is a summary of the maturities of lease liabilities as of December 27, 2019:

	Operating	Finance
	(in thousands)	
Fiscal year:		
2020	$ 6,418	$ 394
2021	5,680	178
2022	4,891	17
2023	3,425	—
2024	2,498	—
2025 and thereafter	4,530	—
Total lease payments	$ 27,442	$ 589
Less: Imputed interest	(3,481)	(23)
Total lease obligations	23,961	566
Less: Current obligations	5,550	375
Noncurrent lease obligations	$ 18,411	$ 191

The imputed interest for finance lease obligations represents the interest component of finance leases that will be recognized as interest expense in future periods. The financing component for operating lease obligations represents the effect of discounting the operating lease payments to their present value.

Capital Leases

Prior to the adoption of ASU No. 2016-02, Leases (Topic 842), the Company leased certain equipment under capital leases. The economic substance of these leases was a financing transaction for purchase of the equipment and leasehold improvements, accordingly, the leases were included in the balance sheets in equipment and leasehold improvement, net of accumulated depreciation, with a corresponding amount recorded in current portion of lease obligations or noncurrent portion of lease obligations, as appropriate. The capital lease assets were amortized on a straight-line basis over the life of the lease or, if shorter, the life of the leased asset, and were included in depreciation expense in the statements of comprehensive income. The interest associated with capital leases was included in interest expense in the statements of comprehensive income.

As of December 28, 2018, the Company had $0.5 million of capital lease obligations outstanding, $0.3 million of which was classified as a current liability.

As of December 28, 2018, $0.5 million of leased assets were capitalized in equipment and leasehold improvements, net of accumulated depreciation.

The following is a summary of the future minimum payments under finance and non-cancelable operating leases as of December 28, 2018:

	Finance	Operating
	(in thousands)	
Fiscal year:		
2019	$ 335	$ 4,442
2020	204	2,882
2021	26	2,036
2022	—	1,565
2023	—	668
2024 and thereafter	—	996
Total future minimum lease payments	$ 565	$ 12,589
Amount representing interest (at rates ranging from 3.25% to 3.75%)	(21)	
Present value of net minimum lease payments under capital leases	544	
Less current portion	320	
Noncurrent lease obligations	$ 224	

8. COMMITMENTS AND VARIABLE INTEREST ENTITIES

Employee Benefit Plans

The Company has a qualified profit sharing plan pursuant to Code Section 401(a) and qualified cash or deferred arrangement pursuant to Code Section 401(k) covering all employees. Employees may elect to contribute up to 50% of their compensation limited to the amount allowed by tax laws. Company contributions are made solely at the discretion of the Company's board of directors.

The Company also had a defined contribution plan (the "Plan") covering employees who have completed three months of service and who have attained 21 years of age. The Company elected to make matching contributions equal to 50% of the participants' contributions to the Plan up to 6% of the individual participant's compensation. Under the defined contribution plan, the Company may make discretionary matching contributions to employee accounts.

The Company made matching contributions of approximately $1,996,000, $1,120,000 and $1,021,000 during fiscal years 2019, 2018 and 2017, respectively.

Post-Employment Health Benefits

In May 2006, the Company's board of directors approved providing lifetime health insurance coverage for Win Westfall, the Company's former chief executive officer and current director, and his spouse and for Linda Heil, the widow of the Company's former chief executive officer, Dan Heil. These benefits relate to past services provided to the Company. Accordingly, there is no unamortized compensation cost for the benefits.

Included in accrued liabilities in the accompanying consolidated balance sheets related to this obligation is the present value of expected payments for health insurance coverage, $102,000 as of December 27, 2019 and $122,000 as of December 28, 2018.

Variable Interest Entities

On March 4, 2016, the Company and the Company's wholly-owned subsidiary, WES acquired substantially all of the assets of Genesys and assumed certain specified liabilities of Genesys (collectively, the "Purchase") pursuant to an Asset Purchase and Merger Agreement, dated as of February 26, 2016 (the "Agreement"), by and among Willdan Group, Inc., WES, WESGEN (as defined below), Genesys and Ronald W. Mineo ("Mineo") and Robert J. Braun ("Braun" and, together with Mineo, the "Genesys Shareholders"). On March 5, 2016, pursuant to the terms of the Agreement, WESGEN, Inc., a non-affiliated corporation ("WESGEN"), merged (the "Merger" and, together with the Purchase, the "Acquisition") with Genesys, with Genesys remaining as the surviving corporation. Genesys was acquired to strengthen the Company's power engineering capability in the northeastern U.S., and also to increase client exposure and experience with universities.

Genesys continues to be a professional corporation organized under the laws of the State of New York, wholly-owned by one or more licensed engineers. Pursuant to New York law, the Company does not own capital stock of Genesys. The Company has entered into an agreement with the Shareholder of Genesys pursuant to which the Shareholder will be prohibited from selling, transferring or encumbering the Shareholder's ownership interest in Genesys without the Company's consent. Notwithstanding the Company's rights regarding the transfer of Genesys's stock, the Company does not have control over the professional decision making of Genesys's engineering services. The Company has entered into an administrative services agreement with Genesys pursuant to which WES will provide Genesys with ongoing administrative, operational and other non-professional support services. Genesys pays WES a service fee, which consists of all of the costs incurred by WES to provide the administrative services to Genesys plus ten percent of such costs, as well as any other costs that relate to professional service supplies and personnel costs. As a result of the administrative services agreement, the Company absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES.

The Company manages Genesys and has the power to direct the activities that most significantly impact Genesys's performance, in addition to being obligated to absorb expected losses from Genesys. Accordingly, the Company is the primary beneficiary of Genesys and consolidates Genesys as a VIE. In addition, the Company concluded there is no noncontrolling interest related to the consolidation of Genesys because the Company determined that (i) the shareholder of Genesys does not have more than a nominal amount of equity investment at risk, (ii) WES absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES and the Company has, since entering into the administrative services agreement, had to continuously defer service fees for Genesys, and (iii) the Company believes Genesys will continue to have a shortfall on payment of its service fees for the foreseeable future, leaving no expected residual returns for the shareholder.

As of December 27, 2019, the Company had one VIE — Genesys.

9. SEGMENT AND GEOGRAPHICAL INFORMATION

Segment Information

During the three months ended March 30, 2018, the Company revised its segment reporting to conform to changes in its internal management reporting. As a result, beginning with the three months ended March 30, 2018, the Company's two segments are Energy and Engineering and Consulting, and the Company's chief operating decision maker, which continues to be its chief executive officer, receives and reviews financial information in this format. Accordingly, segment information has been revised for comparison purposes for all periods presented in the accompanying consolidated financial statements.

There were no intersegment sales in any of the three fiscal years ended December 27, 2019. The Company's chief operating decision maker evaluates the performance of each segment based upon income or loss from operations before income taxes. Certain segment asset information including expenditures for long-lived assets has not been presented as it is not reported to or reviewed by the chief operating decision maker. In addition, enterprise-wide service line contract revenue is not included as it is impracticable to report this information for each group of similar services.

Financial information with respect to the reportable segments and reconciliation to the amounts reported in the Company's consolidated financial statements follows:

	Energy	Engineering & Consulting	Unallocated Corporate	Intersegment	Consolidated Total
			(in thousands)		
Fiscal Year 2019					
Contract revenue	$ 370,715	$ 72,384	$ —	$ —	$ 443,099
Depreciation and amortization	13,703	1,324	—	—	15,027
Interest expense	32	—	4,868	—	4,900
Segment profit (loss) before income tax expense	11,971	8,839	(16,154)	—	4,656
Income tax (benefit) expense	3,308	2,442	(5,935)	—	(185)
Net income (loss)	8,664	6,397	(10,220)	—	4,841
Segment assets [(1)]	314,324	23,690	125,029	(23,130)	439,913
Fiscal Year 2018					
Contract revenue	$ 196,833	$ 75,419	$ —	$ —	$ 272,252
Depreciation and amortization	5,274	786	—	—	6,060
Interest expense	312	388	—	—	700
Segment profit (loss) before income tax expense	8,959	7,589	(4,387)	—	12,161
Income tax (benefit) expense	1,570	1,330	(769)	—	2,131
Net income (loss)	7,390	6,259	(3,619)	—	10,030
Segment assets [(1)]	252,124	20,402	51,515	(23,130)	300,911
Fiscal Year 2017					
Contract revenue	$ 199,609	$ 73,743	$ —	$ —	$ 273,352
Depreciation and amortization	3,145	804	—	—	3,949
Interest expense	(90)	(21)	—	—	(111)
Segment profit before income tax expense	5,589	9,054	(952)	—	13,691
Income tax expense (benefit)	638	1,033	(109)	—	1,562
Net income	4,951	8,021	(843)	—	12,129
Segment assets [(1)]	65,872	20,774	74,656	(23,130)	138,172

(1) Segment assets are presented net of intercompany receivables.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables provides information about disaggregated revenue by contract type, client type and geographical region:

	2019		
	Energy	Engineering and Consulting	Total
		(in thousands)	
Contract Type			
Time-and-materials	$ 18,625	$ 54,560	$ 73,185
Unit-based	272,978	14,391	287,369
Fixed price	79,112	3,433	82,545
Total	$ 370,715	$ 72,384	$ 443,099
Client Type			
Commercial	$ 39,311	$ 4,895	$ 44,206
Government	57,020	67,049	124,069
Utilities	274,384	440	274,824
Total	$ 370,715	$ 72,384	$ 443,099
Geography (1)			
Domestic	$ 370,715	$ 72,384	$ 443,099

	2018		
	Energy	Engineering and Consulting	Total
		(in thousands)	
Contract Type			
Time-and-materials	$ 13,790	$ 59,744	$ 73,534
Unit-based	113,749	13,300	127,049
Fixed price	69,294	2,375	71,669
Total	$ 196,833	$ 75,419	$ 272,252
Client Type			
Commercial	$ 20,715	$ 4,882	$ 25,597
Government	62,897	70,091	132,988
Utilities	113,221	446	113,667
Total	$ 196,833	$ 75,419	$ 272,252
Geography (1)			
Domestic	$ 196,833	$ 75,419	$ 272,252

(1) Revenue from our foreign operations were immaterial for fiscal year 2019. For prior fiscal years presented, we did not have any foreign revenues.

In accordance with ASU 2016-10, the Company adopted ASC 606 utilizing a modified retrospective approach. As such, fiscal year 2017 comparative information is not presented.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following sets forth the assets that are included in Unallocated Corporate as of December 27, 2019 and December 28, 2018.

	2019	2018
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 84,277	$ 14,863
Accounts Receivable, net	(108)	(1,826)
Prepaid expenses	1,912	1,606
Intercompany receivables	125,126	135,507
Goodwill	2	2
Other receivables	3,915	201
Equipment and leasehold improvements, net	1,637	1,180
Investments in subsidiaries	23,130	23,130
ROU Assets	1,141	—
Other	606	963
Deferred income taxes	9,312	12,321
	$ 250,950	$ 187,947

Geographical Information

Substantially all of the Company’s consolidated revenue was derived from its operations in the U.S. The Company operates through a nationwide network of offices spread across 24 states and the District of Columbia.

In connection with the Company’s acquisition of E3, Inc. in October 28, 2019, the Company expanded its operations into Canada. Revenues from the Company’s Canadian operations were not material for fiscal year 2019.

Customer Concentration

For fiscal years 2019, 2018, and 2017, the Company’s top 10 customers accounted for 50.6%, 56.9%, and 64.4%, respectively, of the Company’s consolidated contract revenue. During fiscal years 2019, 2018, and 2017, the Company had individual customers that accounted for more than 10% of its consolidated contract revenues. For fiscal year 2019, the Company derived 29.1% of its consolidated contract revenue from two customers, Consolidated Edison of New York and the Los Angeles Department of Water and Power. For fiscal year 2018, the Company derived 19.0% of its consolidated contract revenue from one customer, Consolidated Edison of New York. For fiscal year 2017, the Company derived 38.0% of its consolidated contract revenue from two customers, Consolidated Edison of New York and the Dormitory Authority-State New York.

On a segment basis, the Company also had individual customers that accounted for more than 10% of its segment contract revenues. For fiscal year 2019, the Company derived 34.7% of its Energy segment revenues from two customers, Consolidated Edison of New York and the Los Angeles Department of Water and Power, and it derived 25.0% of its Engineering and Consulting segment revenues from one customer, the City of Elk Grove. For 2018, the Company derived 18.5% of its Energy segment revenues from one customer, Consolidated Edison of New York, and it derived 10% of its Engineering and Consulting segment revenues from three customers, the City of Elk Grove, City of Long Beach and Ygrene. For 2017, Company derived 22.3% of its Energy segment revenues from one customer, Dormitory Authority-State of New York (“DASNY”) and it derived 10% of its Engineering and Consulting segment revenues from seven customers, the City of Elk Grove, City of Rialto, City of El Monte, City of Long Beach, City of San Bernardino, City of Westlake Village and City of Lakewood.

The Company’s largest clients are based in California and New York. In fiscal year 2019, 2018, and 2017, services provided to clients in California accounted for 41.1%, 35.0%, and 30.0%, respectively, of the Company’s contract revenue and services provided to clients in New York accounted for 27.2%, 29.0%, 46.0%, respectively, of the Company’s contract revenue.

10. SHAREHOLDERS' EQUITY

Stock Incentive Plans

As of December 27, 2019, the Company had two share-based compensation plans, which are described below. The Company may no longer grant awards under the 2006 Stock Incentive Plan.

2006 Stock Incentive Plan

In June 2006, the Company's board of directors adopted the 2006 Stock Incentive Plan ("2006 Plan") and it received stockholder approval. The Company re-submitted the 2006 Plan to its stockholders for post-IPO approval at the 2007 annual meeting of the stockholders and it was approved. The 2006 Plan terminated in June 2016 and no additional awards were granted under the 2006 Plan after the Company's shareholders approved the 2008 Plan (as defined below) in June 2008. The 2006 Plan had 300,000 shares of common stock reserved for issuance to the Company's directors, executives, officers, employees, consultants and advisors. Approximately 70,333 shares that were available for award grant purposes under the 2006 Plan have become available for grant under the 2008 Plan following shareholder approval of the 2008 Plan. Options granted under the 2006 Plan could be "non-statutory stock options" which expire no more than 10 years from the date of grant or "incentive stock options" as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Upon exercise of non-statutory stock options, the Company is generally entitled to a tax deduction on the exercise of the option for an amount equal to the excess over the exercise price of the fair market value of the shares at the date of exercise. The Company is generally not entitled to any tax deduction on the exercise of an incentive stock option.

As of December 27, 2019, there were no outstanding stock options under the 2006 Plan.

Amended and Restated 2008 Performance Incentive Plan

In March 2008, the Company's board of directors adopted the 2008 Performance Incentive Plan ("2008 Plan"), and it received stockholder approval at the 2008 annual meeting of the stockholders in June 2008. The 2008 Plan was originally set to terminate on April 17, 2027 but received a ten-year extension at the 2019 annual meeting of the stockholders. The 2008 Plan is currently scheduled to expire on April 18, 2029. The 2008 Plan initially had 450,000 shares of common stock reserved for issuance (not counting any shares originally available under the 2006 Plan that "poured over.") At the 2010, 2012, 2016, 2017, 2019 annual meetings of the stockholders, the stockholders approved 350,000, 500,000, 500,000, 875,000 and 955,000 share increases, respectively, to the 2008 Plan. The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2008 Plan can also be increased by any shares subject to stock options granted under the 2006 Plan and outstanding as of June 9, 2008 which expire, or for any reason are cancelled or terminated, after June 9, 2008 without being exercised. The 2008 Plan currently has 418,000 shares of common stock reserved for issuance. Awards authorized by the 2008 Plan include stock options, stock appreciation rights, restricted stock, stock bonuses, stock units, performance stock, and other share-based awards. No participant may be granted an option to purchase more than 300,000 shares in any fiscal year. Options generally may not be granted with exercise prices less than fair market value at the date of grant, with vesting provisions and contractual terms determined by the compensation committee of the board of directors on a grant-by-grant basis, subject to the minimum vesting provisions contained in the 2008 Plan. Options granted under the 2008 Plan may be "nonqualified stock options" or "incentive stock options" as defined in Section 422 of the Internal Revenue Code. The maximum term of each option shall be 10 years. Upon exercise of nonqualified stock options, the Company is generally entitled to a tax deduction on the exercise of the option for an amount equal to the excess over the exercise price of the fair market value of the shares at the date of exercise. The Company is generally not entitled to any tax deduction on the exercise of an incentive stock option. For awards other than stock options, the Company is generally entitled to a tax deduction at the time the award holder recognizes income with respect to the award equal to the amount of compensation income recognized by the award holder. Options and other awards provide for accelerated vesting if there is a change in control (as defined in the 2008 Plan) and the outstanding awards are not substituted or assumed in connection with the transaction.

Through December 27, 2019, outstanding awards granted, net of forfeitures and exercises, under the 2008 Plan consisted of 509,000 shares of incentive stock options, 598,000 shares of non-statutory stock options, 101,000 shares of restricted stock awards and 326,000 shares of performance-based restricted stock units.

Employee Stock Purchase Plan

Amended and Restated 2006 Employee Stock Purchase Plan

The Company adopted its Amended and Restated 2006 Employee Stock Purchase Plan (“ESPP”) to allow eligible employees the right to purchase shares of common stock, at semi-annual intervals, with their accumulated payroll deductions. The plan received stockholder approval in June 2006. The Company re-submitted the plan to its stockholders for post-IPO approval at the 2007 annual stockholders’ meeting where approval was obtained. The ESPP initially had 300,000 shares of common stock reserved for issuance. At the 2017 annual meeting of the stockholders, the stockholders approved an 825,000 share increase to the ESPP. A total of 1,125,000 shares of the Company’s common stock have been reserved for issuance under the plan.

The plan has semi-annual periods beginning on each January 1 and ending on each June 30 and beginning on each July 1 and ending on each December 31. The first offering period commenced on February 10, 2007 and ended on June 30, 2007. Participants make contributions under the plan only by means of payroll deductions each payroll period. The rate of payroll contributions elected by a Participant may not be less than one percent (1%) nor more than ten percent (10%) of the Participant’s Earnings for each payroll period, and only whole percentages may be elected. The accumulated contributions are applied to the purchase of shares. Shares are purchased under the plan on or as soon as practicable after, the last day of the offering period. The purchase price per share equals 85% of the fair market value of a share on the lesser price of the share on the first day or last day of the offering period. The Company’s Amended and Restated 2006 Employee Stock Purchase Plan is a compensatory plan.

As of December 27, 2019, there were 679,000 shares available for issuance under the plan.

Stock-based Compensation Expense

The compensation expense that has been recognized for stock options, restricted stock awards (“RSA”), performance-based restricted stock units (“PBRSU”), and ESPP issued under these plans was $12,112,000, $6,262,000 and $2,774,000 for fiscal years 2019, 2018 and 2017, respectively.

The total unrecognized compensation expense related to nonvested stock options was $1,489,000, $3,598,000 and $3,514,000 for fiscal years 2019, 2018 and 2017, respectively.

The total unrecognized compensation expense related to RSAs was $1,502,000, $1,012,000, and $1,162,000 for fiscal years 2019, 2018 and 2017, respectively.

The total unrecognized compensation expense related to PBRSUs was $21,515,000 and $12,254,000 for the fiscal year 2019, and 2018. That expense is expected to be recognized over a weighted-average period of 1.07 years. There was no unrecognized compensation expense related to PBRSUs for fiscal year 2017.

There were no options granted that were immediately vested during the fiscal years 2019, 2018 and 2017.

Summary of Stock Option Activity

A summary of option activity under the 2006 Plan and 2008 Plan as of December 27, 2019 and changes during the fiscal years ended December 27, 2019, December 28, 2018 and December 29, 2017 is presented below. The intrinsic value of the fully-vested options is $15,169,000 based on the Company's closing stock price of $31.21 and the average exercise price of outstanding options on December 27, 2019.

	Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)
Outstanding at December 28, 2018	1,252	$ 16.87	6.62
Granted	—	—	—
Exercised	(115)	8.08	—
Forfeited or expired	(13)	14.97	—
Outstanding at December 27, 2019	1,124	$ 17.80	6.06
Vested and expected to vest at December 27, 2019	1,124	$ 17.80	6.06
Exercisable at December 27, 2019	958	$ 15.48	5.68

	Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)
Outstanding at December 29, 2017	1,207	$ 14.04	7.02
Granted	158	31.54	—
Exercised	(85)	7.85	—
Forfeited or expired	(28)	5.07	—
Outstanding at December 28, 2018	1,252	$ 16.87	6.62
Vested and expected to vest at December 28, 2018	1,252	$ 16.87	6.62
Exercisable at December 28, 2018	838	$ 12.20	5.58

	Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)
Outstanding at December 30, 2016	1,311	$ 10.15	6.69
Granted	199	30.28	—
Exercised	(271)	7.02	—
Forfeited or expired	(32)	15.65	—
Outstanding at December 29, 2017	1,207	$ 14.04	7.02
Vested and expected to vest at December 29, 2017	1,207	$ 14.04	7.02
Exercisable at December 29, 2017	660	$ 8.84	5.58

A summary of the status of the Company's nonvested options and changes in nonvested options is presented below:

	Options	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Nonvested at December 28, 2018	414	$ 8.69
Granted	—	—
Vested	(242)	9.43
Forfeited	(6)	10.87
Nonvested at December 27, 2019	166	12.15

	Options	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Nonvested at December 29, 2017	547	$ 6.43
Granted	158	12.73
Vested	(263)	7.29
Forfeited	(28)	5.07
Nonvested at December 28, 2018	414	8.69

	Options	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Nonvested at December 30, 2016	653	$ 4.75
Granted	199	12.23
Vested	(273)	6.68
Forfeited	(32)	15.65
Nonvested at December 29, 2017	547	6.43

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Summary of Restricted Stock Activity

A summary of restricted stock activity under the 2008 Plan as of December 27, 2019 is presented below:

	Restricted Stock (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding at December 28, 2018	64	$ 22.28
Awarded	37	35.60
Vested	(43)	18.90
Forfeited	—	—
Outstanding at December 27, 2019	58	$ 33.33
Outstanding at December 29, 2017	87	$ 17.67
Awarded	22	28.17
Vested	(45)	16.09
Forfeited	—	—
Outstanding at December 28, 2018	64	$ 22.28
Outstanding at December 30, 2016	99	$ 11.37
Awarded	28	31.53
Vested	(40)	33.02
Forfeited	—	—
Outstanding at December 29, 2017	87	$ 17.67

Summary of Performance-Based Restricted Stock Unit Activity

A summary of performance-based restricted stock unit activity under the 2008 Plan as of December 27, 2019 is presented below:

	Performance-Based Restricted Stock Unit (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding at December 28, 2018	280	$ 21.94
Awarded	329	28.99
Released	(175)	21.94
Forfeited	(3)	27.28
Outstanding at December 27, 2019	431	$ 27.28
Outstanding at December 29, 2017	—	$ —
Awarded	280	21.94
Vested	—	—
Forfeited	—	—
Outstanding at December 28, 2018	280	$ 21.94

Fair Value Valuation Assumptions

Stock Option Grants

The fair value of each option is calculated using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatility is based upon historical volatility of “guideline companies” since the length of time the Company’s shares have been publicly traded is equal to the contractual term of the options. The expected term of the option, taking into account both the contractual term of the option and the effects of employees’ expected exercise and expected post-vesting termination behavior is estimated based upon the simplified method. Under this approach, the expected term is presumed to be the mid-point between the vesting date and the end of the contractual term. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The assumptions are as follows:

	2019	2018	2017
Expected volatility	34 %	37 %- 38 %	38 %- 41 %
Expected dividends	0 %	0 %	0 %
Expected term (in years)	6	6	6
Risk-free rate	2.49 %	2.65 %-2.78 %	1.86 %-2.08 %

RSA and PBRSU Grants

The Company’s restricted stock awards are valued on the closing price of the Company’s common stock on the date of grant and typically vest over a three-year period.

The Company’s performance-based restricted stock unit awards are valued on the closing price of the Company’s common stock on the date of grant and vest over performance period. Under the Company’s new performance-based restricted stock unit (“PBRSU”) design, 50% of each award will vest based upon the Company’s EBITDA performance over a two-year and four-year performance periods (“EBITDA Units”), and the remaining 50% of each award will vest based upon the Company’s earnings per share performance over a two-year and four-years-performance periods (“EPS Units”) for awards granted for 2019 and 2018, respectively. The Company must achieve a 10% growth rate for the threshold number of EBITDA Units and EPS Units to vest for any performance year, and the target number of EBITDA Units and EPS Units will only vest in any performance year if the Company is able to achieve a 20% growth rate. The Compensation Committee determined to move away from its historical practice of granting only time-based equity awards and introduced the PBRSUs in order to further align the interests of the Company’s executives with those of shareholders by strengthening the relationship between executive pay and the Company’s performance against two critical performance metrics that the Company believes will drive value creation for its shareholders.

ESPP

The fair value of ESPP purchase rights issued is calculated using the Black-Scholes valuation model that uses the assumptions noted in the following table. Purchase right under the ESPP are generally granted on either January 1 or July 1 of each year. The assumptions are as follows:

	2019	2018	2017
Weighted-average expected term (in years)	.5	.5	.5
Risk-Free interest Rate	2.3 %	1.4 %	0.65 %
Stock Price Volatility	35.6 %	37.9 %	40.7 %
Dividend yield	0 %	0 %	0 %
Fair Value	$ 33.01	$ 26.86	$ 23.02

11. INCOME TAXES

The provision for income taxes is comprised of:

	Fiscal Year		
	2019	2018	2017
		(in thousands)	
Current federal taxes	$ (548)	$ 3,632	$ 635
Current state taxes	551	1,389	306
Deferred federal taxes	(159)	(2,539)	431
Deferred state taxes	(29)	(351)	190
	$ (185)	$ 2,131	$ 1,562

The provision for income taxes reconciles to the amounts computed by applying the statutory federal tax rate of 21% for fiscal years 2019 and 2018, and 34% for fiscal year 2017, to the Company's income before income taxes. The sources and tax effects of the differences for fiscal years 2019, 2018 and 2017 are as follows:

	2019	2018	2017
		(in thousands)	
Computed "expected" federal income tax expense	$ 977	$ 2,554	$ 4,655
Permanent differences	163	77	(61)
Nondeductible Executive Compensation	688	—	—
Stock options and disqualifying dispositions	(731)	(354)	(1,629)
Tax Act - federal rate change	—	—	(1,277)
Energy efficient building deduction	(1,291)	(919)	—
Current and deferred state income tax expense, net of federal benefit	466	815	287
Change in valuation allowances on deferred tax assets	—	—	15
Federal deferred tax adjustments	231	220	(441)
Adjustment for uncertain tax positions	(282)	61	363
Research and development tax credit	(510)	(313)	(188)
Adjustment to prior earn-out liability	—	(198)	—
Non-deductible transaction expenses	—	203	—
Other	27	(15)	(162)
True up income tax accounts	77	—	—
	$ (185)	$ 2,131	$ 1,562

Differences between the Company's effective income tax rate and what would be expected if the federal statutory rate was applied to income before income tax from continuing operations are primarily due to state income tax expense, research and development tax credits, energy efficient building deductions, stock options and disqualifying dispositions. On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law, which, among other items, lowered the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the Tax Act, the Company recorded a one-time decrease in deferred tax expense of $1.3 million for the fiscal quarter ended December 29, 2017 to account for the remeasurement of the Company's deferred tax assets and liabilities on the enactment date.

Shortly after the Tax Act was enacted, the Securities and Exchange Commission issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") to address the application of generally accepted accounting principles in the United States of America, or GAAP, and directing taxpayers to consider the impact of the Tax Act as "provisional" when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for the change in tax law. In accordance with SAB 118, the Company recognized the provisional tax impacts during fiscal year 2017. As of December 28, 2018, the Company's accounting for the Tax Act was complete. An adjustment of $0.2 million additional deferred tax expense was recorded due to the corporate tax rate change impact on adjustments to temporary differences that were estimated at the time of the tax provision and finalized for the tax return.

The tax effects of temporary differences that give rise to significant portions of the net deferred tax assets and liabilities are as follows:

	December 27, 2019	December 28, 2018
	(in thousands)	
Deferred tax assets:		
Accounts receivable allowance	$ 315	$ 122
Other accrued liabilities	2,124	2,714
Federal and state net operating losses	18,717	20,569
Lease liability	6,467	—
Stock compensation	3,381	2,167
Adjustments to fair value of assets	79	733
Other	622	173
	31,705	26,478
Valuation allowance	(86)	(86)
Net deferred tax assets	$ 31,619	$ 26,392
Deferred tax liabilities:		
Deferred revenue	$ (5,031)	$ (5,702)
Fixed assets	(618)	(116)
Intangible assets	(10,077)	(8,041)
Lease right-of-use assets	(6,127)	—
Other	(454)	(212)
	(22,307)	(14,071)
Net deferred tax asset	$ 9,312	$ 12,321

At December 27, 2019, the Company had federal and state operating loss carryovers of $72.7 million and $58.0 million, respectively. The carryovers expire through 2039.

During each fiscal year, management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets. For fiscal years 2019 and 2018, the Company ultimately determined that it was more-likely-than-not that the entire California net operating loss will not be utilized prior to expiration. Significant pieces of objective evidence evaluated included the Company's history of utilization of California net operating losses in prior years for each of the Company's subsidiaries, as well as the Company's forecasted amount of net operating loss utilization for certain members of the combined group. As of December 27, 2019 and December 28, 2018, the Company had a valuation allowance in the amount of $86,000, respectively, related to California net operating losses.

During the fiscal year ending December 27, 2019, the Company decreased its recorded liability for uncertain tax positions to $142,000. This decrease resulted from the expiration of federal uncertain tax positions during fiscal year 2019. The Company may be subject to examination by the Internal Revenue Service ("IRS") for calendar years 2016 through 2019. The Company may also be subject to examination on certain state and local jurisdictions for the years 2015 through 2019.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company's policy is to recognize interest and penalties related to unrecognized tax benefits in income tax expense. Following is reconciliation of beginning and ending amounts of unrecognized tax benefits:

	Amount *(in thousands)*
Balance as of December 28, 2018	$ 424
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	5
Reductions for tax positions related to the current year	—
Reductions for tax positions of prior years	(287)
Balance as of December 27, 2019	$ 142

During the year ended December 27, 2019, the Internal Revenue Service continued its audit of the Company's tax return for the fiscal year ended December 30, 2016. The Company has not determined the impact of this examination due to the audit process having not been completed.

12. EARNINGS PER SHARE ("EPS")

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is computed by dividing net income by the weighted-average number of common shares outstanding and dilutive potential common shares for the period. Potential common shares include the weighted-average dilutive effects of outstanding stock options and restricted stock awards using the treasury stock method.

The following table sets forth the number of weighted-average common shares outstanding used to compute basic and diluted EPS:

	Fiscal Year		
	2019	2018	2017
	(in thousands, except per share amounts)		
Net income	$ 4,841	$ 10,030	$ 12,129
Weighted-average common shares outstanding	11,162	9,264	8,541
Effect of dilutive stock options and restricted stock awards	604	499	614
Weighted-average common shares outstanding-diluted	11,766	9,763	9,155
Earnings per share:			
Basic	$ 0.43	$ 1.08	$ 1.42
Diluted	$ 0.41	$ 1.03	$ 1.32

For the fiscal year ended December 27, 2019, 155,300 options were excluded from the calculation of dilutive potential common shares, compared to 247,800 and 114,600 options, for 2018 and 2017, respectively. These options were not included in the computation of dilutive potential common shares because the assumed proceeds per share exceeded the average market price per share for the respective periods. Accordingly, the inclusion of these options would have been anti-dilutive.

13. BUSINESS COMBINATIONS

Acquisition of E3, Inc.

On October 28, 2019, the Company, through its wholly-owned subsidiary, WES acquired all of the capital stock of Energy and Environmental Economics, Inc. (“E3, Inc.”), pursuant to the terms of a stock purchase agreement (the “Stock Purchase Agreement”) by and among the Company, WES, E3, Inc., each of the stockholders of E3, Inc. (the “E3, Inc. Stockholders”) and Ren Orans, as seller representative of the E3, Inc. Stockholders. E3, Inc. is an energy consulting firm that helps utilities, regulators, policy makers, developers, and investors make strategic decisions as they implement new public policies, respond to technological advances, and address customers’ shifting expectations in clean energy. The Company believes that E3 will provide Willdan and our clients visibility into future market trends and position us to advise clients on upcoming policy, electrification, and decarbonization. E3, Inc.’s financial information is included within the Energy segment beginning in the fourth quarter of fiscal year 2019. The Company expects to finalize the purchase price allocation with respect to this transaction during the fourth quarter of fiscal 2020.

The Company agreed to pay up to $44.0 million for the purchase of all of the capital stock of E3, Inc., which purchase price consists of (i) $27.0 million in cash paid on the E3, Inc. Closing Date (subject to holdbacks and adjustments), (ii) $5.0 million in shares of the Company’s common stock, based on the volume-weighted average price per share of the Company’s common stock for the ten trading days immediately following, but not including, the E3, Inc. Closing Date and (iii) up to $12.0 million in cash if E3, Inc. exceeds certain financial targets during the three years after the E3, Inc. Closing Date, as more fully described below (such potential payments of up to $12.0 million, being referred to as “Earn-Out Payments” and $12.0 million in respect thereof, being referred to as the “Maximum Payout”).

The amount of the Earn-Out Payments to be paid will be determined based on E3, Inc.’s earnings before interest, taxes, depreciation and amortization (“EBITDA”). The E3, Inc. Stockholders will receive Earn-Out Payments in each of the three years after the E3, Inc. Closing Date (the “Earn-Out Period”) based on the amount by which E3, Inc.’s EBITDA exceeds certain targets. The amounts due to the E3, Inc. Stockholders as Earn-Out Payments will in no event, individually or in the aggregate, exceed the Maximum Payout. Earn-Out Payments will be made in annual installments for each of the three years of the Earn-Out Period. In addition, the Earn-Out Payments will be subject to certain subordination provisions in favor of the lenders under the Company’s Credit Agreement.

The Purchase Agreement also contains customary representations and warranties regarding WES, the Company, E3, Inc. and the E3, Inc. Stockholders, indemnification provisions and other provisions customary for transactions of this nature.

The Company borrowed $30.0 million under its Delayed Draw Term Loan on October 28, 2019 to fund the $27.0 million cash payment paid on the E3, Inc. Closing Date.

The acquisition was accounted for as a business combination in accordance with ASC 805. Under ASC 805, the Company recorded the acquired assets and assumed liabilities at their estimated fair value with the excess allocated to goodwill. Goodwill represents the value the Company expects to achieve through the operational synergies, the expansion into new markets and the acquired company’s assembled work force. The Company estimates that the entire $22.0 million of goodwill resulting from the acquisition will be tax deductible.

Preliminary consideration for the acquisition includes the following:

		E3, Inc.
		(in thousands)
Cash paid	$	25,217
Other working capital adjustment		1,973
Issuance of common stock		5,000
Contingent Consideration		7,000
Total consideration	$	39,190

The following table summarizes the preliminary amounts for the acquired assets recorded at their estimated fair value as of the acquisition date:

		E3, Inc.
		(in thousands)
Current assets	$	5,316
Non-current assets [(1)]		341
Cash		2,264
Equipment and leasehold improvements, net		409
Right-of-use assets		6,766
Current lease liability		(593)
Non-current lease liability		(7,870)
Liabilities		(3,138)
Backlog		2,500
Customer relationships		8,300
Tradename		2,000
Non-compete		900
Goodwill		21,995
Net assets acquired	$	39,190

(1) Excluded from non-current assets are equipment and leasehold improvements, net, right-of-use assets, customer relationships, tradename, backlog and goodwill.

There were $0.1 million in acquisition related costs associated with E3, Inc. included in other general and administrative expenses in the consolidated statements of comprehensive income for the fiscal year ended December 27, 2019.

During the fiscal 2019, the acquisition of E3, Inc. contributed $3.7 million in revenue and $1.2 million of income from operations.

Acquisition of Onsite Energy Corporation

On July 2, 2019, the Company acquired substantially all of the assets and liabilities of Onsite Energy Corporation (“Onsite Energy”), an energy efficiency services and project implementation firm that specializes in energy upgrades and commissioning for industrial facilities. The Company believes the acquisition will expand its presence in the California-based industrial energy management services. Pursuant to the terms of the Asset Purchase Agreement, dated July 2, 2019, by and between WES and Onsite Energy, WES will pay a maximum aggregate purchase price of $26.4 million, subject to certain holdback and working capital adjustments, to be paid in cash. Onsite Energy’s financial information is included within the Energy segment. The Company expects to finalize the purchase price allocation with respect to this transaction during the second quarter of fiscal year 2020.

The acquisition was accounted for as a business combination in accordance with ASC 805. Under ASC 805, the Company recorded the acquired assets and assumed liabilities at their estimated fair value with the excess allocated to goodwill. Goodwill represents the value the Company expects to achieve through the operational synergies, the expansion into new markets and the acquired company's assembled work force. The Company estimates that the entire $6.2 million of goodwill resulting from the acquisition will be tax deductible.

Preliminary consideration for the acquisition includes the following:

	Onsite Energy (in thousands)
Cash paid	$ 24,411
Other working capital adjustment	494
Total consideration	$ 24,905

The following table summarizes the preliminary amounts for the acquired assets recorded at their estimated fair value as of the acquisition date:

	Onsite Energy (in thousands)
Current assets	$ 22,254
Non-current assets [(1)]	10
Equipment and leasehold improvements, net	39
Right-of-use assets	828
Current lease liability	(168)
Non-current lease liability	(660)
Liabilities	(12,222)
Backlog	800
Customer relationships	7,374
Tradename	500
Goodwill	6,150
Net assets acquired	$ 24,905

(1) Excluded from non-current assets are equipment and leasehold improvements, net, right-of-use assets, customer relationships, tradename, backlog and goodwill.

During fiscal year 2019, the Company made adjustments, primarily related to other working capital, to the consideration paid for Onsite Energy which resulted in an adjustment to the preliminary purchase price allocation of Onsite Energy. The adjustments resulted in a decrease in current assets of $0.2 million and an increase of $0.9 million in the carrying value of goodwill.

There were $0.3 million in acquisition related costs associated with Onsite Energy included in other general and administrative expenses in the consolidated statements of comprehensive income for the fiscal year ended December 27, 2019.

During the fiscal 2019, the acquisition of Onsite Energy contributed $7.7 million in revenue and $1.8 million of income from operations.

Acquisition of The Weidt Group

On March 8, 2019, the Company acquired substantially all of the assets of the energy practice division of The Weidt Group Inc. ("The Weidt Group"). The Company believes the acquisition will expand its presence in the upper Midwest and better position the Company to help utilities make their grids more resilient. Pursuant to the terms of the Asset Purchase Agreement, dated March 8, 2019, by and among the Company, WES and The Weidt Group, WES paid a cash purchase price of $22.1 million, inclusive of working capital adjustments. The Weidt Group's financial information is included within the Energy segment. The Company expects to finalize the purchase price allocation with respect to this transaction during the first quarter of 2020.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The acquisition was accounted for as a business combination in accordance with ASC 805. Under ASC 805, the Company recorded the acquired assets and assumed liabilities at their estimated fair value with the excess allocated to goodwill. Goodwill represents the value the Company expects to achieve through the operational synergies, the expansion into new markets and the acquired company's assembled work force. The Company estimates that the entire $11.5 million of goodwill resulting from the acquisition will be tax deductible.

Consideration for the acquisition includes the following:

	The Weidt Group *(in thousands)*
Cash paid	$ 22,136
Other working capital adjustment	-
Total consideration	$ 22,136

The following table summarizes the preliminary amounts for the acquired assets recorded at their estimated fair value as of the acquisition date:

	The Weidt Group *(in thousands)*
Current assets	$ 2,317
Non-current assets [(1)]	25
Equipment and leasehold improvements, net	198
Right-of-use assets	1,730
Current lease liability	(245)
Non-current lease liability	(1,533)
Liabilities	(612)
Backlog	750
Customer relationships	4,240
Tradename	550
Developed technology	3,170
Goodwill	11,546
Net assets acquired	$ 22,136

(1) Excluded from non-current assets are equipment and leasehold improvements, net, right-of-use assets, customer relationships, tradename, developed technology, backlog and goodwill.

During fiscal year 2019, the Company made adjustments, primarily related to other working capital, to the consideration paid for The Weidt Group which resulted in an adjustment to the preliminary purchase price allocation of The Weidt Group. The adjustments resulted in an aggregate increase of $0.9 million in the carrying value of backlog, customer relationships, tradename, developed technology and an aggregate decrease of $1.2 million in the carrying value of liabilities and goodwill. The decrease in the fair value of intangible assets resulted in a reduction of amortization expense of $0.1 million the fiscal year ended December 27, 2019.

There were $0.4 million in acquisition related costs associated with The Weidt Group included in other general and administrative expenses in the condensed consolidated statements of comprehensive income for the fiscal year ended December 27, 2019.

During the fiscal 2019, the acquisition of The Weidt Group contributed $11.4 million in revenue and $1.9 million of income from operations.

Acquisition of Lime Energy

On October 1, 2018, the Company, through two of its wholly-owned subsidiaries, Willdan Energy Solutions ("WES") and Luna Fruit, Inc., a Delaware corporation and wholly-owned subsidiary of WES ("Merger Sub"), entered into an agreement to acquire all of the outstanding shares of capital stock of Lime Energy Co. ("Lime Energy"), pursuant to an agreement and plan of merger dated October 1, 2018 (the "Merger Agreement"), by and among WES, Merger Sub, Lime Energy, and Luna Stockholder Representative, LLC, as representative of the participating securityholders of Lime Energy. The Company believes the addition of Lime Energy's capabilities will significantly expand and diversify its client base within the energy efficiency services market and geographic presence across the United States.

On November 9, 2018, the Company completed the acquisition and, pursuant to the Merger Agreement, Merger Sub was merged with and into Lime Energy, with Lime Energy surviving as a wholly-owned indirect subsidiary of the Company. The aggregate purchase price paid in the acquisition was $120.0 million, exclusive of closing holdbacks and adjustments. A portion of the purchase price was deposited into escrow accounts to secure certain potential post-closing obligations of the participating securityholders. The Company paid the purchase price for the acquisition using a combination of cash on hand (including $50.0 million of the $56.4 million in net proceeds received from the Company's equity offering in October 2018) and proceeds from the Company's borrowings under its Delayed Draw Term Loan Facility.

The acquisition was accounted for as a business combination in accordance with ASC 805. Under ASC 805, the Company recorded the acquired assets and assumed liabilities at their estimated fair value with the excess allocated to goodwill. Goodwill represents the value the Company expects to achieve through the operational synergies and the expansion into new markets. The Company estimates that the entire $47.7 million of goodwill resulting from the acquisition will not be tax deductible. Consideration for the acquisition includes the following information:

	Lime Energy *(in thousands)*
Cash paid	$ 122,439
Other working capital adjustment	-
Total consideration	$ 122,439

The following table summarizes the amounts for the acquired assets recorded at their estimated fair value as of the acquisition date:

	Lime Energy *(in thousands)*
Current assets (1)	$ 45,401
Non-current assets (2)	10,605
Cash	1,090
Equipment and leasehold improvements, net	1,892
Liabilities	(33,603)
Customer relationships	35,000
Tradename	5,970
Developed technology	7,040
Backlog	1,300
Goodwill	47,744
Net assets acquired	$ 122,439

(1) Excluded from current assets is cash

(2) Excluded from non-current assets are equipment and leasehold improvements, net, customer relationships, tradename, developed technology, backlog and goodwill.

During fiscal year 2019, the Company made adjustments, primarily related to other working capital, to the consideration paid for Lime Energy which resulted in an adjustment to the preliminary purchase price allocation of Lime Energy. The adjustments resulted in an aggregate increase of $16.2 million in the carrying value of customer relationships and backlog, and an aggregate decrease of $16.2 million in the carrying value of non-current assets, goodwill and developed technology. The increase in the fair value of intangible assets resulted in an additional amortization expense charge of $1.2 million for fiscal 2019.

During the fiscal 2019, the acquisition of Lime Energy contributed $158.7 million in revenue and $3.5 million of income from operations.

There were $0.2 million in acquisition related costs associated with Lime Energy included in other general and administrative expenses in the condensed consolidated statements of comprehensive income for the fiscal year ended December 27, 2019.

The following unaudited pro forma financial information for the fiscal years ended December 27, 2019 and December 28, 2018 assumes that the acquisitions of substantially all of the assets and liabilities of E3, Inc., Onsite Energy and The Weidt Group and that the acquisition of all the outstanding shares of Lime Energy each occurred on the first day of the year prior to the year of acquisition:

	Fiscal Year	
	2019	2018
	(in thousands, except per share data)	
Pro forma revenue	$ 473,655	$ 452,082
Pro forma income from operations	$ 10,937	$ 19,694
Pro forma net income [(1)]	$ 6,161	$ 11,934
Earnings per share:		
Basic	$ 0.55	$ 1.09
Diluted	$ 0.52	$ 1.04
Weighted average shares outstanding:		
Basic	11,162	10,990
Diluted	11,766	11,489

(1) Adjustments to pro forma net income include income from operations, amortization and interest expenses.

This pro forma supplemental information does not purport to be indicative of what the Company's operating results would have been had this transaction occurred on December 30, 2017 and may not be indicative of future operating results.

During the fiscal year ended December 27, 2019, the acquisition of E3, Inc., Onsite Energy, The Weidt Group and Lime Energy contributed $181.5 million in revenue and $8.4 million of income from operations.

Acquisition of Newcomb Anderson McCormick

On April 30, 2018, the Company, through its wholly-owned subsidiary, WES, acquired all of the outstanding equity interests of Newcomb Anderson McCormick, Inc. ("NAM"). NAM is an energy engineering and consulting company with offices in San Francisco and Los Angeles that provides clients with mechanical engineering expertise and comprehensive energy efficiency programs and services. Pursuant to the terms of the Stock Purchase Agreement, dated April 30, 2018, by and among the Company, WES and NAM, WES will pay NAM shareholders a maximum purchase price of $4.0 million, subject to potential earn-out payments plus working capital adjustments, to be paid in cash. In connection with the Company's New Credit Facilities (as defined herein), as of October 8, 2018, the earn-out payments to NAM shareholders became subject to certain subordination provisions in favor of BMO, as the Company's senior secured lender, under the New Credit Facilities. The Company finalized the purchase price allocation with respect to this transaction during the second quarter of 2019. NAM's financial information is included within the Energy segment.

14. CONTINGENCIES

Claims and Lawsuits

The Company is subject to claims and lawsuits from time to time, including those alleging professional errors or omissions that arise in the ordinary course of business against firms that operate in the engineering and consulting professions. The Company carries professional liability insurance, subject to certain deductibles and policy limits, for such claims as they arise and may from time to time establish reserves for litigation that is considered probable of a loss.

In accordance with accounting standards regarding loss contingencies, the Company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated, and discloses the amount accrued and an estimate of any reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for the Company's financial statements not to be misleading. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote.

Because litigation outcomes are inherently unpredictable, the Company's evaluation of legal proceedings often involves a series of complex assessments by management about future events and can rely heavily on estimates and assumptions. If the assessments indicate that loss contingencies that could be material to any one of the Company's financial statements are not probable, but are reasonably possible, or are probable, but cannot be estimated, then the Company will disclose the nature of the loss contingencies, together with an estimate of the possible loss or a statement that such loss is not reasonably estimable. While the consequences of certain unresolved proceedings are not presently determinable, and a reasonable estimate of the probable and reasonably possible loss or range of loss in excess of amounts accrued for such proceedings cannot be made, an adverse outcome from such proceedings could have a material adverse effect on the Company's earnings in any given reporting period. However, in the opinion of the Company's management, after consulting with legal counsel, and taking into account insurance coverage, the ultimate liability related to current outstanding claims and lawsuits is not expected to have a material adverse effect on the Company's financial statements.

15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The tables below reflect selected quarterly information for the fiscal years ended December 27, 2019 and December 28, 2018.

	Fiscal Three Months Ended			
	March 29, 2019	June 28, 2019	September 27, 2019	December 27, 2019
	(in thousands except per share amounts)			
Contract revenue	$ 91,793	$ 104,396	$ 117,494	$ 129,416
Income (loss) from operations	(234)	2,773	1,295	5,529
Income tax (benefit) expense	(927)	(70)	(376)	1,188
Net income (loss)	(417)	1,640	416	3,202
Earnings per share:				
Basic	$ (0.04)	$ 0.15	$ 0.04	$ 0.28
Diluted	$ (0.04)	$ 0.14	$ 0.04	$ 0.27
Weighted-average shares outstanding:				
Basic	10,974	11,100	11,217	11,357
Diluted	10,974	11,679	11,789	11,913

	Fiscal Three Months Ended			
	March 30, 2018	June 29, 2018	September 28, 2018	December 28, 2018
	(in thousands except per share amounts)			
Contract revenue	$ 54,595	$ 59,833	$ 71,386	$ 86,438
Income from operations	1,974	4,205	4,913	1,679
Income tax expense (benefit)	(242)	869	1,597	(93)
Net income	2,203	3,315	3,311	1,201
Earnings per share:				
Basic	$ 0.25	$ 0.38	$ 0.37	$ 0.11
Diluted	$ 0.24	$ 0.36	$ 0.35	$ 0.11
Weighted-average shares outstanding:				
Basic	8,753	8,796	8,844	10,662
Diluted	9,185	9,288	9,343	11,217

16. SUBSEQUENT EVENTS

The Company evaluates subsequent events in accordance with ASC Topic 855, Subsequent Events. The Company evaluates subsequent events up until the date the consolidated financial statements are issued. As of March 5, 2020, there were no subsequent events required to be reported.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in and/or disagreements with accountants on accounting and financial disclosure during the fiscal year ended December 27, 2019.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures defined in Rule 13a-15(e) under the Exchange Act, as controls and other procedures that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to our management, including our Chairman and Chief Executive Officer, Thomas Brisbin, and our Chief Financial Officer, Stacy McLaughlin, as appropriate to allow timely decisions regarding required disclosure.

In connection with the preparation of this Annual Report, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 27, 2019. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at a reasonable assurance level, as of December 27, 2019.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 27, 2019. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 Framework). Our management has concluded that, as of December 27, 2019, our internal control over financial reporting was effective based on these criteria.

As discussed in Note 13, "*Business Combinations*", to our consolidated financial statements, we acquired The Weidt Group, Onsite Energy, and E3, Inc. on March 8, 2019, July 2, 2019, and October 28, 2019, respectively. As permitted by guidelines established by the SEC for newly acquired business, we excluded the acquisitions from the scope of our assessment on internal controls over financial reporting for the fiscal year ended December 27, 2019. These acquisitions contributed approximately $48.7 million to our consolidated total assets as of December 27, 2019, and $22.9 million to our consolidated revenues for the fiscal year ended December 27, 2019. We are in the process of integrating these businesses into our overall internal controls over financial reporting process and plan to include our assessment of each businesses' internal control over financial reporting within one year of the applicable acquisition date.

Report of Independent Registered Public Accounting Firm

Crowe LLP, the independent registered public accounting firm that audited the fiscal year 2019 consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 27, 2019, which is included herein.

Changes in Internal Controls

On March 8, 2019, July 2, 2019, and October 28, 2019, we completed the acquisition of The Weidt Group, Onsite Energy, and E3, Inc.. Prior to the acquisition, The Weidt Group, Onsite Energy, and E3, Inc. were privately-held companies and was not subject to the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC, or other corporate governance requirements applicable to public reporting companies. As part of our ongoing integration activities, we are continuing to incorporate our controls and procedures into The Weidt Group, Onsite Energy, and E3, Inc. and to augment our company-wide controls to reflect the risks that may be inherent in acquisitions of privately-held companies.

Other than our integration of The Weidt Group, Onsite Energy, and E3, Inc., there have been no changes in our internal control over financial reporting during the quarter ended December 27, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to Willdan Group, Inc.'s Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the Company's 2019 fiscal year.

We have posted our Code of Ethical Conduct on our website, www.willdan.com, under the heading "Investors—Corporate Governance—Governance Documents." The Code of Ethical Conduct applies to our Chief Executive Officer and Chief Financial Officer. Upon request and free of charge, we will provide any person with a copy of the Code of Ethical Conduct. See "Item 1. Business—Available Information." To the extent required by rules adopted by the SEC and the Nasdaq Stock Market, we intend to promptly disclose future amendments to certain provisions of the code, or waivers of such provisions granted to executive officers and directors on our website at *www.willdan.com* under "Investors—Corporate Governance."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to Willdan Group, Inc.'s Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the Company's 2019 fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this item is incorporated by reference to Willdan Group, Inc.'s Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the Company's 2019 fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to Willdan Group, Inc.'s Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the Company's 2019 fiscal year.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to Willdan Group, Inc.'s Proxy Statement for its 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the Company's 2019 fiscal year.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements

The financial statements included in Part II, Item 8 of this document are filed as part of this Annual Report on Form 10-K.

2. Financial Statements Schedules

All required schedules are omitted because they are not applicable or the required information is shown in the financial statements or the accompanying notes.

3. Exhibits

The exhibits filed as part of this annual report are listed in Item 15(b).

(b) Exhibits.

The following exhibits are filed as a part of this report:

Exhibit Number	Exhibit Description
2.1	Stock Purchase Agreement, dated July 28, 2017, by and among Willdan Group, Inc., Willdan Energy Solutions, Integral Analytics, Inc., the Shareholders of Integral Analytics, Inc. and the Sellers' Representative (as defined therein) (portions of this exhibit have been omitted pursuant to a request for confidential treatment) (incorporated by reference to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on August 3, 2017).
2.2	Amendment No. 1, dated as of August 1, 2019, to the Stock Purchase Agreement, dated as of July 28, 2017, by and among Willdan Group, Inc., Willdan Energy Solutions, Integral Analytics, Inc., the stockholders of Integral Analytics, Inc. and the Sellers' Representative (as defined therein) (incorporated by reference to Exhibit 2.2 to Willdan Group, Inc.'s Quarterly Report on Form 10-Q filed on November 1, 2019).
2.3	Merger Agreement, dated as of October 1, 2018, by and among Willdan Energy Solutions, Luna Fruit, Inc., Lime Energy Co. and Luna Stockholders Representative, LLC, as representative of the participating securityholders of Lime Energy Co. (incorporated by reference to Exhibit 2.1 to Willdan Group, Inc.'s Current Report on Form 8-K filed on October 3, 2018).
2.4‡	Stock Purchase Agreement, dated as of October 28, 2019, by and among Willdan Group, Inc., Willdan Energy Solutions, Energy and Environmental Economics, Inc., each of the stockholders of Energy and Environmental Economics, Inc., and Ren Orans, as seller representative of the stockholders of Energy and Environmental Economics, Inc. (incorporated by reference to Exhibit 2.1 to Willdan Group, Inc.'s Quarterly Report on Form 10-Q filed on October 31, 2019).
3.1	First Amended and Restated Certificate of Incorporation of Willdan Group, Inc. (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
3.2	Amended and Restated Bylaws of Willdan Group, Inc. (incorporated by reference to Exhibit 3.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on March 8, 2018).

Exhibit Number	Exhibit Description
4.1	Specimen Stock Certificate for shares of the Registrant's Common Stock (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
4.2*	Description of Willdan Group, Inc.'s Capital Stock.
4.3	The Company agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument with respect to issues of long-term debt of Willdan Group, Inc. and its subsidiaries, the authorized principal amount of which does not exceed 10% of the consolidated assets of Willdan Group, Inc. and its subsidiaries.
10.1	Amended and Restated Credit Agreement, dated as of June 26, 2019, by and among Willdan Group, Inc., the Guarantors (as defined therein), the Lenders (as defined therein) and BMO Harris Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K filed on July 2, 2019).
10.2*	First Amendment to Amended and Restated Credit Agreement, dated as of August 15, 2019, by and among Willdan Group, Inc., the Guarantors signatory thereto, the Lenders signatory thereto and BMO Harris Bank N.A., as administrative agent.
10.3*	Second Amendment to Amended and Restated Credit Agreement, dated as of November 6, 2019, by and among Willdan Group, Inc., the Guarantors signatory thereto, the Lenders signatory thereto and BMO Harris Bank N.A., as administrative agent.
10.4	Security Agreement, dated as of October 1, 2018, by and among Willdan Group, Inc. the other Debtors (as defined therein) and BMO Harris Bank N.A. (incorporated by reference to Exhibit 10.2 to Willdan Group, Inc.'s Current Report on Form 8-K filed on October 3, 2019).
10.5	Master Reaffirmation of and Amendment to Collateral Documents, dated as of June 26, 2019, by and among Willdan Group, Inc., the other Debtors (as defined therein) and BMO Harris Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on July 2, 2019).
10.6†	Willdan Group, Inc. 2006 Stock Incentive Plan (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
10.7†	Form of Incentive Stock Option Agreement (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
10.8†	Form of Non-Qualified Stock Option Agreement (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
10.9†	Willdan Group, Inc. Amended and Restated 2008 Performance Incentive Plan (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on June 17, 2019).
10.10†	Amended and Restated Willdan Group, Inc. 2006 Employee Stock Purchase Plan (incorporated by reference to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on June 9, 2017).
10.11†	Form of Indemnification Agreement between Willdan Group, Inc. and its Directors and Officers (incorporated by reference to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on June 13, 2016).
10.12†	Offer Letter from Willdan Group, Inc. to Daniel Chow dated October 29, 2008 and accepted November 9, 2008 (incorporated by reference to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on December 17, 2008).

Exhibit Number	Exhibit Description
10.13†	Employment Agreement, dated as of May 3, 2011 by and between Willdan Group, Inc. and Thomas D. Brisbin (incorporated by reference to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on May 4, 2011).
10.14†	Employment Agreement, dated as of December 17, 2014, by and between Willdan Group, Inc. and Mike Bieber (incorporated by reference to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on January 7, 2015).
10.15†*	Form of Performance Based Restricted Stock Unit Award Agreement.
21.1*	Subsidiaries of Willdan Group, Inc.
23.1*	Consent of Crowe LLP.
23.2*	Consent of KPMG LLP.
24.1*	Power of Attorney (included on signature page hereto).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 27, 2019 and December 28, 2018; (ii) the Consolidated Statements of Comprehensive Income for each of the fiscal years in the three-year period ended December 27, 2019; (iii) the Consolidated Statements of Stockholders' Equity for each of the fiscal years in the three-year period ended December 27, 2019; (iv) the Consolidated Statement of Cash Flows for each of the fiscal years in the three-year period ended December 27, 2019; and (v) the Notes to the Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

‡ Portions of the referenced exhibit have been omitted pursuant to Item 601(b) of Regulation S-K because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.

† Indicates a management contract or compensating plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

WILLDAN GROUP, INC.

/s/ Stacy B. McLaughlin
Stacy B. McLaughlin
Chief Financial Officer and Vice President
March 5, 2020

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Stacy McLaughlin his/her attorney-in-fact, with the power of substitution, for him/her in any and all capacities, to sign any amendments to this Report on Form 10-K and to file the same, with Exhibits thereto and other documents in connection therewith with the SEC, hereby ratifying and confirming all that said attorney-in-fact, or substitute or substitutes may do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Thomas D. Brisbin Thomas D. Brisbin	Chairman and Chief Executive Officer (principal executive officer)	March 5, 2020
/s/ Stacy B. McLaughlin Stacy B. McLaughlin	Chief Financial Officer and Vice President (principal financial officer and principal accounting officer)	March 5, 2020
/s/ Keith W. Renken Keith W. Renken	Director	March 5, 2020
/s/ Steven A. Cohen Steven A. Cohen	Director	March 5, 2020
/s/ Debra G. Coy Debra G. Coy	Director	March 5, 2020
/s/ Raymond W. Holdsworth Raymond W. Holdsworth	Director	March 5, 2020
/s/ Douglas J. McEachern Douglas J. McEachern	Director	March 5, 2020
/s/ Dennis V. McGinn Dennis V. McGinn	Director	March 5, 2020
/s/ Mohammad Shahidehpour Mohammad Shahidehpour	Director	March 5, 2020

DESCRIPTION OF CAPITAL STOCK

The following description of the capital stock of Willdan Group, Inc., a Delaware corporation (the "Company") and provisions of the Company's certificate of incorporation and bylaws are summaries only. For more detailed information, please see the Company's certificate of incorporation and bylaws, which are filed as exhibits to reports the Company files with the Securities and Exchange Commission, and the Delaware General Corporation Law.

Authorized Capitalization

The Company's authorized capital stock consists of 40,000,000 shares of common stock, par value of $0.01 per share, and 10,000,000 shares of preferred stock, par value $0.01 per share. As of March 5, 2020, there were 11,545,411 shares of common stock outstanding and no shares of preferred stock outstanding.

Common Stock

Voting Rights

Each holder of the Company's common stock is entitled to one vote for each share on all matters submitted to a vote of stockholders, including the election or removal of directors. The Company's directors are elected by a plurality of the votes cast by stockholders entitled to vote on the election. All other matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by the holders of common stock present in person or represented by proxy, subject to any voting rights granted to holders of any preferred stock.

There are no cumulative voting rights for the election of directors, which means that the holders of a majority of the shares of the Company's common stock voted are entitled to elect all of the Company's directors.

Dividends

Subject to the rights of holders of any then-outstanding shares of any series of the Company's preferred stock, holders of the Company's common stock are entitled to receive ratably any dividends that may be declared by the Company's board of directors out of funds legally available therefor.

Liquidation

In the event of the Company's liquidation, dissolution or winding up, either voluntary or involuntary, holders of the Company's common stock would be entitled to share ratably in all assets available for distribution to stockholders after the payment of or provision for all of the Company's debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

Other Rights

Holders of the Company's common stock do not have preemptive rights to purchase shares of the Company's stock. The shares of the Company's common stock are not subject to any redemption provisions and are not convertible into any other shares of the Company's capital stock. The rights, preferences and privileges of holders of the Company's common stock will be subject to those of the holders of any shares of the Company's preferred stock which the Company may issue in the future.

Blank Check Preferred Stock

Under the terms of the Company's certificate of incorporation, the Company's board of directors has the authority, without further action by the Company's stockholders, to issue preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences.

The purpose of authorizing the Company's board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could make it more difficult for a third party to acquire, or could adversely affect the rights of the Company's common stockholders by restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock or delaying or preventing a change in control without further action by the stockholders. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of the Company's common stock.

All shares of preferred stock offered hereby will, when issued, be fully paid and non-assessable and, unless otherwise stated in a prospectus supplement relating to the series of preferred stock being offered, will not have any preemptive or similar rights. The Company will set forth in a prospectus supplement relating to the class or series of preferred stock being offered the specific terms of each series of the Company's preferred stock, including the price at which the preferred stock may be purchased, the number of shares of preferred stock offered, and the terms, if any, on which the preferred stock may be convertible into common stock or exchangeable for other securities.

Anti-Takeover Effects of Certain Provisions of Delaware Law, the Certificate of Incorporation and the Bylaws

Set forth below is a summary of the relevant provisions of the Company's certificate of incorporation and bylaws and certain applicable sections of the Delaware General Corporation Law. For additional information, please refer to the provisions of the Company's certificate of incorporation, the Company's bylaws and such sections of the Delaware General Corporation Law.

The Company's certificate of incorporation and bylaws contain provisions that are intended to enhance the likelihood of continuity and stability in the composition of the Company's board of directors and that could make it more difficult to acquire control of the Company by means of a tender offer, open market purchases, a proxy contest or otherwise. The Company expects that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of the Company to first negotiate with the Company's board of directors, which the Company believes may result in an improvement of the terms of any such acquisition in favor of the Company's stockholders. However, they also give the Company's board of directors the power to discourage acquisitions that some stockholders may favor. A description of these provisions is set forth below.

Special Meetings of Stockholders

The Company's bylaws provide that special meetings of the Company's stockholders may be called only by the board of directors, the president, or by a committee of the board of directors which has been duly designated by the board of directors and whose powers and authority, as expressly provided in a resolution of the board of directors, include the power to call such meetings. Stockholders are not permitted to call a special meeting or require the Company's board of directors to call a special meeting.

Supermajority Vote to Amend Certificate of Incorporation and Bylaws

The Company's certificate of incorporation provides that the approval of at least seventy-five percent of the outstanding shares of the Company's common stock is required to amend certain provisions of its certificate of incorporation. The Company's certificate of incorporation and bylaws provide that the approval of holders of at least seventy-five percent of the outstanding shares of the Company's common stock is required to amend its bylaws. The Company's bylaws and certain articles of the Company's certificate of incorporation may also be amended by a majority of the Company's board of directors.

No Cumulative Voting

Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. The Company's certificate of incorporation does not grant stockholders the right to vote cumulatively. Therefore, stockholders holding a majority of the shares of common stock outstanding are able to elect all of the Company's directors.

No Written Consent of Stockholders

The Company's bylaws provide that all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting.

Advance Notice Procedure

The Company's bylaws provide that the Company's board of directors, the president, or a committee of the board of directors which has been duly designated by the board of directors and whose powers and authority, as expressly provided in a resolution of the board of directors, include the power to call such meetings, may call special meetings of stockholders and only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders. The Company's bylaws limit the business that may be conducted at an annual meeting of stockholders to those matters properly brought before the meeting.

The Company's bylaws also establish an advance notice procedure for stockholders to make nominations of candidates for election as directors, or bring other business before an annual or special meeting of the stockholders. This notice procedure provides that only persons who are nominated by, or at the direction of, the Company's board of directors or any duly authorized committee of the board of directors, or by a stockholder who is entitled to vote at the meeting and who has given timely written notice to the secretary of the Company prior to the meeting at which directors are to be elected, will be eligible for election as directors. The procedure also requires that, in order to raise matters at an annual or special meeting, those matters must be raised before the meeting pursuant to the notice of meeting the company delivers or by, or at the direction of, the Company's board of directors or any duly authorized committee of the board of directors, or by a stockholder who is entitled to vote at the meeting and who has given timely written notice to the secretary of the Company of his, her or its intention to raise those matters at the annual or special meeting. If the officer presiding at a meeting determines that a person was not nominated, or other business was not brought before the meeting, in accordance with the notice procedure, that person is not be eligible for election as a director, or that business will not be conducted at the meeting, as applicable.

Blank Check Preferred Stock

The Company's certificate of incorporation provides for 10,000,000 authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable the Company's board of directors to render more difficult or to discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, the Company's board of directors were to determine that a takeover proposal is not in the best interest of the Company and its stockholders, the Company's board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, the Company's certificate of incorporation grants the Company's board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of the Company.

Authorized but Unissued Shares

Under Delaware law, the Company's authorized but unissued shares of common stock are available for future issuance without stockholder approval. The Company may use these additional shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

Section 203 of the Delaware General Corporation Law

The Company's certificate of incorporation does not opt out of Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that such stockholder became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's voting stock. Under Section 203, such a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following three conditions:

- before the stockholder became interested, the board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans in some instances; or
- at or after the time the stockholder became interested, the business combination was approved by the board of directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

The overall effect of the foregoing provisions may be to deter a future tender offer. Stockholders might view such an offer to be in their best interest should the offer include a substantial premium over the market price of the Company's common stock at that time. In addition, these provisions may have the effect of assisting the Company's management to retain its position and place it in a better position to resist changes that the stockholders may want to make if dissatisfied with the conduct of the Company's business.

Limitation on Liability of Directors and Officers

The Company's certificate of incorporation and bylaws limit the liability of directors to the fullest extent permitted by Delaware law. The effect of these provisions is to eliminate the rights of the Company and its stockholders, through stockholders' derivative suits on behalf of the Company, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any director if the director has acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper benefit from his or her actions as a director.

In addition, the Company's certificate of incorporation allows and the Company's bylaws require that the Company indemnify its directors and officers to the fullest extent permitted by Delaware law. The Company also expects to continue to maintain directors' and officers' liability insurance. The Company believes that these indemnification provisions and insurance are useful to attract and retain qualified directors and officers.

The limitation of liability and indemnification provisions in the Company's certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit the Company and its stockholders.

In addition to the indemnification in the Company's certificate of incorporation and bylaws, the Company has entered into indemnification agreements with each of its current directors and officers. These agreements provide for the indemnification of the Company's directors and officers for all reasonable expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were agents of the Company. The Company believes that these bylaw provisions and indemnification agreements, as well as its maintaining directors' and officers' liability insurance, help to attract and retain qualified persons as directors and officers.

Transfer Agent and Registrar

The transfer agent and registrar for the Company’s common stock is Computershare Trust Company, N.A.

Exchange Listing

The Company’s common stock is listed on the Nasdaq Global Select Market under the symbol “WLDN.”

Exhibit 10.2

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

This First Amendment to Amended and Restated Credit Agreement (herein, the "*Amendment*") is entered into as of August 15, 2019, among Willdan Group, Inc., a Delaware corporation (the "*Borrower*"), the Guarantors signatory hereto, the Lenders signatory hereto and BMO Harris Bank N.A., a national banking association, individually as a Lender and as Administrative Agent (the "*Administrative Agent*").

PRELIMINARY STATEMENTS

A. The Borrower, the Guarantors, the Lenders and the Administrative Agent are parties to that certain Amended and Restated Credit Agreement dated as of June 26, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"). All capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

B. The Borrower has requested that the Lenders make certain amendments to the Credit Agreement, and the Lenders are willing to do so under the terms and conditions set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. AMENDMENTS.

Subject to the satisfaction of the conditions precedent set forth in Section 2 below, effective as of the date hereof, the Credit Agreement shall be amended as follows:

1.1. The defined term "*Disposition*" appearing in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

> "*Disposition*" means the sale, lease, conveyance or other disposition of Property, other than (a) the sale or lease of inventory in the ordinary course of business, (b) the sale, transfer, lease or other disposition of Property of a Loan Party to another Loan Party in the ordinary course of its business and (c) solely for purposes of Section 2.8(b)(ii), the sale of account receivables pursuant to Section 8.10(g).

1.2. Section 8.8 of the Credit Agreement is hereby amended by (i) deleting "*and*" at the end of clause (l) thereof, (ii) replacing the period at the end of clause (m) thereof with "*; and*" and (iii) inserting the following new clause (n) at the end of such Section:

> (n) precautionary Liens on account receivables that are sold pursuant to Section 8.10(g).

1.3. Section 8.10 of the Credit Agreement is hereby amended by (i) deleting *"and"* at the end of clause (e) thereof, (ii) replacing the period at the end of clause (f) thereof with *"; and"* and (iii) inserting the following new clause (g) at the end of such Section:

> (g) any transfer of an interest of account receivables that are billed and sold from time to time in connection with a factoring or similar arrangement, in an aggregate amount not to exceed $ 20,000,000 in any calendar year.

SECTION 2. CONDITIONS PRECEDENT.

The effectiveness of this Amendment is subject to the satisfaction of all of the following conditions precedent:

2.1. The Loan Parties, the Required Lenders and the Administrative Agent shall have executed and delivered this Amendment.

2.2. Legal matters incident to the execution and delivery of this Amendment shall be satisfactory to the Administrative Agent and its counsel.

SECTION 3. REPRESENTATIONS.

In order to induce the Administrative Agent and the Required Lenders to execute and deliver this Amendment, the Borrower hereby represents to the Administrative Agent and the Lenders that as of the date hereof (a) the representations and warranties set forth in Section 6 of the Credit Agreement are and shall be and remain true and correct (except that the representations contained in Section 6.5 shall be deemed to refer to the most recent financial statements of the Borrower delivered to the Administrative Agent) and (b) the Borrower is in compliance with the terms and conditions of the Credit Agreement and no Default or Event of Default has occurred and is continuing under the Credit Agreement or shall result after giving effect to this Amendment.

SECTION 4. MISCELLANEOUS.

4.1. The Loan Parties heretofore executed and delivered to the Administrative Agent the Security Agreement and certain other Collateral Documents. The Loan Parties hereby acknowledge and agree that the Liens created and provided for by the Collateral Documents continue to secure, among other things, the Secured Obligations arising under the Credit Agreement as amended hereby; and the Collateral Documents and the rights and remedies of the Administrative Agent and the Lenders thereunder, the obligations of the Loan Parties thereunder, and the Liens created and provided for thereunder remain in full force and effect and shall not be affected, impaired or discharged hereby. Nothing herein contained shall in any manner affect or impair the priority of the liens and security interests created and provided for by the Collateral Documents as to the indebtedness which would be secured thereby prior to giving effect to this Amendment.

4.2. Except as specifically amended herein, the Credit Agreement shall continue in full force and effect in accordance with its original terms. Reference to this specific Amendment need not be made in the Credit Agreement, the Notes, or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to or with respect to the Credit Agreement, any reference in any of such items to the Credit Agreement being sufficient to refer to the Credit Agreement as amended hereby.

4.3. The Borrower agrees to pay on demand all costs and expenses of or incurred by the Administrative Agent in connection with the negotiation, preparation, execution and delivery of this Amendment, including the fees and expenses of counsel for the Administrative Agent.

4.4. This Amendment may be executed in any number of counterparts, and by the different parties on different counterpart signature pages, all of which taken together shall constitute one and the same agreement. Any of the parties hereto may execute this Amendment by signing any such counterpart and each of such counterparts shall for all purposes be deemed to be an original. Delivery of a counterpart hereof by facsimile transmission or by e-mail transmission of an Adobe portable document format file (also known as a *"PDF"* file) shall be effective as delivery of a manually executed counterpart hereof. This Amendment shall be construed and determined in accordance with the laws of the State of New York (including Section 5-1401 and Section 5-1402 of the General Obligations law of the State of New York) without regard to conflicts of law principles that would require application of the laws of another jurisdiction.

[SIGNATURE PAGES TO FOLLOW]

This Second Amendment to Amended and Restated Credit Agreement is entered into as of the date and year first above written.

"BORROWER"

WILLDAN GROUP, INC.

By /s/ Thomas D. Brisbin
Name: Thomas D. Brisbin

Title: Chief Executive Officer

"GUARANTORS"

ELECTROTEC OF NY ELECTRICAL INC.

PUBLIC AGENCY RESOURCES

WILLDAN ENERGY SOLUTIONS

WILLDAN ENGINEERING

WILLDAN FINANCIAL SERVICES

WILLDAN HOMELAND SOLUTIONS

WILLDAN LIGHTING & ELECTRIC, INC.

WILLDAN LIGHTING & ELECTRIC OF CALIFORNIA

WILLDAN LIGHTING & ELECTRIC OF WASHINGTON, INC.

ABACUS RESOURCE MANAGEMENT COMPANY

INTEGRAL ANALYTICS, INC.

NEWCOMB ANDERSON MCCORMICK, INC.

By /s/ Thomas D. Brisbin
Name: Thomas D. Brisbin

Title: Chairman of the Board

GENESYS ENGINEERING, P.C.

By /s/ Rachel Seraspe

Name: Rachel Seraspe

Title: Vice President

LIME ENERGY CO.
LIME FINANCE, CO.
LIME ENERGY SERVICES, CO.
ENERPATH INTERNATIONAL HOLDING COMPANY
ENERPATH SERVICES, INC.

By: /s/ Stacy McLaughlin
Name: Stacy McLaughlin

Title: Vice President and Treasurer

Accepted and agreed to.

BMO HARRIS BANK N.A., as a Lender and as Administrative Agent

By /s/ Maria Wisniewski
Name Maria Wisniewski
Title Senior Vice President

"LENDERS"

Bank of America, National Association, as a Lender

By /s/ Paige M. Tecca
Name Paige M. Tecca
Title Senior Vice President

“LENDERS”

CITIBANK N.A., as a Lender

By /s/ Jimmy Mao
Name Jimmy Mao
Title Senior Vice President

“LENDERS”

MUFG Union Bank, N.A., as a Lender

By /s/ Lance Zediker
Name Lance Zediker
Title Director

"LENDERS"

U.S. Bank National Association, as a Lender

By /s/ Andrew Williams
Name Andrew Williams
Title Vice President

[Signature Page to First Amendment to Amended and Restated Credit Agreement]

Exhibit 10.3

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

This Second Amendment to Amended and Restated Credit Agreement (herein, the *"Amendment"*) is entered into as of November 6, 2019, among Willdan Group, Inc., a Delaware corporation (the *"Borrower"*), the Guarantors signatory hereto, the Lenders signatory hereto and BMO Harris Bank N.A., a national banking association, individually as a Lender and as Administrative Agent (the *"Administrative Agent"*).

PRELIMINARY STATEMENTS

A. The Borrower, the Guarantors, the Lenders and the Administrative Agent are parties to that certain Amended and Restated Credit Agreement dated as of June 26, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the *"Credit Agreement"*). All capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

B. The Borrower has requested that the Lenders make certain amendments to the Credit Agreement, and the Lenders are willing to do so under the terms and conditions set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. AMENDMENTS.

Subject to the satisfaction of the conditions precedent set forth in Section 2 below, effective as of the date hereof, the Credit Agreement shall be amended as follows:

1.1. The following new defined term *"Factoring SPV"* is hereby added to Section 1.1 of the Credit Agreement in alphabetical order to read as follows:

> *"Factoring SPV"* means a special purpose vehicle that is set up solely for the purpose of selling accounts receivable and related assets in a factoring arrangement or similar transaction.

1.2. The defined term *"Guarantors"* is hereby amended by deleting the words *"(other than any Inactive Subsidiary)*" and inserting the words *"(other than any Inactive Subsidiary or any Factoring SPV)*" in lieu thereof.

1.3. Section 8.7 of the Credit Agreement is hereby amended by (i) deleting *"and"* at the end of clause (n) thereof, (ii) replacing the period at the end of clause (o) thereof with *"; and"* and (iii) inserting the following new clause (p) at the end of such Section:

(p) indemnification, adjustment of purchase or acquisition price or similar obligations, in each case, incurred or assumed in connection with sales of accounts receivable and other assets pursuant to Section 8.10(g)

1.4. Clause (n) of Section 8.8 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(n) precautionary Liens on accounts receivable and other assets that are sold pursuant to Section 8.10(g).

1.5. Clause (g) of Section 8.10 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(g) any transfer of an interest of accounts receivable and any contract rights, equipment and materials related to such accounts receivable that are sold from time to time in connection with a factoring or similar arrangement, in an aggregate amount not to exceed $20,000,000 in any calendar year.

1.6. Section 8.18 of the Credit Agreement is hereby amended by deleting the words "*(other than any Inactive Subsidiary)*" and inserting the words "*(other than any Inactive Subsidiary or any Factoring SPV)*" in lieu thereof.

SECTION 2. CONDITIONS PRECEDENT.

The effectiveness of this Amendment is subject to the satisfaction of all of the following conditions precedent:

2.1. The Loan Parties, the Required Lenders and the Administrative Agent shall have executed and delivered this Amendment.

2.2. Legal matters incident to the execution and delivery of this Amendment shall be satisfactory to the Administrative Agent and its counsel.

SECTION 3. REPRESENTATIONS.

In order to induce the Administrative Agent and the Required Lenders to execute and deliver this Amendment, the Borrower hereby represents to the Administrative Agent and the Lenders that as of the date hereof (a) the representations and warranties set forth in Section 6 of the Credit Agreement are and shall be and remain true and correct (except that the representations contained in Section 6.5 shall be deemed to refer to the most recent financial statements of the Borrower delivered to the Administrative Agent) and (b) the Borrower is in compliance with the terms and conditions of the Credit Agreement and no Default or Event of Default has occurred and is continuing under the Credit Agreement or shall result after giving effect to this Amendment.

SECTION 4. MISCELLANEOUS.

4.1. The Loan Parties heretofore executed and delivered to the Administrative Agent the Security Agreement and certain other Collateral Documents. The Loan Parties hereby acknowledge and agree that the Liens created and provided for by the Collateral Documents continue to secure, among other things, the Secured Obligations arising under the Credit Agreement as amended hereby; and the Collateral Documents and the rights and remedies of the Administrative Agent and the Lenders thereunder, the obligations of the Loan Parties thereunder, and the Liens created and provided for thereunder remain in full force and effect and shall not be affected, impaired or discharged hereby. Nothing herein contained shall in any manner affect or impair the priority of the liens and security interests created and provided for by the Collateral Documents as to the indebtedness which would be secured thereby prior to giving effect to this Amendment.

4.2. Except as specifically amended herein, the Credit Agreement shall continue in full force and effect in accordance with its original terms. Reference to this specific Amendment need not be made in the Credit Agreement, the Notes, or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to or with respect to the Credit Agreement, any reference in any of such items to the Credit Agreement being sufficient to refer to the Credit Agreement as amended hereby.

4.3. The Borrower agrees to pay on demand all costs and expenses of or incurred by the Administrative Agent in connection with the negotiation, preparation, execution and delivery of this Amendment, including the fees and expenses of counsel for the Administrative Agent.

4.4. This Amendment may be executed in any number of counterparts, and by the different parties on different counterpart signature pages, all of which taken together shall constitute one and the same agreement. Any of the parties hereto may execute this Amendment by signing any such counterpart and each of such counterparts shall for all purposes be deemed to be an original. Delivery of a counterpart hereof by facsimile transmission or by e-mail transmission of an Adobe portable document format file (also known as a *"PDF"* file) shall be effective as delivery of a manually executed counterpart hereof. This Amendment shall be construed and determined in accordance with the laws of the State of New York (including Section 5-1401 and Section 5-1402 of the General Obligations law of the State of New York) without regard to conflicts of law principles that would require application of the laws of another jurisdiction.

[SIGNATURE PAGES TO FOLLOW]

This Second Amendment to Amended and Restated Credit Agreement is entered into as of the date and year first above written.

"BORROWER"

WILLDAN GROUP, INC.

By /s/ Thomas D. Brisbin
Name: Thomas D. Brisbin
Title: Chief Executive Officer

"GUARANTORS"

ELECTROTEC OF NY ELECTRICAL INC.
PUBLIC AGENCY RESOURCES
WILLDAN ENERGY SOLUTIONS
WILLDAN ENGINEERING
WILLDAN FINANCIAL SERVICES
WILLDAN HOMELAND SOLUTIONS
WILLDAN LIGHTING & ELECTRIC, INC.
WILLDAN LIGHTING & ELECTRIC OF CALIFORNIA
WILLDAN LIGHTING & ELECTRIC OF WASHINGTON, INC.
ABACUS RESOURCE MANAGEMENT COMPANY
INTEGRAL ANALYTICS, INC.
NEWCOMB ANDERSON MCCORMICK, INC.

By /s/ Thomas D. Brisbin
Name: Thomas D. Brisbin
Title: Chairman of the Board

GENESYS ENGINEERING, P.C.

By /s/ Rachel Seraspe
Name: Rachel Seraspe
Title: Vice President

[Signature Page to Second Amendment to Amended and Restated Credit Agreement]

LIME ENERGY CO.
LIME FINANCE, CO.
LIME ENERGY SERVICES, CO.
ENERPATH INTERNATIONAL HOLDING COMPANY
ENERPATH SERVICES, INC.

By: /s/ Stacy McLaughlin
Name: Stacy McLaughlin
Title: Vice President and Treasurer

Accepted and agreed to.

BMO HARRIS BANK N.A., as a Lender and as Administrative Agent

By /s/ Michael Gift
Name Michael Gift
Title Director

[Signature Page to Second Amendment to Amended and Restated Credit Agreement]

"LENDERS"

Bank of America, National association, as a Lender

By /s/ Paige M. Tecca
Name Paige M. Tecca
Title Senior Vice President

“LENDERS”

U.S. Bank National Association, as a Lender

By /s/ Andrew Williams
Name Andrew Williams
Title Vice President

"LENDERS"

MUFG Union Bank, N.A., as a Lender

By /s/ Lance Zediker
Name Lance Zediker
Title Director

"LENDERS"

CITIBANK N.A., as a Lender

By /s/ Jimmy Mao
Name Jimmy Mao
Title Senior Vice President

NOTICE OF PERFORMANCE-BASED RESTRICTED STOCK UNIT GRANT

WILLDAN GROUP, INC.
AMENDED AND RESTATED 2008 PERFORMANCE INCENTIVE PLAN

Name of Grantee:	**[□]**
Target Number of Performance - Based Restricted Stock Units:	**[□]** target number of Performance-Based Restricted Stock Units (the "**Performance-Based Restricted Stock Units**")
Date of Grant:	**[□]**
Vesting:	In general, and with limited exceptions set forth below, (1) fifty percent (50%) of the target number of Performance-Based Restricted Stock Units (the "**EPS Target Units**") are subject to vesting based on the Corporation's EPS (as defined below) growth as of the end of each applicable Performance Period, and (2) fifty percent (50%) of the target number of Performance-Based Restricted Stock Units (the "**Adjusted EBITDA Target Units**") are subject to vesting based on the Corporation's EBITDA (as defined below) growth as of the end of each applicable Performance Period. The actual number of Performance-Based Restricted Stock Units that become earned and vested for any Performance Period may range from 0% to 250% of the target number of Performance-Based Restricted Stock Units eligible to vest during the Performance Period, based on actual performance during the applicable Performance Period. The vesting requirements, and the limited exceptions, are set forth in more detail below. Reference to a "**Performance Period**" herein shall mean the [□], [□], [□], or [□] calendar year, as applicable.

EPS Vesting Condition. Subject to earlier termination as provided herein and in the Terms and Conditions of Performance-Based Restricted Stock Unit Award, twenty-five percent (25%) of your EPS Target Units are subject to a vesting requirement based on the Corporation's EPS achieved for each Performance Period as of the close of each Performance Period (the number of EPS Target Units related to each Performance Period shall be referred to herein as the "**EPS Target Units**").

For purposes of this Award Agreement, "**EPS**" means the Corporation's trailing three years numerical average diluted earnings per share for the applicable Performance Period as determined in accordance with GAAP, before stock compensation expense net of tax, plus or minus the effect of any extraordinary item or extraordinary transaction. The [□] Performance Period EPS shall be the average of [□], [□] and [□].

The EPS performance goals and the percentage of the EPS Target Units eligible to become earned and vested with respect to the Performance Periods are set forth in the table below:

Performance	EPS Growth Rate Calculated Based on Trailing Three Years Numerical Average	% of EPS Target Units Eligible to Become Earned and Vested
Threshold	<[ ]%	0%
Target	[ ]%	100%
Maximum	[ ]%	250%

Adjusted EBITDA Vesting Condition. Subject to earlier termination as provided herein and in the Terms and Conditions of Performance-Based Restricted Stock Unit Award, twenty-five percent (25%) of your Adjusted EBITDA Target Units are subject to a vesting requirement based on the Corporation's Adjusted EBITDA achieved for each Performance Period as of the close of each Performance Period (the number of Adjusted EBITDA Target Units related to each Performance Period shall be referred to herein as the "**Adjusted EBITDA Target Units**").

For purposes of this Award Agreement, "**Adjusted EBITDA**" means the Corporation's net income (loss) for the applicable Performance Period as determined in accordance with GAAP, plus (1) interest expense (income) and interest accretion, (2) income tax expense (benefit), (3) stock-based compensation expense, (4) depreciation and amortization, and (5) plus or minus the effect of any extraordinary item or extraordinary transaction. The baseline for this calculation shall be the [ ]'s forecast of $[ ].

The Adjusted EBITDA performance goals and the percentage of the Adjusted EBITDA Target Units eligible to become earned and vested with respect to each Performance Periods are set forth in the table below:

Performance	Adjusted EBITDA Annual Growth Rate from Baseline	% of Adjusted EBITDA Target Units Eligible to Become Earned and Vested
Threshold	<[ ]%	0%
Target	[ ]%	100%
Maximum	[ ]%	250%

Except as described below, the EPS Target Units and Adjusted EBITDA Target Units eligible to vest in respect of each Performance Period shall terminate if the achieved EPS or Adjusted EBITDA amount, as applicable, for the applicable Performance Period is below the threshold amount listed in the tables above. With respect to each Performance Period, if the Corporation achieves an EPS or Adjusted EBITDA amount between the amounts listed in the tables above, the percentage of the EPS Target Units or the Adjusted EBITDA Target Units, as applicable, that will become earned and vested will be interpolated on a straight-line basis between the closest two percentages listed in the tables above. The maximum percentage of the EPS Target Units or the Adjusted EBITDA Target Units, as applicable, that may become earned and vested for any Performance Period is the maximum percentage listed in the table above. Any of the Performance-Based Restricted Stock Units that do not become earned and vested at the end of each Performance Period based on the Corporation's EPS or Adjusted EBITDA achieved for the Performance Period will automatically terminate without consideration at the end of such Performance Period. For the avoidance of doubt, the performance results for each Performance Period shall be measured independently of each other Performance Period, and no Performance-Based Restricted Stock Units shall be eligible to become earned and vested based on cumulative performance results over multiple Performance Periods.

The Performance-Based Restricted Stock Units are not intended as Performance-Based Awards as defined in the Plan, and shall not be subject to any of the requirements in the Plan that apply to Performance-Based Awards.

Example. In order to illustrate the calculation of earned and vested Performance-Based Restricted Stock Units using the tables above, assume the following: (i) you were granted 2,000 target Performance-Based Restricted Stock Units (1,000 EPS Target Units and 1,000 Adjusted EBITDA Target Units), (ii) the EPS growth rate for the [] Performance Period is []% as shown below, and (iii) the Adjusted EBITDA growth rate for the [] Performance Period is []%.

For the [] Performance Period, (i) [] Performance-Based Restricted Stock Units subject to EPS performance metrics will be earned and vested ([] EPS Target Units * average 3-year EPS growth rate that results in 250% achieved interpolated EPS performance level. The EPS growth rate in [] = []%, in [] = []%, and in [] = []%, thus the three year numerical growth rate average = []%. Accordingly, [] EPS Target Units * 250% performance level = [] Performance-Based Restricted Stock Units.) and (ii) [] Performance-Based Restricted Stock Units subject to Adjusted EBITDA performance metrics will be earned and vested ([] Adjusted EBITDA Target Units * 175% achieved interpolated Adjusted EBITDA performance level).

Change in Control. If a Change in Control occurs after the Date of Grant and prior to the end of any Performance Period, on the date of the consummation of such Change in Control, the number of Performance-Based Restricted Stock Units that shall be eligible to vest (the "**Contingently Vested Units**") shall be calculated as follows: (i) with respect to the pending Performance Period in-progress at the time of the Change in Control, the greater of (with the EPS Target Units and Adjusted EBITDA Target Units being evaluated separately and not in the aggregate) (A) the target number of EPS Target Units or Adjusted EBITDA Target Units associated with such Performance Period and (B) the number of EPS Target Units or Adjusted EBITDA Target Units that become earned based on actual performance (assuming the last day of such Performance Period is the date of the consummation of such Change in Control, with the Administrator to make such appropriate pro-rating adjustments to the performance metrics as shall be necessary to reflect the shortened Performance Period), plus (ii) with respect to any Performance Period(s) remaining that have not commenced, the greater of (with the EPS Target Units and Adjusted EBITDA Target Units being evaluated separately and not in the aggregate) (X) the target number of EPS Target Units or Adjusted EBITDA Target

Units associated with such Performance Period(s) and (Y) the average number (measured as a percentage of target) of EPS Target Units or Adjusted EBITDA Target Units that have become earned based on actual performance for all Performance Periods that have been completed (and are not in-progress) as of the date of the Change in Control. Any Performance-Based Restricted Stock Units that are not Contingently Vested Units as of the date of the consummation of such Change in Control shall automatically terminate without consideration as of such date.

The Contingently Vested Units shall become earned and vested on the first anniversary date of the consummation of such Change in Control, subject to your continued employment or service with the Corporation or its Subsidiaries (or any successor thereto) through such date; provided, however, that if your employment or service is terminated (i) by the Corporation or any of its Subsidiaries (or any successor thereto) without Cause, (ii) by you for Good Reason, or (iii) due to your death or Disability, in each case, prior to such first anniversary of the Change in Control, the Contingently Vested Units shall become earned and vested on such termination date. Any Contingently Vested Units that do not vest pursuant to the preceding sentence shall automatically terminate without consideration on such termination date.

For purposes of this Award Agreement, a "**Change in Control**" of the Corporation shall be deemed to have occurred if a consummation of any of the following events occurs:

(i) Any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation (an "**Acquiring Person**"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 33 1/3% of the then outstanding voting stock of the Corporation;

(ii) Consummation of a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 51% of the combined voting power of the voting securities of the Corporation or surviving entity outstanding immediately after such merger or consolidation;

(iii) Consummation of a sale or other disposition by the Corporation of all or substantially all of the Corporation's assets;

(iv) During any period of two (2) consecutive years (beginning on or after the Date of Grant), individuals who at the beginning of such period constitute the Board and any new director (other than a director who is a representative or nominee of an Acquiring Person) whose election by the Board or nomination for election by the Corporation's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination was previously so approved, no longer constitute a majority of the Board;

provided, however, in no event shall any acquisition of securities, a change in the composition of the Board or a merger or other consolidation pursuant to a plan of reorganization under chapter 11 of the Bankruptcy Code with respect to the Corporation, or a liquidation under the Bankruptcy Code, constitute a Change in Control. In addition, a Change in Control shall not be deemed to have occurred in the event of a sale or conveyance in which the Corporation continues as a holding company of an entity or entities that conduct the business or businesses formerly conducted by the Corporation, or any transaction undertaken for the purpose of reincorporating the Corporation under the laws of another jurisdiction, if such transaction does not materially affect the beneficial ownership of the Corporation's capital stock.

For purposes of this Award Agreement, "**Cause**" shall have the meaning set forth in your employment agreement, offer letter or similar agreement with the Corporation or a Subsidiary, and if you do not have such an agreement or "Cause" is not defined therein, "Cause" shall mean (i) you are convicted of a felony, (ii) you engage in any fraudulent or other dishonest act to the detriment of the Corporation, (iii) you fail to report for work on a regular basis, except for periods of authorized absence or bona fide illness, (iv) you misappropriate trade secrets, customer lists, or other proprietary information belonging to the Corporation, or (v) you engage in any willful misconduct designed to harm the Corporation or its shareholders.

For purposes of this Award Agreement, "**Good Reason**" shall have the meaning set forth in your employment agreement, offer letter or similar agreement with the Corporation or a Subsidiary, and if you do not have such an agreement or "Good Reason" is not defined therein, "Good Reason" shall mean your resignation within 180 days following (1) a reduction in your annual base salary or target annual incentive opportunity, or (2) a relocation of your primary place of business for the performance of your duties to a location which is more than fifty (50) miles from its prior location, or (3) a material breach by the Corporation or a Subsidiary of any agreement with the Corporation or a Subsidiary to which you are a party, provided that none of the events described in the foregoing clauses shall constitute Good Reason unless you have notified the Corporation in writing describing the events that constitute Good Reason within 60 days following the first occurrence of such events and then only if the Corporation fails to cure such events within thirty (30) days after its receipt of such written notice.

For purposes of this Award Agreement, "**Disability**" shall have the meaning set forth in your employment agreement, offer letter or similar agreement with the Corporation or a Subsidiary, and if you do not have such an agreement, or "Disability" is not defined therein, "Disability" shall mean a physical or mental impairment which, as reasonably determined by the Administrator, renders you unable to perform the essential functions of your employment or service with the Corporation or its Subsidiaries (or a successor thereto), even with reasonable accommodation that does not impose an undue hardship on the Corporation or its Subsidiaries (or a successor thereto), for more than 180 days in any 12-month period, unless a longer period is required by federal or state law, in which case that longer period would apply.

Certain Terminations of Employment or Services. If your employment or service with the Corporation or its Subsidiaries terminates prior to the end of any Performance Period and the consummation of a Change in Control due to your death or Disability, then the number of Performance-Based Restricted Stock Units that shall become earned and vested shall be as follows: (i) with respect to the pending Performance Period in-progress at the time of your death or Disability, the greater of (with the EPS Target Units and Adjusted EBITDA Target Units being evaluated separately and not in the aggregate) (A) the target number of EPS Target Units or Adjusted EBITDA Target Units associated with such Performance Period and (B) the number of EPS Target Units or Adjusted EBITDA Target Units that become earned based on actual performance for the entire Performance Period (including any shortened Performance Period resulting from a Change in Control), plus (ii) with respect to any Performance Period(s) remaining that have not commenced, the target number of Performance-Based Restricted Stock Units associated with such remaining Performance Period(s). Any Performance-Based Restricted Stock Units that do not vest pursuant to the preceding sentence shall automatically terminate without consideration effective as of such termination date.

For the avoidance of doubt, (i) if the termination of your employment or services occurs other than in the circumstances and the periods set forth above, you will not be entitled to any vesting pursuant to this Award Agreement, and (ii) except as set forth above, no additional portion of the Award will become earned and vested based on performance after a termination of employment.

Continued Service Vesting Condition. Except as provided above in connection with a Change in Control and/or certain terminations of your employment or services, the Performance-Based Restricted Stock Units will become earned and vested only if you are employed by or providing services to the Corporation or its Subsidiaries on the last day of the Performance Period. If your employment or service terminates for any reason other than described above prior to the applicable vesting date provided for above, the Performance-Based Restricted Stock Units shall terminate in accordance with the Terms and Conditions of Performance-Based Restricted Stock Unit Award.

In the event of any inconsistencies between the terms of this Agreement and the terms of any other documents, the terms of this Agreement will control.

By signing your name below, you accept this Performance-Based Restricted Stock Unit award and acknowledge and agree that the units are granted under and governed by the terms and conditions of the Willdan Group, Inc. Amended and Restated 2008 Performance Incentive Plan (the "**Plan**") and the Terms and Conditions of Performance-Based Restricted Stock Unit Award, both of which are hereby made a part of this document.

"GRANTEE"	**WILLDAN GROUP, INC.,** a Delaware corporation
______________________________ *Signature*	______________________________ By: Its:

TERMS AND CONDITIONS OF PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD

WILLDAN GROUP, INC. AMENDED AND RESTATED 2008 PERFORMANCE INCENTIVE PLAN

1. **Grant of Performance-Based Restricted Stock Units**.

(a) **Award**. These Terms and Conditions of Performance-Based Restricted Stock Unit Award (these "**Terms**") apply to a particular restricted stock unit award (the "**Award**") that is incorporated by reference in the Notice of Performance-Based Restricted Stock Unit Grant (the "**Grant Notice**") corresponding to that particular grant. The recipient of the Award identified in the Grant Notice is referred to as the "**Grantee**." The effective date of grant of the Award as set forth in the Grant Notice is referred to as the "**Date of Grant**." The Award was granted under and subject to the Willdan Group, Inc. Amended and Restated 2008 Performance Incentive Plan (the "**Plan**"). The number of shares covered by the Award are subject to adjustment under Section 7.1 of the Plan. Capitalized terms used in the Grant Notice or these Terms are defined in the Plan if not otherwise defined in the Grant Notice or these Terms. The Award has been granted to the Grantee in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to the Grantee. The Grant Notice and these Terms are collectively referred to as the "**Award Agreement**" applicable to the Award.

(b) **Performance-Based Restricted Stock Units**. As used herein, a "**Performance-Based Restricted Stock Unit**" is a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent in value to one outstanding share of Common Stock of the Corporation. The Performance-Based Restricted Stock Units shall be used solely as a device for the determination of any payment to eventually be made to the Grantee if and when such Performance-Based Restricted Stock Units vest and become earned pursuant to Section 2. The Performance-Based Restricted Stock Units create no fiduciary duty to the Grantee and shall create only a contractual obligation on the part of the Corporation to make payments, subject to vesting and the other terms and conditions hereof, as provided in Section 6 below. The Performance-Based Restricted Stock Units shall not be treated as property or as a trust fund of any kind. No assets have been secured or set aside by the Corporation with respect to the Award and, if amounts become payable to the Grantee pursuant to this Award Agreement, the Grantee's rights with respect to such amounts shall be no greater than the rights of any general unsecured creditor of the Corporation.

2. **Vesting**. As set forth in the Grant Notice, this Award shall vest and become earned in percentage installments, subject to earlier termination or acceleration and subject to adjustment as provided herein and in the Plan. The Award may be subject to time and/or performance-based vesting conditions, as set forth in the Grant Notice. Continued employment will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights or benefits in connection with the end of a performance period to the extent the related performance condition(s) are not satisfied.

3. **Continuance of Employment/Service Required; No Employment/Service Commitment**. The vesting schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Award Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 7 below or under the Plan.

Nothing contained in this Award Agreement or the Plan constitutes a continued employment or service commitment by the Corporation or any of its Subsidiaries, affects the Grantee's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Grantee any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or service, or affects the right of the Corporation or any Subsidiary to increase or decrease the Grantee's other compensation. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Grantee under any written employment agreement, offer letter or similar agreement with the Corporation or a Subsidiary.

4. **<u>Dividend and Voting Rights</u>**.

(a) **<u>Limitations on Rights Associated with Units</u>.** The Grantee shall have no rights as a stockholder of the Corporation, no dividend rights (except as expressly provided in Section 4(b) hereof) and no voting rights with respect to the Performance-Based Restricted Stock Units or any shares of Common Stock issuable in respect of such Performance-Based Restricted Stock Units, until shares of Common Stock are actually issued to and held of record by the Grantee. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the stock certificate evidencing the shares.

(b) **<u>Dividend Equivalent Reinvestment</u>.** As of each date that the Corporation pays an ordinary cash dividend on its outstanding Common Stock for which the related record date occurs after the Date of Grant and prior to the date all Performance-Based Restricted Stock Units subject to the Award have either been paid or have terminated, the Corporation shall credit the Grantee with an additional number of Performance-Based Restricted Stock Units equal to (a) the amount of the ordinary cash dividend paid by the Corporation on a single share of Common Stock on that date, multiplied by (b) the number of Performance-Based Restricted Stock Units subject to the Award outstanding and unpaid as of such record date (including any Performance-Based Restricted Stock Units previously credited under this Section 4(b) and with such total number subject to adjustment pursuant to Section 7.1 of the Plan), divided by (c) the closing price of a share of Common Stock on that date. Any Performance-Based Restricted Stock Units credited pursuant to the foregoing provisions of this Section 4(b) will be subject to the same vesting, payment, termination and other terms, conditions and restrictions as the original Performance-Based Restricted Stock Units to which they relate. No crediting of Performance-Based Restricted Stock Units will be made pursuant to this Section 4(b) with respect to any Performance-Based Restricted Stock Units which, as of the related record date, have either been paid or have terminated.

5. **<u>Restrictions on Transfer</u>**. Prior to the time the Performance-Based Restricted Stock Units are vested and paid, neither the Performance-Based Restricted Stock Units comprising the Award nor any interest therein or amount payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily, other than by will or the laws of descent and distribution.

6. **<u>Timing and Manner of Payment of Performance-Based Restricted Stock Units</u>**. Except as otherwise provided in the Grant Notice, the Performance-Based Restricted Stock Units subject to this Award Agreement shall be paid in an equivalent number of whole shares of Common Stock (with any fractional Performance-Based Restricted Stock Units credited in respect of the Performance-Based Restricted Stock Units that are paid initially rounded up to the nearest whole number of shares of Common Stock and subsequently rounded down to the nearest whole number of shares of Common Stock as necessary to arrive at the appropriate whole number of shares in the aggregate) promptly after becoming earned and vested (and in all events not later than the first March 15 following the year in which such Performance-Based Restricted Stock Units became earned and vested) in accordance with the terms hereof. Each such payment of Performance-Based Restricted Stock Units shall be subject to the tax withholding provisions of Section 9 hereof and Section 8.5 of the Plan and subject to adjustment as provided in Section 7.1 of the Plan and shall be in complete satisfaction of such earned and vested Performance-Based Restricted Stock Units. The Grantee or any other person entitled under the Plan to receive a payment of shares of Common Stock shall deliver to the Corporation any representations or other documents or assurances required pursuant to Section 8.1 of the Plan.

7. **<u>Effect of Termination of Employment or Services</u>.** Except as otherwise provided in the Grant Notice, the Grantee's Performance-Based Restricted Stock Units shall terminate to the extent such units have not become earned and vested upon the first date the Grantee is no longer employed by or providing services to the Corporation or one of its Subsidiaries, regardless of the reason for the termination of such employment or services, whether with or without cause, voluntarily or involuntarily. If the Grantee is employed by a Subsidiary and that entity ceases to be a Subsidiary, such event shall be deemed to be a termination of employment of the Grantee for purposes of this Award Agreement, unless the Grantee otherwise continues to be employed by the Corporation or another of its Subsidiaries following such event. If the Grantee is not an employee or director of the Corporation or a Subsidiary, the Administrator shall be the sole judge for purposes of this Award Agreement whether the Grantee continues to render services to the Corporation or a Subsidiary and the date, if any, upon which such services shall be deemed to have terminated. The Corporation shall have no obligation as to any Performance-Based Restricted Stock Units that are terminated pursuant to the Grant Notice or this Section 7.

8. **<u>Adjustments Upon Specified Events</u>**. Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan, the Administrator will make adjustments if appropriate in the number of Performance-Based Restricted Stock Units contemplated hereby and the number and kind of securities that may be issued in respect of the Award.

9. **<u>Tax Withholding</u>**. The Corporation shall reasonably determine the amount of any federal, state, local or other income, employment, or other taxes which the Corporation or any of its affiliates may reasonably be obligated to withhold with respect to the grant, vesting, payment or other event with respect to the Performance-Based Restricted Stock Units. Unless the Grantee has previously notified ETrade that the Grantee will pay the amount of any applicable federal, state, local or other tax law withholding taxes directly to the Company in cash, ETrade shall withhold a sufficient number of shares of Common Stock in connection with the vesting or payment of the Performance-Based Restricted Stock Units at the then fair market value of the Common Stock (determined either as of the date of such withholding or as of the immediately preceding trading day, as determined by the Corporation in its discretion) to satisfy any applicable withholding obligations that arise with respect to the vesting or payment of such Performance-Based Restricted Stock Units. The Corporation has the right to withhold taxes without notice to the Grantee and shall remit to the Grantee the balance of any proceeds from withholding such shares in excess of the amount reasonably determined to be necessary to satisfy such withholding obligations. If, however, any withholding event occurs with respect to the Performance-Based Restricted Stock Units other than the vesting or payment of such units, or if the withholding obligations are not satisfied by either a cash payment from the Grantee or through the Corporation withholding shares as provided above in this Section 9, the Corporation shall be entitled to deduct from other compensation payable to the Grantee the amount of any such withholding obligations.

10. **<u>Notices</u>**. Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Grantee at the Grantee's last address reflected on the Corporation's records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be given only when received, but if the Grantee is no longer an employee of the Corporation or one of its Subsidiaries, shall be deemed to have been duly given by the Corporation when enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government.

11. **Plan**. The Award and all rights of the Grantee under this Award Agreement are subject to, and the Grantee agrees to be bound by, all of the terms and conditions of the provisions of the Plan, incorporated herein by this reference. The Grantee agrees to be bound by the terms of the Plan and of this Award Agreement. The Grantee acknowledges reading and understanding the Plan, the prospectus for the Plan, and this Award Agreement. Unless otherwise expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Board or the Administrator do not (and shall not be deemed to) create any rights in the Grantee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the date hereof.

12. **Entire Agreement**. This Award Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Award Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment to this Award Agreement must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Grantee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

13. **Counterparts**. This Award Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

14. **Section Headings**. The section headings of this Award Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

15. **Governing Law**. This Award Agreement and the rights of the parties hereunder with respect to the Award shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

16. **Clawback Policy**. The Performance-Based Restricted Stock Units are subject to the terms of the Corporation’s recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of the Performance-Based Restricted Stock Units or any shares of Common Stock or other cash or property received with respect to the Performance-Based Restricted Stock Units (including any value received from a disposition of the shares acquired upon payment of the Performance-Based Restricted Stock Units).

17. **Six-Month Delay**. Notwithstanding any provision of these Terms to the contrary, if the Grantee is a “specified employee” as defined in Section 409A of the Code, the Grantee shall not be entitled to any payment with respect to the Award in connection with the Grantee’s “separation from service” (as that term is used for purposes of Section 409A of the Code) until the earlier of (a) the date which is six (6) months after the Grantee’s separation from service for any reason other than the Grantee’s death, or (b) the date of the Grantee’s death. Any amounts otherwise payable to the Grantee following the Grantee’s separation from service that are not so paid by reason of this Section 17 shall be paid as soon as practicable for the Corporation (and in all events within thirty (30) days) after the date that is six (6) months after the Grantee’s separation from service (or, if earlier, the date of the Grantee’s death). The provisions of this Section 17 shall only apply if, and to the extent, required to comply with Section 409A of the Code.

18. <u>**Construction**</u>. It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Award Agreement shall be construed and interpreted consistent with that intent.

Exhibit 21.1

WILLDAN GROUP, INC.
LIST OF SUBSIDIARIES
AS OF DECEMBER 27, 2019

	Name of Entity	Jurisdiction of Organization
1.	Willdan Engineering	California
2.	Willdan Energy Solutions	California
3.	Willdan Engineers and Constructors	California
4.	Willdan Financial Services	California
5.	Willdan Homeland Solutions	California
6.	Willdan Infrastructure	California
7	Willdan Lighting & Electric, Inc.	Delaware
8.	Willdan Lighting & Electric of California	California
9.	Willdan Lighting & Electric of Washington, Inc.	Washington
10	Abacus Resource Management Company	Washington
10.	Electrotec of NY Electrical Inc.	New York
11.	Public Agency Resources	California
12.	Genesys Engineering P.C.	New York
13.	Integral Analytics, Inc.	Ohio
14.	Newcomb Anderson McCormick, Inc.	California
15.	Lime Energy Co.	Delaware
17	The Weidt Group Inc.	Minnesota
18	Onsite Energy Corporation	California
19	Energy and Environmental Economics, Inc.	California

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Willdan Group, Inc.:

We consent to the incorporation by reference in Registration Statements on Form S-8 (Nos. 333-232438, 333-219133, 333-219129, 333-212907, 333-184823, 333-168787, 333-152951, and 333-139127) and Form S-3 (No. 333-217356) of Willdan Group, Inc. of our report dated March 5, 2020 relating to the consolidated financial statements as of December 27, 2019 and December 28, 2018 and for the years then ended, and the related notes thereto, and the effectiveness of internal control over financial reporting as of December 27, 2019, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Sherman Oaks, CA
March 5, 2020

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Willdan Group, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-217356, No. 333-232438, No. 333-219133, No. 333-219129, No. 333-139127, No. 333-152951, No. 333-168787, No. 333-184823 and No. 333-212907) on Forms S-3 and S-8 of Willdan Group, Inc. of our report dated March 9, 2018, except for note 2 (Segment Information and Contract Accounting), note 4, and note 13, as to which the date is October 3, 2018, with respect to the consolidated statements of comprehensive income, stockholders' equity, and cash flows for the year ended December 29, 2017, and the related notes, which report appears in this annual report on Form 10-K of Willdan Group., Inc.

/s/ KPMG LLP

Irvine, California
March 5, 2020

Exhibit 31.1

SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Thomas D. Brisbin, certify that:

1. I have reviewed this annual report on Form 10-K of Willdan Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 5, 2020

By: /s/ THOMAS D. BRISBIN
Thomas D. Brisbin
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Stacy B. McLaughlin, certify that:

1. I have reviewed this annual report on Form 10-K of Willdan Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 5, 2020

By: /s/ STACY B. MCLAUGHLIN

Stacy B. McLaughlin

Chief Financial Officer and Vice President

(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as Adopted Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Willdan Group, Inc. (the "Company") for the fiscal year ended December 27, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Thomas D. Brisbin, as Chief Executive Officer of the Company, and Stacy B. McLaughlin, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ THOMAS D. BRISBIN
Thomas D. Brisbin
Chief Executive Officer
(Principal Executive Officer)
March 5, 2020

By: /s/ STACY B. MCLAUGHLIN
Stacy B. McLaughlin
Chief Financial Officer and Vice President
(Principal Financial Officer)
March 5, 2020

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended. A signed original of this written statement required by § 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.