

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 3, 2009

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

(State or other Jurisdiction of
Incorporation or Organization)

14-195112

(IRS Employer Identification No.)

**2401 East Katella Avenue, Suite 300
Anaheim, California**

(Address of principal executive offices)

92806

(Zip code)

Registrant's Telephone Number, Including Area Code: **(800) 424-9144**

Not Applicable

(Former name, former address and former fiscal year, if changed since last report).

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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

As of July 31, 2009, there were 7,207,956 shares of common stock, \$0.01 par value per share, of Willdan Group, Inc. issued and outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)**

	<u>July 3, 2009</u>	<u>January 2, 2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,703,000	\$ 8,144,000
Accounts receivable, net of allowance for doubtful accounts of \$1,175,000 and \$662,000 at July 3, 2009 and January 2, 2009, respectively	9,885,000	12,862,000
Costs and estimated earnings in excess of billings on uncompleted contracts	8,304,000	8,281,000
Income tax receivable	1,582,000	956,000
Other receivables	83,000	48,000
Prepaid expenses and other current assets	1,646,000	1,784,000
Total current assets	30,203,000	32,075,000
Equipment and leasehold improvements, net	1,786,000	2,377,000
Goodwill	13,093,000	11,145,000
Other intangible assets, net	176,000	1,367,000
Other assets	346,000	373,000
Deferred income taxes, net of current portion	233,000	233,000
Total assets	\$ 45,837,000	\$ 47,570,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Excess of outstanding checks over bank balance	\$ 878,000	\$ 448,000
Accounts payable	1,384,000	2,111,000
Purchase price payable	1,323,000	1,000,000
Accrued liabilities	4,815,000	5,253,000
Billings in excess of costs and estimated earnings on uncompleted contracts	799,000	704,000
Current portion of notes payable	43,000	52,000
Current portion of capital lease obligations	131,000	168,000
Current portion of deferred income taxes	2,519,000	2,519,000
Total current liabilities	11,892,000	12,255,000
Notes payable, less current portion	—	17,000
Capital lease obligations, less current portion	98,000	157,000
Deferred lease obligations	675,000	805,000
Total liabilities	12,665,000	13,234,000
Commitments and contingencies		

Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 40,000,000 shares authorized: 7,188,000 and 7,164,000 shares issued and outstanding at July 3, 2009 and January 2, 2009, respectively	72,000	72,000
Additional paid-in capital	33,272,000	33,084,000
(Accumulated deficit) retained earnings	(172,000)	1,180,000
Total stockholders' equity	33,172,000	34,336,000
Total liabilities and stockholders' equity	\$ 45,837,000	\$ 47,570,000

See accompanying notes to condensed consolidated financial statements.

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WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 3, 2009	June 27, 2008	July 3, 2009	June 27, 2008
Contract revenue	\$ 15,484,000	\$ 17,807,000	\$ 32,669,000	\$ 35,583,000
Direct costs of contract revenue (exclusive of depreciation and amortization shown separately below):				
Salaries and wages	4,502,000	5,538,000	9,292,000	11,082,000
Subconsultant services	2,182,000	1,539,000	4,608,000	2,814,000
Other direct costs	740,000	522,000	1,827,000	837,000
Total direct costs of contract revenue	7,424,000	7,599,000	15,727,000	14,733,000
General and administrative expenses:				
Salaries and wages, payroll taxes and employee benefits	5,066,000	5,927,000	10,548,000	12,369,000
Facilities and facility related	1,098,000	1,174,000	2,236,000	2,322,000
Stock-based compensation	73,000	61,000	142,000	154,000
Depreciation and amortization	704,000	440,000	1,229,000	834,000
Other	2,552,000	2,736,000	4,925,000	5,258,000
Total general and administrative expenses	9,493,000	10,338,000	19,080,000	20,937,000
(Loss) from operations	(1,433,000)	(130,000)	(2,138,000)	(87,000)
Other income (expense):				
Interest income	11,000	93,000	23,000	241,000
Interest expense	(9,000)	(22,000)	(20,000)	(2,000)
Other, net	(3,000)	20,000	(3,000)	20,000
Total other income, net	(1,000)	91,000	—	259,000
(Loss) income before income tax expense	(1,434,000)	(39,000)	(2,138,000)	172,000
Income tax (benefit) expense	(536,000)	16,000	(786,000)	111,000
Net (loss) income	\$ (898,000)	\$ (55,000)	\$ (1,352,000)	\$ 61,000
(Loss) earnings per share:				
Basic and diluted	\$ (0.12)	\$ (0.01)	\$ (0.19)	\$ 0.01
Weighted-average shares outstanding:				
Basic	7,188,000	7,156,000	7,178,000	7,156,000
Diluted	7,188,000	7,157,000	7,178,000	7,157,000

See accompanying notes to condensed consolidated financial statements.

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WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	July 3, 2009	June 27, 2008
Cash flows from operating activities:		
Net (loss) income	\$ (1,352,000)	\$ 61,000
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		

Depreciation and amortization	1,229,000	834,000
Lease abandonment/recapture expense	(19,000)	—
Loss on sale of equipment	3,000	20,000
Allowance for doubtful accounts	537,000	146,000
Stock-based compensation	142,000	154,000
Changes in operating assets and liabilities:		
Accounts receivable	2,440,000	1,511,000
Costs and estimated earnings in excess of billing on uncompleted contracts	(23,000)	(237,000)
Income tax receivable	(626,000)	—
Other receivables	(35,000)	(10,000)
Prepaid expenses and other current assets	138,000	443,000
Other assets	27,000	(86,000)
Accounts payable	(727,000)	476,000
Accrued liabilities	(438,000)	(1,290,000)
Billings in excess of costs and estimated earnings on uncompleted contracts	95,000	(109,000)
Deferred lease obligations	(111,000)	(28,000)
Net cash provided by operating activities	<u>1,280,000</u>	<u>1,885,000</u>
Cash flows from investing activities:		
Purchase of equipment and leasehold improvements	(66,000)	(369,000)
Proceeds from sale of equipment	—	49,000
Payments for business acquisition, net of cash acquired	(1,009,000)	(9,760,000)
Purchase of liquid investments	—	(7,100,000)
Proceeds from sale of liquid investments	—	7,025,000
Net cash used in investing activities	<u>(1,075,000)</u>	<u>(10,155,000)</u>
Cash flows from financing activities:		
Changes in excess of outstanding checks over bank balance	430,000	(196,000)
Payments on notes payable	(26,000)	(772,000)
Principal payments on capital leases	(96,000)	(88,000)
Proceeds from employee stock purchase plan	46,000	41,000
Net cash provided by (used) in financing activities	<u>354,000</u>	<u>(1,015,000)</u>
Net increase (decrease) in cash and cash equivalents	559,000	(9,285,000)
Cash and cash equivalents at beginning of the period	8,144,000	15,511,000
Cash and cash equivalents at end of the period	<u>\$ 8,703,000</u>	<u>\$ 6,226,000</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 21,000	\$ 50,000
Income taxes	1,000	636,000
Supplemental disclosures of noncash investing and financing activities:		
Equipment acquired under capital leases	\$ —	\$ 29,000
Note payable issued in connection with acquisition of assets	—	100,000
Purchase price payable	1,323,000	1,000,000

See accompanying notes to condensed consolidated financial statements.

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WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

July 3, 2009
(Unaudited)

1. BASIS OF PRESENTATION, ORGANIZATION AND OPERATIONS OF THE COMPANY

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments, which consist of only normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the consolidated results for the interim periods presented. Results for the interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The consolidated financial statements should be read in conjunction with Willdan Group, Inc.'s 2008 Annual Report on Form 10-K filed on April 2, 2009. For the period ended July 3, 2009, the Company evaluated the need to disclose subsequent events through August 13, 2009, the date the financial statements were issued.

Nature of Business

Willdan Group, Inc. and its subsidiaries (“Willdan Group” or the “Company”) are providers of outsourced and consulting services to small and mid-sized public agencies in California and other western states. Outsourcing enables these agencies to provide a wide range of specialized services without having to incur and maintain the overhead necessary to develop staffing in-house. The Company provides a broad range of services to public agencies and, to a lesser extent, private industry and public utilities, including civil engineering, building and safety services, geotechnical engineering, financial and economic consulting, energy efficiency, water conservation, renewable energy, disaster preparedness and homeland security. Clients primarily consist of cities, counties, redevelopment agencies, water districts, school districts and universities, state agencies, federal agencies, a variety of other special districts and agencies, and tribal governments.

Principles of Consolidation

The consolidated financial statements include the accounts of Willdan Group Inc. and its wholly owned subsidiaries, Willdan Engineering, Willdan Financial Services, Willdan Geotechnical, Willdan Homeland Solutions, Willdan Energy Solutions, Willdan Resource Solutions and Public Agency Resources. Willdan Energy Solutions is included as of the date of acquisition. All significant intercompany balances and transactions have been eliminated in consolidation.

Accounting for Contracts

The Company enters into contracts with its clients that contain three principal types of pricing provisions: fixed fee, time-and-materials, and unit-based. Revenue on fixed fee 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. Revenue on time-and-materials and unit-based contracts is recognized as the work is performed in accordance with specific terms of the contract. Revenue for amounts that have been billed but not earned is deferred and such deferred revenue is referred to as billings in excess of costs and estimated earnings on uncompleted contracts in the accompanying consolidated balance sheets.

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 provided for currently in its entirety. Claims revenue is recognized only upon resolution of the claim. Change orders in dispute are evaluated as claims. Costs related to unpriced change orders are expensed when incurred and recognition of the related contract revenue is based on an evaluation of the probability of recovery of the costs. Estimated profit is recognized for unpriced change orders if realization of the expected price of the change order is assured beyond a reasonable doubt.

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Applying the percentage-of-completion method of recognizing revenue requires the Company to estimate the indicated outcome of its long-term contracts. The Company forecasts such outcomes to the best of its knowledge and belief of current and expected conditions and its expected course of action. Differences between the Company’s estimates and actual results often occur resulting in changes to reported revenue and earnings. Such changes could have a material effect on future consolidated financial statements.

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, subconsultant 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 operations 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 nor is depreciation and amortization allocated to direct costs. 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.

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 monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Credit risk is minimal with governmental entities. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received.

The value of retainage is included in accounts receivable in the accompanying consolidated financial statements. Retainage represents the billed amount that is retained by the customer, in accordance with the terms of the contract, generally until performance is substantially complete. At July 3, 2009 and January 2, 2009, the Company had retained accounts receivable of approximately \$22,000 and \$17,000, respectively.

Fair Value of Financial Instruments

The Company’s financial instruments consist primarily of cash and cash equivalents, accounts receivable, income tax receivable, excess of outstanding checks over bank balance, accounts payable, accrued liabilities, notes payable and purchase price payable. Pursuant to Statement of Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements*, the fair value of the Company’s cash equivalents is determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets. We believe that the recorded values of all of our other financial instruments approximate their current values because of their nature and respective durations.

Use of Estimates

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

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2. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (revised 2007), “*Business Combinations*” (SFAS 141R). SFAS 141R establishes the principles and requirements for how an acquirer: (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R makes significant changes to existing accounting practices for acquisitions. SFAS 141R is to be applied prospectively to business combinations consummated on or after the beginning of the first annual reporting period on or after December 15, 2008. The Company adopted the new standard effective January 3, 2009 and the adoption did not have any effect on its financial statements and disclosures.

In April 2008, the FASB issued FSP 142-3, “*Determination of the Useful Life of Intangible Assets*” (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. FSP 142-3 will be effective for fiscal years beginning after December 15, 2008. The Company adopted FSP 142-3 on January 3, 2009 and this had no effect on its financial statements.

In May 2009, the FASB issued SFAS No. 165, “*Subsequent Events*” (SFAS 165). SFAS 165 requires disclosure of the date through which a company evaluated the need to disclose events that occurred subsequent to the balance sheet date and whether that date represents the date the financial statements were issued or were available to be issued. The Company adopted SFAS 165 for the period ended July 3, 2009 and the adoption of SFAS 165 did not have any effect on its consolidated financial position, results of operations or cash flows.

3. BUSINESS COMBINATION

On June 9, 2008, the Company acquired all of the outstanding stock of Willdan Energy Solutions, formerly known as Intergy Corporation, a California-based consulting company that assists companies, institutions and agencies with planning and implementing their energy efficiency, water conservation and renewable energy strategies. The acquisition cost recorded by the Company as of July 3, 2009 was \$13.0 million, consisting of \$9.9 million in cash paid at closing, a \$0.2 million net asset value adjustment, a guaranteed payment of \$1.0 million in cash paid in June 2009, an accrued earnout payment of \$1.3 million and \$0.6 million of transaction costs. The acquisition cost may increase by up to \$6.2 million if Willdan Energy Solutions achieves certain financial targets in the first three years following the acquisition. The Company has finalized its estimates of fair values of the assets acquired and the liabilities assumed and the acquisition cost was allocated as follows:

Current assets	\$	3,242,000
Equipment		49,000
Backlog		920,000
Other assets		8,000
Current liabilities		(1,502,000)
Goodwill		10,330,000
Total	\$	13,047,000

Unaudited pro forma consolidated statements of operations for the three and six months ended June 27, 2008 as though Willdan Energy Solutions had been acquired as of the first day of the period presented is as follows:

	<u>Three Months Ended</u> <u>June 27,</u> <u>2008</u>	<u>Six Months Ended</u> <u>June 27,</u> <u>2008</u>
Contract revenue	\$ 20,353,000	\$ 40,224,000
Income from operations	306,000	592,000
Net income	164,000	350,000
Basic and diluted earnings per share	\$ 0.02	\$ 0.05

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying value of goodwill by reporting unit for the six months ended July 3, 2009 were as follows:

	<u>January 2,</u> <u>2009</u>	<u>Goodwill Additions</u>	<u>Change in Estimate</u>	<u>July 3,</u> <u>2009</u>
Reporting Unit:				
Energy Solutions	\$ 8,382,000	\$ 1,332,000	\$ 616,000	\$ 10,330,000
Financial Services	2,763,000	—	—	2,763,000
	<u>\$ 11,145,000</u>	<u>\$ 1,332,000</u>	<u>\$ 616,000</u>	<u>\$ 13,093,000</u>

The change in estimate to the carrying value of goodwill for Energy Solutions was a result of the final determination of the fair value of the acquired intangible assets of Willdan Energy Solutions whereby goodwill was increased by \$616,000 and the estimated fair value of other acquired intangibles was reduced by the same amount. The accrual of \$1,323,000 of additional purchase price payable as a result of Willdan Energy Solutions achieving certain financial targets through July 3, 2009, the end of the first earnout period, also resulted in an increase to goodwill. The acquisition cost may increase an additional \$4.9 million by the end of the Company’s second fiscal quarter of 2011 if the financial targets specified in the purchase agreement are achieved by Willdan Energy Solutions.

The gross amounts and accumulated amortization of the Company's acquired identifiable intangible assets with finite useful lives as of July 3, 2009 and January 2, 2009, included in Intangible assets, net in the accompanying Consolidated Balance Sheets, were as follows:

	July 3, 2009		January 2, 2009		Amortization Period (yrs)
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization	
Backlog	\$ 920,000	\$ 920,000	\$ 1,264,000	\$ 355,000	1
Customer relationships	—	—	272,000	22,000	7
Training materials/courses	282,000	107,000	282,000	80,000	5
Non-compete agreements	30,000	29,000	30,000	24,000	3
	<u>\$ 1,232,000</u>	<u>\$ 1,056,000</u>	<u>\$ 1,848,000</u>	<u>\$ 481,000</u>	

At the time of acquisition, the Company estimated 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 estimated the value of the acquired identifiable intangible assets and then finalized the estimated fair values during the purchase allocation period, which did not extend beyond 12 months from the date of acquisition. During the fiscal three months ended July 3, 2009, the final purchase allocation for Willdan Energy Solutions, formerly known as Intergy Corporation, was finalized.

For the fiscal three and six months ended July 3, 2009, the Company's amortization expense for acquired identifiable intangible assets with finite useful lives was \$392,000 and \$575,000, respectively, compared to \$54,000 and \$61,000 for the fiscal three and six months ended June 27, 2008, respectively. Estimated amortization expense for acquired identifiable intangible assets for the remainder of fiscal 2009 and the succeeding years is as follows:

Fiscal year:	
2009	\$ 27,000
2010	54,000
2011	46,000
2012	37,000
2013	12,000
	<u>\$ 176,000</u>

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5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

	July 3, 2009	January 2, 2009
Furniture and fixtures	\$ 4,520,000	\$ 4,680,000
Computer hardware and software	4,655,000	4,921,000
Leasehold improvements	772,000	772,000
Equipment under capital leases	790,000	790,000
Automobiles, trucks, and field equipment	408,000	419,000
	11,145,000	11,582,000
Accumulated depreciation and amortization	(9,359,000)	(9,205,000)
Equipment and leasehold improvements, net	<u>\$ 1,786,000</u>	<u>\$ 2,377,000</u>

6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	July 3, 2009	January 2, 2009
Accrued bonuses	\$ 227,000	\$ 155,000
Paid leave bank	1,496,000	1,449,000
Compensation and payroll taxes	641,000	719,000
Accrued legal	56,000	54,000
Accrued workers' compensation insurance	1,000	18,000
Litigation accrual	—	110,000
Accrued interest	3,000	4,000
Accrued rent	379,000	562,000
Employee withholdings	150,000	265,000
Client deposits	808,000	790,000
Other	1,054,000	1,127,000
Total accrued liabilities	<u>\$ 4,815,000</u>	<u>\$ 5,253,000</u>

7. LINE OF CREDIT

Under the terms of the Company's credit agreement with Wells Fargo Bank, National Association ("Wells Fargo"), the Company can borrow up to \$5.0 million from time to time (as may be limited by the covenants in the credit agreement as discussed below) up to and until January 1, 2010. Loans made

under the revolving line of credit will accrue interest at either (i) the floating rate equal to the prime rate in effect from time to time or (ii) the fixed rate of 1.75% above LIBOR, at the Company's election. For prime rate loans, the interest rate will be adjusted when each prime rate change by the bank is announced and becomes effective. There were no outstanding borrowings under this agreement as of July 3, 2009, nor have there been any borrowings under the credit agreement since the inception of the agreement in December 2007. Prior to the maturity of this credit agreement, the Company intends to renew the agreement under its existing terms for another one year term. However, no assurances can be made that the Company will be able to successfully extend this agreement.

Borrowings under the credit agreement are secured by all of the Company's accounts receivable and other rights to payment, general intangibles, inventory and equipment, including those of the Company's subsidiaries. In addition, borrowings under the credit agreement are secured by investments held in a securities account at Wells Fargo that must at all times have a collateral value of at least \$5.0 million. Each of the Company's subsidiaries (except Public Agency Resources and Willdan Resource Solutions) has signed an unconditional guaranty of the Company's obligations under the agreements.

The credit agreement contains customary representations and affirmative covenants, including a covenant to maintain a tangible net worth of at least \$18.0 million at all times. Tangible net worth is defined in the credit agreement as stockholders' equity less intangible assets and loans or advances to, or investments in, any related entities or individuals. As of July 3, 2009, the Company's tangible net worth as defined under the Company's credit agreement was met.

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The credit agreement also includes customary negative covenants, including a covenant that prohibits the incurrence of additional indebtedness by the Company or the Company's subsidiaries other than purchase money indebtedness not to exceed \$2.0 million and indebtedness existing on the date of the credit agreement, and a covenant that prohibits payment of dividends on the Company's stock and redemptions, repurchases or other acquisitions of the Company's stock; provided that the Company can repurchase stock with an aggregate fair market value up to \$5.0 million in any calendar year. In addition, the credit agreement includes customary events of default for a credit facility. Upon a default, the interest rate will be increased by a default rate margin of 4.0%. Upon the occurrence of an event of default under the credit agreement, including a breach of any of the covenants discussed above, Wells Fargo has the option to make any loans then outstanding under the credit agreement immediately due and payable and is no longer obligated to extend further credit to the Company under the credit agreement.

8. COMMITMENTS

Leases

The Company is obligated under capital leases for certain furniture and office equipment that expire at various dates through the year 2012.

The Company also leases certain office facilities under noncancelable operating leases that expire at various dates through the year 2014 and is committed under noncancelable operating leases for the lease of computer equipment and automobiles through the year 2011.

Employee Benefit Plans

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

The Company has a discretionary bonus plan for regional managers, division managers and others as determined by the Company president. Bonuses are awarded if certain financial goals are achieved. The financial goals are not stated in the plan; rather they are judgmentally determined each year by executive management. In addition, the board of directors may declare discretionary bonuses to key employees and all employees are eligible for what the Company refers to as the "hot hand" bonus program, which pays awards for outstanding performance.

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 chairman of the board of directors, and his spouse, and for Linda Heil, the widow of the Company's former chief executive officer, Dan Heil. Mrs. Heil is also a member of the Company's board of directors. Additionally, the board approved health insurance coverage for Mrs. Heil's two dependents until they no longer qualify for dependent coverage under the Company's health insurance policy.

Additional Purchase Price Payable related to the Willdan Energy Solutions Acquisition

As discussed in note 4, if certain financial targets are achieved by Willdan Energy Solutions over the two year period ending as of the last day of the Company's second fiscal quarter of 2011, additional purchase price payments will be paid. The payments, which are payable in two installments based on financial targets for the first twelve months and then the second twelve months may not exceed \$4.9 million, which is the \$6.2 million maximum per the purchase agreement, reduced by the earnout amount accrued as of July 3, 2009.

9. 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. 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.

10. SEGMENT INFORMATION

The Company has three segments: Engineering Services, Public Finance Services and Homeland Security Services. The Engineering Services segment includes Willdan Engineering, Willdan Geotechnical, Public Agency Resources, Willdan Resource Solutions and Willdan Energy Solutions. The Engineering Services segment performs services for a broad range of public agency clients and, to a lesser extent, private industry and public utilities, and offers a full complement of civil and geotechnical engineering, building and safety, energy efficiency, sustainability, water conservation, construction management, and municipal planning services to clients throughout the western United States. The Public Finance Services segment, which consists of Willdan Financial Services, provides expertise and support for the various financing techniques employed by public agencies to finance their operations and infrastructure along with the mandated reporting and other requirements associated with these financings. The Homeland Security Services segment, which consists of Willdan Homeland Solutions, provides homeland security, management consulting and public safety consulting services to cities, counties and related municipal service agencies.

The accounting policies applied to determine the segment information are the same as those described in the summary of significant accounting policies, included in the Company's 2008 Annual Report on Form 10-K filed on April 3, 2009. There were no intersegment sales during the fiscal three or six months ended July 3, 2009 and June 27, 2008. Management evaluates the performance of each segment based upon income or loss before year-end bonuses and 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 for the fiscal three and six months ended July 3, 2009 and the fiscal three and six months ended June 27, 2008 follows:

	Engineering Services	Public Finance Services	Homeland Security Services	Unallocated Corporate	Intersegment	Consolidated Total
Fiscal Three Months Ended July 3, 2009						
Contract revenue	\$ 11,617,000	\$ 3,100,000	\$ 767,000	\$ —	\$ —	\$ 15,484,000
Segment (loss) profit before income taxes	(1,710,000)	269,000	10,000	(3,000)	—	(1,434,000)
Net (loss) income	(1,050,000)	149,000	5,000	(2,000)	—	(898,000)
Segment assets	111,214,000	20,495,000	4,657,000	110,409,000	(200,938,000)	45,837,000
Fiscal Three Months Ended June 27, 2008						
Contract revenue	\$ 13,778,000	\$ 3,476,000	\$ 553,000	\$ —	\$ —	\$ 17,807,000
Segment (loss) profit before income taxes	(485,000)	600,000	(128,000)	(26,000)	—	(39,000)
Net (loss) income	(311,000)	354,000	(78,000)	(20,000)	—	(55,000)
Segment assets	50,126,000	11,873,000	1,401,000	28,077,000	(42,373,000)	49,104,000
Fiscal Six Months Ended July 3, 2009						
Contract revenue	\$ 24,928,000	\$ 6,116,000	\$ 1,625,000	\$ —	\$ —	\$ 32,669,000
Segment (loss) profit before income taxes	(2,547,000)	407,000	26,000	(24,000)	—	(2,138,000)
Net (loss) income	(1,572,000)	221,000	13,000	(14,000)	—	(1,352,000)
Segment assets	111,214,000	20,495,000	4,657,000	110,409,000	(200,938,000)	45,837,000
Fiscal Six Months Ended June 27, 2008						
Contract revenue	\$ 28,039,000	\$ 6,685,000	\$ 859,000	\$ —	\$ —	\$ 35,583,000
Segment (loss) profit before income taxes	(382,000)	1,050,000	(446,000)	(50,000)	—	172,000
Net (loss) income	(256,000)	623,000	(271,000)	(35,000)	—	61,000
Segment assets	50,126,000	11,873,000	1,401,000	28,077,000	(42,373,000)	49,104,000

11. CONTINGENCIES*Claims and Lawsuits*

The Company is subject from time to time to various claims and lawsuits, 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 loss.

County of San Diego v. Willdan, Superior Court of California, Riverside County

A complaint was filed against the Company on February 28, 2008 relating to a project for the reconstruction of a portion of Valley Center Road located in an unincorporated area of San Diego County. The Company completed the design and a contract was awarded to a construction contractor for

construction of the improvements. The construction was originally scheduled for completion in December 2008; however completion has been delayed until fall 2009. The lawsuit alleges that the delays in construction were caused by errors and omissions in the Company's preparation of reports and design and engineering of the project, resulting in additional design and construction costs, in an amount to be determined but believed to be in excess of \$5.0 million. The Company denies the allegations asserted in the lawsuit and will vigorously defend against the claims. At July 3, 2009, the Company did not have a liability recorded on its balance sheet related to this complaint.

Topaz v. City of Laguna Beach, Superior Court of California, Orange County

This suit concerns a project by the City of Laguna Beach to reconstruct a retaining wall supporting a city road. The Company served as the construction observer for this project and designed the retaining wall. Subsequent to completion of the project, a slope below the retaining wall failed damaging the plaintiffs' residence. The retaining wall did not fail. The construction work was performed from February to March 2005 and the slope failure occurred in June 2005. The plaintiffs were not injured in the incident. The plaintiffs allege that the City of Laguna Beach violated its own ordinances by not obtaining appropriate geotechnical data during the design stage and by allowing the work to be constructed during the rainy season. The lawsuit names Merit Engineering, the project designer, Peterson-Chase Engineering, the general contractor and the Company, the construction observer, as defendants. The Company was named as a defendant in the first amended complaint filed on October 17, 2007. The plaintiffs filed a mediation brief on April 25, 2008 indicating damages to real and personal property in the amount of \$0.8 million and general damages between \$1.6 million and \$4.7 million. A cross-complaint has been filed in the action by Peterson-Chase Engineering against the Company seeking equitable apportionment. The Company denies the allegations asserted in the lawsuit and cross-complaint and will vigorously defend against the claims. At July 3, 2009, the Company did not have a liability recorded on its balance sheet related to this complaint.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements included elsewhere in this Quarterly Report and the audited financial statements for the year ended January 2, 2009, included in our Annual Report on Form 10-K (File No. 001-33076). This Quarterly Report contains, in addition to historical information, forward-looking statements, which involve risk and uncertainties. The words "believe", "expect", "estimate", "may", "will", "could", "plan", or "continue" and similar expressions are intended to identify forward-looking statements. Our actual results could differ significantly from the results discussed in such forward-looking statements.

Overview

We are a provider of outsourced and consulting services to small and mid-sized public agencies in California and other western states. Outsourcing enables these agencies to provide a wide range of specialized services, without having to incur and maintain the overhead necessary to develop staffing in-house. We provide a broad range of services to public agencies and to a lesser extent, private industry and public utilities, including:

- Civil Engineering;
- Building and Safety Services;
- Geotechnical Engineering;
- Energy Efficiency Consulting;
- Financial and Economic Consulting; and
- Disaster Preparedness and Homeland Security.

We operate our business through a network of offices located throughout California and other western states and had a staff of 487 as of July 3, 2009 that includes licensed engineers and other professionals. Our core clients are public agencies in communities with populations ranging from 10,000 to 300,000 people. We believe communities of this size are underserved by large outsourcing companies that tend to focus on securing large federal and state projects, as well as projects for the private sector. We seek to establish close working relationships with our public agency clients and, over time, to expand the breadth and depth of the services we provide to them.

While we currently serve communities throughout the country, our business is concentrated in California and neighboring states. We provide services to approximately 60% of the 480 cities and over 60% of the 58 counties in California. We also serve special districts, school districts, a range of public agencies, and to a lesser extent, private industry and public utilities.

Willdan Group, Inc. is a Delaware corporation formed in 2006 for the purpose of effecting the reincorporation of The Willdan Group of Companies, a California corporation formed in 2001 to serve as our holding company. The reincorporation was completed effective June 30, 2006. We were founded over 40 years ago, and today consist of a family of wholly owned companies that operate within the following segments for financial reporting purposes:

Engineering Services. Our Engineering Services segment includes the operations of our subsidiaries, Willdan Engineering, Willdan Geotechnical, Willdan Energy Solutions, Willdan Resource Solutions and Public Agency Resources (PARs). These businesses collectively provide a full complement of civil and geotechnical engineering, building and safety services, energy efficiency, sustainability, water conservation, construction management, and municipal planning services to public agencies and, to a lesser extent, private industry and public utilities. Additionally, PARs primarily provides staffing to Willdan Engineering. Willdan Engineering is our largest subsidiary. Contract revenue for the Engineering Services segment represented 76.3% and 78.8% of our consolidated contract revenue for the six months ended July 3, 2009 and June 27, 2008, respectively.

Public Finance Services. Our Public Finance Services segment consists of the business of our subsidiary, Willdan Financial Services, which offers financial and economic consulting services to public agencies. Contract revenue for the Public Finance Services segment represented 18.7% and 18.8% of our consolidated contract revenue for the six months ended July 3, 2009 and June 27, 2008, respectively.

Homeland Security Services. Our Homeland Security Services segment consists of the business of our subsidiary, Willdan Homeland Solutions, which offers homeland security, management consulting and public safety consulting services. Contract revenue for our Homeland Security Services segment represented 5.0% and 2.4% of our consolidated contract revenue for the six months ended July 3, 2009 and June 27, 2008, respectively.

Recent Developments

General economic conditions have declined over the past 18 months due to a number of factors including slower economic activity, a lack of available credit, decreased consumer confidence and reduced corporate profits and capital spending. These conditions have led to a slowdown in construction, particularly residential housing construction, in the western United States. As a result of this slowdown, our engineering services segment has suffered declines in revenue and we have made several workforce reductions in order to align resources, primarily human capital, to workload. We believe that the reductions in workforce achieved through July 3, 2009 will be sufficient to align resources with future demand for our services. However, should the economic slowdown continue to worsen, we will need to evaluate further reductions in headcount and facilities in geographic areas that are underperforming. We will also continue to focus on reducing discretionary expenditures and the efficient procurement of necessary services.

Declining revenue resulting from the economic conditions discussed above also contributed to us violating certain covenants that used to be in our revolving credit agreement with Wells Fargo Bank, National Association (“Wells Fargo”). Wells Fargo agreed to waive these defaults and eliminate or modify certain financial covenants in exchange for our agreement to reduce the aggregate revolving loan commitment from \$10.0 million to \$5.0 million, cash collateralize the commitment and increase pricing. The terms of our amended credit agreement are discussed in more detail below under “—Liquidity and Capital Resources—Outstanding Indebtedness.” While we believe that our cash on hand, cash generated by operating activities and funds available under our amended credit facility with Wells Fargo will be sufficient to finance our operating activities for the next 12 months, if we do experience a cash flow shortage or violate the current terms of our credit agreement, we may have difficulty obtaining additional funds on favorable terms, if at all, in the current credit market.

In the second quarter of fiscal year 2009, there were changes to our board of directors. On April 14, 2009, the board of directors agreed to increase the size of the board from seven directors to nine directors effective June 5, 2009. The board of directors, based on the recommendations of the Nominating and Corporate Governance Committee, nominated Raymond W. Holdsworth, Jr. and Douglas J. McEachern to serve as directors of the Company. These nominations, along with the nominations of the incumbent board members, were subject to a vote of the stockholders at the annual meeting of the stockholders on June 5, 2009. Each nominee was confirmed as a director by a vote of stockholders on June 5, 2009. Mr. Holdsworth was appointed to the Nominating and Corporate Governance and Investment, Finance and Strategy Committees while Mr. McEachern was appointed to the Audit and Compensation Committees.

Components of Income and Expense

Contract Revenue

We enter into contracts with our clients that contain three principal types of pricing provisions: fixed price, time-and-materials and unit-based. 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 are relatively short in duration, thereby lowering the risks of not properly estimating the percent complete. 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. Approximately half of our contracts are based on contractual rates per hour plus costs incurred. Some of these contracts include maximum contract prices, but the majority of these contracts are not expected to exceed the maximum.

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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 provided for currently in its entirety. Claims revenue is recognized only upon resolution of the claim. Change orders in dispute are evaluated as claims. Costs related to unpriced change orders are expensed when incurred and recognition of the related contract revenue is based on an evaluation of the probability of recovery of the costs. Estimated profit is recognized for unpriced change orders if realization of the expected price of the change order is assured beyond a reasonable doubt.

Direct Costs of Contract Revenue

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, subconsultant services and other expenses that are incurred in connection with revenue producing projects. Direct costs of contract revenue exclude depreciation and amortization, 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 of our personnel are included in general and administrative expenses 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 nor is depreciation and amortization allocated to direct costs. We expense direct costs of contract revenue when incurred.

As a firm that provides multiple and diverse outsourced services, we do not believe gross margin is a consistent or appropriate indicator of our performance and therefore we do not use this measure as construction contractors and other types of consulting firms may. Other companies may classify as direct costs of contract revenue some of the costs that we classify as general and administrative expenses. As a result, our direct costs of contract revenue may not be comparable to direct costs for other companies, either as a line item expense or as a percentage of contract revenue.

General and Administrative Expenses

General and administrative 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. 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 professional services, legal and accounting, computer costs, travel and entertainment and marketing 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., or 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 Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 2, 2009. 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. The uncertainty inherent in such estimates and assumptions has been increased as a result of the general economic conditions discussed above in "—Recent Developments."

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Contract Accounting

Applying the percentage-of-completion method of recognizing revenue requires us to estimate the indicated outcome of our long-term contracts. We forecast such outcomes to the best of our knowledge and belief of current and expected conditions and our expected course of action. Differences between our estimates and actual results often occur resulting in changes to reported revenue and earnings. Such changes could have a material effect on our future consolidated financial statements.

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 monthly basis. We determine the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Account receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

For further information on the types of contracts under which we perform our services, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Components of Income and Expense—Contract Revenue" elsewhere in this report.

Goodwill Impairment Valuation

The Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) requires that we test goodwill, at least annually, for possible impairment. Accordingly, 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 impairment charges for the six months ended July 3, 2009.

We test our goodwill for impairment at the level of our reporting units, which are components of our operating segments. The reporting units that have material amounts of goodwill are Willdan Energy Solutions, which is part of our engineering services segment, and Willdan Financial Services, which constitutes our public finance services segment. We recognized impairment charges for fiscal year 2008 related to our Homeland Security Services reporting unit. Our Homeland Security Services reporting unit had no remaining goodwill following this impairment charge. The process of testing goodwill for impairment involves the determination of the fair value of the applicable reporting units. To estimate the fair value of our reporting units, we have historically used an income approach based on a multiple of historical cash flows, management's estimates of future cash flows and other market data. In fiscal year 2008, we expanded our methodology to include a market approach based upon multiples of EBITDA earned by similar public companies. For our fiscal year 2008 annual impairment test, we weighted the income approach and the market approach at 80% and 20%, respectively. The income approach was given a higher weight because it has a more direct correlation to the specific economics of the reporting units than the market approach, which is based on multiples of companies that, although comparable, may not provide the same mix of services as our reporting units.

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, our goodwill may be deemed to be impaired, and an impairment charge could result in a material adverse effect on our financial position or results of operation. For example, if we experienced a 10% decrease in the fair value of each of our reporting units that have goodwill from that determined during our 2008 annual impairment testing, we would require an impairment charge of approximately \$0.3 million.

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Accounting for Claims Against the Company

We record liabilities to claimants for probable and estimable claims on our consolidated balance sheet in accrued liabilities, and record a corresponding receivable, which we include in other receivables, from our insurance company for the portion of the claim that will likely be covered by insurance. The estimated claim amount net of the amount estimated to be recoverable from the insurance company is included in our 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.

Results of Operations

The following table sets forth, for the periods indicated, certain information derived from our consolidated statements of operations expressed as a percentage of contract revenue.

Statement of Operations Data	Fiscal Three Months Ended		Fiscal Six Months Ended	
	July 3, 2009	June 27, 2008	July 3, 2009	June 27, 2008
Contract revenue	100.0%	100.0%	100.0%	100.0%
Direct costs of contract revenue (exclusive of depreciation and amortization shown separately below):				
Salaries and wages	29.0	31.1	28.4	31.1
Subconsultant services	14.1	8.6	14.1	7.9
Other direct costs	4.8	2.9	5.6	2.4
Total direct costs of contract revenue	47.9	42.6	48.1	41.4
General and administrative expenses:				
Salaries and wages, payroll taxes, employee benefits	32.7	33.3	32.3	34.8
Facilities and facilities related	7.1	6.6	6.8	6.5
Stock-based compensation	0.5	0.3	0.4	0.4
Depreciation and amortization	4.5	2.5	3.8	2.3
Other	16.5	15.4	15.1	14.8
Total general and administrative expenses	61.3	58.1	58.4	58.8
Loss from operations	(9.3)	(0.7)	(6.5)	(0.2)
Other income (expense):				
Interest income	0.1	0.5	0.1	0.7
Interest expense	(0.1)	(0.1)	(0.1)	—
Other, net	—	0.1	—	0.1
Total other income, net	—	0.5	—	0.7
(Loss) income before income tax expense	(9.3)	(0.2)	(6.5)	0.5
Income tax expense	(3.5)	0.1	(2.4)	0.3
Net (loss) income	(5.8)%	(0.3)%	(4.1)%	0.2%

Three Months Ended July 3, 2009 Compared to Three Months Ended June 27, 2008

Contract revenue. Our contract revenue was \$15.5 million for the three months ended July 3, 2009, with \$11.6 million attributable to the Engineering Services segment and \$3.1 million attributable to the Public Finance Services segment. Our Homeland Security Services segment generated \$0.8 million during this period. Consolidated contract revenue decreased \$2.3 million, or 13%, to \$15.5 million for the three months ended July 3, 2009, from \$17.8 million for the three months ended June 27, 2008. This was due primarily to a decrease of \$2.2 million, or 15.9%, in contract revenue for the Engineering Services segment primarily as a result of the continuing decline in our building and safety projects which is directly and indirectly affected by the residential housing market. Contract revenue in the Public Finance Services segment decreased \$0.4 million, or 11.4%, from \$3.5 million to \$3.1 million for the three months ended July 3, 2009 as compared to the three months ended June 27, 2008. Contract revenue for our Homeland Security Services segment increased \$0.2 million, or 33.3%, from \$0.6 million to \$0.8 million in the three months ended July 3, 2009 as compared to the three months ended June 27, 2008.

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Contract revenue for the Engineering Services segment has been significantly impacted by the decline in the California residential housing market and state and local government budget cuts. A source of revenue in our Engineering Services segment is fees assessed for building permits. Since the second half of fiscal 2007, we have experienced increasing reductions in revenue from these fees because of the continuing slowdown in residential construction in the western United States. Contract revenue for the Engineering Services segment also decreased because of the lower demand for our staff augmentation, plan check and other building and safety services resulting from the decline in the residential housing market. The \$2.2 million decrease in contract revenue for the Engineering Services segment is net of an increase of \$2.1 million of revenue recognized by Willdan Energy Solutions in the second quarter of fiscal 2009. Revenue in the Public Finance Services segment decreased primarily due to lower levels of activity in the financial consulting business as a result of the general downturn in macro-economic conditions. Revenue in the Homeland Security Services segment has increased due to an increase in our emergency planning and exercises, particularly in California and Arizona. Additionally, our Homeland Security Services segment has expanded its client base beyond traditional municipal governments to include the transit industry, schools and healthcare agencies.

Direct costs of contract revenue. Direct costs of contract revenue were \$7.4 million for the three months ended July 3, 2009, with \$6.1 million attributable to the Engineering Services segment and \$0.9 million attributable to the Public Finance Services segment. The additional \$0.4 million is attributable to direct costs of contract revenue for our Homeland Security Services segment. Direct costs of contract revenue for the Engineering Services segment for the three months ended July 3, 2009 includes \$1.8 million relating to Willdan Energy Solutions. Overall, direct costs decreased by \$0.2 million, or 2.6%, to \$7.4 million for the three months ended July 3, 2009, from \$7.6 million for the three months ended June 27, 2008. This net decrease is attributable to a decrease in direct costs within our Engineering Services segment of \$0.3 million, offset by an increase of \$0.1 million within our Homeland Security Services segment. Direct costs within the Public Finance Services segment remained flat.

Direct costs decreased as a result of a decrease in salaries and wages of \$1.0 million, partially offset by increases in subconsultant services and other direct costs of \$0.6 million and \$0.2 million, respectively. Within direct costs of contract revenue, salaries and wages decreased to 29.0% of contract revenue for the three months ended July 3, 2009 from 31.1% for the three months ended June 27, 2008. Comparing those same periods, subconsultant services increased to 14.1% of contract revenue from 8.6% of contract revenue. Subconsultant costs increased primarily due to our acquisition of Willdan Energy Solutions in June 2008. Willdan Energy Solutions utilizes a higher percentage of subconsultants and other direct costs than our other subsidiaries. Excluding subconsultant services and other direct costs, direct salaries and wages decreased by \$1.0 million, or 18.2% to \$4.5 million for the three months ended July 3, 2009 from \$5.5 million for the three months ended June 27, 2008.

General and administrative expenses. General and administrative expenses decreased by \$0.8 million, or 7.8%, to \$9.5 million for the three months ended July 3, 2009 from \$10.3 million for the three months ended June 27, 2008. This was due primarily to a decrease of \$0.6 million in general and administrative expenses of the Engineering Services segment, which is net of the increase in general and administrative expenses incurred due to our acquisition of Willdan Energy Solutions in June 2008. General and administrative expenses decreased by \$0.1 million for our Homeland Security Services segment and remained flat for our Public Finance Services segment. Our unallocated corporate expenses decreased by \$0.1 million. General and administrative expenses as a percentage of contract revenue increased to 61.3% for the three months ended July 3, 2009 from 58.1% for the three months ended June 27, 2008.

The \$0.8 million decrease in general and administrative expenses primarily relates to decreases in salaries and wages, payroll taxes and employee benefits, facilities and facility related expenses and other general and administrative expenses, partially offset by an increase in depreciation and amortization expenses. The reduction in employee related costs primarily resulted from reductions in headcount and cost control measures. As discussed above under “—Components of Income and Expense—Direct Costs of Contract Revenue,” we do not allocate that portion of salaries and wages not related to time spent directly generating revenue to direct costs of contract revenue. The reduction in facility and facility related expenses primarily resulted from office closures in fiscal 2008 and the first six months of fiscal 2009. The net reduction in other general and administrative expenses is primarily due to cost control measures and reductions in marketing, insurance and auto expenses, partially offset by increases in professional services related to process improvements to our fully integrated accounting system and related systems and a reserve for potential bad debt for a receivable from a private industry client in bankruptcy proceedings. The increase in depreciation and amortization expense primarily resulted from the increase in the amortization of intangible assets related to the acquisition of Willdan Energy Solutions in June 2008.

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Loss from operations. As a result of the above factors, our operating loss was \$1.4 million for the three months ended July 3, 2009 as compared to an operating loss of \$0.1 million for the three months ended June 27, 2008. Loss from operations as a percentage of contract revenue was 9.3% for the three months ended July 3, 2009, as compared to 0.7% in the prior year period.

Other income (expense). Other income (expense), net was \$(1,000) for the three months ended July 3, 2009, as compared to \$0.1 million for the three months ended June 27, 2008. The decrease is primarily the result of reduced interest income due primarily to lower average balances as a result of the cash required for the Willdan Energy Solutions acquisition on June 9, 2008.

Income tax (benefit) expense. Income tax benefit was \$0.5 million for the three months ended July 3, 2009, compared to income tax expense of \$16,000 for the prior year period. The income tax benefit resulted from the loss incurred during the three months ended July 3, 2009. The Company believes that it is more likely than not that a tax benefit resulting from these losses will be realized.

Net loss. As a result of the above factors, our net loss was \$0.9 million for the three months ended July 3, 2009 compared to a net loss of \$0.1 million for the three months ended June 27, 2008.

Six Months Ended July 3, 2009 Compared to Six Months Ended June 27, 2008

Contract revenue. Our contract revenue was \$32.7 million for the six months ended July 3, 2009, with \$25.0 million attributable to the Engineering Services segment and \$6.1 million attributable to the Public Finance Services segment. Our Homeland Security Services segment generated \$1.6 million during this period. Consolidated contract revenue decreased \$2.9 million, or 8.1%, to \$32.7 million for the six months ended July 3, 2009, from \$35.6 million for the six months ended June 27, 2008. This was due primarily to a decrease of \$3.1 million, or 11.1%, in contract revenue for the Engineering Services segment primarily as a result of the continuing decline in our building and safety projects which is directly and indirectly affected by the residential housing market. Contract revenue in the Public Finance Services segment decreased \$0.6 million, or 9.0%, from \$6.7 million to \$6.1 million for the six months ended July 3, 2009 as compared to the six months ended June 27, 2008. Contract revenue for our Homeland Security Services segment increased \$0.7 million, or 77.8%, from \$0.9 million to \$1.6 million for the six months ended July 3, 2009 as compared to the six months ended June 27, 2008.

Contract revenue for the Engineering Services segment has been significantly impacted by the decline in the California residential housing market and state and local government budget cuts. A source of revenue in our Engineering Services segment is fees assessed for building permits. Since the second half of fiscal 2007, we have experienced reductions in revenue from these fees because of the continuing slowdown in residential construction in the western United States. Contract revenue for the Engineering Services segment also decreased because of the lower demand for our staff augmentation, plan check and other building and safety services resulting from the decline in the residential housing market. The \$3.1 million decrease in contract revenue for the Engineering Services segment is net of an increase of \$5.7 million of revenue recognized by Willdan Energy Solutions in the first six months of fiscal 2009. Revenue in the Public Finance Services segment decreased primarily due to lower levels of activity in the financial consulting business as a result of the general downturn in macro-economic conditions. Revenue in the Homeland Security Services segment has increased due to an increase in our emergency planning and exercises, particularly in California and Arizona. Additionally, our Homeland Security Services segment has expanded its client base beyond its traditional municipal governments to include the transit industry, schools and healthcare agencies.

Direct costs of contract revenue. Direct costs of contract revenue were \$15.7 million for the six months ended July 3, 2009, with \$13.2 million attributable to the Engineering Services segment and \$1.7 million attributable to the Public Finance Services segment. The additional \$0.8 million is attributable to direct costs of contract revenue for our Homeland Security Services segment. Direct costs of contract revenue for the Engineering Services segment for the six months ended July 3, 2009 includes \$4.4 million relating to Willdan Energy Solutions. Overall, direct costs increased by \$1.0 million, or 6.8%, to \$15.7 million for the six months ended July 3, 2009, from \$14.7 million for the six months ended June 27, 2008. This increase is attributable to increases in direct costs within our Engineering Services and Homeland Security Services segments of \$0.6 million and \$0.4 million, respectively. Direct costs within the Public Finance Services segment remained flat.

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Direct costs increased as a result of increases in subconsultant services and other direct costs of \$1.8 million and \$1.0 million, respectively, partially offset by a decrease in salaries and wages of \$1.8 million. Within direct costs of contract revenue, salaries and wages decreased to 28.4% of contract revenue for the six months ended July 3, 2009 from 31.1% for the six months ended June 27, 2008. Comparing those same periods, subconsultant services increased to 14.1% of contract revenue from 7.9% of contract revenue. Subconsultant costs increased primarily due to our acquisition of Willdan Energy Solutions in June 2008. Willdan Energy Solutions utilizes a higher percentage of subconsultants and other direct costs than our other subsidiaries. Excluding subconsultant services and other direct costs, direct salaries and wages decreased by \$1.8 million, or 16.2% to \$9.3 million for the six months ended July 3, 2009 from \$11.1 million for the six months ended June 27, 2008.

General and administrative expenses. General and administrative expenses decreased by \$1.8 million, or 9.4%, to \$19.1 million for the six months ended July 3, 2009 from \$20.9 million for the six months ended June 27, 2008. This was due primarily to a decrease of \$1.7 million in general and administrative expenses of the Engineering Services segment, net of the increase in general and administrative expenses incurred due to our acquisition of Willdan Energy Solutions in June 2008. General and administrative expenses decreased by \$0.1 million for our Homeland Security Services segment and increased by \$0.1 million for our Public Finance Services segment. The remaining \$0.2 million decrease is attributable to unallocated corporate expenses. General and administrative expenses as a percentage of contract revenue decreased to 58.4% for the six months ended July 3, 2009 from 58.8% for the six months ended June 27, 2008.

The \$1.8 million decrease in general and administrative expenses primarily relates to decreases in salaries and wages, payroll taxes and employee benefits, facilities and facility related expenses and other general and administrative expenses, partially offset by an increase in depreciation and amortization expenses. The reduction in employee related costs primarily resulted from reductions in headcount and cost control measures. The reduction in facility and facility related expenses primarily resulted from office closures in fiscal 2008 and the first six months of fiscal 2009. As discussed above under “—Components of Income and Expense—Direct Costs of Contract Revenue,” we do not allocate that portion of salaries and wages not related to time spent directly generating revenue to direct costs of contract revenue. The net reduction in other general and administrative expenses primarily related to cost control measures and reductions in marketing, insurance and auto expenses, partially offset by increases in professional services related to process improvements to our fully integrated accounting system and related systems and a reserve for potential bad debt for a receivable from a private industry client in bankruptcy proceedings. The increase in depreciation and amortization expense primarily resulted from the increase in the amortization of intangible assets related to the acquisition of Willdan Energy Solutions in June 2008.

Loss from operations. As a result of the above factors, our operating loss was \$2.1 million for the six months ended July 3, 2009, as compared to an operating loss of \$0.1 million for the six months ended June 27, 2008. Loss from operations as a percentage of contract revenue was 6.5% for the six months ended July 3, 2009, as compared to 0.2% in the prior year period.

Other income (expense). Other income (expense), net was \$0 for the six months ended July 3, 2009, as compared to \$0.3 million of income for the six months ended June 27, 2008. The decrease is primarily the result of reduced interest income due primarily to the lower average balances as a result of the cash required for the Willdan Energy Solutions acquisition on June 9, 2008.

Income tax (benefit) expense. Income tax benefit was \$0.8 million for the six months ended July 3, 2009, compared to income tax expense of \$0.1 million for the prior year period. The income tax benefit resulted from the loss incurred during the six months ended July 3, 2009. The Company believes that it is more likely than not that a tax benefit resulting from these losses will be realized.

Net (loss) income. As a result of the above factors, our net loss was \$1.4 million for the six months ended July 3, 2009 compared to net income of \$0.1 million for the six months ended June 27, 2008.

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Liquidity and Capital Resources

As of July 3, 2009, we had \$8.7 million of cash and cash equivalents. Our primary sources of liquidity are cash generated from operations and funds available under our revolving line of credit. We believe that our cash and cash equivalents on hand, cash generated by operating activities and funds available under our 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 \$1.3 million for the six months ended July 3, 2009 compared to \$1.9 million for the six months ended June 27, 2008. The cash flows provided by operating activities in the six months ended July 3, 2009 were comparatively lower than in the six months ended June 27, 2008 due primarily to the decline in the Company’s volume of business as a result of the unfavorable economic conditions which was partially offset by a reduction in our accounts receivable.

Cash flows from investing activities

Cash flows used in investing activities were \$1.1 million for the six months ended July 3, 2009 compared to \$10.2 million for the six months ended June 27, 2008. Cash flows used in investing activities for the six months ended July 3, 2009 were comparatively lower than in the six months ended June 27, 2008 primarily due to a decrease of \$8.8 million in payments, net of cash acquired, related to the acquisition of Intergy Corporation in the six months ended June 27, 2008. We also used \$0.3 million less on purchases of equipment and leasehold improvements and liquid investments in the six months ended July 3, 2009 as compared to the six months ended June 27, 2008.

Cash flows from financing activities

Cash flows provided by financing activities were \$0.4 million for the six months ended July 3, 2009 compared to \$1.0 million used in financing activities for the six months ended June 27, 2008. This net change of \$1.4 million resulted primarily from a \$0.6 million increase in the change in excess of outstanding checks over bank balance and a \$0.8 million reduction in payments on notes payable.

Outstanding indebtedness

We currently have a revolving line of credit with Wells Fargo Bank, National Association (“Wells Fargo”), which was amended on March 30, 2009. We have also financed, from time to time, insurance premiums by entering into unsecured notes payable with insurance companies. During our annual insurance renewals in the fourth quarter of our fiscal year ended January 2, 2009, we elected not to finance our insurance premiums for the upcoming fiscal year.

Under the terms of our credit agreement with Wells Fargo, we can borrow up to \$5.0 million from time to time (as may be limited by the covenants in the credit agreement as discussed below) up to and until January 1, 2010. Loans made under the revolving line of credit will accrue interest at either (i) the floating rate equal to the prime rate in effect from time to time or (ii) the fixed rate of 1.75% above LIBOR, at our election. For prime rate loans, the interest rate will be adjusted when each prime rate change by the bank is announced and becomes effective. There were no outstanding borrowings under this agreement as of July 3, 2009, nor have there been any borrowings under the credit agreement since the inception of the agreement in December 2007. Prior to the maturity of this credit agreement, we intend to renew the agreement under its existing terms for another one year term. However, no assurances can be made that we will be able to successfully extend this agreement.

Borrowings under the credit agreement are secured by all of our accounts receivable and other rights to payment, general intangibles, inventory and equipment, including those of our subsidiaries. In addition, borrowings under the credit agreement are secured by investments we hold in a securities account at Wells Fargo that must at all times have a collateral value of at least \$5.0 million. Each of our subsidiaries (except Public Agency Resources and Willdan Resource Solutions) has signed an unconditional guaranty of our obligations under the agreements.

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The credit agreement contains customary representations and affirmative covenants, including a covenant to maintain a tangible net worth of at least \$18.0 million at all times. Tangible net worth is defined in the credit agreement as stockholders’ equity less intangible assets and loans or advances to, or investments in, any related entities or individuals. As of July 3, 2009, our tangible net worth as defined under our credit agreement was \$19.9 million(1).

The credit agreement also includes customary negative covenants, including a covenant that prohibits the incurrence of additional indebtedness by us or our subsidiaries other than purchase money indebtedness not to exceed \$2.0 million and indebtedness existing on the date of the credit agreement, and a covenant that prohibits payment of dividends on our stock and redemptions, repurchases or other acquisitions of our stock; provided that we can repurchase stock with an aggregate fair market value up to \$5.0 million in any calendar year. In addition, the credit agreement includes customary events of default for a credit facility. Upon a default, the interest rate will be increased by a default rate margin of 4.0%. Upon the occurrence of an event of default under the credit agreement, including a breach of any of the covenants discussed above, Wells Fargo has the option to make any loans then outstanding under the credit agreement immediately due and payable and is no longer obligated to extend further credit to us under the credit agreement.

Contractual obligations

We had no material changes in commitments for long-term debt obligations, operating lease obligations or capital lease obligations as of July 3, 2009, as compared to those disclosed in our table of contractual obligations included in our Annual Report on Form 10-K for the year ended January 2, 2009.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

(1) Tangible net worth is a supplemental measure used in our credit agreement. If we do not maintain tangible net worth of at least \$18.0 million, Wells Fargo could choose to accelerate any loans then outstanding under the facility or refuse to make additional loans to us under the facility. Management therefore believes that presentation of tangible net worth as defined in the credit agreement is useful to investors because it helps them understand how our tangible net worth compares to the financial covenant contained in our credit agreement and whether we are close to violating such covenant. Management also reviews tangible net worth to ensure it will continue to have access to its financing sources. Tangible net worth is defined in the credit agreement as the “aggregate of total stockholders’ equity less any intangible assets and less any loans or advances to, or investments in, any related entities or individuals.” This definition of tangible net worth may differ from those of many companies reporting similarly named measures. This measure should be considered in addition to, and not as a substitute for or superior to, other measures of financial performance prepared in accordance with U.S. generally accepted accounting principles, or GAAP, such as stockholders’ equity. Tangible net worth is not a recognized term under GAAP and does not purport to be an alternative to stockholders’ equity as an indicator of net worth or any other GAAP measure.

The following is a reconciliation of stockholders’ equity to tangible net worth:

	July 3, 2009
Stockholders’ equity	\$ 33,172,000
Goodwill and other intangibles, net	(13,269,000)
Related party loans, advances or investments	—
Tangible net worth	\$ 19,903,000

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (revised 2007), “*Business Combinations*” (SFAS 141R). SFAS 141R establishes the principles and requirements for how an acquirer: (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R makes significant changes to existing accounting practices for acquisitions. Under SFAS 141R, adjustments to the acquired entity’s deferred tax assets and uncertain tax position balances occurring outside the measurement period are recorded as a component of the income tax expense, rather than goodwill, which nullifies EITF 93-7, *Uncertainties Related to Income Taxes in a Purchase Business Combination*, (EITF 93-7). This requirement applies to all business combinations regardless of consummation date. SFAS 141R applies prospectively to business combinations, for which the acquisition date is on or after the beginning of the first annual reporting period on or after December 15, 2008, except for the transition provisions of EITF 93-7. We adopted SFAS 141R on January 3, 2009 and this had no effect on our financial statements.

In April 2008, the FASB issued FSP 142-3, “*Determination of the Useful Life of Intangible Assets*” (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. FSP 142-3 will be effective for fiscal years beginning after December 15, 2008. We adopted FSP 142-3 on January 3, 2009 and this had no effect on our financial statements.

In May 2009, the FASB issued SFAS No. 165, “*Subsequent Events*” (SFAS 165). SFAS 165 requires disclosure of the date through which a company evaluated the need to disclose events that occurred subsequent to the balance sheet date and whether that date represents the date the financial statements were issued or were available to be issued. We adopted SFAS 165 for the period ended July 3, 2009 and the adoption of SFAS 165 did not have any effect on its consolidated financial position, results of operations or cash flows.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

In addition to current and historical information, this report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future operations, prospects, potential products, services, developments and business strategies. These statements can, in some cases, be identified by the use of words like “may,” “will,” “should,” “could,” “would,” “intend,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “potential,” or “continue” or the negative of such terms or other comparable terminology. This report includes, among others, forward-looking statements regarding our:

- expectations about positive cash flow generation and existing cash and investments being sufficient to meet normal operating requirements;
- expectations about our access to capital markets;
- expectations about future customers;
- expectations about expanded service offerings;
- expectations about our ability to cross-sell additional services to existing clients;
- expectations about our intended geographical expansion;
- expectations about our ability to attract executive officers and key employees; and
- evaluation of the materiality of our current legal proceedings.

These statements involve certain known and unknown risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. The forward-looking statements in this report, as well as subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf, are hereby expressly qualified in their entirety by the cautionary statements in this report, including the risk factors in our Form 10-K for the year ended January 2, 2009. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances.

Item 3. Quantitative and Qualitative Disclosures About Market 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.

We had cash and cash equivalents of \$8.7 million as of July 3, 2009. This amount includes \$0.2 million invested in the Wells Fargo Stage Coach Sweep Investment Account, \$5.3 million invested in the Wells Fargo Money Market Mutual Fund and \$2.5 million invested in the Wells Fargo Advantage Heritage Fund. The balance of \$0.7 million represents cash on hand in business checking accounts. Although these investments are subject to variable interest rates, we do not believe we are subject to significant market risk for these short-term investments.

We do not engage in trading activities and do not participate in foreign currency transactions or utilize derivative financial instruments. Additionally, as of July 3, 2009, we did not have any outstanding debt under our revolving credit facility that bears interest at variable or fixed rates.

Item 4. 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 President and Chief Executive Officer, Thomas Brisbin, and our Chief Financial Officer, Kimberly Gant, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of July 3, 2009. 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 July 3, 2009. No change in our internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. 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, like ours, 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. We may incur substantial expenses in defending against third party claims. In the event of a determination adverse to us, we may incur substantial monetary liability and be required to change our business practices. Either of these results could have a material adverse effect on our financial position, results of operations or cash flows.

Other than as described below, we are not currently involved in any material litigation nor, to our knowledge, is any material litigation currently threatened against us, other than routine litigation arising in the ordinary course of business, most of which is expected to be covered by liability insurance.

County of San Diego v. Willdan, Superior Court of California, Riverside County

A complaint was filed against us on February 28, 2008 relating to a project for the reconstruction of a portion of Valley Center Road located in an unincorporated area of San Diego County. The design was completed by us and a contract was awarded to a construction contractor for construction of the improvements. The construction was originally scheduled for completion in December 2008; however completion has been delayed until fall 2009. The lawsuit alleges that the delays in construction were caused by errors and omissions in our preparation of reports and design and engineering of the project, resulting in additional design and construction costs, in an amount to be determined but believed to be in excess of \$5.0 million. We deny the allegations asserted in the lawsuit and will vigorously defend against the claims.

Topaz v. City of Laguna Beach, Superior Court of California, Orange County

This suit concerns a project by the City of Laguna Beach to reconstruct a retaining wall supporting a city road. We served as the construction observer for this project and designed the retaining wall. Subsequent to completion of the project, a slope below the retaining wall failed damaging the plaintiffs' residence. The retaining wall did not fail. The construction work was performed from February to March 2005 and the slope failure occurred in June 2005. The plaintiffs were not injured in the incident. The plaintiffs allege that the City of Laguna Beach violated its own ordinances by not obtaining appropriate geotechnical data during the design stage and by allowing the work to be constructed during the rainy season. The lawsuit names Merit Engineering, the project designer, Peterson-Chase Engineering, the general contractor and us, the construction observer, as defendants. We were named as a defendant in the first amended complaint filed on October 17, 2007. The plaintiffs filed a mediation brief on April 25, 2008 indicating damages to real and personal property in the amount of \$0.8 million and general damages between \$1.6 million and \$4.7 million. A cross-complaint has been filed in the action by Peterson-Chase against us seeking equitable apportionment. We deny the allegations asserted in the lawsuit and cross-complaint and will vigorously defend against the claims.

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

None.

Item 3. Defaults upon Senior Securities

None.

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Item 4. Submission of Matters to a Vote of Security Holders

Our annual meeting of stockholders (the "Annual Meeting") was held on June 5, 2009. Of the 7,188,251 common shares outstanding on April 13, 2009, a total of 5,480,647 shares were represented in person or by proxy at the Annual Meeting. Results of votes with respect to proposals submitted at the Annual Meeting are set forth below.

(a) To elect nine members of the Board of Directors, each to serve for a one-year term and until his or her successor is duly elected and qualified. Votes recorded, by nominee, were as follows:

Nominee	For	Withheld
Win Westfall	5,420,224	60,423
Thomas D. Brisbin	5,223,717	256,930
Linda L. Heil	5,361,957	118,690
Raymond W. Holdsworth	5,065,831	414,816
W. Tracy Lenocker	5,420,521	60,126
Douglas J. McEachern	5,066,131	414,516
Keith W. Renken	5,414,821	65,826
Wayne Shelton	5,414,821	65,826
John M. Toups	5,414,521	66,126

(b) To consider and vote upon the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for our Company for the year ending January 1, 2010:

For	Against	Abstain
5,462,174	17,273	1,200

Item 5. Other Information

On August 12, 2009, our Board of Directors amended and restated our bylaws (as amended and restated, the “Amended Bylaws”), which became effective immediately. The principal changes effected by the adoption of the Amended Bylaws are described below. The Amended Bylaws also include certain changes to (i) clarify language, (ii) comply or be consistent with Delaware law, and (iii) make various technical corrections and non-substantive changes.

Advance Notice of Stockholder Business and Director Nominations

Prior to this amendment, our bylaws did not contain advance notice provisions governing stockholder proposals or director nominations. Section 3.04 of the Amended Bylaws sets forth clear procedures and deadlines that a stockholder must follow if it intends to bring business proposals or nominate directors, as applicable, before a meeting of the stockholders. These provisions include:

- For an annual meeting of the stockholders, written notice of a stockholder’s intention to bring business proposals or nominate persons for election to the Board of Directors must be delivered to us not later than the ninetieth (90th) day or earlier than the one hundred twentieth (120th) day prior to the first anniversary of the preceding year’s annual meeting. If an annual meeting of stockholders is held more than thirty (30) days before or more than sixty (60) days after the first anniversary of the preceding year’s annual meeting, notice by the stockholder must be delivered not earlier than the one hundred twentieth (120th) day prior to such annual meeting and not later than the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following our first public announcement of the date of the annual meeting.
- If the Board of Directors has determined that directors will be elected at a special meeting of the stockholders, written notice of a stockholder’s intention to nominate persons for election to the Board of Directors before such special meeting must be delivered to us not earlier than the one hundred twentieth (120th) day prior to the special meeting and not later than the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following our first public announcement of the date of the special meeting.

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- Providing specifications for the contents of the stockholder notice, including a brief description of the business to be brought before the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made, information relating to the stockholder’s beneficial ownership of shares of our capital stock and any derivative security or other arrangement in our securities, and statements on whether the stockholder intends to deliver a proxy statement to holders of our outstanding capital stock or solicit proxies in support of its proposal or nomination.

Special Stockholder Meetings

The Amended Bylaws were revised to allow that only our Board of Directors (or a duly authorized committee of the Board of Directors) or our President may call special meetings of the stockholders.

Indemnification of Directors, Officers, Employees and Other Agents

The Amended Bylaws clarify certain provisions in Article IX of the prior bylaws relating to the indemnification of our directors, officers, employees and other agents in connection with any proceeding arising out of or in connection with their service to us.

The foregoing description of the Amended Bylaws contained in this report does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended Bylaws, a copy of which is attached hereto as Exhibit 3.2 and incorporated herein by reference.

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Item 6. Exhibits

Exhibit Number	Exhibit Description
3.1	Articles of Incorporation of Willdan Group, Inc., including amendments thereto(1)

- 3.2 Bylaws of Willdan Group, Inc.*
- 10.1 Amendment to Executive Employment Agreement between Willdan Group, Inc. and Kimberly D. Gant dated April 22, 2009(2)
- 31.1 Certification of Chief Executive 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*
- 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*

* Filed herewith.

- (1) Incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the Securities and Exchange Commission on August 9, 2006, as amended (File No. 333-136444).
- (2) Incorporated by reference to Willdan Group, Inc.'s Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 14, 2009.

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SIGNATURE

Pursuant to the requirements 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.

By: /s/ Kimberly D. Gant
 Kimberly D. Gant
 Chief Financial Officer, Senior Vice President
 Date: August 13, 2009

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WILLDAN GROUP, INC.

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AMENDED AND RESTATED BYLAWS

OF

WILLDAN GROUP, INC.

A DELAWARE CORPORATION

I. REFERENCES TO CERTAIN TERMS AND CONSTRUCTION

1.01. Certain References. Any reference herein made to law will be deemed to refer to the law of the State of Delaware, including any applicable provision of Chapter 1 of Title 8 of the Delaware Statutes, or any successor statutes, as from time to time amended and in effect (sometimes referred to herein as the “Delaware General Corporation Law”). Any reference herein made to the “Certificate” will be deemed to refer to the Certificate of Incorporation of Willdan Group, Inc. (the “Company”) and all amendments thereto as at any given time on file with the Delaware Secretary of State (any reference herein to that office being intended to include any successor to the incorporating and related functions being performed by that office at the date of the initial adoption of these Bylaws). Except as otherwise required by law, the term “stockholder” as used herein shall mean one who is a holder of record of shares of the Company.

1.02. Seniority. The law and the Certificate (in that order of precedence) will in all respects be considered senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the law and such Certificate (in that order of precedence), and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

1.03. Computation of Time. The time during which an act is required to be done, including the time for the giving of any required notice herein, shall be computed by excluding the first day or hour, as the case may be, and including the last day or hour.

II. OFFICES

2.01. Principal Office. The principal office or place of business of the Company in the State of Delaware shall be the registered office of the Company in the State of Delaware. The Company may change its registered office from time to time in accordance with the relevant provisions of the Delaware General Corporation Law. The Company may have such other offices, either within or without the State of Delaware, as the board of directors of the Company (the “Board of Directors”) may designate or as the business of the Company may require from time to time.

III. STOCKHOLDERS

3.01. Annual Stockholder Meeting. The annual meeting of the stockholders shall be held at such time and place, either within or without the State of Delaware, as shall be fixed by the Board of Directors or, in the absence of action by the Board, as set forth in the notice given or waiver signed with respect to such meeting pursuant to Section 3.03 below, for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting. If any annual meeting is for any reason not held on the date determined as aforesaid, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings may be conducted. If the day fixed for the annual meeting shall be a legal holiday in the State of Delaware such meeting shall be held on the next succeeding business day.

3.02. Special Stockholder Meetings. Special meetings of stockholders may be called at any time by the Board of Directors or by the President, or by a committee of the Board which has been duly designated by the Board and whose powers and authority, as expressly provided in a resolution of the Board, include the power to call such meetings, but such special meetings may not be called by any other person or persons. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice of the meeting.

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3.03. Notice of Stockholders Meetings.

(a) Required Notice. Except as otherwise allowed or required by law, written notice stating the place, day and hour of any annual or special stockholders meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting by or at the direction of the person or persons calling the meeting, to each stockholder entitled to vote at such meeting and to any other stockholder entitled to receive notice of the meeting by law or the Certificate. Such notice may be given either personally or by sending a copy thereof through the mail, by telegraph or by private delivery service (including overnight courier), charges prepaid, to each stockholder at his/her address as it appears on the records of the Company. If the notice is sent by mail, by telegraph or by private delivery service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or private delivery service, in each case with charges prepaid, for transmission to such person.

Without limiting the foregoing provisions, any notice given to stockholders under this section shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Company. Any such consent shall be deemed revoked if the Company is unable to deliver by electronic transmission two consecutive notices and such inability becomes known to the Secretary of the Company or other person responsible for the giving of notice; provided that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice shall be deemed given: (i) if by facsimile, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (iv) if by any other electronic transmission, when directed to the stockholder.

(b) Adjourned Meeting. If any stockholders’ meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place are announced at the meeting at which the adjournment is taken. But if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, then notice of the adjourned meeting shall be given to

each stockholder of record entitled to such notice pursuant to Section 3.03(a) above. At any adjourned meeting for which no new record date and notice are required hereunder, the Company may transact any business which might have been transacted at the original meeting.

(c) Waiver of Notice. Any stockholder may waive notice of a meeting (or any notice of any other action required to be given by the Delaware General Corporation Law, the Company's Certificate, or these Bylaws), at any time before, during, or after the meeting or other action, by a writing signed by the stockholder entitled to the notice or a waiver by electronic transmission by the person entitled to notice. Each such waiver shall be delivered to the Company for inclusion in the minutes or filing with the corporate records. Attendance of a stockholder at a meeting shall constitute a waiver of notice of the meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

3.04. Advance Notice of Stockholder Business and Director Nominations.

(a) Annual Meetings of Stockholders.

(i) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the Company's notice of meeting (or any supplement thereto), (b) by or at the direction of the Board of Directors or any duly authorized committee thereof, or (c) by any stockholder of the Company who was a stockholder of record of the Company at the time the notice provided for in this Section 3.04 is delivered to the Secretary of the Company, who is entitled to vote at the meeting, and who complies with the notice procedures set forth in this Section 3.04.

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(ii) For director nominations or other business to be properly brought before an annual meeting of stockholders by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Company and any such proposed business must constitute a proper matter for stockholder action under the Delaware General Corporation Law. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal office of the Company not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Company). In no event shall the public announcement of an adjournment or postponement of an annual meeting of stockholders commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. To be in proper written form, a stockholder's notice to the Secretary (whether pursuant to this Section 3.04(a)(ii) or Section 3.04(b)) must set forth:

(A) as to each person, if any, whom the stockholder proposes to nominate for election as a director (x) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") and (y) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected;

(B) if the notice relates to any business (other than the nomination of persons for election as directors) that the stockholder proposes to bring before the meeting, (w) a brief description of the business desired to be brought before the meeting, (x) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the bylaws of the Company, the language of the proposed amendment), (y) the reasons for conducting such business at the meeting, and (z) any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and

(C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (v) the name and address of such stockholder, as they appear on the Company's books, and of such beneficial owner, (w) the class or series and number of shares of capital stock of the Company that are, directly or indirectly, owned beneficially and of record by such stockholder and by such beneficial owner, (x) any derivative positions with respect to shares of capital stock of the Company held or beneficially held by or on behalf of such stockholder and by or on behalf of such beneficial owner, the extent to which any hedging or other transaction or series of transactions has been entered into with respect to the shares of capital stock of the Company by or on behalf of such stockholder and by or on behalf of such beneficial owner, and the extent to which any other agreement, arrangement or understanding has been made, the effect or intent of which is to increase or decrease the voting power of such stockholder and such beneficial owner with respect to shares of capital stock of the Company, (y) a representation that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (z) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group that intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to approve or adopt the proposal or elect the nominee or (ii) otherwise to solicit proxies from stockholders in support of such proposal or nomination.

The Company may require any proposed nominee to furnish such other information as it may reasonably require to determine (x) the eligibility of such proposed nominee to serve as a director, and (y) whether such nominee qualifies as an "independent director" or "audit committee financial expert" under applicable law, securities exchange rule or regulation, or any publicly-disclosed corporate governance guideline or committee charter of the Company.

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(iii) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this Section 3.04 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Company at an annual meeting is increased and there is no public announcement by the Company naming all of the nominees for director or specifying the size of the increased Board of Directors at least one hundred (100) days

prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 3.04 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Company at the principal office of the Company not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Company.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Company's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Company's notice of meeting (1) by or at the direction of the Board of Directors or any duly authorized committee thereof or (2) provided that the Board of Directors or any duly authorized committee thereof has determined that directors shall be elected at such meeting, by any stockholder of the Company who is a stockholder of record at the time the notice provided for in this Section 3.04 is delivered to the Secretary of the Company, who is entitled to vote at the meeting and upon such election, and who complies with the notice procedures set forth in this Section 3.04. In the event the Company calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Company's notice of meeting, if the stockholder's notice is in the same form as required by paragraph (a)(ii) of this Section 3.04 and is delivered to the Secretary at the principal office of the Company not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) General.

(i) Only such persons who are nominated in accordance with the procedures set forth in this Section 3.04 shall be eligible to be elected at an annual or special meeting of stockholders of the Company to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 3.04. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty (A) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 3.04 and (B) if any proposed nomination or business was not made or proposed in compliance with this Section 3.04, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 3.04, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Company to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be considered, notwithstanding that proxies in respect of such vote may have been received by the Company. For purposes of this Section 3.04, to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(ii) For purposes of this Section 3.04, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document publicly filed by the Company with the United States Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act.

Nothing in this Section 3.04 shall be deemed to affect any rights of stockholders to request inclusion of proposals or nominations in the Company's proxy statement pursuant to Rule 14a-8 (or any successor thereto) promulgated under the Exchange Act.

3.05. Fixing of Record Date. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or in order to make a determination of stockholders for any other proper purpose, the Board of Directors may fix a date as the record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors. In the case of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, such record date shall not be more than sixty (60) days nor less than ten (10) days prior to the date of such meeting. In the case of determining stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the record date shall be not more than sixty (60) days prior to such action. If no record date is so fixed by the Board of Directors, the record date for the determination of stockholders shall be as provided in the Delaware General Corporation Law.

When a determination of stockholders entitled to notice of or to vote at any meeting of stockholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date.

3.06. Stockholder List. The officer who has charge of the stock ledger of the Company shall make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address and the number of shares registered in the name of each. The stockholder list shall be available for inspection by any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Company. If the meeting is to be held at a place, then the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, failure to comply with this section shall not affect the validity of any action taken at the meeting.

3.07. Stockholder Quorum and Voting Requirements. Unless otherwise provided in the Certificate or required by law,

(a) a majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at a meeting of stockholders;

(b) in all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at a meeting and entitled to vote on the subject matter shall be at the act of the stockholders;

(c) directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at a meeting and entitled to vote on the election of directors; and

(d) where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and the affirmative vote of the majority of shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class.

Except as provided below, voting will be by ballot on any question as to which a ballot vote is demanded prior to the time the voting begins by any person entitled to vote on such question; otherwise, a voice vote will suffice. No ballot or change of vote will be accepted after the polls have been declared closed following the ending of the announced time for voting.

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3.08. Proxies. At all meetings of stockholders, a stockholder may vote in person or by proxy duly executed in writing by the stockholder or the stockholder's duly authorized attorney-in-fact. Such proxy shall comply with law and shall be filed with the Secretary of the Company or other person authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after three (3) years from the date of its execution unless otherwise provided in the proxy. The burden of proving the validity of any undated, irrevocable, or otherwise contested proxy at a meeting of the stockholders will rest with the person seeking to exercise the same. If authorized by the Board of Directors, any requirement of a written ballot shall be satisfied by a ballot submitted by electronic transmission transmitted by a stockholder or by such stockholder's duly authorized attorney-in-fact, provided that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder or the proxy holder.

3.09. Voting of Shares. Unless otherwise provided in the Certificate or the Delaware General Corporation Law, each outstanding share entitled to vote shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of stockholders.

3.10. Election Inspectors. The Board of Directors, in advance of any meeting of the stockholders, may, and shall if required by law, appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, and shall if required by law, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there be more than one) will determine the number of shares outstanding, the authenticity, validity, and effect of proxies, the credentials of persons purporting to be stockholders or persons named or referred to in proxies, and the number of shares represented at the meeting in person and by proxy; will receive and count votes, ballots, and consents and announce the results thereof; will hear and determine all challenges and questions pertaining to proxies and voting; and, in general, will perform such acts as may be required by law or proper to conduct elections and voting with complete fairness to all stockholders. No such election inspector need be a stockholder of the Company.

3.11. Organization and Conduct of Meetings. Each meeting of the stockholders will be called to order and thereafter chaired by the Chairman of the Board of Directors if there is one, or, if not, or if the Chairman of the Board is absent or so requests, then by the President, or if both the Chairman of the Board and the President are unavailable, then by such other officer of the Company or such stockholder as may be appointed by the Board of Directors. The Company's Secretary or in his or her absence, an Assistant Secretary will act as secretary of each meeting of the stockholders. If neither the Secretary nor an Assistant Secretary is in attendance, the chairman of the meeting may appoint any person (whether a stockholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all stockholders intending to vote in person and the filing of all proxies with the election inspector or inspectors, if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions, or revocations of proxies will be accepted. If directors are to be elected, a tabulation of the proxies so filed will, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) prior to the closing of the election polls. Absent a showing of bad faith on his or her part, the chairman of a meeting will, among other things, have absolute authority to fix the period of time allowed for the registration of stockholders and the filing of proxies, to determine the order of business to be conducted at such meeting, and to establish reasonable rules for expediting the business of the meeting and preserving the orderly conduct thereof (including any informal, or question and answer portions thereof).

3.12. Stockholder Approval or Ratification. The Board of Directors may submit any contract or act for approval or ratification of the stockholders at a duly constituted meeting of the stockholders. Except as otherwise required by law, if any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting, the same will be valid and as binding upon the Company and all of its stockholders as it would be if it were the act of its stockholders.

3.13. Action Without a Meeting. No action shall be taken by the stockholders except at an annual or special meeting of stockholders called in accordance with these Bylaws, and no action shall be taken by the stockholders by written consent without a meeting.

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3.14. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the stockholders or in the areas of credentials, proxies, quorums, voting, and similar matters, will be deemed waived if no objection is made at the meeting.

3.15. Participation by Remote Communication. If authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxyholders not physically present at any annual or special meeting of stockholders may, by means of remote communication:

(a) Participate in any annual or special meeting of stockholders; and

(b) Be deemed present in person and vote at an annual or special meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Company shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) the Company shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Company.

IV. BOARD OF DIRECTORS

4.01. General Powers. The business and affairs of the Company shall be managed by or under the direction of the Board of Directors.

4.02. Number, Tenure, and Qualification of Directors. Unless otherwise provided in the Certificate, the authorized number of directors shall be set by a resolution of the Board of Directors. The number of directors shall be fixed at nine (9) until changed by the Board of Directors. The directors will regularly be elected at each annual meeting of the stockholders, but directors may be elected at any other meeting of the stockholders. Each director shall hold office until his/her successor shall have been elected and qualified or until his/her earlier resignation or removal. Unless required by the Certificate, directors do not need to be residents of the State of Delaware or stockholders of the Company.

4.03. Regular Meetings of the Board of Directors. A regular annual meeting of the Board of Directors is to be held as soon as practicable after the adjournment of each annual meeting of the stockholders, either at the place of the stockholders meeting or at such other place as the directors elected at the stockholders meeting may have been informed of at or prior to the time of their election. Additional regular meetings may be held at regular intervals at such places and at such times as the Board of Directors may determine.

4.04. Special Meetings of the Board of Directors. Special meetings of the Board of Directors may be held whenever and wherever called for by the Chairman of the Board, the President, or the number of directors that would be required to constitute a quorum.

4.05. Notice of, and Waiver of Notice for, Directors Meetings. No notice need be given of regular meetings of the Board of Directors. Notice of the time and place (but not necessarily the purpose or all of the purposes) of any special meeting will be given to each director in person or by telephone, or via mail, electronic mail or facsimile transmission. Notice to any director of any such special meeting will be deemed given sufficiently in advance when (i), if given by mail, the same is deposited in the United States mail at least four (4) days before the meeting date, with postage thereon prepaid, (ii), if given by facsimile transmission or electronic mail, the same is transmitted at least 24 hours prior to the convening of the meeting, or (iii), if personally delivered (including by overnight courier) or given by telephone, the same is handed, or the substance thereof is communicated over the telephone to the director or to an adult member of his or her office staff or household, at least 24 hours prior to the convening of the meeting. Any director may waive notice of any meeting and any adjournment thereof at any time before, during, or after it is held, as provided by law. Except as provided in the next sentence below, the waiver must be in writing, signed by the director entitled to the notice, or by electronic transmission from the person entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

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4.06. Director Quorum. A majority of the total number of directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, unless the Certificate requires a greater number.

4.07. Directors, Manner of Acting.

(a) The affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the Certificate or these Bylaws require a greater percentage and except as otherwise required by law.

(b) Unless the Certificate provides otherwise, any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, conference telephone or other communications equipment by means of which all persons participating in the meeting may hear each other, in which case any required notice of such meeting may generally describe the arrangements (rather than or in addition to the place) for the holding thereof. A director participating in a meeting by this means is deemed to be present in person at the meeting.

(c) A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless: (1) the director objects at the beginning of the meeting (or promptly upon his/her arrival) to holding it or transacting business at the meeting; or (2) his/her dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he/she delivers written notice of his/her dissent or abstention to the presiding officer of the meeting before its adjournment or to the Company before 5:00 p.m. on the next business day after the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.08. Director Action Without a Meeting. Unless the Certificate provides otherwise, any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if the action is taken by unanimous consent of the Board of Directors as evidenced by one (1) or more written consents describing the action taken, signed by each director, or by electronic transmission in accordance with law, and filed with the minutes or proceedings of the Board of Directors.

4.09. Removal of Directors by Stockholders. Except as limited by the Certificate or by law, any director or the entire Board of Directors may be removed with or without cause, by the holders of a majority of the shares entitled to vote at an election of directors; provided, that if directors may be elected by cumulative voting, if less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against removal of such director would be sufficient to elect such director if voted cumulatively (without regard to whether shares may otherwise be voted cumulatively) at an election of the entire Board of Directors.

4.10. Board of Director Vacancies. Unless the Certificate provides otherwise and except as otherwise provided by law, any vacancy or newly created directorship may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

4.11. Director Compensation. Unless otherwise provided in the Certificate, by resolution of the Board of Directors, each director may be paid his/her expenses, if any, of attendance at each meeting of the Board of Directors or any committee thereof, and may be paid a stated salary as director or a fixed sum for attendance at each meeting of the Board of Directors or any committee thereof, or both. No such payment shall preclude any director from serving the Company in any capacity and receiving compensation therefor.

4.12. Director Committees.

(a) Creation of Committees. Unless the Certificate provides otherwise, the Board of Directors may create one (1) or more committees and appoint members of the Board of Directors to serve on them. Each committee shall have one (1) or more members, who serve at the pleasure of the Board of Directors. The Chairman of the Board is an ex-officio member of each committee and, unless not permitted by law, any securities exchange rule or regulation or any committee charter of the Company, may attend all committee meetings, although he/she will only receive compensation if he/she is an appointed member of such committee.

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(b) Selection of Members. The creation of a committee and appointment of members to it shall be approved by the greater of (1) a majority of all the directors in office when the action is taken or (2) the number of directors required by the Certificate to take such action. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he/she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(c) Required Procedures. Sections 4.03 through 4.08 of this Article IV, which govern meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors, apply to committees and their members.

(d) Authority. Unless limited by the Certificate and except to the extent limited by law, each committee may exercise those aspects of the authority of the Board of Directors which the Board of Directors confers upon such committee in the resolution creating the committee.

4.13. Director Resignations. Any director or committee member may resign from his or her office at any time by written notice or electronic transmission delivered to the Company as required by law. Any such resignation will be effective upon its receipt unless some later time is therein fixed, and then from that time. The acceptance of a resignation will not be required to make it effective.

V. OFFICERS

5.01. Number of Officers. The officers of the Company shall be a President, a Chief Financial Officer and a Secretary, each of whom shall be appointed by the Board of Directors. Such other officers and assistant officers as may be deemed necessary, including any Vice Presidents or a Chief Operating Officer, may be appointed by the Board of Directors. If specifically authorized by the Board of Directors, an officer may appoint one (1) or more other officers or assistant officers. The same individual may simultaneously hold more than one (1) office in the Company.

5.02. Appointment and Term of Office. The officers of the Company shall be appointed by the Board of Directors for a term as determined by the Board of Directors. The designation of a specified term grants to the officer no contract rights, and the Board of Directors can remove the officer at any time prior to the termination of such term. If no term is specified, an officer of the Company shall hold office until he or she resigns, dies, or until he or she is removed in the manner provided by law or in Section 5.03 of this Article V. The regular election or appointment of officers will take place at each annual meeting of the Board of Directors, but elections of officers may be held at any other meeting of the Board.

5.03. Resignation and Removal of Officers. An officer may resign at any time by delivering written notice to the Company. A resignation is effective when the notice is delivered unless the notice specifies a later effective date or event. Any officer may be removed by the Board of Directors at any time, with or without cause. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Appointment of an officer shall not of itself create contract rights.

5.04. Duties of Officers. Officers of the Company shall have authority to perform such duties as may be prescribed from time to time by law, in these Bylaws, or by the Board of Directors, the President, or the superior officer of any such officer. Each officer of the Company (in the order designated herein or by the Board) will be vested with all of the powers and charged with all of the duties of his or her superior officer in the event of such superior officer's absence, death, or disability.

5.05. Bonds and Other Requirements. The Board of Directors may require any officer to give bond to the Company (with sufficient surety and conditioned for the faithful performance of the duties of his or her office) and to comply with such other conditions as may from time to time be required of him or her by the Board of Directors.

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5.06. President. Unless otherwise specified by resolution of the Board of Directors, the President shall be the Chief Executive Officer of the Company and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Company. He or she, when present, shall preside at all meetings of the stockholders and at all meetings of the Board of Directors in the absence of a Chairman of the Board. The President will be a proper officer to sign on behalf of the Company any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture, contract, or other instrument, except in each such case where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Company, or shall be required by law to be otherwise signed or executed. The President may represent the Company at any meeting of the stockholders or members of any other corporation, association, partnership, joint venture, or other entity in which the Company then holds shares of capital stock or has an interest, and may vote such shares of capital stock or other interest in person or by proxy appointed by him or her, provided that the Board of Directors may from time to time confer the foregoing authority upon any other person or persons.

5.07. The Chief Operating Officer. The Chief Operating Officer, if appointed, shall perform such senior duties in connection with the operations of the Company as the Board of Directors shall from time to time determine, and shall serve at the pleasure of the President. If appointed, in the absence of the President or in the event of his/her death or disability, the Chief Operating Officer shall perform all of the duties of the President, and when so acting shall have all of the powers of and be subject to all of the restrictions upon the President.

5.08. The Executive Vice President, the Senior Vice President, and the Vice Presidents. If appointed, in the absence of the President and the Chief Operating Officer or in the event of the death or disability of both, the Executive Vice President, the Senior Vice President or the Vice Presidents fixed as determined by the Board, shall perform all of the duties of the President, and when so acting shall have all of the powers of and be subject to all of the restrictions upon the President. The Executive Vice President, the Senior Vice President and the Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, the President and by the Bylaws. The Executive Vice President, the Senior President and the Vice Presidents shall serve at the pleasure of the President.

5.09. The Secretary. The Secretary shall: (a) keep the minutes of the proceedings of the stockholders and of the Board of Directors and any committee of the Board of Directors and all unanimous written consents of the stockholders, Board of Directors, and any committee of the Board of Directors in one (1) or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of any seal of the Company; (d) when requested or required, authenticate any records of the Company; (e) keep a register of the address of each stockholder which shall be furnished to the Secretary by such stockholder; and (f) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him/her by the President or by the Board of Directors. Except as may otherwise be specifically provided in a resolution of the Board of Directors, the Secretary will be a proper officer to take charge of the Company's stock transfer books and to compile the voting record pursuant to Section 3.06 above, and to impress the Company's seal, if any, on any instrument signed by the President, any Vice President, or any other duly authorized person, and to attest to the same. In the absence of the Secretary, a secretary pro tempore may be chosen by the directors or stockholders as appropriate to perform the duties of the Secretary.

5.10. The Chief Financial Officer. The Chief Financial Officer shall: (a) have charge and custody of and be responsible for all funds and securities of the Company; (b) receive and give receipts for moneys due and payable to the Company from any source whatsoever, and deposit all such moneys in the name of the Company in such bank, trust companies, or other depositories as shall be selected by the Board of Directors or any proper officer; (c) keep full and accurate accounts of receipts and disbursements in books and records of the Company; and (d) in general perform all of the duties incident to the office of Chief Financial Officer and such other duties as from time to time may be assigned to him/her by the President or by the Board of Directors. The Chief Financial Officer will render to the President, the directors, and the stockholders at proper times an account of all his or her transactions as Chief Financial Officer and of the financial condition of the Company. The Chief Financial Officer shall be responsible for preparing and filing such financial reports, financial statements, and returns as may be required by law.

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5.11. Assistant Secretaries and Assistant Financial Officers. The Assistant Secretaries and the Assistant Financial Officers, when authorized by the Board of Directors, may sign with the President or a Vice President certificates for shares of the Company, the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Secretaries and Assistant Financial Officers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Chief Financial Officer, respectively, or by the President or the Board of Directors.

5.12. Chairman of the Board. The Board of Directors may elect a Chairman to serve as a general executive officer of the Company, and, if specifically designated as such by the Board of Directors, as the President of the Company. If elected, the Chairman will preside at all meetings of the Board of Directors and be vested with such other powers and duties as the Board of Directors may from time to time delegate to him or her.

5.13. Salaries. The salaries of the executive officers of the Company shall be fixed from time to time by the Board of Directors or the Compensation Committee as required by law or regulation. No officer will be prevented from receiving a salary by reason of the fact that he or she is also a director of the Company.

5.14. Additional Appointments. In addition to the officers contemplated in this Article V, the Board of Directors may appoint other agents of the Company with such authority to perform such duties as may be prescribed from time to time by the Board of Directors.

VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.01. Certificates for Shares.

(a) Content. Certificates representing shares of the Company shall, at a minimum, state on their face the name of the issuing corporation and that it is formed under the laws of the State of Delaware, the name of the person to whom issued, and the number and class of shares and the designation of the series, if any, the certificate represents. Such certificates shall be signed (either manually or by facsimile to the extent allowable by law) by any of the Chairman of the Board (if any), the President, or any Vice President and by the Secretary or any assistant secretary or the Chief Financial Officer or any Assistant Financial Officer of the Company, and may be sealed with a corporate seal or a facsimile thereof. Each certificate for shares shall be consecutively numbered or otherwise identified and will exhibit such information as may be required by law. If a supply of unissued certificates bearing the facsimile signature of a person remains when that person ceases to hold the office of the Company indicated on such certificates or ceases to be the transfer agent or registrar of the Company, they may still be issued by the Company and countersigned, registered, issued, and delivered by the Company's transfer agent and/or registrar thereafter, as though such person had continued to hold the office indicated on such certificate.

(b) Legend as to Class or Series. If the Company is authorized to issue different classes of shares or different series within a class, the powers, designations, preferences, and relative, participating, optional, or other special rights applicable to each class or series and the qualifications, limitations, or restrictions of such preference and/or rights shall be set forth in full or summarized on the front or back of each certificate as required by law. Alternatively, each certificate may state on its front or back that the Company will furnish a stockholder this information on request and without charge.

(c) Stockholder List. The name and address of the person to whom shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Company.

(d) Lost Certificates. In the event of the loss, theft, or destruction of any certificate representing shares of the Company or of any predecessor corporation, the Company may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may

direct such transfer agent and/or registrar to countersign, register, and issue) a new certificate, and cause the same to be delivered to the registered owner of the shares represented thereby; provided that such owner shall have submitted such evidence showing the circumstances of the alleged loss, theft, or destruction, and his, her, or its ownership of the certificate, as the Company considers satisfactory, together with any other facts that the Company considers pertinent; and further provided that, if so required by the Company, the owner shall provide a bond or other indemnity in form and amount satisfactory to the Company (and to its transfer agent and/or registrar, if applicable).

6.02. Registration of the Transfer of Shares. Registration of the transfer of shares of the Company shall be made only on the stock transfer books of the Company. In order to register a transfer, the record owner shall surrender the shares to the Company for cancellation, properly endorsed by the appropriate person or persons with reasonable assurances that the endorsements are genuine and effective. Unless the Company has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the Company as the owner, the Company will be entitled to treat the registered owner of any share of the capital stock of the Company as the absolute owner thereof and, accordingly, will not be bound to recognize any beneficial, equitable, or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may expressly be provided by applicable law.

6.03. Shares Without Certificates. The Board of Directors may authorize the issuance of uncertificated shares by the Company and may prescribe procedures for the issuance and registration of transfer thereof and with respect to such other matters as the Board of Directors shall deem necessary or appropriate.

VII. DISTRIBUTIONS

7.01. Distributions. Subject to such restrictions or requirements as may be imposed by applicable law or the Company's Certificate or as may otherwise be binding upon the Company, the Board of Directors may from time to time declare, and the Company may pay or make, dividends or other distributions to its stockholders.

VIII. CORPORATE SEAL

8.01. Corporate Seal. The Board of Directors may provide for a corporate seal of the Company that will have inscribed thereon any designation including the name of the Company, Delaware as the state of incorporation, the year of incorporation, and the words "Corporate Seal."

IX. INDEMNIFICATION AND INSURANCE

9.01. Indemnification. (a) The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that the person is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(b) The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a present or former director or officer of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 9.01(a) and (b) of these Bylaws, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(d) Any indemnification under Sections 9.01(a) and (b) of these Bylaws (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in Sections 9.01(a) and (b) of these Bylaws. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders of the Company.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding, provided that the payment of any such expenses incurred by such officer or director shall be made only upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Company pursuant to this Article IX.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article IX shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Article IX shall be deemed to be a contract between the Company and each director, officer, employee or agent of the Company who serves or served in such capacity or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity at any time while this Article IX is in effect.

(g) Any person who after the date of the adoption of this provision becomes or remains a director, officer, employee or agent of the Company or who, while a director, officer, employee or agent of the Company, becomes or remains at the request of the Company a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, shall be conclusively presumed to have relied on the rights to indemnity, advance of expenses and other rights contained in this Article IX in entering into or continuing such service. The rights to indemnification and to the advancement of expenses conferred in this Article IX shall apply to claims made against any such person arising out of acts or omissions which occurred or occur both prior and subsequent to the adoption hereof. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article IX shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(h) If this Article IX or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify each person entitled to indemnification under Section 9.01(a) as to all expense, liability and loss (including attorneys' fees and related disbursements, judgments, fines, ERISA excise taxes and penalties, penalties and amounts paid or to be paid in settlement) actually and reasonably incurred and suffered by such person and for which indemnification is available to such person pursuant to this Article IX to the full extent permitted by any applicable portion of this Article IX that shall not have been invalidated and to the full extent permitted by applicable law.

(i) The Company's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise, or nonprofit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit entity.

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(j) Any repeal or modification of the foregoing provisions of this Article IX shall not adversely affect any right or protection under this Article IX of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

(k) In the event of payment under this Article IX, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the director, officer, employee or agent (under any insurance policy or otherwise), who shall execute all papers required and shall do everything necessary to secure such rights, including the execution of such documents necessary to enable the Company to effectively bring suit to enforce such rights.

(l) The director, officer, employee or agent shall promptly notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter which may be subject to indemnification or reimbursement of expenses covered by this Article IX. As a condition to indemnification or reimbursement of expenses, any demand for payment by such director, officer, employee or agent hereunder shall be in writing and shall provide an accounting of the amounts to be paid by Company (which shall include detailed invoices and other relevant documentation).

(m) For purposes of this Article IX, references to "the Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(n) For purposes of this Article IX, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves service by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Article IX.

9.02 Insurance for Indemnification. The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Company would have the power to indemnify such person against such liability under the provisions of Section 145 of the Delaware General Corporation Law.

X. AMENDMENTS

10.01. Amendments. The Company's Board of Directors may amend or repeal the Company's Bylaws unless the Certificate or the Delaware General Corporation Law reserve any particular exercise of this power exclusively to the stockholders in whole or part. The Company's stockholders may amend or repeal the Company's Bylaws even though the Bylaws may also be amended or repealed by its Board of Directors.

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OF

WILLDAN GROUP, INC.

I hereby certify that I am the duly elected and acting Secretary of said Company and that the foregoing Bylaws, comprising 15 pages including this page, constitute the Amended and Restated Bylaws of said Company as duly adopted by the Board of Directors thereof by action taken with a meeting.

Dated as of August 12, 2009

/s/ Roy L. Gill

Roy L. Gill, Secretary

SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Thomas D. Brisbin, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 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 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: August 13, 2009

By: /s/ Thomas D. Brisbin
Thomas D. Brisbin
President and Chief Executive Officer

SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Kimberly D. Gant, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 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 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: August 13, 2009

By: /s/ Kimberly D. Gant
Kimberly D. Gant
Chief Financial Officer and Senior Vice President

**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 Quarterly Report on Form 10-Q of Willdan Group, Inc. (the "Company") for the quarterly period ended July 3, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Thomas D. Brisbin, as President and Chief Executive Officer of the Company, and Kimberly D. Gant, as Chief Financial Officer and Senior Vice President 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
President and Chief Executive Officer
August 13, 2009

By: /s/ Kimberly D. Gant
Kimberly D. Gant
Chief Financial Officer and Senior Vice President
August 13, 2009

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.
