
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 28, 2012

OR

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

For the transition period from to

Commission file number 001-33076

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 x No o

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

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

Large accelerated filer o

Accelerated filer o

Non-accelerated filer o

Smaller reporting company x

(Do not check if a 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 o No x

As of November 5, 2012, there were 7,335,365 shares of common stock, \$0.01 par value per share, of Willdan Group, Inc. issued and outstanding.

Item 1. Financial Statements	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	24
Item 4. Controls and Procedures	25
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	25
Item 1A. Risk Factors	26
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3. Defaults upon Senior Securities	27
Item 4. Mine Safety Disclosures	27
Item 5. Other Information	27
Item 6. Exhibits	28

[Table of Contents](#)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 28, 2012 (unaudited)	December 30, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,230,000	\$ 3,001,000
Accounts receivable, net of allowance for doubtful accounts of \$562,000 and \$421,000 at September 28, 2012 and December 30, 2011, respectively	14,079,000	16,782,000
Costs and estimated earnings in excess of billings on uncompleted contracts	11,154,000	20,672,000
Other receivables	128,000	175,000
Prepaid expenses and other current assets	1,072,000	1,724,000
Total current assets	35,663,000	42,354,000
Equipment and leasehold improvements, net	1,014,000	1,217,000
Goodwill	—	15,208,000
Other intangible assets, net	20,000	49,000
Other assets	353,000	383,000
Deferred income taxes, net of current portion	5,336,000	5,100,000
Total assets	<u>\$ 42,386,000</u>	<u>\$ 64,311,000</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Excess of outstanding checks over bank balance	\$ 1,496,000	\$ 1,777,000
Borrowings under line of credit	3,000,000	256,000
Accounts payable	4,946,000	8,182,000
Accrued liabilities	7,536,000	10,192,000
Billings in excess of costs and estimated earnings on uncompleted contracts	3,607,000	752,000
Current portion of notes payable	71,000	600,000
Current portion of capital lease obligations	150,000	163,000
Current portion of deferred income taxes	4,001,000	7,349,000
Total current liabilities	24,807,000	29,271,000
Notes payable, less current portion	24,000	77,000
Capital lease obligations, less current portion	116,000	136,000
Deferred lease obligations	435,000	534,000
Total liabilities	25,382,000	30,018,000
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: 7,335,000 and 7,274,000 shares issued and outstanding at September 28, 2012 and December 30, 2011, respectively	73,000	73,000
Additional paid-in capital	34,376,000	34,065,000
Accumulated (deficit) earnings	(17,445,000)	155,000
Total stockholders' equity	<u>17,004,000</u>	<u>34,293,000</u>
Total liabilities and stockholders' equity	<u>\$ 42,386,000</u>	<u>\$ 64,311,000</u>

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

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

	Three Months Ended		Nine Months Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
Contract revenue	\$ 21,547,000	\$ 28,605,000	\$ 70,496,000	\$ 77,159,000
Direct costs of contract revenue:				
Salaries and wages	5,680,000	6,568,000	17,613,000	19,567,000
Subconsultant services	7,104,000	8,825,000	29,072,000	22,618,000
Other direct costs	(1,494,000)	1,462,000	(1,085,000)	3,749,000
Total direct costs of contract revenue	<u>11,290,000</u>	<u>16,855,000</u>	<u>45,600,000</u>	<u>45,934,000</u>
General and administrative expenses:				
Salaries and wages, payroll taxes and employee benefits	5,075,000	5,381,000	17,342,000	16,245,000
Facilities and facilities related	1,224,000	1,266,000	3,659,000	3,663,000
Stock-based compensation	50,000	40,000	181,000	148,000
Depreciation and amortization	163,000	197,000	518,000	683,000
Lease abandonment, net	(3,000)	—	27,000	9,000
Impairment of goodwill	—	—	15,208,000	—
Other	2,328,000	2,486,000	8,441,000	7,423,000
Total general and administrative expenses	<u>8,837,000</u>	<u>9,370,000</u>	<u>45,376,000</u>	<u>28,171,000</u>
Income (loss) from operations	<u>1,420,000</u>	<u>2,380,000</u>	<u>(20,480,000)</u>	<u>3,054,000</u>
Other income (expense), net:				
Interest income	2,000	1,000	4,000	5,000
Interest expense	(28,000)	(21,000)	(80,000)	(53,000)
Other, net	(14,000)	8,000	(35,000)	5,000
Total other expense, net	<u>(40,000)</u>	<u>(12,000)</u>	<u>(111,000)</u>	<u>(43,000)</u>
Income (loss) before income taxes	<u>1,380,000</u>	<u>2,368,000</u>	<u>(20,591,000)</u>	<u>3,011,000</u>
Income tax expense (benefit)	<u>593,000</u>	<u>203,000</u>	<u>(2,991,000)</u>	<u>402,000</u>
Net income (loss)	<u>\$ 787,000</u>	<u>\$ 2,165,000</u>	<u>\$ (17,600,000)</u>	<u>\$ 2,609,000</u>
Earnings (loss) per share:				
Basic	<u>\$ 0.11</u>	<u>\$ 0.30</u>	<u>\$ (2.41)</u>	<u>\$ 0.36</u>
Diluted	<u>\$ 0.11</u>	<u>\$ 0.29</u>	<u>\$ (2.41)</u>	<u>\$ 0.35</u>
Weighted-average shares outstanding:				
Basic	7,315,000	7,267,000	7,303,000	7,258,000
Diluted	7,315,000	7,468,000	7,303,000	7,478,000

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

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

	Nine Months Ended	
	September 28, 2012	September 30, 2011
Cash flows from operating activities:		

Net (loss) income	\$	(17,600,000)	\$	2,609,000
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Non-cash revenue from subcontractor settlement		—		(902,000)
Depreciation and amortization		569,000		733,000
Lease abandonment expense, net		27,000		9,000
Deferred income taxes		(3,584,000)		—
Impairment of goodwill		15,208,000		—
Loss on sale of equipment		17,000		1,000
Provision for doubtful accounts		793,000		131,000
Stock-based compensation		181,000		148,000
Changes in operating assets and liabilities:				
Accounts receivable		1,910,000		(402,000)
Costs and estimated earnings in excess of billings on uncompleted contracts		9,518,000		(5,075,000)
Other receivables		47,000		(66,000)
Prepaid expenses and other current assets		652,000		709,000
Other assets		30,000		12,000
Accounts payable		(3,236,000)		1,546,000
Accrued liabilities		(2,656,000)		3,653,000
Billings in excess of costs and estimated earnings on uncompleted contracts		2,855,000		115,000
Deferred lease obligations		(126,000)		(158,000)
Net cash provided by operating activities		<u>4,605,000</u>		<u>3,063,000</u>
Cash flows from investing activities:				
Purchase of equipment and leasehold improvements		(275,000)		(309,000)
Proceeds from sale of equipment		14,000		6,000
Payments for business acquisition		—		(2,733,000)
Net cash used in investing activities		<u>(261,000)</u>		<u>(3,036,000)</u>
Cash flows from financing activities:				
Changes in excess of outstanding checks over bank balance		(281,000)		(234,000)
Payments on notes payable		(582,000)		(48,000)
Proceeds from notes payable		—		23,000
Borrowings under line of credit		11,663,000		22,682,000
Repayments on line of credit		(8,919,000)		(20,762,000)
Principal payments on capital lease obligations		(126,000)		(152,000)
Proceeds from stock option exercise		10,000		4,000
Proceeds from sales of common stock under employee stock purchase plan		120,000		93,000
Net cash provided by financing activities		<u>1,885,000</u>		<u>1,606,000</u>
Net increase in cash and cash equivalents		6,229,000		1,633,000
Cash and cash equivalents at beginning of the period		3,001,000		6,642,000
Cash and cash equivalents at end of the period		<u>\$ 9,230,000</u>		<u>\$ 8,275,000</u>
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	\$	79,000	\$	51,000
Income taxes		59,000		51,000
Supplemental disclosures of noncash investing and financing activities:				
Equipment acquired under capital lease obligations	\$	93,000	\$	159,000

See accompanying notes to condensed consolidated financial statements.

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

September 28, 2012
(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 periods 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 2011 Annual Report on Form 10-K filed on March 29, 2012.

Willdan Group, Inc. and subsidiaries (“Willdan Group” or the “Company”) is a provider of professional technical and consulting services to public agencies at all levels of government, public and private utilities and commercial and industrial firms in California and New York. The Company also has operations in Arizona, Florida, Texas, Washington and Washington, D.C. The Company enables these entities 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 complementary services including engineering and planning, energy efficiency and sustainability, economic and financial consulting, and national preparedness and interoperability. The Company’s clients primarily consist of public and governmental agencies, including cities, counties, public utilities, redevelopment agencies, water districts, school districts and universities, state agencies, federal agencies, a variety of other special districts and agencies, private utilities and industry 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 Energy Solutions, Public Agency Resources, Willdan Financial Services and Willdan Homeland Solutions. 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 price, time-and-materials, and unit-based. Revenue on fixed price contracts is recognized on the percentage-of-completion method based generally on the ratio of direct costs (primarily exclusive of depreciation and amortization 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 the specific terms of the contract. Contracts that provide for multiple services or deliverables are evaluated as multiple element arrangements to determine the appropriate unit of accounting, allocation of contract value, and method of revenue recognition for each element. 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 un-priced 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 un-priced change orders if realization of the expected price of the change order is probable.

[Table of Contents](#)

Applying the percentage-of-completion method of recognizing revenue requires the Company to estimate the 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. 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 quarterly 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 generally minimal with governmental entities, but disputes may arise related to these receivable amounts. 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 September 28, 2012 and December 30, 2011, the Company had retained accounts receivable of approximately \$623,000 and \$579,000, respectively.

Fair Value of Financial Instruments

The Company’s financial instruments consist primarily of cash, cash equivalents, accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, other receivables, prepaid expenses and other current assets, excess of outstanding checks over bank balance, accounts payable, accrued liabilities and billings in excess of costs and estimated earnings on uncompleted contracts and approximate their fair values because of the relatively short period of time between the origination of these instruments and their expected realization or payment. The carrying amounts of debt obligations approximate their fair values since the terms are comparable to terms currently offered by local lending institutions for loans of similar terms to companies with comparable credit risk.

Use of Estimates

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

Liquidity

The Company had \$9.2 million of cash and cash equivalents as of September 28, 2012. The Company's primary source of liquidity is cash generated from operations. The Company also has a revolving line of credit with Wells Fargo Bank, National Association ("Wells Fargo"), that matures on April 1, 2013, but the Company's ability to borrow funds under this line of credit is currently subject to Wells Fargo's discretion (see Note 7). While the Company believes that its cash and cash equivalents on hand and cash generated by operating activities will be sufficient to finance its operating activities for at least the next 12 months, if the Company does experience a cash flow shortage, the Company may have difficulty obtaining additional funds on favorable terms, if at all, to meet its obligations as they come due in the normal course of business.

[Table of Contents](#)

2. 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 September 28, 2012 was \$17.9 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 earn-out payment of \$1.3 million paid in August 2009, an earn-out payment of \$2.1 million paid in September 2010, an earn-out payment of \$2.7 million paid in August 2011 and \$0.7 million in transaction costs. The earn-out payments were required because Willdan Energy Solutions achieved certain financial targets over the relevant periods. The Company recorded \$15.2 million of goodwill in connection with the acquisition, and as of September 28, 2012, this entire goodwill amount has been written off (See Note 3).

3. GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 30, 2011, the Company had \$15.2 million of goodwill, all of which related to the Energy Solutions reporting unit, which comprises the Energy Efficiency Services reporting segment. During the nine months ended September 28, 2012, the Company determined that all such goodwill was impaired resulting in an impairment charge of \$15.2 million, and, as of September 28, 2012, the Company had no remaining goodwill.

During the second quarter of 2012, the Company determined that a quantitative assessment of its goodwill was warranted for the Energy Solutions reporting unit. This assessment indicated that the estimated fair value of the Energy Solutions reporting unit was less than its carrying value. For this testing, the Company weighted the income approach and the market approach at 80% and 20%, respectively. The Company further determined that all of the remaining goodwill for the Energy Solutions reporting unit was impaired and recognized an impairment charge of \$15.2 million.

The changes in the carrying value of goodwill for the Energy Solutions reporting unit for the nine months ended September 28, 2012 were as follows:

	December 30, 2011	Impairment	September 28, 2012
Reporting Unit:			
Energy Solutions	\$ 15,208,000	\$ (15,208,000)	\$ —
	<u>\$ 15,208,000</u>	<u>\$ (15,208,000)</u>	<u>\$ —</u>

The gross amounts and accumulated amortization of the Company's acquired identifiable intangible assets with finite useful lives as of September 28, 2012 and December 30, 2011, included in intangible assets, net in the accompanying consolidated balance sheets, were as follows:

	September 28, 2012		December 30, 2011		Amortization Period (yrs)
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization	
Backlog	\$ 920,000	\$ 920,000	\$ 920,000	\$ 920,000	1
Training materials/courses	282,000	262,000	282,000	233,000	5
Non-compete agreements	30,000	30,000	30,000	30,000	3
	<u>\$ 1,232,000</u>	<u>\$ 1,212,000</u>	<u>\$ 1,232,000</u>	<u>\$ 1,183,000</u>	

The Company's amortization expense for acquired identifiable intangible assets with finite useful lives was \$9,000 and \$29,000 for the fiscal three and nine months ended September 28, 2012, respectively, as compared to \$9,000 and \$36,000 for the fiscal three and nine months ended September 30, 2011. Estimated amortization expense for acquired identifiable intangible assets for the remainder of fiscal 2012 and the succeeding years is as follows:

Fiscal year:	
2012	\$ 8,000
2013	12,000
	<u>\$ 20,000</u>

4. EARNINGS PER SHARE (EPS)

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

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

	Three Months Ended		Nine Months Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
Net income (loss)	\$ 787,000	\$ 2,165,000	\$ (17,600,000)	\$ 2,609,000
Weighted-average common shares Outstanding-basic	7,315,000	7,267,000	7,303,000	7,258,000
Effect of dilutive stock options	—	201,000	—	220,000
Weighted-average common shares outstanding-diluted	7,315,000	7,468,000	7,303,000	7,478,000
Earnings (loss) per share:				
Basic	\$ 0.11	\$ 0.30	\$ (2.41)	\$ 0.36
Diluted	\$ 0.11	\$ 0.29	\$ (2.41)	\$ 0.35

For the three months and nine months ended September 28, 2012, 990,000 options were excluded from the calculation of dilutive potential common shares, compared to 297,000 options for the same periods last year. These options were not included in the computation of dilutive potential common shares because of the net loss position for the 2012 periods and because the assumed proceeds per share exceeded the average market price per share for the 2011 periods. Accordingly, the inclusion of these options would have been anti-dilutive. For periods in which the Company incurs net losses, dilutive potential common shares are excluded as they would be anti-dilutive.

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

	September 28, 2012	December 30, 2011
Furniture and fixtures	\$ 3,367,000	\$ 3,393,000
Computer hardware and software	6,312,000	6,279,000
Leasehold improvements	824,000	787,000
Equipment under capital leases	790,000	821,000
Automobiles, trucks, and field equipment	467,000	543,000
	11,760,000	11,823,000
Accumulated depreciation and amortization	(10,746,000)	(10,606,000)
Equipment and leasehold improvements, net	\$ 1,014,000	\$ 1,217,000

[Table of Contents](#)

6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	September 28, 2012	December 30, 2011
Accrued bonuses	\$ 56,000	\$ 944,000
Paid leave bank	1,400,000	1,415,000
Compensation and payroll taxes	1,424,000	770,000
Accrued legal	369,000	101,000
Accrued workers' compensation insurance	146,000	24,000
Accrued rent	364,000	320,000
Employee withholdings	255,000	234,000
Client deposits	405,000	247,000
Unvouchered accounts payable	2,555,000	6,083,000
Other	562,000	54,000
Total accrued liabilities	\$ 7,536,000	\$ 10,192,000

7. LINE OF CREDIT

The Company currently has a revolving credit agreement with Wells Fargo Bank, National Association ("Wells Fargo"), which was entered into on December 23, 2011 and became effective as of January 1, 2012. The credit agreement replaced the Company's prior credit facility with Wells Fargo that expired on January 1, 2012. There were \$3.0 million of outstanding borrowings under this agreement as of September 28, 2012.

The Company's credit agreement with Wells Fargo provides for a \$5.0 million revolving line of credit, including a \$5.0 million standby letter of credit sub-facility, and matures on April 1, 2013. Loans made under the revolving line of credit will accrue interest at either (i) a floating rate equal to the

prime rate in effect from time to time or (ii) a fixed rate of 2.25% above LIBOR, with the interest rate to be selected by the Company.

Borrowings under the revolving line of credit are guaranteed by all of the Company's subsidiaries except Public Agency Resources (the "Guarantors") and secured by all of the Company's and the Guarantors' accounts receivable and other rights to payment, general intangibles, inventory and equipment. Pursuant to the credit agreement, the Company also must pay a 0.25% fee on unused commitments and customary fees on any letters of credit drawn under the facility.

The credit agreement contains customary representations and affirmative covenants, including financial covenants that require the Company to maintain (i) net income after taxes of at least \$250,000, measured on a rolling four quarter basis, without losses in two consecutive quarters; (ii) a maximum ratio of total funded debt (measured as the sum of all obligations for borrowed money, including subordinated debt, plus all capital lease obligations) to EBITDA of 1.75 to 1.00, measured quarterly on a rolling four quarter basis; and (iii) a minimum asset coverage ratio of 2.50 to 1.00 as of each quarter end, measured as unrestricted cash plus net-billed accounts receivables divided by amounts outstanding and issued letters of credit under the revolving line of credit.

The credit agreement also includes customary negative covenants, including (i) restrictions on the incurrence of additional indebtedness by the Company or the Guarantors other than purchase money indebtedness not to exceed \$2.0 million and indebtedness existing on the date of the credit agreement, (ii) restrictions on the payment of dividends on the Company's stock and redemptions, repurchases or other acquisitions of the Company's stock, except that the Company can repurchase stock with an aggregate fair market value up to \$5.0 million in any calendar year, and (iii) limitations on asset sales, mergers and acquisitions. In addition, the credit agreement includes customary events of default.

As of September 28, 2012, the Company had breached the net income covenant under the credit agreement because it did not have net income of at least \$250,000 measured on a rolling four quarter basis and it sustained net losses during two consecutive quarters in the past year. Additionally, the Company's ratio of total funded debt to EBITDA exceeds the limit permitted under the credit agreement. Because of these covenant breaches, the Company's ability to borrow additional amounts under the credit agreement is currently subject to Wells Fargo's discretion and Wells Fargo could choose to increase the interest rate by 4.0%, make the loans outstanding under the credit agreement immediately due and payable, and/or terminate its commitments to the Company under the credit agreement. Although the Company is seeking a waiver for these covenant breaches, and is seeking to amend certain covenants in the credit agreement, Wells Fargo is not obligated to provide any waiver for current or future covenant breaches or modify the terms of the credit agreement.

[Table of Contents](#)

8. COMMITMENTS

Leases

The Company is obligated under capital leases for certain furniture and office equipment that expire at various dates through the year 2015.

The Company also leases certain office facilities under noncancellable operating leases that expire at various dates through the year 2015 and is committed under noncancellable operating leases for the lease of computer equipment and automobiles through the year 2015.

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 limited to the amount allowed by tax laws. Company contributions are made solely at the discretion of the Company's board of directors.

The Company 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. 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. The Company's compensation committee of the board of directors determines the compensation of the president.

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. These benefits relate to past services provided to the Company. Accordingly, there is no unamortized compensation cost for the benefits.

9. INCOME TAXES

Income taxes are accounted for under the asset and liability method and are determined using an estimated annual effective tax rate. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities, subject to a judgmental assessment of recoverability of deferred tax assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets may not be realized.

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

The Company recorded an income tax expense of \$0.6 million and an income tax benefit of \$3.0 million for the three and nine months ended September 28, 2012, respectively, as compared to income tax expense of \$0.2 million and \$0.4 million, respectively, for the three and nine months ended

September 30, 2011. The tax benefit is attributable to the \$15.2 million of goodwill impairment included in the Company's pretax loss for the nine month period of \$20.5 million, offset by a valuation allowance of \$5.3 million due to the uncertainty of realization of net deferred tax assets after the reduction of deferred tax liabilities associated with the goodwill impairment. The effective tax rates for the nine months ended September 28, 2012 differ from the U.S. federal statutory rate of 35% primarily due to state income tax rates, permanent items that are not deductible for U.S. tax purposes, and the establishment of the valuation allowance during the nine months ended September 28, 2012.

[Table of Contents](#)

10. SEGMENT INFORMATION

The Company has four reporting segments: Engineering Services, Energy Efficiency Services, Public Finance Services and Homeland Security Services. The Engineering Services segment consists of Willdan Engineering and Public Agency Resources. The Engineering Services segment offers a broad range of engineering and planning services to our public and private sector clients. The Energy Efficiency Services segment, which consists of Willdan Energy Solutions, provides energy efficiency and sustainability consulting services to utilities, state agencies, municipalities, private industry and non-profit organizations. Prior to December 30, 2011, the energy efficiency and sustainability services were aggregated into the Engineering Services segment. Given the manner in which the chief operating decision maker reviews financial results and allocates resources, these services now comprise a separate reporting segment. Segment information for the comparable prior year period has been restated to conform to the Company's current segment presentation of four operating segments. 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 national preparedness, homeland security consulting, public safety and emergency response services to cities, related municipal service agencies and other entities.

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 2011 Annual Report on Form 10-K filed on March 29, 2012. There were no intersegment sales in the three and nine months ended September 28, 2012. Management evaluates the performance of each segment based upon income or loss from operations before income taxes. Certain segment asset information including expenditures for long-lived assets has not been presented as it is not reported to or reviewed by the chief operating decision maker. In addition, enterprise-wide service line contract revenue is not included as it is impracticable to report this information for each group of similar services.

Financial information with respect to the reportable segments as of and for the fiscal three and nine months ended September 28, 2012 and for the fiscal three and nine months ended September 30, 2011 is as follows:

	Engineering Services	Energy Efficiency Services	Public Finance Services	Homeland Security Services	Unallocated Corporate	Intersegment	Consolidated Total
Fiscal Three Months Ended September 28, 2012							
Contract revenue	\$ 9,314,000	\$ 8,592,000	\$ 2,534,000	\$ 1,107,000	\$ —	\$ —	\$ 21,547,000
Segment profit (loss) before income taxes	224,000	863,000	334,000	(41,000)	—	—	1,380,000
Net income (loss)	73,000	521,000	217,000	(24,000)	—	—	787,000
Segment assets(1)	10,885,000	11,712,000	3,493,000	1,138,000	38,287,000	(23,129,000)	42,386,000
Fiscal Three Months Ended September 30, 2011							
Contract revenue	\$ 8,496,000	\$ 16,090,000	\$ 2,502,000	\$ 1,517,000	\$ —	\$ —	\$ 28,605,000
Segment profit (loss) before income taxes	308,000	1,513,000	549,000	(2,000)	—	—	2,368,000
Net income (loss)	252,000	1,428,000	500,000	(15,000)	—	—	2,165,000
Segment assets(1)	10,111,000	32,429,000	4,080,000	2,321,000	32,413,000	(23,130,000)	58,224,000
Fiscal Nine Months Ended September 28, 2012							
Contract revenue	\$ 25,454,000	\$ 34,510,000	\$ 7,413,000	\$ 3,119,000	\$ —	\$ —	\$ 70,496,000
Segment (loss) profit before income taxes	(985,000)	(19,848,000)	652,000	(410,000)	—	—	(20,591,000)
Net (loss) income	(712,000)	(17,049,000)	413,000	(252,000)	—	—	(17,600,000)
Segment assets(1)	10,885,000	11,712,000	3,493,000	1,138,000	38,287,000	(23,129,000)	42,386,000
Fiscal Nine Months Ended September 30, 2011							
Contract revenue	\$ 26,080,000	\$ 39,074,000	\$ 7,382,000	\$ 4,623,000	\$ —	\$ —	\$ 77,159,000
Segment profit (loss) before income taxes	171,000	2,364,000	698,000	(222,000)	—	—	3,011,000
Net income (loss)	132,000	2,073,000	606,000	(202,000)	—	—	2,609,000
Segment assets(1)	10,111,000	32,429,000	4,080,000	2,321,000	32,413,000	(23,130,000)	58,224,000

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

[Table of Contents](#)

11. CONTINGENCIES

Claims and Lawsuits

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

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

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

French v. Willdan Engineering, Superior Court of California, Riverside County

In January 1991, the Company was retained by the City of Calimesa, California to review and process development plans. The Company had provided plan review continuously since that date under various contracts with the city. As the city receives applications from developers for project approvals, the city forwards the project plans to the Company for processing. The Company processes the plans and the city pays the Company for its services. In August 2008, a suit was filed by a city employee alleging that the city processed development applications without first collecting fees from developers to cover the costs of processing. The suit further alleged that even though the Company performed the work requested by the city, the city should not have paid the Company for its work in advance of collecting the developers' fees. The plaintiff sought to recover for the city amounts paid to the Company for processing project plans for which the developer fees have not been paid. On January 11, 2012, this suit proceeded to trial where the Company prevailed. The plaintiff has filed an appeal, which was abandoned on October 12, 2012. This matter did not have a material adverse effect on the Company's financial statements.

[Table of Contents](#)

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 December 30, 2011, included in our Annual Report on Form 10-K (File No. 001-33076). This Quarterly Report contains, in addition to unaudited 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. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those discussed under the headings "Risk Factors" in our 2011 Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q for the quarters ended March 30, 2012 and June 29, 2012 and this Quarterly Report on Form 10-Q. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to (and we expressly disclaim any obligation to) revise or update any forward-looking statement, whether as a result of new information, subsequent events, or otherwise (except as may be required by law), in order to reflect any event or circumstance which may arise after the date of this Quarterly Report on Form 10-Q.

Overview

We are a provider of professional technical and consulting services to public agencies at all levels of government, public and private utilities, and commercial and industrial firms. We enable these entities to provide a wide range of specialized services without having to incur and maintain the overhead necessary to develop staffing in-house. We assist our clients with a broad range of complementary services relating to:

- Engineering and Planning;
- Energy Efficiency and Sustainability;
- Economic and Financial Consulting; and
- National Preparedness and Interoperability.

We operate our business through a network of offices located primarily in California and New York. We also have operations in Arizona, Florida, Texas, Washington and Washington, D.C. As of September 28, 2012, we had a staff of 524 which includes licensed engineers and other professionals. Historically, our clients have primarily been 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. Recently, we have begun to provide increased services to public and private utilities that service major metropolitan communities and commercial and industrial firms, particularly in connection with the growth of our energy efficiency and sustainability services. We seek to establish close working relationships with our clients and expand the breadth and depth of the services we provide to them over time.

While we currently serve communities throughout the country, our business with public agencies is concentrated in California and neighboring states. We provide services to approximately 58% of the 482 cities and over 62% of the 58 counties in California. We also serve special districts, school districts, a range of public agencies and private industry. Our business with public and private utilities is concentrated in California and New York.

We were founded in 1964 and Willdan Group, Inc., a Delaware corporation, was formed in 2006 to serve as our holding company. We 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 and Public Agency Resources ("PARs"). Willdan Engineering provides civil engineering-related and city planning services to our clients. PARs primarily provides staffing to Willdan Engineering. Contract revenue for the Engineering Services segment represented approximately 36.1% and 33.8% of our consolidated contract revenue for the nine months ended September 28, 2012 and September 30, 2011, respectively.

[Table of Contents](#)

Energy Efficiency Services. Our Energy Efficiency Services segment consists of the business of our subsidiary, Willdan Energy Solutions, which offers energy efficiency and sustainability consulting services to utilities, public agencies and private industry. This segment is currently our largest segment based on contract revenue, representing approximately 49.0% and 50.6% of our consolidated contract revenue for the nine months ended September 28, 2012 and September 30, 2011, respectively.

Public Finance Services. Our Public Finance Services segment consists of the business of our subsidiary, Willdan Financial Services, which offers economic and financial consulting services to public agencies. Contract revenue for the Public Finance Services segment represented approximately 10.5% and 9.6% of our consolidated contract revenue for the nine months ended September 28, 2012 and September 30, 2011, respectively.

Homeland Security Services. Our Homeland Security Services segment consists of the business of our subsidiary, Willdan Homeland Solutions, which offers national preparedness and interoperability services and communications and technology solutions. Contract revenue for our Homeland Security Services segment represented approximately 4.4% and 6.0% of our consolidated contract revenue for the nine months ended September 28, 2012 and September 30, 2011, respectively.

Recent Developments

Revolving Credit Facility. As of September 28, 2012, we had breached the net income covenant under our credit agreement with Wells Fargo because we did not have net income of at least \$250,000 measured on a rolling four quarter basis and we sustained net losses during two consecutive quarters in the past year. Additionally, our ratio of total funded debt to EBITDA exceeds the limit permitted under the credit agreement. Because of these covenant breaches, our ability to borrow additional funds under the credit agreement is subject to Wells Fargo's discretion and Wells Fargo could choose to increase the interest rate by 4.0%, make the loans outstanding under the credit agreement immediately due and payable, and/or terminate its commitments to us under the credit agreement. Although we are seeking a waiver for these covenant breaches and are seeking to amend certain covenants in the credit agreement, Wells Fargo is not obligated to provide any waiver for current or future covenant breaches or modify the terms of the credit agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Outstanding Indebtedness."

Consolidated Edison SBDI Program. On July 9, 2012, Willdan Energy Solutions entered into an Agreement for a Small Business Direct Install Program with Consolidated Edison Company of New York, Inc. ("Consolidated Edison"). The agreement continues our partnership with Consolidated Edison to develop Consolidated Edison's Small Business Direct Install Program, which began in 2009. The initial term of this agreement extends through June 2014. The maximum amount we can receive under the agreement is approximately \$39 million through 2015 and we are not guaranteed to receive any minimum amount of revenue.

Impairment Charges. During the second quarter of 2012, we determined that a quantitative assessment of our goodwill was warranted for the Energy Solutions reporting unit. This assessment indicated that the estimated fair value of such reporting unit was less than its carrying value. For this testing, we weighted the income approach and the market approach at 80% and 20%, respectively. We further determined that all of the remaining goodwill for the Energy Solutions reporting unit was impaired and recognized an impairment charge of \$15.2 million.

Components of Income and Expense

Contract Revenue

We provide our services under contracts, purchase orders or retainer letters. The contracts we enter into with our clients contain three principal types of pricing provisions: time and materials, unit based, and fixed price. Revenue on our time and materials and unit based contracts are recognized as the work is performed in accordance with specific terms of the contract. Approximately 47.0% 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. 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.

[Table of Contents](#)

Adjustments to contract cost estimates are made in the periods in which the facts requiring such revisions become known. When the revised estimate indicates a loss, such loss is recognized 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 un-priced 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 un-priced change orders if realization of the expected price of the change order is probable.

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

Direct Costs of Contract Revenue

Direct costs of contract revenue consist primarily of subconsultant services and that portion of technical and nontechnical salaries and wages that have been incurred in connection with revenue producing projects. Direct costs of contract revenue also include production expenses and other expenses that are incurred in connection with revenue producing projects. Direct costs of contract revenue generally 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 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 provision for billed or unbilled receivables, 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 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 30, 2011. 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.

[Table of Contents](#)

Contract Accounting

Applying the percentage-of-completion method of recognizing revenue requires us to estimate the 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. Our credit risk is minimal with governmental entities. Accounts receivable 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

We test our goodwill at least annually for possible impairment. We complete our annual testing of goodwill as of the last day of the first month of our fourth fiscal quarter each year to determine whether there is impairment. In addition to our annual test, we regularly evaluate whether events and circumstances have occurred that may indicate a potential impairment of goodwill. We recognized a goodwill impairment charge of \$15.2 million related to our Energy Solutions reporting unit during the second quarter of 2012. Following this impairment charge, none of our reporting units had any goodwill remaining.

We test our goodwill for impairment at the level of our reporting units, which are components of our operating segments. In September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2011-08 (“ASU 2011-08”), *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This accounting guidance allows companies to perform a qualitative assessment on goodwill impairment to determine whether a quantitative assessment is necessary. The guidance is for goodwill impairment tests performed in interim and annual periods for fiscal years beginning after December 15, 2011. The process of testing goodwill for impairment, pursuant to ASU 2011-08, now involves an optional qualitative assessment on goodwill impairment of our reporting units to determine whether a quantitative assessment is necessary. If a quantitative assessment is warranted, we then determine the fair value of the applicable reporting units. To estimate the fair value of our reporting units, we use both an income approach based on management’s estimates of future cash flows and other market data and a market approach based upon multiples of EBITDA earned by similar public companies. For our annual impairment testing in fiscal 2011, 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 public 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, any 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.

[Table of Contents](#)

During the second quarter of 2012, we determined that a quantitative assessment of our goodwill was warranted for the Energy Solutions reporting unit. This assessment indicated that the estimated fair value of such reporting unit was less than its carrying value. For this testing, we weighted the income approach and the market approach at 80% and 20%, respectively. We further determined that all of the remaining goodwill for the Energy Solutions reporting unit was impaired and recognized an impairment charge of \$15.2 million.

Accounting for Claims Against the Company

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

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

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial reporting basis and tax basis of our assets and liabilities, subject to a judgmental assessment of recoverability of deferred tax assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets may not be realized.

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

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 Nine Months Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
Contract revenue	100.0%	100.0%	100%	100.0%
Direct costs of contract revenue:				
Salaries and wages	26.4	23.0	25.0	25.4
Subconsultant services	33.0	30.9	41.2	29.3
Other direct costs, net	(6.9)	5.0	(1.5)	4.9
Total direct costs of contract revenue	52.4	58.9	64.7	59.5
General and administrative expenses:				
Salaries and wages, payroll taxes, employee benefits	23.6	18.8	24.6	21.1
Facilities and facilities related	5.7	4.4	5.2	4.7
Stock-based compensation	0.2	0.1	0.3	0.2
Depreciation and amortization	0.8	0.7	0.7	0.9
Lease abandonment	—	—	—	—
Impairment of goodwill	—	—	21.6	—
Other	10.8	8.7	12.0	9.6
Total general and administrative expenses	41.0	32.8	64.4	36.5
Income (loss) from operations	6.6	8.3	(29.1)	4.0
Other (expense) income:				
Interest income	—	—	—	—
Interest expense	(0.1)	(0.1)	(0.1)	(0.1)
Other, net	(0.1)	—	(0.1)	—
Total other (expense) income, net	(0.2)	—	(0.2)	(0.1)
Income (loss) before income tax expense	6.4	8.3	(29.2)	3.9
Income tax expense (benefit)	2.8	0.7	(4.2)	0.5
Net income (loss)	3.7%	7.6%	(25.0)%	3.4%

Three Months Ended September 28, 2012 Compared to Three Months Ended September 30, 2011

Contract revenue. Our contract revenue was \$21.5 million for the three months ended September 28, 2012, with \$9.3 million attributable to the Engineering Services segment, \$8.6 million attributable to the Energy Efficiency Services segment, \$2.5 million attributable to the Public Finance Services segment, and \$1.1 million attributable to the Homeland Security Services segment. Consolidated contract revenue decreased \$7.1 million, or 24.7%, to \$21.5 million for the three months ended September 28, 2012 from \$28.6 million in the three months ended September 30, 2011. This decrease was due primarily to a decrease of \$7.5 million, or 46.6%, in contract revenue of the Energy Efficiency Services segment as a result of a decrease in the direct installation of energy efficiency measures from the energy efficiency audits in New York and California and delays in the renewal of contracts for the energy efficiency, sustainability and renewable energy services of our subsidiary, Willdan Energy Solutions. For the three months ended September 28, 2012 as compared to the three months ended September 30, 2011, contract revenue increased by \$0.8 million, or 9.6%, and decreased by \$0.4 million, or 27.0%, for our Engineering Services Segment and Homeland Security Services segments, respectively. Contract revenue for our Public Finance Services segment remained flat.

Contract revenue for the Energy Efficiency Services segment decreased primarily because of a decrease in the direct installation of energy efficiency measures from the energy efficiency audits in New York and California and delays in the renewal of contracts for energy efficiency services in those states. Contract revenue for our Engineering Services Segment increased primarily because of an increase in city engineering subcontracting activities in Northern California in the three months ended September 28, 2012, as compared to the prior year period. Revenue in the Homeland Security Services segment decreased due to lower levels of activity in the traditional planning, training and exercise consulting services business.

Direct costs of contract revenue. Direct costs of contract revenue were \$11.3 million for the three months ended September 28, 2012, with \$5.0 million attributable to the Engineering Services segment, \$4.7 million attributable to the Energy Efficiency Services segment, \$0.9 million attributable to the Public Finance Services segment, and \$0.7 million attributable to the Homeland Security Services segment. Overall, direct costs decreased by \$5.6 million, or 33.0%, to \$11.3 million for the three months ended September 28, 2012, from \$16.9 million for the three months ended September 30, 2011. This decrease is attributable to decreases in direct costs within our Energy Efficiency Services and Homeland Security Services segments of \$6.4 million, or 57.6%, and \$0.2 million, or 19.8%, respectively, offset by increases in direct costs of contract revenue within our Engineering Services and Public Finance Services segments of \$0.9 million, or 22.6%, and \$0.1 million, or 14.9%, respectively.

Direct costs decreased primarily as a result of decreases of \$3.0 million, \$1.7 million, and \$0.9 million in other direct costs, salaries and wages, and subconsultant services, respectively. Other direct costs decreased due to lower pass through costs and subcontractor services incurred and not yet billed. Salaries and wages categorized as direct costs of contract revenue decreased as a result of reduced headcount, and subconsultant services decreased as a result of fewer contracts being completed by our Energy Efficiency Services segment that rely on the use of subconsultants.

General and administrative expenses. General and administrative expenses decreased by \$0.5 million, or 5.7%, to \$8.8 million for the three months ended September 28, 2012 from \$9.4 million for the three months ended September 30, 2011. This decrease reflected decreases of \$0.4 million and \$0.2 million in general and administrative expenses of the Energy Efficiency Services and the Homeland Security Services segments, respectively. General and administrative expenses increased by \$0.1 million for our Public Finance Services segment, and remained flat for our Engineering Services segment. Our unallocated corporate expenses also remained flat. General and administrative expenses as a percentage of contract revenue was 41.0% for the three months ended September 28, 2012 as compared to 32.8% for the three months ended September 30, 2011.

Of the \$0.5 million decrease in general and administrative expenses, approximately \$0.3 million resulted from a decrease in salaries and wages, payroll taxes and employee benefits, primarily as a result of decreased headcount. The remaining \$0.2 million decrease primarily relates to other general and administrative expenses and is primarily attributable to decreases in other expenses and professional service fees, partially offset by an increase in accounting, legal and recruiting expenses.

Income (loss) from operations. As a result of the above factors, our operating income was \$1.4 million for the three months ended September 28, 2012, as compared to operating income of \$2.4 million for the three months ended September 30, 2011. Income from operations as a percentage of contract revenue was 6.6% for the three months ended September 28, 2012, as compared to income from operations as a percentage of contract revenue of 8.3% in the prior year period.

Other expense. Other expense, net was \$40,000 for the three months ended September 28, 2012, as compared to \$12,000 for the three months ended September 30, 2011. The increase is primarily the result of higher interest expense due to increased borrowings under our line of credit.

Income tax expense (benefit). We recorded an income tax expense of \$0.6 million for the three months ended September 28, 2012, as compared to an income tax expense of \$0.2 million for the three months ended September 30, 2011.

Net income (loss). As a result of the above factors, our net income was \$0.8 million for the three months ended September 28, 2012 compared to net income of \$2.2 million for the three months ended September 30, 2011.

Nine Months Ended September 28, 2012 Compared to Nine Months Ended September 30, 2011

Contract revenue. Our contract revenue was \$70.5 million for the nine months ended September 28, 2012, with \$25.5 million attributable to the Engineering Services segment, \$34.5 million attributable to the Energy Efficiency Services segment, \$7.4 million attributable to the Public Finance Services segment, and \$3.1 million attributable to the Homeland Security Services segment. Consolidated contract revenue for the nine months ended September 28, 2012 decreased \$6.7 million, or 8.6%, to \$70.5 million from \$77.2 million for the nine months ended September 30, 2011, reflecting decreases of \$4.6 million, or 11.7%, \$0.6 million, or 2.4%, and \$1.5 million, or 32.5%, in contract revenue for our Energy Efficiency Services, Engineering Services and Homeland Security Services segments, respectively. Contract revenue for our Public Finance Services segment remained flat.

Contract revenue for the Energy Efficiency Services segment decreased primarily because of a decrease in the direct installation of energy efficiency measures from the energy efficiency audits in New York and California and delays in the renewal of contracts for energy efficiency services in those states. Contract revenue for the Engineering Services segment continues to be impacted by the decline in the California residential housing market and state and

local government budget cuts. Revenue in the Homeland Security Services segment decreased due to lower levels of activity in the traditional planning, training and exercise consulting services business.

Direct costs of contract revenue. Direct costs of contract revenue were \$45.6 million for the nine months ended September 28, 2012, with \$14.1 million attributable to the Engineering Services segment, \$27.2 million attributable to the Energy Efficiency Services segment, \$2.6 million attributable to the Public Finance Services segment, and \$1.7 million attributable to the Homeland Security Services segment. Overall, direct costs decreased by \$0.3 million, or 0.7%, to \$45.6 million for the nine months ended September 28, 2012, from \$45.9 million for the nine months ended September 30, 2011. This decrease is attributable to decreases in direct costs within our Energy Efficiency Services segment and our Homeland Security Services segment of \$0.4 million, or 1.5%, and \$0.6 million, or 27.3%, respectively, partially offset by increases in direct costs of contract revenue of \$0.4 million, or 3.1%, and \$0.3 million, or 12.6%, in our Engineering Services and Public Finance Services segments, respectively.

[Table of Contents](#)

Direct costs decreased primarily as a result of decreases in other direct costs and salaries and wages of \$4.8 million and \$2.0 million, respectively, partially offset by an increase in subconsultant services used by our Energy Efficiency Services segment of \$6.5 million. Other direct costs decreased due to lower pass through costs and subcontractor services incurred and not yet billed. However, direct costs as a percentage of contract revenue remained relatively constant in the 2012 period as compared to the 2011 period. Salaries and wages categorized as direct costs of contract revenue decreased as a result of decreased chargeability of labor and decreased headcount, resulting in more salaries and wages being allocated to general and administrative expenses, and increased use of subconsultants to provide certain services instead of full-time employees. Salaries and wages as a percentage of contract revenue remained relatively constant in the 2012 period as compared to the 2011 period. In the first half of 2012 there was a concentration of direct installation energy efficiency measures, which resulted in an increase in subconsultant services provided by our subsidiary Willdan Energy Solutions. Subconsultant services increased to 41.2% of contract revenue for the nine months ended September 28, 2012 from 29.3% of contract revenue for the nine months ended September 30, 2011.

General and administrative expenses. General and administrative expenses increased by \$17.2 million, or 61.1%, to \$45.4 million for the nine months ended September 28, 2012 from \$28.2 million for the nine months ended September 30, 2011. This reflected increases of \$18.0 million and \$0.1 million in general and administrative expenses of the Energy Efficiency Services and the Engineering Services segments, respectively, partially offset by decreases of \$0.2 million and \$0.7 million for our Public Finance Services and Homeland Security Services segments, respectively. Our unallocated corporate expenses remained flat. General and administrative expenses as a percentage of contract revenue was 64.4% for the nine months ended September 28, 2012 as compared to 36.5% for the nine months ended September 30, 2011.

Of the \$17.2 million increase in general and administrative expenses, approximately \$15.2 million resulted from a goodwill impairment charge we recognized relating to our Energy Efficiency Services segment in the second quarter of 2012. See “—Components of Interest and Expense—Goodwill.” Salaries and wages, payroll taxes and employee benefits also increased by \$1.1 million primarily as a result of decreased chargeability of labor. 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 and project delays in our Energy Efficiency Services segment resulted in more unallocated time. The remaining \$0.9 million increase primarily relates to other general and administrative expenses and is attributable to increases in other expenses, accounting, legal and recruiting expenses, and professional service fees.

Loss from operations. As a result of the above factors, our operating loss was \$20.5 million for the nine months ended September 28, 2012, as compared to operating income of \$3.1 million for the nine months ended September 30, 2011. Loss from operations was primarily due to the goodwill impairment charge of \$15.2 million. Loss from operations as a percentage of contract revenue was 29.1% for the nine months ended September 28, 2012, as compared to income from operations as a percentage of contract revenue of 4.0% in the prior year period.

Other expense. Other expense, net was \$111,000 for the nine months ended September 28, 2012, as compared to \$43,000 for the nine months ended September 30, 2011. The increase is primarily the result of higher interest expense due to increased borrowings under our line of credit.

Income tax (benefit) expense. We recorded an income tax benefit of \$3.0 million for the nine months ended September 28, 2012, as compared to income tax expense of \$0.4 million for the nine months ended September 30, 2011. The tax benefit is attributable to the \$15.2 million of goodwill impairment included in our pretax loss for the current period of \$20.5 million, offset by a \$5.3 million valuation allowance due to the uncertainty of realization of net deferred tax assets after the reduction of deferred tax liabilities associated with goodwill impairment.

Net (loss) income. As a result of the above factors, our net loss was \$17.6 million for the nine months ended September 28, 2012 compared to net income of \$2.6 million for the nine months ended September 30, 2011. Our net loss for the nine months ended September 28, 2012 was impacted significantly by the \$15.2 million impairment charge we recognized during such period.

[Table of Contents](#)

Liquidity and Capital Resources

As of September 28, 2012, we had \$9.2 million of cash and cash equivalents. Our primary source of liquidity is cash generated from operations. We also have a revolving line of credit with Wells Fargo, which matures on April 1, 2013, but our ability to borrow funds under this line of credit is currently subject to Wells Fargo’s discretion. While we believe that our cash and cash equivalents on hand and cash generated by operating activities will be sufficient to finance our operating activities for at least the next 12 months, if we do experience a cash flow shortage, we may have difficulty obtaining additional funds on favorable terms, if at all, in order to meet obligations as they come due in the normal course of business.

Cash flows from operating activities

Cash flows provided by operating activities were \$4.6 million for the nine months ended September 28, 2012 compared to cash flows provided by operating activities of \$3.1 million for the nine months ended September 30, 2011. The cash flows provided by operating activities in the nine months ended

September 28, 2012 were comparatively higher than the prior year period despite lower contract revenue, due primarily to decreases in costs and estimated earnings in excess of billing on uncompleted contracts and accounts receivable and an increase in billings in excess of costs and estimated earnings on uncompleted contracts, partially offset by decreases in accounts payable and accrued liabilities.

Cash flows from investing activities

Cash flows used in investing activities were \$0.3 million for the nine months ended September 28, 2012 compared to \$3.0 million used in investing activities for the nine months ended September 30, 2011. Cash flows used in investing activities decreased by \$2.7 million primarily because of an earn-out payment made in August 2011 in connection with our acquisition of Intergy Corporation and no such payment was made in the 2012 period.

Cash flows from financing activities

Cash flows provided by financing activities were \$1.9 million for the nine months ended September 28, 2012 compared to \$1.6 million provided by financing activities for the nine months ended September 30, 2011. Cash flows provided by financing activities increased by \$0.3 million primarily due to additional borrowings made under our line of credit during the nine months ended September 28, 2012, partially offset by an increase in notes payable.

Outstanding indebtedness

We currently have a revolving credit agreement with Wells Fargo, which was entered into on December 23, 2011 and became effective as of January 1, 2012. The credit agreement replaced our prior credit facility with Wells Fargo that expired on January 1, 2012. There were \$3.0 million of outstanding borrowings under this agreement as of September 28, 2012.

Our credit agreement with Wells Fargo provides for a \$5.0 million revolving line of credit, including a \$5.0 million standby letter of credit sub-facility, and matures on April 1, 2013. Loans made under the revolving line of credit will accrue interest at either (i) a floating rate equal to the prime rate in effect from time to time or (ii) a fixed rate of 2.25% above LIBOR, with the interest rate to be selected by us.

Borrowings under the revolving line of credit are guaranteed by all of our subsidiaries except Public Agency Resources (the “Guarantors”) and secured by all of our and the Guarantors’ accounts receivable and other rights to payment, general intangibles, inventory and equipment. Pursuant to the credit agreement, we also must pay a 0.25% fee on unused commitments and customary fees on any letters of credit drawn under the facility.

The credit agreement contains customary representations and affirmative covenants, including financial covenants that require us to maintain (i) net income after taxes of at least \$250,000, measured on a rolling four quarter basis, without losses in two consecutive quarters; (ii) a maximum ratio of total funded debt (measured as the sum of all obligations for borrowed money, including subordinated debt, plus all capital lease obligations) to EBITDA of 1.75 to 1.00, measured quarterly on a rolling four quarter basis; and (iii) a minimum asset coverage ratio of 2.50 to 1.00 as of each quarter end, measured as unrestricted cash plus net-billed accounts receivables divided by amounts outstanding and issued letters of credit under the revolving line of credit.

[Table of Contents](#)

The credit agreement also includes customary negative covenants, including (i) restrictions on the incurrence of additional indebtedness by us or the Guarantors other than purchase money indebtedness not to exceed \$2.0 million and indebtedness existing on the date of the credit agreement, (ii) restrictions on the payment of dividends on our stock and redemptions, repurchases or other acquisitions of our stock, except that we can repurchase stock with an aggregate fair market value up to \$5.0 million in any calendar year, and (iii) limitations on asset sales, mergers and acquisitions. In addition, the credit agreement includes customary events of default.

As of September 28, 2012, we had breached the net income covenant under the credit agreement because we did not have net income of at least \$250,000 measured on a rolling four quarter basis and we sustained net losses during two consecutive quarters in the past year. Additionally, our ratio of total funded debt to EBITDA exceeds the limit permitted under the credit agreement.⁽¹⁾ Because of these covenant breaches, our ability to borrow additional funds under the credit agreement is currently subject to Wells Fargo’s discretion and Wells Fargo could choose to increase the interest rate by 4.0%, make the loans outstanding under the credit agreement immediately due and payable, and/or terminate its commitments to us under the credit agreement. Although we are seeking a waiver for these covenant breaches and are seeking to amend certain covenants in the credit agreement, Wells Fargo is not obligated to provide any waiver for current or future covenant breaches or modify the terms of the credit agreement.

Contractual obligations

We had \$93,000 in new capital lease obligations and no other material changes in commitments for long-term debt obligations, operating lease obligations or capital lease obligations as of September 28, 2012, as compared to those disclosed in our table of contractual obligations included in our Annual Report on Form 10-K for the year ended December 30, 2011.

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) If we do not maintain a ratio of total funded debt to EBITDA of 1.75 or lower, determined on a rolling four quarter basis, Wells Fargo may choose to increase the interest rate of our outstanding indebtedness, make any loans outstanding under the credit agreement immediately due and payable and will no longer be obligated to extend further credit to us. Management therefore believes that presentation of total funded debt to EBITDA is useful to investors because it helps them understand how our total funded debt to EBITDA compares to the financial covenant contained in our credit agreement and whether we have violated or are close to violating such covenant. Management also reviews the ratio of total funded debt to EBITDA, along with the other financial covenants contained in our credit agreement, to ensure it will continue to have access to its financing sources. Total funded debt is defined as “the sum of all obligations for borrowed money (including subordinated debt) plus all capital lease obligations,” and EBITDA is defined as “net profit before tax plus interest expense (net of capitalized interest expense), depreciation expense and amortization expense.” As a result of the definition of total funded debt in our credit agreement, total funded debt represents our total borrowings under our line of credit, letters of credit, notes payable and capital lease obligations as of

September 28, 2012. These definitions may differ from those of other companies reporting similarly named measures. These measures 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. Total funded debt and EBITDA are not recognized terms under GAAP and do not purport to be alternatives to any GAAP measures.

The following is a calculation of our ratio of total funded debt to EBITDA:

	Four Quarters Ended September 28, 2012
Total funded debt	\$ 3,448,000
EBITDA	(19,392,000)
Ratio of total funded debt to EBITDA	(0.18)

The following is a reconciliation of EBITDA to net income:

	Four Quarters Ended September 28, 2012
Net loss	\$ (18,379,000)
Income tax benefit	(1,893,000)
Interest expense	104,000
Interest income	(4,000)
Depreciation and amortization	780,000
EBITDA	\$ (19,392,000)

Recent Accounting Pronouncements

As of September 28, 2012, the impact of recent accounting pronouncements on the Company is not expected to be material.

[Table of Contents](#)

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 existing and future clients;
- 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;
- Evaluation of the materiality of our current legal proceedings; and
- Expectations about positive cash flow generation and available cash and cash equivalents, including our revolving credit facility, being sufficient to meet normal operating requirements.

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. Such risks and uncertainties include, among others, those listed in this report. 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 December 30, 2011, our Quarterly Reports on Form 10-Q for the quarters ended March 30, 2012 and June 29, 2012 and this Form 10-Q. 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 \$9.2 million as of September 28, 2012. This amount includes \$7.5 million invested in the Wells Fargo Stage Coach Sweep Investment Account and \$1.0 million in the Wells Fargo Money Market Mutual 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.

[Table of Contents](#)

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.

In connection with the preparation of this Quarterly Report, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of September 28, 2012. 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 September 28, 2012. 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.

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.

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

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

French v. Willdan Engineering, Superior Court of California, Riverside County

In January 1991, we were originally retained by the City of Calimesa, California to review and process development plans. We have provided plan review continuously since that date under various contracts with the city. As the city receives applications from developers for project approvals, the city forwards the project plans to us for processing. We process the plans and the city pays us for our services. In August 2008, a suit was filed by a city employee alleging that the city processed development applications without first collecting fees from developers to cover the costs of processing. The suit further alleged that even though we performed the work requested by the city, the city should not have paid us for our work in advance of collecting the developers' fees. The plaintiff sought to recover for the city amounts paid to us for processing project plans for which the developer fees have not been paid. On January 11, 2012, this suit proceeded to trial where we prevailed. The plaintiff filed an appeal, which was abandoned on October 12, 2012. This matter did not have a material adverse effect on our financial statements.

[Table of Contents](#)

Item 1A. Risk Factors

Except as set forth below, there are no material changes to the risk factors set forth in Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 30, 2011 and our Quarterly Reports on Form 10-Q for the quarters ended March 30, 2012 and June 29, 2012.

We may not be able to obtain capital when desired on favorable terms, if at all, or without dilution to our stockholders, which may impact our ability to execute on our current or future business strategies. Additionally, we have recently breached covenants under our revolving credit agreement with Wells Fargo, so Wells Fargo could choose to accelerate the loans outstanding under the credit facility and terminate its commitments under the facility.

We anticipate that our current cash, cash equivalents and cash provided by operating activities will be sufficient to meet our current and anticipated needs for general corporate purposes during the next 12 months. It is possible, however, that we may not generate sufficient cash flow from operations or otherwise have the capital resources to meet our future capital needs. As of September 28, 2012, we had borrowed \$3.0 million of the \$5.0 million available under our revolving credit facility with Wells Fargo, but our ability to borrow additional funds under our revolving credit facility is currently subject to Wells Fargo's discretion because we were in breach of certain covenants at September 28, 2012. As of September 28, 2012, we had breached the net income

covenant in our revolving credit facility because we did not have net income of at least \$250,000 measured on a rolling four quarter basis and we had sustained net losses during two consecutive quarters within the last year. Additionally, our ratio of total funded debt to EBITDA exceeds the limits permitted under the credit agreement. Because of these covenant breaches, Wells Fargo also could choose to increase the interest rate by 4.0%, make the loans outstanding under the credit agreement immediately due and payable, and/or terminate its commitments to us under the credit agreement. Although we are seeking a waiver for these covenant breaches and are seeking to amend certain covenants in the credit agreement, Wells Fargo is not obligated to provide any waiver for current or future covenant breaches or modify the terms of the credit agreement. In the course of obtaining such waivers or modifications, Wells Fargo may require modifications to the facility on terms that are not favorable to us. Wells Fargo may also refuse to renew the facility when it expires in April 2013. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Outstanding Indebtedness.”

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

We depend on a limited number of clients for a significant portion of our business.

Our largest client, Consolidated Edison Company of New York, accounted for approximately 24.1% and 26.9% of our consolidated contract revenue in for the nine months ended September 28, 2012 and September 30, 2011, respectively. This revenue primarily relates to a contract we entered into in fiscal 2009 with Consolidated Edison, which has since terminated. We entered into a new contract with Consolidated Edison on July 9, 2012, but this contract is for fewer services than the 2009 contract with Consolidated Edison. Our top five customers collectively accounted for approximately 42.7% of our revenue for the nine months ended September 28, 2012. The loss of, or reduction in orders from, these clients could have a material adverse effect on our business, financial condition and results of operations.

[Table of Contents](#)

Business disruptions in our Energy Solutions business related to Hurricane Sandy may negatively impact our future results.

Willdan Energy Solutions provides energy efficiency and sustainability consulting services to several utilities that have been impacted by Hurricane Sandy, including our largest customer, Consolidated Edison. Following the hurricane, we were temporarily unable to perform energy efficiency work for these customers as planned, and we are unable to forecast the near-term outlook for our Energy Solutions unit while our customers attempt to restore their services to the affected regions and rebuild their damaged infrastructure. These business disruptions could have a material adverse effect on our business, results of operations and financial condition in future periods.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

[Table of Contents](#)

Item 6. Exhibits

Exhibit Number	Exhibit Description
3.1	First Amended and Restated Certificate of Incorporation of Willdan Group, Inc., including amendments thereto(1)
3.2	Amended and Restated Bylaws of Willdan Group, Inc.(2)
10.1	Agreement for Small Business Direct Install Program, dated July 2, 2012, between Consolidated Edison Company of New York, Inc. and Willdan Energy Solutions.*†
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*

101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of September 28, 2012 and December 30, 2011; (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 28, 2012; (iii) the Condensed Consolidated Statement of Cash Flows for the three months and nine months ended September 28, 2012 and (iv) the Notes to the Condensed Consolidated Financial Statements.

* Filed herewith.

† Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

- (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 August 13, 2009.

28

[Table of Contents](#)

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
and Treasurer*
Date: November 8, 2012

29

AGREEMENT**for****SMALL BUSINESS DIRECT INSTALL PROGRAM****between****CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.****and****WILLDAN ENERGY SOLUTIONS****Dated as of July 2, 2012**

RECITALS	1
1.0 Definitions	1
2.0 Statement Of Work	6
3.0 General Provisions	6
3.1 Integrated Agreement	6
3.2 Amendment	6
3.3 Prohibition Against Assignment or Delegation	6
3.4 Term	7
3.5 Representatives and Notices	7
3.6 Performance	7
3.7 Firm Price	7
3.8 Conflict/Order of Preference	7
3.9 Representations and Warranties of the IC. The IC hereby represents and warrants to the Company as follows:	8
4.0 Subcontractors	8
4.1 Subcontracts	8
4.2 Representations and Warranties Regarding Subcontractors	9
4.3 Form of Subcontract	9
4.4 Provisions Binding on Subcontractors	9
4.5 Interest in Subcontractor	10
4.6 Termination of Subcontracts. The IC shall terminate any Subcontract upon the Company's request	10
5.0 Personnel	10
5.1 Staff Size	10
5.2 Qualification	10
5.3 Personnel	10
6.0 Compensation	11
6.1 Specific Rates of Compensation	11
6.2 Additional Services; Premium Time Work	12
6.3 Invoices; Payment	12
6.4 Final Acceptance	13
6.5 Payment of Claims on Behalf of the IC	14
7.0 Taxes	14
7.1 Sales Tax	14
7.2 Payroll Taxes and Contributions	14
8.0 Warranties	14
9.0 Changes	15
10.0 Claims	15
10.1 Permitted Claims	15
10.2 Notice of Claim	15

10.3	Documentation	15
10.4	Waiver	16
<hr/>		
11.0	Termination; Default	16
11.1	Termination for Convenience	16
11.2	Termination for Default	16
11.3	Remedies Not Exclusive; Right of Offset	17
11.4	Actions Upon Termination	17
12.0	Insurance Requirements	17
12.1	Specific Insurance Requirements	17
12.2	Subcontractor Compliance. The IC shall be responsible for compliance by Subcontractors with the insurance requirements hereof	18
12.3	Periodic Right to Review/Update Insurance Requirements	18
13.0	Indemnification	18
13.1	Indemnification Obligation	18
13.2	Indemnification Procedure	18
14.0	Obligations with Respect to Liens	19
15.0	Reporting; Monitoring of Work	19
15.1	Reporting	19
15.2	Records and Audits	20
15.3	Right to Review Services, Facilities, and Records	20
15.4	Right to Audit	20
15.5	No Discharge of Obligations	21
16.0	Confidentiality	21
16.1	Non-Disclosure of Confidential Information	21
16.2	Required Disclosure	21
16.3	Return of Confidential Information	21
16.4	Protection of Customer Information	22
16.5	No Rights Granted	22
16.6	Remedies	22
17.0	Intellectual Property	23
17.1	Grant of Limited, Non-Exclusive and Revocable License	23
17.2	Use of Intellectual Property	23
18.0	Compliance with Laws/Safety Requirements	23
18.1	Compliance with Laws	23
18.2	Safeguards	24
18.3	Maintenance of Work Site; Removal of Waste	25
18.4	Vehicle Spills	25
18.5	Protection of Persons and Property; Notice of Accidents	25
18.6	Identification	26
19.0	Health, Safety and Environmental Plan; No Asbestos or Lead Abatement Measures Authorized	26
20.0	Effect of the Company's Approva	26
21.0	Title and Risk of Loss (Repair Services)	27
22.0	Company's Performance	27
<hr/>		
23.0	Communication with Supervisors	27
24.0	Non-Solicitation	27
25.0	Force Majeure	27
26.0	Set-Off	27
27.0	Waiver	28
28.0	Errors and Omissions	28
29.0	Relationship of Parties; No Third Party Beneficiaries	28
30.0	Severability	28

31.0	New York Law	28
32.0	Waiver of Trial by Jury	29
33.0	Submission to Jurisdiction/Choice of Forum	29
34.0	Section Headings	29
35.0	Signature Authorizing Agreement	29

SCHEDULES AND EXHIBITS:

Schedule I — Compensation

Schedule II — Statement of Work

Exhibit A — Approved Implementation Plan
Exhibit B — Approved Sales Plan
Exhibit C — Approved Transition Plan
Exhibit D — Survey Authorization Form
Exhibit E — Customer Installation Authorization Form
Exhibit F — IC Geographic Area
Exhibit G — Data Level Collection Requirements
Exhibit H — Reporting Requirements
Exhibit I — TREES Specification

Schedule III — Addresses for Notice

Schedule IV — Insurance Requirements

SMALL BUSINESS DIRECT INSTALL PROGRAM AGREEMENT

This SMALL BUSINESS DIRECT INSTALL PROGRAM AGREEMENT dated as of July 2, 2012 is made and entered into by and between **Willdan Energy Solutions**, a California corporation with offices at 2401 East Katella Avenue, Suite 300, Anaheim, California 92806 (the “IC”) and **Consolidated Edison Company of New York, Inc.**, a New York corporation with offices at 4 Irving Place, New York, New York 10003 (the “Company”). The IC and the Company are sometimes hereinafter referred to individually as “Party” and collectively as “Parties”.

RECITALS

The Agreement is entered into with reference to the following facts, among others:

- A. The Company desires to promote energy efficiency and improve the competitiveness of small business customers through reduced energy costs and to increase customer awareness of energy efficiency methods, including improvements in facility operations and maintenance, consistent with the goals established pursuant to the New York State Energy Efficiency Portfolio Standard (EEPS) and orders of the New York State Public Service Commission;
- B. The Company intends to achieve these goals, in part, through the implementation of the Small Business Direct Install Program set forth in this Agreement; and
- C. To carry out the objectives set forth herein and subject to the terms and conditions set forth in this Agreement, the Company has retained the IC to provide the services described in this Agreement.

NOW, THEREFORE, in consideration of the foregoing Recitals, each of which is incorporated by reference herein, and all other representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Parties hereto hereby agree as follows:

1.0 Definitions

1.1 Definitions. The following terms, when used in this Agreement, shall have the meanings specified:

“Agreement” shall mean, collectively, this Small Business Direct Install Program Agreement, including all Appendices and Schedules attached hereto (and all Exhibits attached to such Schedules), and all Purchase Orders, each as amended from time to time in accordance with the terms hereof and hereby incorporated by reference.

“Applicable Law” or “Applicable Laws” shall mean any and all laws (including all statutory enactments and common law), ordinances, constitutions, regulations, statutes, treaties, rules, codes, standards, licenses, certificates, franchises, permits, requirements, judgments, orders, injunctions or other binding requirement of any Governmental Body that are applicable to the Work, this Agreement or the Parties.

“Approved Customers” shall mean those entities approved by the Company to participate in the SBDI Program (or, if applicable, any other Programs) based on eligibility criteria described in the Statement of Work or otherwise defined by the Company from time to time.

“Approved Plans” shall mean each of the Approved Implementation Plan, the Approved Sales Plan and the Approved Transition Plan, as each is defined in the Statement of Work.

“Approved Subcontract Form” shall mean the form Subcontract that is approved by the Company and attached to the Implementation Plan (as defined in the Statement of Work), as the same may be amended in accordance with the terms hereof.

“Background Check” shall mean the review of public information to investigate a Person’s history, which shall include, without limitation, the following: (a) social security skip number trace, (b) credit data reports, (c) national criminal record search, (c) state criminal record, (d) Department of Motor Vehicles/driving record, (e) education and (f) any licensure required to perform the Work.

“Business Day” shall mean any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to be closed.

“Change Order” shall mean a document issued by the Company to the IC to effectuate a change to this Agreement (including any schedules or exhibits attached hereto).

“Company Indemnitees” shall have the meaning set forth in Section 13.1.

“Contract Period” shall mean the term of this Agreement, as described in Section 3.4.

“Contractor Lien” shall mean a lien upon any part of the Work or any part of the Site arising out of the Work or by or through the IC, any Subcontractor or any IC Representative, suppliers or any of their respective personnel in connection with the Work, excluding any such lien arising from the Company’s failure to pay the IC any amounts due hereunder, which amounts are not subject to a good faith dispute.

“Customer Information” shall have the meaning set forth in Section 16.5.

“Customer Installation Authorization Form” or “Customer Authorization Form” shall have the meaning set forth in Section 4.5.3 of the Statement of Work.

“Documentation” shall mean all orders, contracts, invoices, records, payment receipts, warranty documents, specifications, procedures, instructions, reports, test results, analyses, calculations, manuals, and other data (i) specified in this Agreement or (ii) otherwise required by any Person having jurisdiction over the Work.

“Effective Date” shall mean the date that all of the following events have occurred:

- (a) this Agreement has been signed on behalf of the IC by the Person(s) authorized to bind the IC hereto;

2

- (b) this Agreement has been signed on behalf of the Company by the Person designated by the officer or employee authorized to enter into this Agreement;

- (c) this Agreement has been approved by the Company’s Board of Directors, authorizing officer or employee authorized to give such approval; and

- (d) the Company has issued to the IC a notice to proceed.

“Environmental Health and Safety Plan” shall have the meaning set forth in Section 19.0

“Event of Default” shall have the meaning set forth in Section 11.2.

“Force Majeure Event” shall mean any event that: (a) prevents or materially hinder a Party (the “Affected Party”) from performing its obligations under this Agreement or complying with any conditions required by the other Party under this Agreement; and (b) is beyond the reasonable control of (including, without limitation, war, civil insurrection, governmental expropriation, Acts of God, hurricanes, earthquakes, tornadoes, typhoons, epidemics, quarantines, riots, acts of terrorism and the results thereof and acts of sabotage) and not the result of the fault or negligence of the Affected Party (including such Affected Party’s personnel and, with respect to the IC, the Subcontractors or any IC Representative); and (c) could not have been prevented or avoided by the exercise of reasonable diligence by the Affected Party or its personnel or Subcontractors, as applicable. In no event shall the following constitute a Force Majeure Event: (i) strikes or labor disturbances involving the Company, the IC, Subcontractors or any IC Representatives; (ii) availability of, or price levels or fluctuations with respect to labor, goods, including materials and equipment, services, supplies or components of equipment related to items to be supplied by the IC in connection with the performance of the Work, unless due to Force Majeure; (iii) economic hardship; (iv) normal climatic conditions, (v) lightning strikes on buildings or structures or associated equipment; (vi) any delay or failure of the IC to perform the Work due to the delay or failure of any Subcontractor to perform any obligation to the IC; (vii) fires at a Site; or (viii) equipment failure.

“Governmental Body” shall mean any: (i) nation, state, county, city, town, village, district or other jurisdiction of any nature; (ii) federal, state, local, municipal, foreign or other government; or (iii) governmental or quasi governmental authority of any nature (including any governmental agency, branch, board, commission, department, instrumentality, office or other entity, and any court), in any such case exercising, or entitled to exercise, administrative, executive, judicial, legislative, regulatory or taxing or other authority (to the extent such exercise has the force of law) over this Agreement, the performance of the Work or the Parties.

“IC Change of Control” shall mean (i) the sale, transfer or other disposition of fifty percent (50%) or more of the equity interest of the IC or (ii) any change of the right to elect a majority of the board of directors (or similar governing body) of the IC and/or to direct the management, policies and decisions of the IC.

“IC Event of Bankruptcy” shall mean (i) if, by order of a court of competent jurisdiction, a receiver, liquidator, custodian or trustee of the IC or of a major part of the property of the IC is appointed and is not discharged within sixty (60) days, or if, by decree of such a court, the IC is adjudicated insolvent, or a major part of the property of the IC is sequestered, and such decree

has continued undischarged and unstayed for sixty (60) days after the entry of such decree, or if a petition to reorganize the IC under any bankruptcy law or any other similar statute applicable to the IC, as now or hereinafter in effect, is filed against the IC and is not dismissed within sixty (60) days after such filing, or if the IC is adjudicated bankrupt or files a petition in voluntary bankruptcy under any provision of any bankruptcy law or consents to the filing of any bankruptcy or reorganization petition against it under any such law, or (without limitation of the generality of the foregoing) files a petition to reorganize pursuant to any bankruptcy law or any other similar statute; or (ii) if the IC makes an assignment for the benefit of creditors, or admits in writing an inability to pay its debts generally as they become due, or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the IC or of a major part of the property of the IC.

“IC Performance Metric” shall have the meaning set forth in the Statement of Work.

“IC Performance Metric Default” shall mean (i) the occurrence of an IC Installation Metric Default (as defined in Section 4.6.3 of the Statement of Work), (ii) the IC’s failure to achieve the Energy Savings Metric (as defined in Section 5.2.1 of the Statement of Work) for two (2) consecutive quarters, (iii) the IC’s failure to achieve the Cost Per KWh Performance Metric (as defined in Section 5.3.2 of the Statement of Work) for any quarter (other than the initial quarter immediately following the Effective Date), (iv) the IC’s failure to achieve 85% compliance with the Mean Time to Process Metric (as defined in Section 5.4.2 of the Statement of Work) for any quarter, (v) the IC’s failure to achieve the Conversion Ratio Metric (as defined in Section 5.5.3 of the Statement of Work) for one year, or (vi) the IC’s failure to achieve any other IC Performance Metric, which failure has been determined by the Company shall constitute a default hereunder and remains uncured for more than thirty (30) days after notice from the Company to the IC.

“IC Representatives” shall mean the respective agents, servants or employees of the IC or any Subcontractor.

“Incentive Compensation” shall have the meaning set forth in Section 6.1.

“Increased Costs” shall have the meaning set forth in Section 10.1.

“Initial Expiration Date” shall mean June 30, 2014.

“Losses” shall have the meaning set forth in Article 13.0.

“Measure(s)” shall mean each energy efficiency item that is approved by the Consortium of Energy Efficiency and is suitable for installation at Sites pursuant to the SBDI Program (as reflected by its inclusion on the Pricing List).

“Non-Contract Work” shall have the meaning set forth in Section 10.1.

“Non-Incentive Compensation” shall have the meaning set forth in Section 6.1.

“O&R” means the Company’s affiliate, Orange and Rockland Utilities, Inc.

“O&R Agreement” means that certain Small Business Direct Install Program Agreement by and between O&R and the Contractor of even date herewith.

“Person” shall mean any individual, corporation, partnership, limited liability company, association, trust, unincorporated organization, joint venture or other entity with legal constitution under Applicable Law, including any Governmental Body.

“Pricing List” shall mean that Measure pricing list, included as part of Schedule I hereto, that details the fully installed, “all in” cost (i.e., product cost, labor, profit and any applicable tax) of each Measure to be offered to Approved Customers.

“Programs” shall mean the SBDI Program and any other programs that may be implemented by the Company for the purpose of promoting energy efficiency and as to which the IC agrees to perform services hereunder.

“Program Expenditure Limit” shall have the meaning set forth in Schedule I.

“Program Manager” shall mean the Company’s authorized representative for this Agreement as specified on Schedule III, or such other Person designated by the Company in writing from time to time.

“Program Participant” shall mean an Approved Customer that participates in the SBDI Program and agrees to the implementation of energy efficient measures in its facilities.

“Purchase Order” shall mean that certain purchase order no. _____ between the Company and the IC, of which this Agreement forms a part.

“Risk Manager” shall have the meaning set forth in Schedule IV.

“Site” shall mean the location of the performance of any Work.

“Small Business Direct Install Program” or “SBDI Program” shall mean the Program supported by the Work to be performed under this Agreement.

“Statement of Work” shall mean the Statement of Work attached hereto as Schedule II, together with all Exhibits thereto, as the same may be amended from time to time in accordance with the terms thereof and hereof.

“Subcontract” shall mean any agreement between the IC and any Subcontractor pursuant to which all or part of the Work is to be performed.

“Subcontractor” shall mean any Person contracting directly or indirectly with the IC (including any Person contracting with a Subcontractor of the IC) to furnish services or materials as part of, or directly related to, the Work.

“Survey Authorization Form” has the meaning set forth in Section 4.5.2 of the Statement of Work.

5

“Task Assignment” shall mean a duly authorized request for contractor services submitted by the IC, either in written form or through electronic media, for the sole purpose of performing specific Work for the Company.

“Work” shall mean the work or services the IC has agreed to furnish pursuant to this Agreement, as more particularly described in Article 2.0 and in the Statement of Work.

1.2 Construction. For purposes of this Agreement, except as otherwise expressly provided herein or the context otherwise requires, (i) the terms “hereof”, “herein”, “hereunder”, “hereby”, “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision; (ii) the words “include”, “includes” and “including” shall be deemed to be modified by the words “without limitation”, unless otherwise specified; (iii) references to any Applicable Law means such Law as lawfully amended, modified, codified, replaced re-enacted and in effect from time to time; (iv) words in the singular or plural also include the plural or singular, respectively; and (v) references in this Agreement to any Article, Section, paragraph, Schedule, Exhibit or Appendix means the Article, Section, paragraph, Schedule, Exhibit or Appendix to this Agreement (or to a Schedule to this Agreement), unless otherwise specified.

2.0 Statement Of Work. The IC will conduct, manage and administer the SBDI Program in accordance with the Statement of Work attached hereto as Schedule II and made a part hereof. The provisions of such Statement of Work, and any other requirements, protocols, procedures and guidelines applicable to the SBDI Program (or any other Program) not delineated in this Agreement and subsequently developed between the Company and the IC shall be incorporated into this Agreement by amendment in accordance with Section 3.2.

3.0 General Provisions.

- 3.1 Integrated Agreement. This Agreement, together with that certain Disclosure Form, dated December 1, 2011, executed by the IC in favor of the Company and O&R in respect of Bid Event 36486 — Small Business Direct Install Program Implementation Contractor, including, without limitation, the Standards of Business Conduct Values and Guidelines for Contractors attached as Exhibit A thereto (which documents are hereby incorporated by reference herein and expressly made a part hereof, as though fully set forth herein), sets forth all of the rights and duties of the Parties with respect to the subject matter hereof, and supersedes any and all previous agreements or understandings, whether written or oral, relating to such subject matter. This Agreement may be amended only as provided herein.
- 3.2 Amendment. All amendments hereto shall be in writing and signed on behalf of the Parties by the Persons authorized to bind the Parties thereto. Except as expressly set forth herein (including in the Statement of Work), amendments hereto shall be signed by both Parties.
- 3.3 Prohibition Against Assignment or Delegation. The IC may not, unless it has first obtained the written consent of the Company, which may be withheld for any reason: (i) assign this Agreement or otherwise alienate any of its rights hereunder, including the right to payment, or (ii) except as specifically permitted herein, delegate, subcontract, or otherwise transfer any of its duties hereunder, and any such assignment or delegation without such consent shall be void.

6

-
- 3.4 Term. Unless earlier terminated pursuant to the terms and conditions set forth herein, this Agreement shall commence on the Effective Date and shall terminate on the Initial Expiration Date. Notwithstanding the foregoing, the Company may in its sole and absolute discretion and upon written notice to the IC extend the Contract Period for an additional two-year period ending on June 30, 2016; *provided that*, in such event, the performance of Work relating to new business shall in all events end on December 31, 2015 and services rendered during the final six (6) months of the extended Contract Period shall be limited to such administrative and other functions as the Company shall direct.
- 3.5 Representatives and Notices. Any notice, demand, or request directed to any Party shall be in writing, except as specified elsewhere in this Agreement, and delivered to the Person at the address identified by such Party as shown on Schedule III. Service will be deemed complete upon receipt (if hand delivered or confirmed by fax or electronic mail), on the next Business Day (if sent by overnight courier) or five days after mailing (provided it is sent by registered or certified mail). Either Party, by written notice sent in accordance with this Agreement, may designate different or additional Person(s) or different addresses for notice.
- 3.6 Performance. The IC shall perform the Work in accordance with any schedule of performance stated in this Agreement (including, without limitation, the Statement of Work) and any agreement entered into by the IC or the Company with an Approved Customer or Program Participant.
- 3.7 Firm Price. Unless otherwise expressly and specifically provided herein, the prices stated in this Agreement are firm and are not subject to increase.
- 3.8 Conflict/Order of Preference. Unless otherwise expressly provided herein or in any Schedule or Exhibit, in the event of a conflict between this Agreement and any Appendices or Schedules (including the Statement of Work) attached hereto (or any Exhibits attached to such

Schedules), the terms and provisions of this Agreement shall control. If there is any conflict among the Schedules attached hereto, the documents shall take precedence in the following order:

- (1) Schedule I: Compensation
- (2) Schedule II: Statement of Work (including Exhibits attached thereto)
- (3) All remaining schedules (which will be of equal priority)

Whenever possible, provisions shall be constructed as complementary rather than conflicting.

3.9 Representations and Warranties of the IC. The IC hereby represents and warrants to the Company as follows:

- (a) The IC is duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization, as applicable, and has all requisite corporate power and authority to own and operate its business and properties and to carry on its business as now being conducted and as proposed to be conducted hereunder, and is duly qualified to do business in the State of New York and in any other jurisdiction in which the transaction of its business makes such qualification necessary.
- (b) The IC has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement by the IC have been duly authorized by all necessary action on the part of the IC. This Agreement has been duly and validly executed and delivered by the IC and, assuming due execution and delivery hereof by the Company, constitutes the legal, valid and binding obligation of the IC, enforceable against the IC in accordance with its terms, except as such enforcement may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights in an action generally, or (b) general equitable principles (in each case, whether considered in any action at law or in equity).
- (c) The execution, delivery and performance of this Agreement by the IC and the consummation of the transactions contemplated hereby do not and shall not contravene the governing documents of the IC and do not and shall not conflict with or result in a breach of or default under (i) any provision of Applicable Law or (ii) any indenture, mortgage, lease, agreement, instrument, judgment, decree, order or ruling to which the IC is a party or by which it or any of its properties is bound or affected.
- (d) All authorizations, approvals, orders or consents of any Person required in connection with the execution, delivery and performance of this Agreement by the IC have been obtained; *provided* that the consent of any Approved Customers shall be obtained in due course (prior to the provision of services thereto) in accordance with Applicable Law.

4.0 Subcontractors.

- 4.1 Subcontracts. Subject to Section 4.6 hereof the IC may enter into Subcontracts for the performance of portions of this Agreement. The IC will keep the Company informed with current listings of Subcontractors, and shall provide the Company with at least twenty-four (24) hours prior notice before the first time that a Subcontractor is to perform any Work at a Site. The IC shall at all times be responsible for the acts, errors and omissions of the Subcontractors and Persons directly or indirectly employed or engaged by them and for the Subcontractors' and such Persons' compliance with the terms of this Agreement, including,

without limitation, compliance with Applicable Laws. Nothing in this Agreement, and no action taken by the Company (including, without limitation, the issuance of identification cards or other materials co-branded with logos or other intellectual property of the Company) shall constitute, or be construed to create, any contractual, employer or other relationship between any Subcontractor and the Company or any of its affiliates (all of which is hereby expressly disclaimed) nor any obligation on the part of the Company or any of its affiliates to pay, or to be responsible for the payment of, any sums to any Subcontractors. Notwithstanding the foregoing (and unless otherwise agreed by the Company), the IC shall cause Subcontracts to (i) provide for the IC the same rights against the Subcontractor as the Company has hereunder against the IC hereunder (and shall expressly state that such provisions shall also be for the benefit of the Company), and (ii) provide that one or more representatives of the Company may, without prior notice to either the IC or Subcontractor, visit and inspect the place of business of the Subcontractor or any Site at which the Subcontractor is performing Work.

- 4.2 Representations and Warranties Regarding Subcontractors. The IC represents, warrants, covenants and agrees that (i) all Subcontractors are and at all times shall be appropriately qualified, with the necessary education, experience, licenses and certifications, and shall have all equipment necessary (which equipment shall be in good working order), to perform the Work competently, in a manner consistent with this Agreement (including this Statement of Work and the Approved Implementation Plan) and in compliance with all Applicable Laws, and (ii) it shall have performed Background Checks, or reviewed the results of Background Checks performed by its Subcontractors, the results of which, in either case, shall have been favorable and shall be made available to the Company upon its request, with respect to all Persons employed or otherwise engaged by Subcontractors to perform services at any Site and who have been issued or are expected to be issued an identification card co-branded with the logo of the Company and/or any other intellectual property of the Company.
- 4.3 Form of Subcontract. Upon approval of the form Subcontract submitted to the Company in connection with the Implementation Plan, the IC shall use the Approved Subcontract Form with all Subcontractors. The IC shall notify the Company in the event that any Subcontract differs in any material respect from the Approved Subcontract Form. The Approved Subcontract Form may not be amended or modified without the Company's prior consent. Upon the Company's written request, the IC shall supply the Company with true and correct copies of any or all Subcontracts.

4.4 Provisions Binding on Subcontractors. The provisions of this Agreement, including, without limitation, those pertaining to accuracy of reporting, confidentiality, release of lien waivers, safety and compliance with Applicable Laws, shall apply to all Subcontractors in the same manner as to the IC. In particular, the Company will not pay, even indirectly, the fees and expenses of a Subcontractor that does not conform to the requirements of this Agreement.

9

4.5 Interest in Subcontractor. In no event shall the IC or any of its principals, officers, directors or employees own any equity or economic interest in any Subcontractor unless (i) the IC has notified the Company of its intent to engage such Subcontractor prior to doing so, and (ii) the Company has consented thereto. Notwithstanding the foregoing, the IC may engage the services of any wholly owned subsidiary of the IC, *provided* that the IC notifies the Company promptly upon such engagement. The IC hereby notifies the Company that it intends to engage its wholly owned subsidiary, Willdan Lighting & Electric, Inc., to perform services under this Agreement.

4.6 Termination of Subcontracts. The IC shall terminate any Subcontract upon the Company's request.

5.0 Personnel.

5.1 Staff Size. The size of the staff employed by the IC in the performance of the Work shall at all times be sufficient for the timely implementation of the Work in accordance with the Statement of Work, including, without limitation, the Approved Implementation Plan.

5.2 Qualification. The IC represents, warrants, covenants and agrees that the IC, each IC Representative and all personnel of the IC or any IC Representative assigned, deployed or used to perform Work (i) shall be appropriately qualified, with the necessary education, experience, licenses and certifications, and shall have all equipment necessary (which equipment shall be in good working order) to perform the Work competently in a manner consistent with this Agreement (including the Statement of Work and the Approved Implementation Plan) and in compliance with all Applicable Laws, and (ii) if issued an identification card co-branded with the logo of the Company and/or any other intellectual property of the Company (including, without limitation, magnetic signage, marketing materials, business cards and informational brochures), shall have cleared, with favorable results, a Background Check performed by or on behalf of the IC (which results shall be made available to the Company upon its request).

5.3 Personnel. The IC shall furnish the Company with the names, titles, and qualifications of its key project personnel, along with the names and titles of all other project personnel to perform Work hereunder. Personnel of the IC assigned to perform services hereunder who are designated as "key" personnel shall devote substantially all of their working time to performing the Work; *provided, however*, that such personnel may, with the express prior written approval of the Company and O&R, also perform services under the O&R Agreement; *provided, further*, that any time spent by such shared personnel shall be clearly identified on each invoice delivered to the Company and O&R, reflecting, in each case, only the time spent for that entity (it being expressly acknowledged and agreed that under no circumstance whatsoever may the same time be billed to both O&R and the Company). The IC shall minimize changes to its project personnel. The Company shall have the right to request personnel changes and to review and

10

approve project personnel changes proposed by the IC; *provided* that the Company's approval of personnel assignments and changes shall not be unreasonably withheld. The IC shall maintain current logs of all personnel to whom Company-branded identifications are issued, and shall promptly notify the Company if any such identifications shall become lost or stolen. The IC shall cause each such Person to comply with all policies of the IC and the Company and shall promptly notify the Company in the event that any such personnel breaches such policies, including, without limitation, the promotion of the IC's business to Approved Customers or Program Participants or threatening or mistreating any Person.

6.0 Compensation.

6.1 Specific Rates of Compensation. The Company agrees to pay, and the IC agrees to accept in full satisfaction thereof, the actual cost of the Work at the rates set forth on Schedule I attached hereto and made a part hereof, subject in all events to the Program Expenditure Limit. The IC's compensation hereunder shall be comprised of: (i) an administration fee, payable monthly on a time and material basis, at the hourly rates set forth on Schedule I (but subject to a ten percent (10%) holdback described in Section 6.3 and the Non-Incentive "not to exceed" limitation set forth on Schedule I), (ii) survey charges of the amount set forth on Schedule I (subject to the maximum limitations set forth on Schedule I), and (iii) installation charges (which, for each Measure, shall equal the amount set forth opposite such Measure on the Pricing List contained in Schedule I, and which shall, in the aggregate and together with survey charges, not exceed the Incentive "not to exceed" limitation set forth on Schedule I) (the compensation described in clause (i) being, "Non-Incentive Compensation", and in clauses (ii) and (iii) being, "Incentive Compensation"). All such compensation (including the Incentive Compensation set forth in the Pricing List) shall remain in effect through the Contract Period (as the same may be extended), unless modified or otherwise amended by mutual agreement of the Parties or pursuant to the next sentence. In the event a Subcontractor sells products or services to Program Participants at prices below those stated in the Pricing List, the IC shall extend such lower prices to the Company (it being expressly acknowledged and agreed that under no circumstances shall the IC bill the Company for any component of Incentive Compensation in an amount exceeding the amount reflected on Subcontractor's invoice therefor, regardless of the price of such component reflected on the Pricing List). The hourly rates payable to the IC for administrative work performed on the basis of time and material shall include all profit and indirect costs, such as (but not limited to) field and corporate overhead, supplies (other than marketing materials exclusively related to the Program that have been expressly approved by the Company for use), equipment, computer usage or other information technology charges, home office costs, and all other off-site costs and other similar charges, and no payments in respect of such items shall be made by the Company other than through payment of the hourly rates. For purposes of clarity, the IC acknowledges and agrees that the rates and prices are inclusive of automobile, gasoline, tolls or other similar transportation charges, none of which shall be separately charged to the Company.

11

- 6.2 Additional Services; Premium Time Work. Payment for additional services and expenses not identified on Schedule I but related to and required in connection with the implementation of the Program shall be made only upon the Company's express written approval and otherwise on the terms and conditions set forth herein. Work performed on the basis of time and material, if any, shall not be performed either in whole or in part on a premium time basis (including overtime, Saturdays, Sundays and holidays) unless the IC obtains the Company's prior written consent. If the IC should perform work on a premium time basis without obtaining such consent, then all costs relating to the premium time portion shall be borne solely by the IC without recourse to the Company.
- 6.3 Invoices; Payment. Unless otherwise specified in any Schedule attached hereto, payment shall be made by the Company to the IC within fifteen (15) days after receipt (subject to future audit and adjustment if found to be in error) of accurate and proper invoices with required supporting documentation; *provided, however*, that if, during such fifteen (15) day period, the Company determines that one or more items reflected in the invoice are incorrect, it may request that the IC issue a new invoice with the inaccurate items removed, and the Company shall pay the amount of the new, reduced invoice (subject to future audit and adjustment if later found to be in error) within fifteen (15) days after receipt. Notwithstanding the foregoing, (a) the Company reserves the right to withhold payment of an entire invoice if, in its reasonable judgment, the number or character of inaccuracies identified therein are material, and (b) in any event, no payment or partial payment made by the Company of any invoice shall constitute acceptance by the Company of the amounts reflected thereon as accurate and/or owing.

After the performance of the Work for which payment is to be made, original invoices for Incentive Work shall be submitted to the Program Manager and the Accounts Payable Section of the Company's Corporate Accounting Department on or before the fifteenth (15th) and thirtieth (30th) days of the month, and original invoices for Non-Incentive Compensation shall be submitted to the foregoing Persons once per month only (on or before the tenth (10th) day of the next month). In each case, invoices shall (i) be timely submitted, (ii) for Non-Incentive Compensation, separately set forth, on independent lines, the identity of each Person performing services, such Person's labor classification, a description of the work performed by such Person and whether such Person also performed services for O&R during the period covered by the invoice, the number of hours worked and the hourly rate as well as the total amount invoiced, and shall be accompanied by signed time sheets (or electronic records of time worked) and any other data reasonably required by the Company (which may include, for the avoidance of doubt, attendance records of Persons performing work), (iii) for Incentive Compensation, clearly identify the date, location, customer, quantity and unit cost of each Measure installed and/or survey completed, and (iv) in all cases, otherwise provide such detail, and be accompanied by such supporting

12

documentation, as set forth in this Agreement or otherwise reasonably required by the Company for tax, regulatory, internal or external audit or other purposes. Proofs of costs shall be submitted for any and all reimbursable marketing supplies and materials, surveys and Measures (including, without limitation, true and correct copies of Subcontractor invoices, if applicable).

The IC acknowledges that the Company will withhold ten percent (10%) of its payment on all monthly invoices for Non-Incentive Compensation as security for the IC's performance hereunder; *provided, however*, that upon conclusion of the applicable calendar year, the IC shall be repaid 50% (and up to 100%) of such withheld amount if the IC achieves at least 90% (but up to 100%) of the Energy Savings Metric (as defined in the Statement of Work) (with the IC earning an additional 5% above 50% of the withheld amount for each percentage point of Energy Savings above 90% that the IC achieves). Unrecovered withholdings in a calendar year will not roll over to the next succeeding year unless the MWh goals for the IC Geographic Area are met for the Contract Period (as extended), in which event all previously unpaid withholdings shall be recovered by the IC. The Company shall remit payment to the IC against authorized invoices for withheld amounts net fifteen (15) days upon the Company's quality assurance verification of megawatt savings hours (which shall not endure beyond sixty (60) days following the end of the calendar year or Contract Period, as applicable).

The IC acknowledges that the failure to submit true and complete invoices and other such supporting documentation as set forth in this Agreement will result in a delay in timely payment to the IC hereunder, and that consistent failures may result in termination of this Agreement or the exercise by the Company of other remedies available hereunder or at law or in equity. Under no circumstances shall the IC charge the Company for time it spends or expenses it incurs to correct, re-issue, justify or otherwise provide support for invoices or portions of invoices properly rejected by the Company for failure to comply with the terms of this Agreement.

Any payments due the IC hereunder shall be made in U.S. Dollars by wire transfer of immediately available funds to the bank account most recently designated by the IC (and in any event upon at least two Business Days' prior notice). The Company acknowledges that failure to timely pay true and correct invoices may result in delays in performance of the Work.

- 6.4 Final Acceptance. The acceptance by the IC of final payment for the performance of the Work shall be and operate as a release of the Company from all claims of, and all liability to, the IC for all things done or furnished in connection with this Agreement and for every act and neglect of the Company and others for whom the Company is or may be responsible relating to or arising out of this Agreement. However, no payment, final or otherwise, shall operate to release the IC from any obligations under this Agreement.

13

- 6.5 Payment of Claims on Behalf of the IC. The Company may at any time after notifying the IC in writing (but in no event shall be required to), pay directly any unpaid claims against the IC based on the Work, and in so doing the Company shall be conclusively deemed to be acting as the IC's agent solely with respect to such payments. Any payment made by the Company to discharge a claim against the IC shall be treated as a payment made under this Agreement from the Company to the IC.

- 7.1 Sales Tax. The IC shall use its best efforts to complete and execute, and arrange for each Program Participant to execute, a Certificate of Capital Improvement in connection with each installation performed hereunder. In any event, the IC agrees that all amounts to be paid by the Company to the IC hereunder in accordance with Schedule I hereto (including, without limitation, the Pricing List) include all applicable federal, state and local sales, use or other similar taxes, and the Company shall have no responsibility to pay any amounts whatsoever, other than those set forth herein. To the fullest extent permitted by Applicable Law, the IC agrees to defend, indemnify and hold harmless the Company Indemnitees from and against any and all such sales, use or other similar taxes, assessments, penalties, interest or other Losses arising from any claim by any Governmental Body that the Company owes or has otherwise failed to pay such taxes.
- 7.2 Payroll Taxes and Contributions. The IC assumes exclusive and sole liability for, and shall pay, all contributions or taxes imposed by or required under the unemployment insurance laws of New York or any other state and the Social Security Act or any other Applicable Law upon or in respect of wages, salaries or other compensation paid to employees engaged upon or in connection with the work to be performed.
- 8.0 Warranties. The IC warrants that the Work shall be rendered competently by qualified personnel and in accordance with the best accepted practice. The IC further warrants that any goods furnished in connection with the Work will (i) be new and of merchantable quality, and free from defects in title, design, material, fabrication and workmanship, (ii) conform strictly to the Approved Plans, the Statement of Work and other applicable Documentation and (iii) be suitable for their intended purposes in compliance with all Applicable Laws. Should any failure to meet any of the warranties stated herein appear within eighteen (18) months of the completion of all Work, the IC shall, upon notice by the Company, re-perform the services and replace or repair any goods not conforming to the foregoing warranties promptly and without expense to the Company (or any Approved Customer or Program Participant, as the case may be). In the event the IC fails to promptly remedy as aforesaid any breach of warranty, the Company may correct the deficiencies and charge the IC the cost thereof. The aforesaid warranties shall survive acceptance of and payment for the Work. After any such services have been redone and materials or articles replaced or repaired pursuant to the foregoing warranties, they shall be subject anew to the foregoing warranties; *provided, however*, that the IC's product/equipment warranty period shall not be required to exceed the period provided by the applicable manufacturer (as approved by the Consortium of Energy Efficiency) or the IC's workmanship warranty period exceed 24 months from the date of original performance.

9.0 Changes. The Company reserves the right at any time to request that the IC perform Work for other Programs, and to otherwise make changes in the Work as it may direct in writing, which Work shall be performed on the terms and conditions set forth herein.

10.0 Claims

- 10.1 Permitted Claims. The only claims that may be made by the IC are for (i) providing services or materials beyond the scope of this Agreement that are not covered by a written and signed Change Order or otherwise permitted without the IC's consent by the terms of the Statement of Work ("Non-Contract Work"), and (ii) the increased cost of performing the Work caused by the Company's breach of this Agreement ("Increased Costs").
- 10.2 Notice of Claim. For each claim for Non-Contract Work, the IC must give written notice to the Program Manager within five (5) days of when the IC began to perform such work. The notice must identify such work with particularity, including the date such work began, the reason such work was performed, the estimated cost and duration of the work, the anticipated schedule impact of the work, and the name of any Company representative alleged to have ordered such work. For each claim for Increased Costs, the IC must give written notice to the Program Manager within five (5) days of IC's discovery of the Company's breach. The notice must identify the breach with the following particularity: (i) for an act of the Company, identify the act, the date and location of the act, and the individual who performed the act; or (ii) for an omission by the Company, identify the specific action the IC believes the Company should have taken, the date the action should have been taken, and the date the action was taken, if ever.
- 10.3 Documentation. For claims for which the IC has given timely notice under Section 10.2, the IC must segregate and maintain all costs associated with such claim. Documentation of all such costs shall be maintained and be made available to the Company upon request. The IC shall submit weekly detailed itemizations of such costs to the Company within ten (10) days after submitting the notice required by Section 10.2. For each claim for Non-Contract Work, such itemization of costs shall include: (i) the name, title, trade, local, and number of each worker employed in such work, the dates and hours each worker was employed in such work, and the tasks performed, and (ii) the nature and quantity of any materials, plant and equipment furnished or used on connection with the performance of such work and from whom purchased or rented. For each claim for Increased Costs, such itemization of costs shall include: (i) the date the Increased Costs were incurred, (ii) the name, title, trade local, and number of the workers who performed the work whose costs were increased, (iii) the price in the IC's bid for the performance of the work that had its cost increased, the actual cost to the IC to perform such work, and the amount of the Increased Costs that the IC claims the Company is responsible for, and (iv) the nature and quantity of any materials, plant, and equipment whose cost was increased by the Company's act or omission.

- 10.4 Waiver. The IC's failure to provide timely notice of a claim as required by Section 10.2, or to collect, segregate, maintain, and make available to the Company documentation of all costs sought in the claim, as required by Section 10.3, or to timely submit such costs on a weekly basis, as required by Section 10.3, shall be deemed a conclusive and binding determination by the IC that neither the IC nor any of its Subcontractors have provided any services or materials beyond the scope of this Agreement not covered by a written and signed Change Order and that neither the IC nor any of its Subcontractors have had their costs increased by a breach of this Agreement by the Company, and such failure shall be deemed a waiver of the claim.

11.0 Termination; Default.

- 11.1 Termination for Convenience. The Company may for any reason whatsoever, including its own convenience, terminate this Agreement, in whole or in part, without liability to the IC except as stated in this Section 11.1, upon thirty (30) days' prior written notice to the IC. In the event of such termination, in full discharge of its obligations to the IC in respect of this Agreement and such termination, the Company shall

pay the IC for Work performed to date of termination, including all retentions (or portions thereof, to the extent payable hereunder, as measured on a pro rated basis) and compensate the IC, at the established rates and upon submission of substantiation of the same, for any work required to organize and deliver to the Company all Documentation and other materials developed in the course of the work to the date of termination. Except as provided in the preceding sentence, no other termination charges shall apply. If, however, payments made under this Agreement exceed the amounts payable under this Section 11.1, then the excess shall promptly be refunded to the Company. Except as agreed by the Company in writing, termination shall not relieve the IC of any obligation that may arise out of Work performed prior to termination. In no event shall the Company be liable to the IC for damages of any kind arising out of the termination or for lost profit, unrecovered or increased overhead or lost opportunities to obtain other sales.

- 11.2 Termination for Default. The Company shall have the right, by written notice to the IC, to immediately terminate this Agreement in the event (i) there is an IC Change of Control, (ii) there is an IC Event of Bankruptcy, (iii) the IC assigns or attempts to assign its rights or obligations under this Agreement or any part thereof to any Person without the prior written consent of the Company, (iv) the IC, any Subcontractor or any IC Representative fails or refuses to comply with any Applicable Law, (v) that any payments due to the IC exceed the Program Expenditure Limit without the Company's prior written consent, (vi) the IC fails to maintain and provide acceptable evidence of the required insurance for the required period of coverage as set forth in this Agreement, (vii) the IC, any Subcontractor or any IC Representative fails to have all licenses required under

16

this Agreement and Applicable Law, (viii) there is an IC Performance Metric Default, (ix) any representation or warranty made by the IC herein or any other document submitted to the Company in connection with this Agreement or the Work is false or misleading in any material respect when made, or (x) the IC has failed to perform, in whole or in part, any promise, covenant, or agreement set forth in this Agreement, including without limitation the Appendices, Schedules and Exhibits attached hereto, any Purchase Order, any Change Order or any other document delivered in connection with this Agreement and fails to cure such breach within thirty (30) days after receipt of written notice thereof (each of the events described in clauses (i) through (x) of this Section 11.2 being, an "Event of Default").

- 11.3 Remedies Not Exclusive; Right of Offset. Without limiting Section 11.2, upon the occurrence of an Event of Default, the Company shall have the right to retain from any payments otherwise due the IC for any Work performed prior to or after the occurrence of such Event of Default an amount which the Company determines in its sole and absolute discretion (consistent with Applicable Law) is adequate to cover all damage resulting from such Event of Default, together with all rights and remedies provided by law or equity. Any failure by the Company to exercise its right to terminate this Agreement in accordance with such Section 11.2 shall not affect the Company's exercise of any other right or privilege hereunder or under Applicable Law (including, without limitation, its right of offset pursuant to the preceding sentence).
- 11.4 Actions Upon Termination. Upon termination of this Agreement, the IC shall: (i) cease performance of the Work to the extent directed by Company and (ii) deliver to the Company all Documentation, whether or not complete, related to the Work and comply with the terms and conditions of the Approved Transition Plan (as defined in the Statement of Work), and otherwise take all actions that the Company may direct for the protection and preservation the Work and all property and materials or supplies related thereto (in whatever stage of completion).

12.0 Insurance Requirements.

- 12.1 Specific Insurance Requirements. The IC shall obtain and maintain in full force and effect during the Contract Period (or for such longer period as may be required herein) insurance in accordance with, and meeting the requirements set forth in Schedule IV attached hereto and made a part hereof. Acceptable evidence of required insurance, from insurers that are licensed to do business in the State of New York, having an AM Best rating of not less than A-, VIII and otherwise acceptable to the Company, will be required to be submitted to the Company and maintained current throughout the Contract Period. Said evidence of insurance must be on file with the Company in order to receive payment hereunder and in order to commence Work.

17

- 12.2 Subcontractor Compliance. The IC shall be responsible for compliance by Subcontractors with the insurance requirements hereof.
- 12.3 Periodic Right to Review/Update Insurance Requirements. The Company and the IC agree that the insurance policy limits specified on Schedule IV may be reviewed for adequacy annually throughout the term of this Agreement by the Company and its legal counsel, which may thereafter require the IC to adjust the amounts and types of insurance coverage required herein as determined by the Company and/or its legal counsel to be adequate and necessary. The IC shall, upon request by the Company, submit all pertinent information about the agent and carrier providing such insurance, including applicable license and ratings.

13.0 Indemnification.

- 13.1 Indemnification Obligation. To the fullest extent permitted by Applicable Law, the IC agrees to defend, indemnify, save and hold harmless the Company, its shareholders, and affiliates, and each of its and their respective officers, directors, trustees, employees, agents, representatives, successors in interest and assigns (collectively, the "Company Indemnitees") from and against any and all actions, suits, proceedings, investigations, claims, damages, losses and liabilities, statutory or administrative fines, penalties, forfeitures, costs and expenses (including, without limitation, attorneys' fees, court costs, costs of experts) (collectively, "Losses") arising out of or resulting, in whole or in part, from, or incurred by any Company Indemnitee in connection with, the performance of this Agreement or the Work by the IC, any Subcontractor, or any IC Representatives and including (without limitation) Losses (i) arising from the partial or sole negligence of any Company Indemnitee or non-parties to this Agreement, (ii) for injury to or the death of Persons or damage to property (including, without limitation, injury or death of any IC Representatives), (iii) resulting from any violation or alleged violation of Applicable Law or any other breach of this Agreement by the IC (or any of its representatives or agents, including any Subcontractor), or (iv) related to the discharge or defending of any Contractor Liens. The IC expressly agrees that the Company may pursue claims for contribution and

indemnification against the IC in connection with claims against any Company Indemnitee for injury and/or death to the IC's employees notwithstanding the provisions of Section 11 of the Workers' Compensation Law limiting such claims for contribution and indemnification against employers, and the IC hereby waives the limitations on contribution and indemnity claims against employers provided in Section 11 of the Workers' Compensation Law insofar as such claims are asserted by the Company against the IC. The indemnification obligations hereunder are not limited by insurance coverage.

- 13.2 Indemnification Procedure. The Company shall promptly give the IC notice of any action, administrative or legal proceeding, investigation or claim (whether asserted by a third party or by a Company Indemnitee) in respect of which indemnification by the IC is or may be sought under this Agreement (*provided, however*, that the failure to provide such prompt notice shall not relieve the IC of

its indemnification obligations hereunder unless it is actually prejudiced by such failure). The IC shall have the obligation to assume the defense of any third party claim with counsel of its choice and shall conduct any such defense with due diligence and in good faith; *provided, however*, that if the IC fails to assume or diligently prosecute such defense, the Company may do so at the IC's sole expense, and, with prior notice to the IC, may settle such action). The Company Indemnitees shall render such assistance as the IC may reasonably require in connection with such defense; *provided* that the IC shall reimburse the Company Indemnitees for any out of pocket expenses, including payments to third parties, reasonably incurred by them in connection therewith. Company Indemnitees have the right to be represented by counsel of their own selection and to participate in such defense at their own expense, unless the defendants in any such action include both Parties, and the Company shall have reasonably concluded that there may be legal defenses available to it which are different from, additional to or inconsistent with those available to the IC, in which event the IC shall be responsible for the cost and expenses of such separate counsel engaged by the Company). The IC shall not compromise or settle any third party action without the prior consent of the Company Indemnitees, unless such settlement involves only the payment of money by the IC and does not affect any rights of any Company Indemnitee.

- 14.0 Obligations with Respect to Liens. Notwithstanding any provision in this Agreement to the contrary, if any Contractor Liens are filed against the Company or any Site by any Subcontractor, or if any notice of intent to file a Lien is received from any Subcontractor, then provided that the IC has been timely paid (unless nonpayment is due to the IC's breach or delivery of an incorrect invoice) the IC shall (i) promptly obtain release of the Lien or the notice of intent (or cause such Subcontractor to release such Lien or notice), and (ii) deliver copies of any such releases to the Company promptly upon its request. Notwithstanding the foregoing, the IC shall have the right to elect to take a security interest in the Measures to be installed at a Site if (and only if) (i) the amount of the applicable Approved Customer copayment, whether or not financed, equals or exceeds \$1,500; *provided, however*, that the IC shall (a) forebear from filing any such Lien for a period of at least sixty (60) days following any default by the applicable Program Participant of its payment obligations, and (b) notify the Company promptly upon the occurrence of any such default and of the IC's intention to file any such Lien (prior to doing so).

15.0 Reporting; Monitoring of Work.

- 15.1 Reporting. The IC shall submit to the Company such surveys, reports and other Documentation as required in the Statement of Work. The IC acknowledges that any data or information reported to the Company will be provided, in whole or in part, to the New York State Public Service Commission and, as such, represents, warrants, covenants and agrees that all such data and information shall be true, correct and complete. The IC further agrees to promptly notify the Company if the IC has knowledge of any errors or omissions with respect to any data or information previously submitted to the Company, and to promptly resubmit any such survey or report to correct the same. The IC expressly agrees to indemnify, save and hold harmless the Company Indemnitees for any Losses arising out of, in whole or in part, the provision of such information by the IC or any Subcontractor.

- 15.2 Records and Audits. The IC shall maintain records and books of accounts showing all costs and expenses incurred by the IC pursuant to this Agreement. The Company shall have the right, upon reasonable notice, to audit the books, records, documents, and other evidence and the accounting procedures and practices, where needed, to verify the costs and expenses claimed, for a period of at least six (6) years after final payment to the IC and thereafter until all disputes, appeals, litigation, or claims then pending have been finally resolved. The right to audit shall also include inspection at reasonable times of the IC's offices or facilities that are engaged in the performance of the Work. In addition, the IC shall, at no expense to the Company, furnish reasonable facilities and assistance for the conduct of such an audit. Upon request, the IC shall also provide copies of all documents (in whatever form or medium maintained) applicable to this Agreement. The audit findings shall, to the extent allowed by Applicable Law and subject to Article 16.0, be treated by the Company as confidential.
- 15.3 Right to Review Services, Facilities, and Records. The IC shall maintain records of (i) licenses held by the IC, Subcontractors and IC Representatives in connection with the performance of the Work, (ii) permits required under Applicable Law to be obtained by the IC, Subcontractors or any IC Representative in connection with the performance of the Work and (iii) inspections performed after completion of any Work at a Site. The Company reserves the right to inspect and review any portion of the Work performed by the IC, Subcontractors or any IC Representative under this Agreement, and the IC agrees to cooperate to the fullest extent possible in connection therewith. The IC shall furnish to the Company such reports, statistical data and other information pertaining to the Work as the Company and/or any Governmental Body having regulatory authority over the Company (including, without limitation, the New York State Public Service Commission) shall require, including, without limitation, copies of invoices and support therefor and calculations of energy savings and support therefor. The IC further agrees to make any appearances or meet with the Company, its representatives or any other Person, as reasonably requested by the Company.
- 15.4 Right to Audit. If any audit conducted pursuant to Section 15.2 discloses that the Company has paid the IC for any costs alleged by the IC to have been incurred but which were not in fact incurred or for any time and materials which were not used, the IC shall refund to the Company an amount equal to such payment plus interest thereon accruing from the date of such over-payment by the Company to the date of repayment by the IC at the prime rate as published in the Wall Street Journal over such period, plus three percent (3%) or the highest rate permitted by law, whichever is less. In addition, if such overpayment exceeds the correct amount by more than five percent (5%), the IC shall compensate the Company for the cost of the audit.

- 15.5 No Discharge of Obligations. The right of the Company to review or approve surveys, Task Assignments, Subcontracts, procedures, instructions, reports, schedules, or other data that are developed or provided by the IC or to conduct energy surveys or perform installations and inspections hereunder, and any exercise or failure to exercise any such right, shall not relieve the IC of any obligation set forth herein.

16.0 Confidentiality.

- 16.1 Non-Disclosure of Confidential Information. All data and information developed or utilized by the IC in the course of providing the Work, including, without limitation, any information supplied to the IC by the Company or obtained by the IC, any Subcontractor or any IC Representative from or relating to any customer of the Company (including without limitation, Approved Customers or Program Participants) (collectively, the “Confidential Information”) shall be held in strict confidence and shall be used solely for the performance of the Work pursuant to this Agreement. The IC shall not disclose such Confidential Information to any Person (including but not limited to parents, subsidiaries, or affiliates of the IC, any Subcontractor or any IC Representative) other than the Company, its personnel, employees, legal counsel or other Persons designated by the Company to receive such information (including the New York State Public Service Commission). Notwithstanding the foregoing, the IC may disclose Confidential Information to any Subcontractor or IC Representative that has a legitimate “need to know” the Confidential Information, *provided* that such Subcontractor or IC Representative is advised of the confidential/proprietary nature of such Confidential Information and is caused by the IC to observe the terms of this Confidentiality Agreement. The IC shall be responsible to the Company for any act or omission of a Subcontractor or IC Representative which, if committed by the IC, would constitute a breach of this Article 16.0.
- 16.2 Required Disclosure. In the event that the IC, pursuant to Applicable Law, regulation or legal process, is requested or required to disclose any Confidential Information, the IC shall provide the Company with prompt notice of such request or requirement in order to enable the Company to consult with the IC with regard to the steps that may be taken by the Company to reduce the extent of Confidential Information that must be disclosed and/or to enable the Company to seek an appropriate protective order or other remedy reducing the extent of Confidential Information that must be disclosed. In any event, the IC shall disclose only such Confidential Information that it is advised by legal counsel is legally required in order to comply with such Applicable Law, regulation or legal process (as such may be affected by any protective order or other remedy obtained by the Company) and the IC shall use reasonable efforts to ensure that all Confidential Information that is so disclosed will be accorded confidential treatment.
- 16.3 Return of Confidential Information. Upon the earlier of (i) thirty (30) days after written demand of the Company or (ii) the expiration or termination of this

Agreement, the IC shall (and shall cause Subcontractors and IC Representatives to) return to the Company all copies of the Confidential Information that was disclosed to it by the Company, together with all copies of all documents and of all other media that contain any such Confidential Information or any extracts thereof. In lieu of complying with the immediately preceding sentence, the IC may, within thirty (30) days, destroy all copies of all documents and of all other media that contain any such Confidential Information or any extracts thereof and represent in writing to the Company that such destruction has occurred. Compliance with this Section 16.4 shall not relieve the IC from Compliance with the other terms of this Article 16.0 or this Agreement.

- 16.4 Protection of Customer Information. Notwithstanding any other provision herein, the IC agrees that it shall, and shall cause all Subcontractors and IC Representatives to, encrypt, password-protect and otherwise take reasonable precautions to protect any and all information relating to a customer of the Company (including, without limitation, an Approved Customer or Program Participant) or other natural Person which can be used to identify such customer or Person (including, without limitation, any account number, credit or debit card number, social security number, driver’s license number or other identification card number or other personally identifiable information and including energy usage or energy savings information) (collectively, “Customer Information”) when communicating such information over the Internet or otherwise. The IC shall immediately notify the Company if it learns or discovers that any Customer Information has been used, or is reasonably believed to have been used, by any Person without authorization, or that the security, confidentiality or integrity of such information has been breached. All Customer Information that is transferred by the IC to any Subcontractor or the Company shall be (i) encrypted using an encryption method approved by the Company and (ii) external completed via a central device, and shall include: date and time of the transfer; sending company name, receiving company name, URL or FTP server name the data was transmitted to, name of the data file transmitted, number of bytes in the data file transmitted, and success or failure of the transmission. The Company may, from time to time and without notice to the IC, update any data security requirements with respect to Customer Information.
- 16.5 No Rights Granted. Nothing in this Article 16.0 shall be construed as (i) granting or conferring any rights, by license or otherwise, expressly, implicitly or otherwise, under any patents, copyrights or trade secrets of the Company, or (ii) requiring the disclosure of any Confidential Information. No rights or obligations other than those expressly stated herein shall be implied from this Article 16.0.
- 16.6 Remedies. The IC acknowledges that disclosure or misuse of Confidential Information by the IC, a Subcontractor or an IC Representative may result in irreparable harm to the Company, the amount of which may be difficult to ascertain and which could not be adequately compensated by monetary damages, and that therefore the Company is entitled to specific performance and/or injunctive relief to enforce compliance by the IC with the terms of this

Agreement. Such right of the Company shall be in addition to the remedies otherwise available at law and in equity or under this Agreement. The IC agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief.

17.0 Intellectual Property.

- 17.1 Grant of Limited, Non-Exclusive and Revocable License. The IC acknowledges that the Company owns all right, title and interest in and to “Green Team” and associated service marks, trade names and logos. The Company hereby grants a limited, non-exclusive and revocable license to use the “Green Team” and the Company names, trade names and logos solely for purposes of conducting its sales and marketing activities in accordance with the terms of this Agreement (including the Statement of Work and the Approved Sales Plan). Any such use shall in all events conform to the Company’s standards in effect from time to time. The IC shall be responsible for compliance with such standards by Subcontractors and all IC Representatives.
- 17.2 Use of Intellectual Property. If the IC, in the performance of the Work, employs, constructs or provides any goods, design, process, material, tool, equipment or work of authorship (including computer programs and documentation) covered by a patent, copyright, trademark or other proprietary right, the IC shall, if it does not itself own such right, at its own expense secure permission prior to its use hereunder by securing a suitable agreement from the owner of such right. The IC shall indemnify and hold the Company from and harmless against any liability arising from a claim, suit or proceeding brought against the Company and any liability arising therefrom based on a claim that the services rendered hereunder, or any goods, designs, processes or works of authorship (including computer programs and documentation) supplied in connection therewith or resulting therefrom, infringe any patent, copyright, trademark or any other proprietary right. The IC shall provide for the defense of any such claim, suit or proceeding, and shall pay all costs and expenses thereof, including compensation of experts and counsel, and all damages and costs awarded therein against the Company. The Company shall notify the IC of any such claim, suit or proceeding in writing and give the IC authority, information and assistance, if applicable, (at the IC’s expense) for the defense thereof. In the event that the use of any goods, designs, processes or works of authorship furnished hereunder is enjoined, the IC shall promptly, at its own expense, either (i) procure for the Company the right to continue using said goods, designs, processes or works of authorship or (ii) with the approval of the Company (x) replace them with non-infringing goods, designs, processes or works of authorship of equal performance and quality, or (y) modify them so they become non-infringing.

18.0 Compliance with Laws/Safety Requirements.

- 18.1 Compliance with Laws. The IC shall at all times comply with all Applicable Laws in connection with its performance of the Work. Prior to performance of the

Work, the IC shall, at its own cost, have obtained, and shall have required all Subcontractors, IC Representatives and other Persons performing services on behalf of the IC and such Subcontractors to obtain all licenses and permits required by Applicable Law to engage in the Work (including, without limitation, all engineering and electrical licenses), which shall in all events be current and in effect at all times Work is performed. The IC shall provide the Company, upon request, with the original or a copy of permits, certificates, receipts and other evidence establishing its compliance with this Section 18.1. Without limiting the generality of the foregoing, the IC agrees to comply with the Fair Labor Standards Act and with the provisions contained in Appendix A, which is attached hereto and made a part hereof.

18.2 Safeguards.

- 18.2.1 The IC shall (and shall cause each Subcontractor and IC Representative to) comply with, all applicable local, state, and federal safety and health laws in effect on the date hereof (and any amendments thereto) and all standards, rules, regulations, and orders issued pursuant to such local, state, and federal safety and health laws. The IC shall cause all equipment and structures, the place of work and the ways and approaches thereto to meet the requirements of all public authorities. All equipment, tools, other aids and materials utilized by the IC, Subcontractor and IC Representatives shall have been tested and meet all applicable ANSI standards and legal requirements, shall be of high quality and in good working order. The IC shall be responsible for learning what all of these requirements are and the acceptable techniques for complying with them.
- 18.2.2 If in the sole discretion of the Company the work practices of the IC, any Subcontractor or any IC Representative or conditions created by the IC, Subcontractor or IC Representative are unsafe or fail to comply with Applicable Law, the Company may suspend this Agreement (and the IC’s performance hereunder) until such practices and conditions are corrected. The IC shall not be entitled to any additional costs or time for performance due to such work stoppage. Notwithstanding the foregoing, the IC acknowledges that the failure to comply with applicable safety standards (including the standards set forth in the Environmental Health and Safety Plan) constitutes a material breach of this Agreement. Accordingly, the Company shall not be required to exercise its rights under this Section 18.2.2 as a precondition to exercising its rights under Section 11.2, and this Section 18.2.2 shall not operate to restrict the Company’s rights under such Section or any other provision hereof.
- 18.2.3 If at any time an employee of the Company directs the IC, any Subcontractor or any IC Representative to discontinue an operation because it is deemed to be unsafe or illegal, the IC shall (or shall cause the Subcontractor or IC Representative to) immediately halt the questioned operation and, if the IC disagrees with such employee, shall contact the Program Manager for instructions. The IC shall obtain the employee’s name and employee identification number and report this information to the Program Manager.

- 18.3 Maintenance of Work Site; Removal of Waste. At each Site location, the IC, any Subcontractor and each IC Representative shall, at its own expense, store its apparatus, material, supplies and equipment in such orderly fashion as will not interfere with the progress of the Work or the work of any other contractors; clean up and remove frequently all refuse, rubbish, scrap materials, and debris so that at all times the Site shall present a neat, orderly and workmanlike appearance; and, before final payment, remove all surplus material, falsework, and temporary

structures, in each case in accordance with all Applicable Law (including all environmental, health and safety laws) and the Environmental Health and Safety Plan. Without limiting the generality of the foregoing, the IC acknowledges and agrees that it shall be obligated to engage and use (and cause its Subcontractors and other IC Representatives to engage and use) only such waste haulers and disposal facilities that are licensed to accept hazardous and universal waste to transport and dispose of used customer equipment, materials and supplies that have been replaced through performance of the Work.

18.4 Vehicle Spills. All vehicles, including those of the IC, Subcontractors, IC Representatives and suppliers, used in the performance of the Work shall be maintained in good working condition and shall not leak any fluids. Any leaks or spills shall be cleaned up by the IC, at its sole cost and expense, in accordance with Applicable Law.

18.5 Protection of Persons and Property; Notice of Accidents.

18.5.1 The IC, Subcontractors and IC Representatives shall at all times exercise every reasonable precaution to protect Persons and property and any items on which it is working. The IC shall at its own expense (and shall cause Subcontractors and IC Representatives to) design, furnish, and erect such enclosures, barricades, platforms, scaffolds, planking of floor openings, fences and railings, give such warnings, display such lights, signals and signs, exercise such precautions against fire, adopt and enforce such rules and regulations, and take such other precautions as may be necessary, desirable or proper, or as may be directed by the Company. The IC shall, and shall cause Subcontractors and IC Representatives, while on or about an Approved Customer's or Program Participant's premises, to observe and comply with all fire, safety, hazard, "No Smoking", and other rules and regulations prescribed by such customer or legally in effect at the time of Work at the Site.

18.5.2 The IC shall promptly report in writing to the Company all accidents whatsoever, and any claims made in connection therewith, arising out of or in connection with the performance of the Work, whether on or adjacent to the Site, which result in death, injury or property damage, giving full details and statements of witnesses. In addition, if death or serious injury or serious damage to property is caused, the IC shall immediately orally report the accident to the Company.

25

18.5.3 If at any time or place a third party suffers personal injury (including death) or property damage for which the IC is legally liable, no provision of this Agreement shall be construed as an agreement by the Company to assume all or any part of such liability (which liability the Company hereby expressly disclaims) or, if the Company is named or joined in any legal action or proceeding in connection therewith, to preclude, prejudice or limit the Company's right to receive indemnification or contribution from the IC in accordance with the terms of this Agreement.

18.6 Identification. The employees, agents and consultants of the IC and Subcontractors shall at all times have available for review by the Company and its customers acceptable name and photo identification issued by a Governmental Body or the IC or such Subcontractor, as applicable. The Company may, in its discretion from time to time, issue or approve the issuance of identification cards to IC Representatives that contain certain intellectual property of the Company. Any such cards, if issued, shall in all events clearly state that the holder thereof is an employee of the IC (or Subcontractor) and not of the Company and shall be subject to such requirements as the Company shall impose.

19.0 Health, Safety and Environmental Plan; No Asbestos or Lead Abatement Measures Authorized. The IC will not be permitted to perform any field service work, including but not limited to energy surveys, measurements, installation, maintenance and repair work, until it has submitted to and received approval from the Company of a health, safety, and environmental plan generally applicable to all customer Sites, which shall address all hazards that may be encountered and shall conform to any and all requirements stated in this Agreement (the "Environmental Health & Safety Plan"). The IC shall be responsible for the compliance by Subcontractors and IC Representatives with the accepted Environmental Health & Safety Plan. The IC shall not perform, and shall not permit any Subcontractor or IC Representative to perform, any asbestos or lead abatement measures without the Company's prior written approval, which it may withhold, grant or condition in its sole discretion.

20.0 Effect of the Company's Approval. The IC's obligations under this Agreement shall not be affected by the grant to, or the exercise or non-exercise by, the Company of rights to inspect, test, review or approve the Work, including, without limitation, Subcontracts, Documentation, evidence of insurance, invoices or any other information provided to the Company hereunder, and the provision of any such documents or information hereunder shall not be construed as an endorsement or confirmation by the Company that the terms thereof complies with the requirements of this Agreement. Any approval by the Company of any goods, services, documents or other things done or furnished or proposed by the IC shall be construed merely as indicating that at that time of approval the Company was not aware of any reason for objecting. Any failure of the Company to object to a non-conformity of the item, even if apparent or discoverable, with all the requirements of this Agreement shall not be effective as a waiver or acceptance of the non-conformity.

26

21.0 Title and Risk of Loss (Repair Services). The IC will retain title to equipment to be installed at a Site in connection with the Work and the IC shall bear the risk of loss of or damage to such equipment until such time that the equipment is installed and accepted by the Program Participant and the Work has been completed.

22.0 Company's Performance. The Company shall perform those actions required of it by this Agreement in order to enable the IC to perform hereunder. Unexcused nonperformance by the Company shall relieve the IC of its obligation to perform hereunder, but only (a) to the extent the Company's failure (i) is material and constitutes a default under this Agreement, and (ii) actually prevents the IC from performing, despite the IC's good faith efforts to perform, and (b) if the IC provides prompt written notice to the Company of the same. Nonperformance by the Company shall be excused where caused by an act or omission of the IC.

23.0 Communication with Supervisors. When Work is performed outside of the IC's office or premises, the IC shall provide at all times an on-site representative, which representative shall be able to read, write, and thoroughly understand English and, if Persons performing Work for the IC under this Agreement do not speak English, any other language spoken by such Persons. In addition, such representative shall ensure that labeling, log book entries,

completion of forms and all other tasks requiring a proficiency in English are performed clearly and correctly. The representative designated by the IC shall be subject to the continuing approval of the Company.

24.0 **Non-Solicitation.** The IC shall not employ any employee of the Company or its affiliate Orange and Rockland Utilities, Inc. (the “Affiliated Company”) to perform any services hereunder without the Company’s prior written consent. Further, neither the IC nor any Subcontractors shall utilize or otherwise permit any former employee of the Company or the Affiliated Company to render any services hereunder of any nature for or on behalf of the IC or any Subcontractor (as an employee or consultant or otherwise) within five (5) years of such former employee’s separation from the Company or the Affiliated Company if such former employee was engaged or involved in the solicitation, negotiation, procurement, placement or administration of any contract, agreement or purchase order for or on behalf of the Company or the Affiliated Company at any time during the three-year period immediately preceding the employee’s separation from the Company or the Affiliated Company, as applicable. For purposes of the preceding sentence, “administration of any contract, agreement or purchase order” shall mean engaging in any activity relating to oversight or management of any contract between the Company or the Affiliated Company, on one hand, and the IC, on the other hand, including, but not limited to, the review, approval or payment of any invoices relating to any such contract, agreement or purchase order or the supervision of employees engaged in such activities. Engaging in or supervising employees engaged in purely clerical functions such as filing, data entry or processing previously approved invoices for payment shall not be deemed “administration of any contract, agreement or purchase order.”

25.0 **Force Majeure.** In the event that performance on the part of any Party hereto shall be delayed or suspended as a result of a Force Majeure Event, none of the Parties shall incur any liability to the other Parties as a result of such delay or suspension.

26.0 **Set-Off.** The Company shall have the right to set off against any sums due the IC hereunder any claims the Company may have against the IC under this Agreement without

27

prejudice to the rights of the Parties in respect of such claims. If amounts are due and payable by the IC to the Company under this Agreement on any payment date, the Company’s obligations hereunder to make payments to the IC shall be automatically satisfied and discharged by netting such aggregate amount payable by the IC to the Company from the amount payable to the IC on such date and replacing such payment obligation with a single payment obligation of the Company to the IC on the applicable payment date of such net difference. For the avoidance of doubt, the Company shall not have the right to set off amounts it claims it is owed under a predecessor agreement with the IC against amounts it owes the IC hereunder. The foregoing rights are in addition to but without duplication of, and not in limitation of, any other right or remedy of the Company under this Agreement or under Applicable Law, in equity or otherwise.

27.0 **Waiver.** Neither the acceptance of goods or services or any part thereof nor any payment therefor nor any order or certificate issued under this Agreement nor any performance by the Company of any of the IC’s duties or obligations nor any failure of the Company to insist on strict performance by the IC of this Agreement or to assert the Company’s rights in any one or more instances shall constitute a waiver by the Company of such performance, terms or rights, either then or for the future. No termination hereof, in whole or in part, because of breach hereof shall be deemed a waiver of any money damages to which the Company may be entitled because of said breach. Any waiver shall be effective only if in writing and signed by the Company’s authorized representative, and only with respect to the particular event to which it specifically refers.

28.0 **Errors and Omissions.** The IC will be responsible for correcting or remedying any errors or omissions which occur in performance of the Work and which are the result of the IC’s negligence or action. The cost of correcting or remedying any error or omission shall be borne by the IC. Revising documents at the request of the Company to incorporate comments by the public or by agencies having jurisdiction in matters of the particular Task Assignment is not considered to be a remedy of errors or omissions, but is considered an integral part of document preparation which may be called for by a Task Assignment.

29.0 **Relationship of Parties; No Third Party Beneficiaries.** The IC shall be an independent contractor in the performance of the services hereunder. No right of supervision, requirement of approval or other provision of this Agreement and no conduct of the Parties shall be construed to create a relationship of principal and agent, partners, or joint venturers between the Parties, or joint employers of the IC’s employees. Except as specifically provided herein (including, without limitation, in the indemnification provisions hereof), nothing contained in this Agreement is intended for the benefit of any third parties.

30.0 **Severability.** If any article or provision of this Agreement is or becomes legally invalid or unenforceable, the remainder of the article and this Agreement shall not be affected thereby.

31.0 **New York Law.** This Agreement shall be construed and the rights and liabilities of the Parties hereto determined, in accordance with the laws of the State of New York, without giving effect to any choice of law or conflict of laws rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than New York.

28

32.0 **Waiver of Trial by Jury.** The IC hereby waives trial by jury in any action, proceeding or counterclaim brought by either Party against the other on all matters whatsoever arising out of or in any way connected with this Agreement or any claim of damage resulting from any act or omission of the Parties in any way connected with this Agreement.

33.0 **Submission to Jurisdiction/Choice of Forum**

33.1 The IC hereby irrevocably submits to the jurisdiction of the courts of the State of New York with regard to any controversy arising out of or relating to this Agreement. The IC agrees that service of process on the IC in relation to such jurisdiction may be made, at the option of the Company, either by registered or certified mail addressed to the IC at the address shown in this Agreement or at the address of any office actually maintained by the IC, or by actual personal delivery to the IC. Such service shall be deemed to be sufficient when jurisdiction would not lie because of the lack of a basis to serve process in the manner otherwise provided by law. In any case, however, process may be served as stated above whether or not it may be properly served in a different manner.

33.2 The IC consents to the selection of the New York State and the United States courts situated within the City of New York or Westchester County as the exclusive forums for any legal proceeding arising out of or relating to this Agreement.

34.0 Section Headings. Section headings appearing in this Agreement are for convenience only and shall not be construed as interpretations of text.

35.0 Signature Authorizing Agreement. Each Party was represented by counsel in the negotiations and execution of this Agreement and this Agreement represents the joint work product of the Parties hereto. No inference shall be drawn or rules of construction applied against either Party to interpret this Agreement based upon the Party drafting the same.

[INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS]

29

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their authorized representatives on the day and year written below.

WILLDAN ENERGY SOLUTIONS

By: /s/ Thomas D. Brisbin

Name: Thomas D. Brisbin

Title: Chairman of the Board

Dated: June 28, 2012

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

By: /s/ Lore Ann de la Bastide

Name: Lore Ann de la Bastide

Title: Vice President, Purchasing

Dated: July 6, 2012

30

Appendix A

Required Clauses And Certifications

As a Federal Government contractor, the Company must require the IC to agree to be bound by and comply with the following clauses and make the following certifications. Where clauses or certifications require the IC to be bound by and/or comply with a referenced clause or regulation or to make a referenced certification, such referenced provisions are incorporated by reference herein and have the same force and effect as if they were set forth herein in full text. Some general guidance as to the applicability of clauses or certifications incorporating such referenced provisions may be provided below. However, the referenced provisions, together with any relevant law or regulation, should also be consulted to determine applicability.

Restrictions On Subcontractor Sales To The Government

(this clause is applicable to contracts exceeding \$100,000)

The IC agrees to be bound by and comply with the clause entitled "Restrictions On Subcontractor Sales To the Government (JUL 1995)," which is contained in Section 52.203-6 of the Federal Acquisition Regulation (section 52.203-6 of title 48 of the Code of Federal Regulations), including the requirement therein to incorporate the substance of the clause in subcontracts under this contract which exceed \$100,000.

Anti-Kickback Procedures

(this clause is applicable to contracts exceeding \$100,000)

The IC agrees to be bound by and comply with the clause entitled "Anti-Kickback Procedures (JUL 1995)" except for subparagraph (c)(1) thereof, which clause is contained in Section 52.203-7 of the Federal Acquisition Regulation (section 52.203-7 of title 48 of the Code of Federal Regulations), including the requirement to incorporate the substance of the clause (except for subparagraph (c)(1) thereof) in subcontracts under this contract which exceed \$100,000.

Contractors that are Debarred, Suspended, or Proposed for Debarment by the Federal Government

(this clause is applicable to contracts exceeding \$25,000)

The Company is required to decline to enter into contracts in excess of \$25,000 with a contractor that has been debarred, suspended, or proposed for debarment by the Federal Government in the absence of a compelling reason to do so. When the Company is compelled to enter into a contract with such a contractor, the Company is required to furnish certain information to the Federal Government in connection with that contract. Accordingly, the IC shall submit in writing to the Company, with any bid, offer or proposal for a contract that will exceed \$25,000 and again at the time of the award of any contract that will exceed such amount, a statement as to whether or not the IC or any of its principals is debarred, suspended, or proposed for debarment by the Federal Government. The IC agrees that any action that the Company is required by the Federal Government to take with respect to the contract as a consequence of the IC's being so debarred, suspended, or proposed for debarment shall not result in any liability of the Company to the IC.

Utilization of Small Business Concerns

(this clause is applicable to contracts that offer subcontracting opportunities - see the Small Business Act and regulations implementing same)

The IC agrees to be bound by and comply with the clause entitled "Utilization Of Small Business Concerns (MAY 2004)," which is contained in Section 52.219-8 of the Federal Acquisition Regulation (section 52.219-8 of title 48 of the Code of Federal Regulations).

Small Business Subcontracting Plan

(this clause is applicable to contracts in excess of \$500,000 [\$1,000,000 in the case of contracts for construction of a public facility], except for contracts awarded to small business concerns as defined by section 3 of the Small Business Act, 15 U.S.C. § 632, and the applicable regulations in Part 121 of Title 13 of the Code of Federal Regulations)

The IC shall adopt a subcontracting plan that complies with the requirements set forth in the Small Business Act and in the clause entitled "Small Business Subcontracting Plan (JAN 2002)," which clause is contained in Section 52.219-9 of the Federal Acquisition Regulation (section 52.219-9 of title 48 of the Code of Federal Regulations) (subparagraphs (d) and (e) of such clause are the primary portions of the clause that concern the contents and effective implementation of subcontracting plans.) The IC shall insert the clause entitled "Utilization of Small Business Concerns" (see above) in subcontracts that offer further subcontracting opportunities and shall comply with the requirements for record keeping and reporting to the Federal Government (including the submission of Standard Forms 294 and/or 295).

Equal Opportunity

(this clause is applicable to all contracts unless exempted by the rules, regulations or orders of the Secretary of Labor issued under Executive Order 11246, as amended)

The IC agrees to be bound by and to comply with the terms and conditions of the clause entitled "Equal Opportunity (APR 2002)," which is contained in Section 52.222-26 of the Federal Acquisition Regulation (section 52.222-26 of title 48 of the Code of Federal Regulations), including the requirement to include such terms and conditions in nonexempt subcontracts.

The IC acknowledges that the Company is required to take such action against the IC with respect to the contract as may be directed by the Federal Government as a means of enforcing the terms and conditions of the Equal Opportunity clause, including the imposition of sanctions for noncompliance, and the IC agrees that any such action by the Company shall not result in any liability of the Company to the IC.

Appendix A-2

The IC agrees to be bound by and comply with the applicable regulations contained in: (1) Parts 60-1 and 60-2 of Title 41 of the Code of Federal Regulations, which implement Executive Order 11246; (2) Part 60-250 of Title 41 of the Code of Federal Regulations, which implements section 402 of the Vietnam Era Veteran's Readjustment Assistance Act of 1974; and (3) Part 60-741 of Title 41 of the Code of Federal Regulations, which implements section 503 of the Rehabilitation Act of 1973.

Prohibition of Segregated Facilities

(this clause is applicable to all contracts to which the Equal Opportunity clause, described above, is applicable)

The IC agrees to be bound by and comply with the clause entitled "Prohibition of Segregated Facilities (FEB 1999)," which is contained in Section 52.222-21 of the Federal Acquisition Regulations (section 52.222-21 of title 48 of the Code of Federal Regulations), including the requirement to include such clause in non-exempt subcontracts.

Certification of Toxic Chemical Release Reporting; Toxic Chemical Reporting

(these clauses are applicable to contracts exceeding \$100,000)

The IC hereby makes the certifications contained in section (b) of the clause entitled "Certification of Toxic Chemical Release Reporting (AUG 2003)," which is contained in Section 52.223-13 of the Federal Acquisition Regulations (section 52.223-13 of title 48 of the Code of Federal Regulations) and agrees to be bound by and to comply with the clause entitled "Toxic Chemical Release Reporting (AUG 2003)," which is contained in Section 52.223-14 of the Federal Acquisition Regulations (section 52.223-14 of title 48 of the Code of Federal Regulations).

Notice of Employee Rights

(this clause is applicable to contracts exceeding \$100,000 with contractors having a formally recognized union and that are located in jurisdictions where applicable state law does not forbid enforcement of union security agreements)

The IC agrees to post the notice required by Chapter 470 of Title 29 of the Code of Federal Regulations, which implements Executive Order 13201.

Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions

(this certification is applicable to contracts exceeding \$100,000)

The IC hereby makes the certifications contained in Section 52.203-11 of the Federal Acquisition Regulation (section 52.203-11 of title 48 of the Code of Federal Regulations) relating to the nonuse and nonpayment of Federal appropriated funds to influence or attempt to influence the Federal

transactions specified in such certification and to the completion and submission of any documentation that may be required by such certification, and agrees to include such certifications in subcontracts under this Contract.

Appendix A-3

Subcontracts for Commercial Items

(this clause is applicable to all contracts)

The IC agrees to be bound by and to comply with the clause entitled “Subcontracts For Commercial Items (SEP 2006),” which is contained in Section 52.244-6 of the Federal Acquisition Regulations (section 52.244-6 of the Code of Federal Regulations) and which also requires the IC to be bound by and to comply with: (i) the clause entitled “Utilization of Small Business Concerns (MAY 2004)” contained in Section 52.219-8 of the Federal Acquisition Regulations (section 52.219-8 of title 48 of the Code of Federal Regulations); (ii) the clause entitled “Equal Opportunity (MAY 2002)” [probably should be “(APR 2002)”] contained in Section 52.222-26 of the Federal Acquisition Regulations (section 52.222-26 of title 48 of the Code of Federal Regulations); (iii) the clause entitled “Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (SEP 2006)” contained in Section 52.222-35 of the Federal Acquisition Regulations (section 52.222-35 of title 48 of the Code of Federal Regulations); (iv) the clause entitled “Affirmative Action for Workers with Disabilities (JUN 1998)” contained in Section 52.222-36 of the Federal Acquisition Regulations (section 52.222-36 of title 48 of the Code of Federal Regulations); (v) the clause entitled “Notification of Employee Rights Concerning Payment of Union Dues or Fees (DEC 2004)” contained in Section 52.222-39 of the Federal Acquisition Regulations (section 52.222-39 of title 48 of the Code of Federal Regulations); and (vi) the clause entitled “Preference for Privately Owned U.S.-Flag Commercial Vessels (FEB 2006).” If the contract between the Company and the IC is for the supply of “commercial items” as the quoted term is defined in Section 2.101 of the Federal Acquisition Regulation (section 2.101 of title 48 of the Code of Federal Regulations), then, to the extent that the clause entitled “Subcontracts For Commercial Items (SEP 2006)” lawfully requires only that the IC be bound by and comply with the text of such clause and the other clauses referenced therein rather than all of the provisions referenced in this Appendix A, the IC shall, with respect to the provisions in this Appendix A, only be required to (a) be bound by and comply with the clause entitled “Subcontracts For Commercial Items (SEP 2006)” and the clauses referenced in such clause, and (b) to make and comply with the provisions of the certifications that are referenced in this Appendix A.

Appendix A-4

Schedule I

Compensation

All work shall be compensated as follows:

Compensation for Work authorized by this Agreement shall not exceed \$38,988,338.00 (the “Program Expenditure Limit”). This Program Expenditure Limit is further defined by the “Not to Exceed” amounts for Non-Incentive and Incentive annual budgets:

Non-Incentive Not to Exceed: \$***

Annual Budgets Limits	2012		2013		2014		2015	
Non-Incentive Work	\$	***	\$	***	\$	***	\$	***

Incentive Not to Exceed: \$***

Annual Budgets Limits	2012		2013		2014		2015	
Incentive Work	\$	***	\$	***	\$	***	\$	***
Surveys	\$	***	\$	***	\$	***	\$	***
Incentives for Installation of Measures	\$	***	\$	***	\$	***	\$	***

All Work shall be compensated in accordance with this Schedule 1 as follows.

All Non-Incentive Work is payable monthly based upon hourly rates as follows:

Classification	Fixed Hourly Labor Rates	
PROGRAM MANAGER	\$	***/HR
SALES	\$	***/HR
ANALYST	\$	***/HR
IT DEVELOPER	\$	***/HR
INSPECTOR	\$	***/HR
WAREHOUSE MANAGER	\$	***/HR
ACCOUNTING	\$	***/HR

Incentive Work shall consist of completed Survey Reports and Customer Incentives for the Installation of Energy Efficient Measures. Incentive Work is payable twice monthly based upon the following fixed rates and terms:

Survey Reports

1.
- Compensation shall be at a rate of \$*** for each completed Survey Report up to the following maximum number of Survey Reports per program year:

Maximum Annual	2012	2013	2014	2015	Total
Survey Reports	5,976	8,814	8,814	5,289	28,893

*** Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

G-1

2. The IC may not proceed with Survey Reports without authorization from the Company. The execution of this Agreement shall constitute the IC's authorization to proceed with the following maximum number of Survey Reports per program year:

Preauthorized Annual	2012	2013	2014	2015	Total
Survey Reports	5,976	7,350	7,350	3,825	24,501

3. In the event the IC determines that it will reach the maximum number of preauthorized Survey Reports for any given program year, it shall notify the Company of such in writing at least sixty (60) days prior to the anticipated completion of those Survey Reports. Written notification shall refer to this Schedule I and the Statement of Work and may request authorization to proceed with additional Survey Reports. In the event of such request, the Company will review the IC's performance against the Cost per KWh Metric and the Conversion Ratio Metric and, provided that the IC is in compliance with such metrics and demonstrates, to the Company's reasonable satisfaction, that additional Survey Reports are required to meet the Energy Savings Metric, the Company will authorize the IC to perform up to the additional number of Surveys set forth in the table presented in Section 4 (below).
4. Within thirty (30) days of the Company's receipt of the IC's notification described in Section 3 (above), the Company will notify the IC, in writing, whether it has authorized the performance of additional Survey Reports and, if so, the specific number of additional Survey Reports authorized. In no event will additional Survey Reports authorized for any given program year exceed the following:

Additional	2012	2013	2014	2015	Total
Survey Reports	NONE	1,464	1,464	1,464	4,392

Customer Incentives for the Installation of Energy Efficient Measures

All Incentive Work for the Installation of Energy Efficient Measures shall be compensated in accordance with the following FREE Measure and NON-FREE Measure Incentive Rates. Incentive for the installation of FREE Measures will allow the installation of recommended measure(s) to be provided at no cost. Incentive for the installation of NON-FREE Measures will cover the difference between the total installation cost and customer copayment. Incentives for all NON-FREE Measures shall not exceed 70% of the customer's total installation cost.

All Incentive Rates are payable upon a fixed rate per Installed Unit basis in the amounts provided in the Pricing List appended hereto.

*** Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

G-2

FREE Measure Incentive Rates

Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
Compact Fluorescent Lamp 13W Spiral	per lamp	1.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 18W Spiral	per lamp	1.300	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 23W Spiral	per lamp	1.400	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 9W A-Lamp	per lamp	2.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 13W A-Lamp	per lamp	2.110	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 7W Torpedo - Candelabra Base	per lamp	3.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 9W Vanity/Globe	per lamp	4.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 14W PAR30	per lamp	6.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 23W PAR30	per lamp	6.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 14W PAR38	per lamp	6.200	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 23W PAR38	per lamp	6.300	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 26W PAR38	per lamp	6.400	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 11W R20	per lamp	6.500	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 16W R30	per lamp	5.400	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Compact Fluorescent Lamp 23W R40	per lamp	5.800	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Low Flow Faucet Aerator	per aerator	8.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

Water Pipe Insulation	per linear foot	19.000	\$	***	\$	***	\$	***	\$	***	\$	***
-----------------------	-----------------	--------	----	-----	----	-----	----	-----	----	-----	----	-----

Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

NON-FREE Measure Incentive Rates

Sub-Measure Type	Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
Incandescent A-Lamps	Compact Fluorescent Lamp 13W Spiral	per lamp	1.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent A-Lamps	Compact Fluorescent Lamp 18W Spiral	per lamp	1.300	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent A-Lamps	Compact Fluorescent Lamp 23W Spiral	per lamp	1.400	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent A-Lamps	Compact Fluorescent Lamp 9W A-Lamp	per lamp	2.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent A-Lamps	Compact Fluorescent Lamp 13W A-Lamp	per lamp	2.110	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent Flame Tip	Compact Fluorescent Lamp 7W Torpedo - Candelabra Base	per lamp	3.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent Globes	Compact Fluorescent Lamp 9W Vanity/Globe	per lamp	4.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent PAR-Lamps	Compact Fluorescent Lamp 14W PAR30	per lamp	6.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent PAR-Lamps	Compact Fluorescent Lamp 23W PAR30	per lamp	6.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent PAR-Lamps	Compact Fluorescent Lamp 14W PAR38	per lamp	6.200	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent PAR-Lamps	Compact Fluorescent Lamp 23W PAR38	per lamp	6.300	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent PAR-Lamps	Compact Fluorescent Lamp 26W PAR38	per lamp	6.400	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent R-Lamps	Compact Fluorescent Lamp 11W R20	per lamp	6.500	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent R-Lamps	Compact Fluorescent Lamp 16W R30	per lamp	5.400	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent R-Lamps	Compact Fluorescent Lamp 23W R40	per lamp	5.800	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Faucet Aerator	Low Flow Faucet Aerator	per aerator	8.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
High Pressure Rinse Valve	High Pressure Rinse Valve	per valve	9.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
2’ Fixture	Fluorescent, (1) 24” 17W T8 lamp ISB RLO (BF<0.85)	per fixture	10.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
2’ Fixture	Fluorescent, (1) 24” 17W T8 lamp ISB RLO (BF<0.85) - Fixture Replacement	per fixture	10.005	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Sub-Measure Type	Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
2’ Fixture	Fluorescent, (2) 24” 17W T8 lamp ISB RLO (BF<0.85)	per fixture	10.010	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
2’ Fixture	Fluorescent, (2) 24” 17W T8 lamp ISB RLO (BF<0.85) - Surface Mounted Fixture Replacement	per fixture	10.019	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
2’ Fixture	Fluorescent, (2) 24” 17W T8 lamp ISB HLO (BF>0.95) w/refl	per fixture	10.222	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
2’ Fixture	Fluorescent, (2) 24” 32W T8 U6 lamp ISB RLO (BF<0.85)	per fixture	10.210	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
2’ Fixture	Fluorescent, (3) 24” 17W T8 lamp ISB RLO (BF<0.85)	per fixture	10.230	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
2’ Fixture	Fluorescent, (4) 24” 17W T8 lamp ISB RLO	per	10.240	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

	(BF<0.85)	fixture									
3' Fixture	Fluorescent, (1) 36" 25W T8 lamp ISB RLO (BF<0.85)	per fixture	11.010	\$	***	\$	***	\$	***	\$	***
3' Fixture	Fluorescent, (2) 36" 25W T8 lamp ISB RLO (BF<0.85)	per fixture	11.030	\$	***	\$	***	\$	***	\$	***
3' Fixture	Fluorescent, (3) 36" 25W T8 lamp ISB RLO (BF<0.85)	per fixture	11.050	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (1) 48" 25W T8 lamp ISB NLO (BF:.85-.95)	per fixture	12.005	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (1) 48" 28W Super T8 lamp ISB RLO (BF<0.85)	per fixture	12.010	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (2) 48" 25W T8 lamp ISB NLO (BF:.85-.95)	per fixture	12.860	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (2) 48" 28W Super T8 lamp ISB RLO (BF<0.85)	per fixture	12.110	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (2) 48" 28W Super T8 lamp ISB NLO (BF:.85-.95) w/refl	per fixture	12.112	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (2) 48" 28W Super T8 lamp ISB RLO (BF<0.85) - Fixture Replacement	per fixture	12.113	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (2) 48" 32W T8 lamp ISB NLO (BF:.85-.95) w/refl	per fixture	12.180	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (2) 48" 32W T8 lamp ISB NLO (BF:.85-.95) - Fixture Replacement	per fixture	12.181	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (2) 48" 32W T8 lamp ISB NLO (BF:.85-.95) - Fixture Replacement - Vapor tight	per fixture	12.182	\$	***	\$	***	\$	***	\$	***
4' Fixture	Fluorescent, (3) 48" 25W T8 lamp ISB NLO (BF:.85-.95)	per fixture	12.231	\$	***	\$	***	\$	***	\$	***

*** Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Sub-Measure Type	Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
4' Fixture	Fluorescent, (3) 48" 28W Super T8 lamp ISB RLO (BF<0.85)	per fixture	12.210	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
4' Fixture	Fluorescent, (4) 48" 25W T8 lamp ISB NLO (BF:.85-.95)	per fixture	12.331	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
4' Fixture	Fluorescent, (4) 48" 28W Super T8 lamp ISB RLO (BF<0.85)	per fixture	12.310	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
4' Fixture	Fluorescent, (4) 48" 32W T8 lamp ISB NLO (BF:.85-.95)	per fixture	12.370	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
4' Fixture	Fluorescent, (4) 48" 32W T8 lamp ISB NLO (BF:.85-.95) - Fixture Replacement - Troffer	per fixture	12.371	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
4' Fixture	Fluorescent, (2) 48" 32W T8 lamp ISB HLO (BF>0.95) w/refl	per fixture	12.441	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
6' Fixture	Fluorescent, (1) 72" 46W T8 lamp ISB NLO (BF:.85-.95)	per fixture	13.310	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
6' Fixture	Fluorescent, (2) 72" 46W T8 lamp ISB NLO (BF:.85-.95)	per fixture	13.320	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
6' Fixture	Fluorescent, (3) 72" 46W T8 lamp ISB NLO (BF:.85-.95)	per fixture	13.330	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
6' Fixture	Fluorescent, (4) 72" 46W T8 lamp ISB NLO (BF:.85-.95)	per fixture	13.340	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
6' Fixture	Fluorescent, (2) Tandem 36" 25W T8 lamp ISB NLO (BF:.85-.95) w/retro kit	per fixture	13.005	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
6' Fixture	Fluorescent, (4) Tandem 36" 25W T8 lamp ISB NLO (BF:.85-.95) w/retro kit	per fixture	13.045	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
6' Fixture	Fluorescent, (6) Tandem 36" 25W T8 lamp ISB NLO (BF:.85-.95) w/retro kit	per fixture	13.145	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (1) 96" 55W T8 lamp ISB RLO (BF<0.85)	per fixture	14.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (1) 96" 55W T8 lamp ISB NLO (BF:.85-.95)	per fixture	14.015	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (1) 96" 55W T8 lamp ISB HLO (BF>0.95)	per fixture	14.020	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (1) 96" 59W T8 lamp ISB RLO (BF<0.85)	per fixture	14.030	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (1) 96" 59W T8 lamp ISB RLO (BF<0.85) w/refl	per fixture	14.040	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

8' Fixture	Fluorescent, (2) 96" 55W T8 lamp ISB RLO (BF<0.85)	per fixture	14.050	\$	***	\$	***	\$	***	\$	***
8' Fixture	Fluorescent, (2) 96" 55W T8 lamp ISB NLO (BF:.85-.95)	per fixture	14.065	\$	***	\$	***	\$	***	\$	***

*** Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

G-6

Sub-Measure Type	Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
8' Fixture	Fluorescent, (2) 96" 55W T8 lamp ISB HLO (BF>0.95)	per fixture	14.070	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) 96" 55W T8 lamp ISB HLO (BF>0.95) w/refl	per fixture	14.071	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (3) 96" 55W T8 lamp w/2 ISB NLO (BF:.85-.95)	per fixture	14.075	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) 96" 59W T8 lamp ISB RLO (BF<0.85)	per fixture	14.080	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) 96" 59W T8 lamp ISB RLO (BF<0.85) w/refl	per fixture	14.090	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) 96" 59W T8 lamp ISB NLO (BF:.85-.95)	per fixture	14.095	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) 96" 59W T8 lamp ISB NLO (BF:.85-.95) w/refl	per fixture	14.096	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) 96" 59W T8 lamp ISB HLO (BF>0.95)	per fixture	14.202	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) 96" 59W T8 lamp ISB HLO (BF>0.95) w/refl	per fixture	14.203	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (3) 96" 55W T8 lamp w/2 ISB RLO (BF<0.85)	per fixture	14.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (3) 96" 55W T8 lamp w/2 ISB HLO (BF>0.95)	per fixture	14.110	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (3) 96" 59W T8 lamp w/2 ISB RLO (BF<0.85)	per fixture	14.120	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (3) 96" 59W T8 lamp w/2 ISB ISB NLO (BF:.85-.95) w/refl	per fixture	14.121	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (3) 96" 59W T8 lamp ISB NLO (BF:.85-.95) w/refl	per fixture	14.125	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (4) 96" 55W T8 lamp w/2 ISB RLO (BF<0.85)	per fixture	14.130	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (4) 96" 55W T8 lamp ISB NLO (BF:.85-.95)	per fixture	14.135	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (4) 96" 55W T8 lamp w/2 ISB HLO (BF>0.95)	per fixture	14.140	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (4) 96" 59W T8 lamp w/2 ISB RLO (BF<0.85)	per fixture	14.150	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (4) 96" 59W T8 lamp w/2 ISB NLO (BF:.85-.95)	per fixture	14.850	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (4) 96" 59W T8 lamp w/2 ISB HLO (BF>0.95)	per fixture	14.160	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

G-7

Sub-Measure Type	Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
8' Fixture	Fluorescent, (2) Tandem 48" 32W T8 lamp ISB NLO (BF:.85-.95) - Fixture Replacement	per fixture	14.795	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) Tandem 48" 32W T8 lamp ISB NLO (BF:.85-.95) - Fixture Replacement - Vapor tight	per fixture	14.796	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) Tandem 48" 32W T8 lamp ISB NLO (BF:.85-.95) w/retro kit	per fixture	14.813	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
8' Fixture	Fluorescent, (2) Tandem 48" 32W T8 lamp	per	14.814	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

	ISB HLO (BF >0.95) w/retro kit	fixture									
8' Fixture	Fluorescent, (4) Tandem 48" 32W T8 lamp ISB NLO (BF:.85-.95) w/retro kit	per fixture	14.440	\$	***	\$	***	\$	***	\$	***
8' Fixture	Fluorescent, (4) Tandem 48" 32W T8 lamp ISB HLO (BF >0.95) w/retro kit	per fixture	14.819	\$	***	\$	***	\$	***	\$	***
8' Fixture	Fluorescent, (4) Tandem 48" 32W T8 lamp ISB NLO (BF:.85-.95) - Fixture Replacement - Vapor tight	per fixture	14.855	\$	***	\$	***	\$	***	\$	***
8' Fixture	Fluorescent, (4) Tandem 48" 32W T8 lamp ISB NLO (BF:.85-.95) - Fixture Replacement	per fixture	14.836	\$	***	\$	***	\$	***	\$	***
8' Fixture	Fluorescent, (6) Tandem 48" 32W T8 lamp ISB HLO (BF >0.95) w/retro kit	per fixture	14.825	\$	***	\$	***	\$	***	\$	***
8' Fixture	Fluorescent, (6) Tandem 48" 32W T8 lamp ISB NLO (BF:.85-.95) w/retro kit	per fixture	14.660	\$	***	\$	***	\$	***	\$	***
8' Fixture	Fluorescent, (8) Tandem 48" 32W T8 lamp ISB NLO (BF:.85-.95) w/retro kit	per fixture	14.849	\$	***	\$	***	\$	***	\$	***
8' Fixture	Fluorescent, (8) Tandem 48" 32W T8 lamp ISB HLO (BF >0.95) w/retro kit	per fixture	14.876	\$	***	\$	***	\$	***	\$	***
HID Replacement	HID: Fluorescent, (2) 48" 32W T8 lamp ISB HLO (BF>0.95)	per fixture	15.750	\$	***	\$	***	\$	***	\$	***
HID Replacement	HID: Fluorescent, (4) 48" 32W T8 lamp ISB NLO (BF:.85-.95)	per fixture	15.030	\$	***	\$	***	\$	***	\$	***
HID Replacement	HID: Fluorescent, (4) 48" 32W T8 lamp ISB NLO (BF:.85-.95) w/refl	per fixture	15.040	\$	***	\$	***	\$	***	\$	***
HID Replacement	HID: Fluorescent, (6) 48" 32W T8 lamp ISB NLO (BF:.85-.95)	per fixture	15.050	\$	***	\$	***	\$	***	\$	***
HID Replacement	HID: Fluorescent, (6) 48" 32W T8 lamp ISB NLO (BF:.85-.95) w/refl	per fixture	15.060	\$	***	\$	***	\$	***	\$	***
HID Replacement	HID: Fluorescent, (4) 48" 32W T8 ISB HLO (BF>0.95)	per fixture	15.070	\$	***	\$	***	\$	***	\$	***
HID Replacement	HID: Fluorescent, (4) 48" 32W T8 ISB HLO (BF>0.95) with Wire Guard & Acrylic Lens	per fixture	15.071	\$	***	\$	***	\$	***	\$	***
HID Replacement	HID: Fluorescent, (4) 48" 32W T8 ISB HLO (BF>0.9 5) with Wire Guard	per fixture	15.072	\$	***	\$	***	\$	***	\$	***

Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Sub-Measure Type	Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
HID Replacement	HID: Fluorescent, (4) 48” 32W T8 ISB HLO (BF>0.95) with Acrylic Lens	per fixture	15.073	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HID Replacement	HID: Fluorescent, (4) 48” 32W T8 ISB H LO (BF>0.95) w/refl	per fixture	15.080	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HID Replacement	HID: Fluorescent, (6) 48” 32W T8 lamp ISB HLO (BF>0.95)	per fixture	15.090	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HID Replacement	HID: Fluorescent, (6) 48” 32W T8 lamp ISB H LO (BF>0.95) w/refl	per fixture	15.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HID Replacement	HID: Fluorescent, (4) 48” 54W T5 S TD HO lamp	per fixture	15.120	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HID Replacement	HID: Metal Halide 320W Pulse Start - Relamp/Reballast	per fixture	15.210	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HID Replacement	HID: Metal Halide 320W Pulse Start - Flood Fixture Replacement	per fixture	15.220	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HID Replacement	HID: Metal Halide 750W Pulse Start - Relamp/Reballast	per fixture	15.242	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HID Replacement	HID: Metal Halide 875W Pulse Start - Relamp/Reballast	per fixture	15.245	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HID Replacement	HID: Metal Halide 200W Pulse Start - Relamp/Reballast	per fixture	15.260	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Exit Signs	Exit Light LED Retrofit Kit, (2) 2W LAMP, Single S ided	per sign	16.010	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Exit Signs	Exit Light LED Retrofit Kit, (2) 2W LAMP, Combo with Emergency Ligh ting	per sign	16.020	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Exit Signs	Exit Light LED (New Fixture)	per sign	16.030	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
HVAC Tune-Up	HVAC Tune-Up (price per ton)	per ton	17.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Vending Machine Control	Vending Machine Control	per control	18.040	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Water Pipe Insulation	Water Pipe Insulation	per linear foot	19.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

Door Heater Control	Door Heater Control (price per door)	per door	21.000	\$	***	\$	***	\$	***	\$	***
Evaporator Fan Controls	Evaporator Fan Controls	per control	22.000	\$	***	\$	***	\$	***	\$	***
										\$	***
Refrigerated Case Night Covers	Refrigerated Case Night Covers	per linear foot	24.000	\$	***	\$	***	\$	***	\$	***
*** Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.											

Sub-Measure Type	Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
Incandescent (Non-Free)	LED 6W MR16	per lamp	26.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent (Non-Free)	LED 10W MR16	per lamp	26.002	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent (Non-Free)	LED 8W Globe (G25)	per lamp	26.350	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent (Non-Free)	LED 2W Flame Tip lamp - Candelabra base	per lamp	26.400	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent (Non-Free)	LED 9W PAR20	per lamp	26.600	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent (Non-Free)	LED 14W PAR30	per lamp	26.700	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent (Non-Free)	LED 12W A-Lamp	per lamp	26.760	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent (Non-Free)	LED 15W PAR38	per lamp	26.790	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent (Non-Free)	LED 18W PAR38	per lamp	26.800	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incandescent (Non-Free)	Ceramic Metal Halide 25W PAR38	per lamp	27.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
EC Motors	EC Motor Replacement - Walk-in Cooler/Freezer	per motor	31.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
EC Motors	EC Motor Replacement - Refrigerated Case	per motor	31.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Refrigeration Hardware	Strip Curtains (per square inch)	per square inch	32.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Refrigeration Hardware	Door Gaskets (per linear inch)	per linear inch	34.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Permanent Light Fixture Removal	Permanent Light Fixture Removal	per fixture	0.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incremental 4’ Fixture	IR: Fluorescent, (1) 48” 25W T8 lamp ISB RLO (BF: .85-.95) (from 1L T8)	per fixture	30.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incremental 4’ Fixture	IR: Fluorescent, (1) 48” 28W Super T8 lamp ISB RLO (BF<0.85) (from 1L T8)	per fixture	30.020	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incremental 4’ Fixture	IR: Fluorescent, (2) 48” 25W T8 lamp ISB NLO (BF: .85-.95) (from 2L T8)	per fixture	30.100	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

*** Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Sub-Measure Type	Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
Incremental 4’ Fixture	IR: Fluorescent, (2) 48” 28W Super T8 lamp ISB RLO (BF<0.85) (from 2L T8)	per fixture	30.170	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incremental 4’ Fixture	IR: Fluorescent, (2) 48” 28W Super T8 lamp ISB NLO (BF: .85-.95) w/retro kit - troffer (from 3L T8)	per fixture	30.290	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incremental 4’ Fixture	IR: Fluorescent, (2) 48” 28W Super T8 lamp ISB RLO (BF<0.85) w/retro kit - troffer (from 3L T8)	per fixture	30.300	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
Incremental 4’ Fixture	IR: Fluorescent, (3) 48” 25W T8 lamp ISB RLO (BF: .85-.95) (from 3L T8)	per fixture	30.330	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

Incremental 4’ Fixture	IR: Fluorescent, (3) 48” 28W Super T8 l amp RLO (BF<0.85) (from 3L T8)	per fixture	30.390	\$	***	\$	***	\$	***	\$	***	\$	***
Incremental 4’ Fixture	IR: Fluorescent, (2) 48” 28W Super T8 lamp ISB NLO (BF:.85-.95) w/retro kit - troffer (from 4L T8)	per fixture	30.460	\$	***	\$	***	\$	***	\$	***	\$	***
Incremental 4’ Fixture	IR: Fluorescent, (3) 48” 28W Super T8 lamp ISB NLO (BF:.85-.95) w/refl (from 4L T8)	per fixture	30.510	\$	***	\$	***	\$	***	\$	***	\$	***
Incremental 4’ Fixture	IR: Fluorescent, (3) 48” 28W Super T8 lamp ISB RLO (BF<0.85) w/retro kit - troffer (from 4L T8)	per fixture	30.540	\$	***	\$	***	\$	***	\$	***	\$	***
Incremental 4’ Fixture	IR: Fluorescent, (4) 48” 25W T8 lamp ISB RLO (BF:.85-.95) (from 4L T8)	per fixture	30.560	\$	***	\$	***	\$	***	\$	***	\$	***
Incremental 4’ Fixture	IR: Fluorescent, (4) 48” 28W Super T8 lamp ISB RLO (BF<0.85) (from 4L T8)	per fixture	30.590	\$	***	\$	***	\$	***	\$	***	\$	***
Occupancy Sensor	Occupancy Sensor - Wall Mounted	per sensor	18.000	\$	***	\$	***	\$	***	\$	***	\$	***
Occupancy Sensor	Occupancy Sensor - Ceiling Mounted	per sensor	18.010	\$	***	\$	***	\$	***	\$	***	\$	***
Occupancy Sensor	Occupancy Sensor - Knockout	per sensor	18.020	\$	***	\$	***	\$	***	\$	***	\$	***
LED Wall Pack (Incremental)	LED 20W Wall Pack	per fixture	26.920	\$	***	\$	***	\$	***	\$	***	\$	***
LED Wall Pack (Incremental)	LED 26W Wall Pack	per fixture	26.930	\$	***	\$	***	\$	***	\$	***	\$	***
HID Replacement (Incremental)	LED 95W Pole Lighting Fixture	per fixture	26.240	\$	***	\$	***	\$	***	\$	***	\$	***
HID Replacement (Incremental)	LED 142W Canopy Lighting Fixture	per fixture	26.260	\$	***	\$	***	\$	***	\$	***	\$	***

*** Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

G-11

Sub-Measure Type	Description	Unit	Static ID	Material Cost	Unit Sell Price <12 feet	Con Edison Unit Incentive <12 Feet	Unit Sell Price >=12 feet	Con Edison Unit Incentive >=12 Feet
LED Refrigeration Case	Refrig Case - LED 2’ 9w - Fixture Replacement	per fixture	20.000	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
LED Refrigeration Case	Refrig Case - LED 3’ 12w - Fixture Replacement	per fixture	20.010	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
LED Refrigeration Case	Refrig Case - LED 4’ 15w - Fixture Replacement	per fixture	20.020	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
LED Refrigeration Case	Refrig Case - LED 5’ 18w - Fixture Replacement	per fixture	20.030	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***
LED Refrigeration Case	Refrig Case - LED 6’ 24w - Fixture Replacement	per fixture	20.050	\$ ***	\$ ***	\$ ***	\$ ***	\$ ***

*** Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

G-12

Schedule II

Statement of Work

SMALL BUSINESS DIRECT INSTALL PROGRAM STATEMENT OF WORK — CON ED

1.0 PURPOSE

The Company is responsible for the overall implementation of the Energy Efficiency Portfolio Standard (“EEPS”) within its New York electric service territories which include: Bronx, Brooklyn, Manhattan, Queens, Staten Island, and Westchester County (the “New York Service Territory”). The goal of the EEPS is to achieve a 15% reduction in energy consumption by 2015 through improved energy efficiency.

Among other ways, the Company intends to achieve the EEPS goal through the Small Business Direct Install Program (the “SBDI Program”), which promotes energy efficiency with Small Business Customers (as hereinafter defined) within the New York Service Territory. The SBDI Program provides free

on-site energy surveys, direct installation of free low-cost efficiency measures and recommendations for more extensive energy efficiency upgrades (which the Small Business Customer can elect to have installed).

Through its November 7, 2011 Energy Efficiency Small Business Direct Install Program Implementation Contractor Request for Proposal (the “RFP”), the Company selected the IC to implement and perform the day-to-day tasks, services and work related to the SBDI Program in certain portions of the New York Service Territory during the Contract Period. While the Company will retain certain high-level management, marketing and quality control responsibilities related to the SBDI Program, the purpose of this Statement of Work is to build upon the general terms and conditions contained in the Agreement to set out, with specificity, the respective roles, responsibilities and obligations of the Parties.

The Parties acknowledge and agree that this Statement of Work (including all of the Exhibits hereto, which are incorporated by reference herein and expressly made a part hereof) is incorporated by reference into the Agreement and forms a part thereof, as though the provisions of this Statement of Work and all of its Exhibits were fully set forth therein. Consequently, any breach of any representation, warranty, covenant or agreement contained in this Statement of Work, or in any Exhibit hereto (including, without limitation, any Approved Transition Plan, Approved Sales Plan or Approved Implementation Plan) constitutes a breach of the Agreement, and the rights of the Parties with respect thereto shall be as set forth in the Agreement as well as in this Statement of Work.

2.0 DEFINITIONS

All capitalized terms not otherwise defined in this Statement of Work shall have the meaning set forth in the Agreement.

G-1

The following terms, whether in the singular or in the plural, when used in this Statement of Work shall have the meanings specified:

- 2.1 “Approved Implementation Plan” shall mean the Implementation Plan approved by the Company and attached to this Statement of Work as Exhibit A, as the same may be amended in accordance with the terms hereof.
- 2.2 “Approved Sales Plan” shall mean the Sales Plan that is submitted to and approved by the Company after the Effective Date (within the time periods set forth herein) and which shall be attached to this Statement of Work as Exhibit B, as the same may be amended in accordance with the terms hereof.
- 2.3 “Approved Transition Plan” shall mean the Transition Plan, attached to this Agreement as Exhibit C as the same may be amended in accordance with the terms hereof, which plan describes the steps, means and manner through which IC will (i) assume the Work from an existing vendor, if any, at the start of the Contract Period; and (ii) turn-over the Work to the Company (or an alternate vendor) upon the expiration or earlier termination of the Agreement.
- 2.4 “Action Lines” shall mean a reporting mechanism used by the Company to record in its internal contract oversight systems poor quality of work, inspection failures, inaccurate reporting/invoicing or other issues relating to the IC’s performance under the Agreement (whether or not constituting a breach of the Agreement).
- 2.5 “Conversion Ratio Metric” shall have the meaning set forth in Section 5.5.1 of this Statement of Work.
- 2.6 “Cost per KWh Metric” shall have the meaning set forth in Section 5.3.2 of this Statement of Work.
- 2.7 “Customer Installation Authorization Form” or “Customer Authorization Form” shall have the meaning set forth in Section 4.5.3.
- 2.8 “Customer Lead Metric” shall have the meaning set forth in Section 5.7.1 of this Statement of Work.
- 2.9 “EEPS” shall have the meaning set forth in Section 1.0 of this Statement of Work.
- 2.10 “Energy Savings Metric” shall have the meaning set forth in Section 5.2.1 of this Statement of Work.
- 2.11 “Forecasts” shall have the meaning set forth in Section 4.9.3 of this Statement of Work.
- 2.12 “IC Geographic Area” shall mean that portion of the New York Service Territory in which the Implementation Contractor is to perform the Work, as set forth in Exhibit F.
- 2.13 “IC Performance Metrics” shall mean the performance metrics, set forth in Section 5 of this Statement of Work, with which the IC agrees to comply and that shall be used by the Company to measure the IC’s performance under the Agreement.

G-2

- 2.14 “Implementation Plan” shall mean the plan submitted by the IC that describes the steps, tasks, and strategies related to day-to-day program management and subcontracting to be taken or employed by the IC to implement the SBDI Program and perform the Work in such a manner that the IC Performance Metrics will be achieved.
- 2.15 “Incentive” shall mean any rebate or inducement provided to a Program Participant to encourage participation in the SBDI Program.
- 2.16 “Mean Time to Process Metric” shall have the meaning set forth in Section 5.4.2 of this Statement of Work.
- 2.17 “New York Service Territory” has the meaning set forth in Section 1.0 of this Statement of Work.
- 2.18 “Pre-Installation Inspection” shall have the meaning set forth in Section 3.4.1.

- 2.19 “Post-Installation Inspection” shall have the meaning set forth in Section 3.4.1.
- 2.20 “Request for Proposal” or “RFP” has the meaning set forth in Section 1.0 of this Statement of Work.
- 2.21 “Sales Plan” shall mean the plan to be submitted by the IC that describes the steps, means and manner through which the IC will sell and finance the Services to, and develop leads for, new Small Business Customers such that the IC Performance Metrics will be achieved.
- 2.22 “Services” shall mean free on-site energy surveys, direct installation of free low-cost efficiency measures, recommendations for more extensive energy efficiency upgrades, direct installation of the more extensive energy efficiency upgrades, and customer service functions related to the foregoing.
- 2.23 “Small Business Customer(s)” shall mean the Company’s non-residential electric customers (excluding, for the avoidance of doubt, multi-family residential building owners or tenants) whose average peak monthly electric demand is less than 100 kW, or any other qualifications otherwise determined by the Company.
- 2.24 “Survey Authorization Form” shall have the meaning set forth in Section 4.5.2 of this Statement of Work.
- 2.25 “TREES” shall mean the Company system of record for capturing energy efficiency data and customer information.

G-3

2.26 “Work” shall mean any and all obligations of the IC to be performed pursuant to this Statement of Work, which may include one or any combination of, but is not limited to, the following:

- Fulfilling/Implementing the Approved Implementation Plan
- Fulfilling/Implementing the Approved Sales Plan
- Fulfilling/Implementing the Approved Transition Plan
- Providing the Services to Approved Customers and/or Program Participants
- Providing customer service to Approved Customers and Program Participants
- Responding to and timely resolving inquiries, comments, concerns and complaints from Approved Customers and/or Program Participants
- Management of Subcontractors and their compliance with and adherence to all state and local codes and regulations
- Warehousing of materials needed to perform the Services
- Delivery of materials needed to perform the Services
- Post-installation disposal or recycling of materials
- Accurately measuring and verifying energy efficiency savings
- Retaining records related to the SBDI Program
- Producing and providing reports required by this Statement of Work or otherwise requested by the Company
- Providing financing (if applicable) to Approved Customers and Program Participants for the Services
- Developing and maintaining technological resources and tools
- Inspecting and verifying installations
- Conducting surveys and reviewing survey results
- Database administration
- Task Assignments
- Any other tasks, functions or services related to the day-to-day implementation and management of the SBDI Program

3.0 COMPANY ROLE AND RESPONSIBILITIES

3.1 General

3.1.1 In addition to the requirements set forth in the Agreement, including this Statement of Work, the Company will determine, establish and approve guidelines, protocols and procedures for the IC as it relates to the SBDI Program.

3.1.2 The Company retains the right, exercisable in its sole discretion, to modify SBDI Program requirements, protocols, procedures, measures and guidelines, including this Statement of Work, as needed to comply with the EEPS or Applicable Law, to achieve the Company’s goals for the SBDI Program, to comply with an order from the New York State Public Service Commission, or for any other Company purposes and such modifications shall be binding upon the IC.

3.1.3 The Company will provide such training to the IC and IC Representatives with respect to the businesses processes, administration procedures and quality assurance practices applicable to the SBDI Program as the Company shall determine. To the extent that such training is offered, the IC shall, and shall cause the IC Representatives to, participate therein.

G-4

3.2 Marketing of SBDI Program

3.2.1 The Company will be primarily, but not exclusively, responsible for marketing the SBDI Program with the view towards creating customer awareness and may use traditional media, advertisements, events, direct mail, electronic media, social media, and other channels to do so.

- 3.2.2 The Company will develop marketing materials for the SBDI Program, which may or may not be specific to the IC Geographic Area. The Company marketing materials shall be used by the IC at all times, and the IC is not authorized to use any other materials for marketing purposes without the Company's express written consent, which it may withhold in its sole discretion. The IC shall use existing marketing materials for the SBDI Program until such time as new materials are made available by the Company.
- 3.2.3 The Company will develop marketing campaigns for Company's energy efficiency programs, including the SBDI Program.
- 3.2.4 The Company may integrate all SBDI Program marketing materials and campaigns with the Power of Green campaign.
- 3.2.5 The Company will maintain the SBDI Program section of the Company website.
- 3.2.6 The Company will provide general information and an overview of the SBDI Program in response to customer calls directed by the Company call center to its customer resource energy efficiency phone line.
- 3.2.7 The Company will turn over sales leads, in the IC Geographic Area, generated by its marketing efforts to the IC. The Company may (but is not obligated to) undertake direct sales efforts within the IC Geographic Area from time to time, and shall credit the IC with any sales concluded as a result of such efforts for purposes of measuring the IC's performance against the IC Performance Metrics.
- 3.2.8 In addition to measuring the IC's performance against any applicable IC Performance Metrics, the Company may measure and evaluate the effectiveness and cost effectiveness of the IC's sales and marketing campaigns.
- 3.2.9 The Company is not representing or warranting that the Company's marketing efforts for the SBDI Program or the Power of Green campaign will enable the IC to fulfill its obligations under the Agreement, including this Statement of Work.
- Should the IC have concerns with the Company's marketing of the SBDI Program or the Power of Green campaign, It shall be the IC's responsibility to notify the Company. The Company will use good faith efforts to respond to the IC's concerns.

G-5

3.3 SBDI Program Eligibility

- 3.3.1 The Company is solely responsible for determining SBDI Program eligibility and for designating its Small Business Customer as an Approved Customer. As of the Effective Date, it is contemplated that all Small Business Customers will be Approved Customers; provided, however, the Company may further define or alter eligibility criteria in its sole discretion.
- 3.3.2 From time to time, the Company will provide or otherwise make available to the IC a list of Small Business Customers or Approved Customers, along with any information relevant for contacting the customer, in the IC Geographic Area. While customers identified on such list are presumed to be eligible for SBDI Program participation, it remains the responsibility of the IC to confirm, upon visiting the Site, that the customer is not a multi-family residential tenant or owner.
- 3.3.3 For any IC or Subcontractor generated sales leads that are not identified on the Company-provided list (and/or are confirmed to not be a multi-family residential tenant or owner), the IC must first obtain a determination of SBDI Program eligibility from the Company before providing any Services. The IC shall provide any data, information or documentation necessary for the Company to make such a determination.

3.4 Quality Assurance/Quality Control

3.4.1 The Company or its designee may conduct quality assurance/quality control inspections, on a random basis without prior notification to the IC or its Subcontractor, (i) prior to the IC or its Subcontractor installing energy efficiency equipment but after the IC has received the Customer Authorization Form (the "Pre-Installation Inspection"), and/or (ii) after the IC or its Subcontractor has installed energy efficiency equipment (the "Post-Installation Inspection").

(a) The Company shall use the following criteria, which may be modified from time to time at the Company's sole discretion, for determining whether the IC passes or fails the Pre-Installation Inspection:

- (i) The customer is eligible to participate in the SBDI Program.
- (ii) The energy efficiency measures recommended by the IC are consistent with measures approved for use in the SBDI Program.
- (iii) The customer information, including but not limited to the account number, address and contact information, collected by the IC is accurate and consistent with the Company's records.
- (iv) The Customer Authorization Form is legible and executed by a binding decision maker of the Approved Customer or Program Participant.
- (v) Energy efficiency measures, including actual equipment and materials, are present at the Approved Customer's or Program Participant's site prior to or at the start of the scheduled installation date.

G-6

(vi) The energy efficiency survey correctly provides: (1) the quantity, type, wattage and location of the customer's existing equipment, (2) the Approved Customer's or Program Participant's hours of business and type of business, and (3) the Approved Customer's or Program Participant's contact information.

(vii) The IC or its Subcontractor has obtained all necessary permits under Applicable Laws required to perform the Work for the Approved Customer or Program Participant.

(viii) The IC or its Subcontractor has demonstrated that it has the necessary licenses to engage in the Work to be performed for the Approved Customer or Program Participant and has the appropriate indicia of such licenses.

(ix) The IC or its Subcontractor has completed all inspections required by Applicable Law.

(b) The Company shall notify the IC if it fails the Pre-Installation Inspection.

(c) If the IC fails the Pre-Installation Inspection, (i) the IC shall promptly remedy and correct, at its own cost, any and all discrepancies identified by the Company, and (ii) all Customer Authorization Forms and Project Installation Reports submitted to the Company during the week of the Pre-Installation Inspection shall be returned to the IC until all discrepancies identified by the Company are remedied and corrected by the IC, at which time the IC shall be able to resubmit the Customer Authorization Forms and Project Installation Reports to the Company for processing.

(d) If the IC fails three (3) consecutive Pre-Installation Inspections, the Company will record appropriate Action Lines in its contract oversight system and may reassign the Work to another implementation contractor.

3.4.2 On a monthly basis, the Company or its designee will randomly perform Post-Installation Inspections.

(a) The Company shall use the following criteria, which may be modified from time to time at the Company's sole discretion, for determining whether the IC passes or fails the Post-Installation Inspection:

(i) The energy efficiency measures are installed and in working order before the IC submits the Project Installation Report, which is further defined in Appendix H to this Statement of Work.

(ii) The Project Installation Report is legible and executed by a binding decision maker of the Program Participant.

G-7

(iii) The installed energy efficiency measures are consistent with the measures approved for use in the SBDI Program.

(iv) The Project Installation Report, which is further defined in Appendix H to this Statement of Work correctly provides: (1) the quantity, type, wattage and location of the energy efficiency measures installed by the IC or its Subcontractor, (2) Program Participant's hours of business and type of business, and (3) the Program Participant's contact information.

(v) If required under Applicable Laws, the IC obtained all necessary and applicable certificates of inspection pertaining to the Work.

(b) The Company shall notify the IC if it fails the Post-Installation Inspection.

(c) If the IC fails the Post-Installation Inspection, (i) any discrepancies identified by the Company shall be remediated, resolved and corrected by the IC, at its sole cost, within five (5) Business Days, and (ii) the IC shall provide the Company with a written report describing its efforts to remediate, resolve and correct any discrepancy identified by the Company pursuant to this Section 3.4.2.

(d) If the IC fails three (3) consecutive Post-Installation Inspections, the Company will input the appropriate Action Lines in its contract oversight system and may reassign the Work to another implementation contractor.

3.4.3 In addition to any other inspections performed pursuant to this Statement of Work, the Company may, from time-to-time and without any advance notification to the IC or Subcontractor, conduct independent quality assurance/quality control inspections of the Work.

(a) Company will notify IC of any issues with the Work identified during the Company's inspection.

(b) The IC shall promptly resolve or effectuate a resolution of any issues identified by the Company during its inspection. Once the IC believes the issue to be resolved, the IC shall notify the Company, who shall, in its sole discretion, determine whether the issue has been resolved satisfactorily. The IC shall continue to work diligently and in good faith until such time as it is advised by the Company that the issue has been resolved.

4.0 IC ROLE AND RESPONSIBILITIES

4.1 General

4.1.1 The IC shall perform the Work in the IC Geographic Area during the Contract Period.

G-8

4.2 [Intentionally omitted]

4.3 IC Sales

4.3.1 The IC shall provide the Company with the Sales Plan within thirty (30) calendar days from the Effective Date.

4.3.2 As soon as practicable, but in no event more than thirty (30) calendar days, after receiving the Sales Plan, the Company shall (i) notify the IC that it has approved the Sales Plan, or (ii) provide the IC with a list of deficiencies, inadequacies, issues, or concerns with, or other comments to, the Sales Plan. The Parties will work in good faith and as quickly as possible to address any Company comments or concerns and modify the Sales Plan accordingly until it is approved by the Company.

4.3.3 After receiving notice of its approval, the IC shall implement, fulfill and comply with the Approved Sales Plan.

4.3.4 In addition to the Approved Sales Plan, the IC shall:

- Contact Approved Customers using only Company approved materials and methods to promote the SBDI Program.
- Use the Approved Customer list provided by the Company to confirm eligibility.
- Contact Approved Customers within five (5) Business Days following customer-initiated contact.
- As part of sales or other such promotional activities, should the IC encounter customers not identified on the Company's Approved Customers list, the IC shall contact the Company or interact with the Company through the TREES database to verify whether or not such customers meet the SBDI Program qualification requirements. Under no circumstance shall the IC perform Work for Company's customers under this Agreement without receiving a prior written authorized Task Assignment from the Company, nor provide any other similar services to the Company's customers without first notifying the Company of such and obtaining the Company's consent thereto. [It is expressly agreed that the IC shall not perform electrical violation repair or other work at a Site without having received the customer's and the Company's prior written consent thereto, and any and all such other work, if performed, shall in all events be independent of the Work and be pursuant to a separate contract with the customer.] The Task Assignment authorization shall be in writing (i.e., in the form of a letter or email) and may contain instructions requiring the IC to execute and return the authorization before it is effective.
- Expedite the provision of Services to all leads generated by the Company.

G-9

4.3.5 The IC will revise the Approved Sales Plan accordingly should the Company advise the IC of any changes related to selling Services under the SBDI Program (which revised plan, as approved by the Company, shall be appropriately dated and replace Exhibit B hereto), and the IC shall implement, fulfill and comply with such revised plan.

4.4 IC Implementation Plan

4.4.1 The IC shall provide the Company with the Implementation Plan within thirty (30) calendar days from the date of the Agreement.

4.4.2 The Implementation Plan shall address, at a minimum, the approach, protocol, process and standards to be used by IC (i) when providing Services to Approved Customers or Program Participants, (ii) when performing quality assurance/quality control inspections of Work performed by the IC or any Subcontractor, (iii) when performing customer satisfaction surveys, (iv) for hiring, training, managing and supervising Subcontractors (including the process to validate that all Subcontractors are properly licensed and following all state and local codes and regulations), (v) for hiring, training, managing and supervising IC's employees who perform Work, (vi) for providing any and all reports required hereunder or otherwise requested by the Company, including the development and maintenance of any needed technology, (vii) for providing a form subcontract (which shall be subject to Company approval) to be used by the IC whenever hiring, retaining or engaging a Subcontractor, and (viii) for performing, accomplishing or completing any other tasks, obligations or Work necessary or appropriate to fulfill IC's obligations under the Agreement.

4.4.3 As soon as practicable, but in no event more than thirty (30) calendar days, after receiving the Implementation Plan, the Company shall (i) notify the IC that it has approved the Implementation Plan, or (ii) provide IC with a list of deficiencies, inadequacies, issues, or concerns with, or other comments to, the Implementation Plan. The Parties will work in good faith and as quickly as possible to address any Company comments or concerns and modify the Implementation Plan accordingly until it is approved by the Company.

4.4.4 After receiving notice of its approval, the IC shall implement, fulfill and at all times comply with the Approved Implementation Plan.

4.4.5 The IC will revise the Approved Implementation Plan accordingly should the Company advise the IC of any changes related to the Implementation Plan, which revised plan, as approved by the Company, shall be appropriately dated and replace Exhibit A hereto, and the IC shall implement, fulfill and comply with such revised plan.

4.4.6 The representations, warranties, covenants and agreements provided in Sections 4.5 through 4.14 hereof are intended by the Parties to be in addition to, and complementary of, the agreements of the Parties contained in the Implementation Plan.

4.5 IC Services

4.5.1 The IC shall provide Services to Approved Customers and Program Participants in the IC Geographic Area in accordance with the standards for performance set forth in the Agreement and this Statement of Work.

G-10

4.5.2 As it pertains to each energy efficiency survey performed by or on behalf of the IC, the IC represents, warrants, covenants and agrees that it has or will have, at a minimum, done the following:

(a) Used reasonable efforts to obtain the written consent from the Approved Customer or Program Participant to perform the survey using the form of consent attached as Exhibit D (the “Survey Authorization Form”); *provided, however*, that if the IC is unable to obtain such a form signed by the customer, it shall otherwise obtain verbal consent and shall document the identity of the Person who consented to the performance of such survey.

(b) Verified the customer’s SBDI Program eligibility; *provided* that (i) identification of such customer on the Company’s Approved Customer list shall constitute verification for these purposes, and (ii) the IC may contact the Company Business Program Manager if eligibility cannot be verified.

(c) Modified and/or developed the energy efficiency survey report in accordance with the requirements and standards provided by Company after the Effective Date (it being acknowledged that the same form of survey report shall be utilized by all implementation contractors for the SBDI Program).

(d) Completed the energy efficiency survey in accordance with this Statement of Work and verified the accuracy of the information contained therein, including, without limitation, the customer’s account number, address and other contact information.

(e) Provided the Approved Customer or Program Participant with a comprehensive energy efficiency survey report that clearly and accurately communicates measures that may be installed and the amount of energy savings that are estimated to result from each measure.

4.5.3 As it pertains to each installation of energy efficiency equipment by or on behalf of the IC, the IC represents, warrants, covenants and agrees that it has or will have, at a minimum, done the following:

(a) Before proceeding with the installation, obtained the written consent duly executed by the Program Participant using the form of consent attached as Exhibit E (“Customer Installation Authorization Form” or “Customer Authorization Form”).

(b) Scheduled the installation appointment and performed the required installation services in accordance with the Agreement, including this Statement of Work and all Exhibits hereto.

(c) Procured, warehoused and stored new, warranted energy efficient equipment and materials suitable for the Program Participant’s premises prior to the installation.

G-11

(d) Delivered, uncrated, set-up and installed energy efficient equipment and materials at the Site with minimal disruption to the Program Participant’s business operation.

(e) Installed all equipment and materials in accordance with the energy survey recommendations, the IC’s environmental, health and safety plan (and to the extent it does not have such a plan or provided it to the Company in accordance with the Agreement, then the Company’s environmental, health and safety plan which will be provided to the IC within thirty (30) calendar days after the Effective Date), manufacturer’s installation requirements and specifications and all Applicable Laws.

(f) Performed all necessary post-installation site clean-up, removal and disposal procedures for existing equipment and materials in compliance with Applicable Laws, including those related to environmental, health and safety considerations.

(g) Removed and transported packaging and packing materials from the Site for disposal and/or recycling in accordance with Applicable Law.

(h) Notified and reported any and all incidences of any damage that have occurred or may have occurred at the Site during the course of performing Work to the Company within 24 hours from time of occurrence, or immediately, in the event of actual or potential personal injury, and resolved all such damages in accordance with the Implementation Plan.

(i) Provided Program Participants with manufacturer’s ownership/operation manuals, warranty registration information, contact information and other documentation applicable to all new equipment installed.

4.5.4 The IC shall cause its employees, IC Representatives, and/or Subcontractors to wear professional attire and/or utilize co-branded materials, if available, while performing the Work. The IC expressly acknowledges that its employees, IC Representatives and Subcontractors shall not wear and/or utilize co-branded materials while not performing the Work.

4.6 IC Inspection of Completed Work

4.6.1 The IC shall inspect and verify 10% of the energy efficiency surveys and energy efficiency equipment installations completed by its employees or other IC Representatives. Inspections shall verify installation counts, and confirm that the surveys and installations have been performed and completed in accordance with the Agreement and this Statement of Work, including the Approved Implementation Plan. In addition, the IC shall inspect 100% of the first 20 energy efficiency surveys and energy efficiency equipment installations of any new Subcontractor, at the conclusion of which inspection and evaluation period such Subcontractor shall be classified as being “in good standing” or having “probationary”

G-12

status. The IC shall inspect at least 10% of all future surveys and installations performed by Subcontractors “in good standing” and at least 20% (or such greater percentage as the Company shall determine in its discretion, until any and all issues related thereto shall be resolved to the Company’s satisfaction) of all future surveys and installations performed by Subcontractors having “probationary” status.

4.6.2 Any deficiency issues related to workmanship and/or quality of equipment and materials installed shall be resolved by the IC, at its sole cost, within five (5) Business Days from date of its inspection. IC shall notify the Company of all issues discovered under this Section and a report shall be submitted in writing to the Company within 24 hours of attempted resolution.

4.6.3 Should the inspections required by this Section 4.6 reveal that twenty percent (20%) or more of the IC’s installations, including installations performed by Subcontractor on behalf of the IC, are inconsistent with the Agreement and this Statement of Work, including the Approved Implementation Plan (an “**IC Installation Metric Default**”), the Company may, at its sole discretion, (i) require the IC to submit an action plan for improving the quality of Work within five (5) Business Days of Company’s request, (ii) replace the IC with another contractor until such time that the Agreement is terminated by the Company, or (iii) exercise its rights under the Agreement, including, without limitation, declaring an Event of Default.

4.7 Customer Satisfaction Survey

4.7.1 IC shall verify that installations are complete and satisfactory to the customer and that the equipment is commissioned and functioning properly.

4.7.2 IC shall mail or otherwise distribute customer satisfaction surveys to all Program Participants for whom Work has been completed. The customer satisfaction surveys shall be disseminated, collected and reviewed in accordance with the standards set forth in the Approved Implementation Plan.

4.7.3 Any issues identified through a customer satisfaction survey related to workmanship and/or quality of equipment and materials installed shall be resolved by the IC, at its sole cost, within five (5) Business Days from the date of the survey. If issues cannot be resolved, for whatever reason, the Company shall be notified and a report shall be submitted in writing to the Company within 24 hours of attempted resolution.

4.8 Technology

4.8.1 IC shall develop, and maintain a technological tool, to be used in connection with the performance of an energy efficiency survey, to record and track any and all records or data needed to provide the Company with the reports identified in this Statement of Work, including Exhibit G.

G-13

4.8.2 IC shall develop and maintain a database of information obtained or recorded by the IC or Subcontractor while performing the Work, which shall include, but not be limited to, the data collection elements set forth in Exhibit G, for the purpose of storing, analyzing and querying the same and generating reports.

4.8.3 The Company, in its sole discretion, may amend Exhibit G to, among other things, change the data elements required to be collected by IC. IC shall promptly comply with such amended Exhibit G upon its receipt.

4.8.4 The IC shall be responsible for transmitting, uploading, and transferring relevant customer and SBDI Program information, including but not limited to the data collection elements set forth in Exhibit G, from its information technology systems to the Company’s information technology systems, including TREES in accordance with Exhibit I on a daily basis.

4.8.5 The IC shall invoice the Company electronically and, in connection therewith, shall be responsible for ensuring that the IC’s invoice can be uploaded and transferred to the Company’s information technology system. When the Company’s energy efficiency platform (or portions thereof) become available, the IC shall be required to access information from the same.

4.8.6 The Parties acknowledge that the IC is not required to obtain any software license to upload data into TREES, except in those instances in which the IC elects not to develop and maintain the technological tool specified in Section 4.8.1 but instead chooses to request, install and use a licensed version of TREES in which case the IC shall (i) agree to the same terms and conditions of such license as are binding upon the Company, and (ii) reimburse the Company for the license fee associated with the IC’s use of TREES.

4.9 Reporting and Record Retention

4.9.1 The IC acknowledges that, because the Company is obligated to provide certain periodic reports to the New York Public Service Commission, the timely, accurate production of reports by the IC is critically important.

4.9.2 IC shall prepare and deliver to the Company those reports identified in Exhibit H and at the frequency set forth therein. The Company, in its sole discretion and upon notice to the IC, may amend Exhibit H to change the nature, frequency, or content of such reports, and the IC shall promptly comply with such amended Exhibit H upon its receipt.

4.9.3 In addition to the reports required in Exhibit H, IC shall prepare and deliver to the Company, on a monthly basis starting thirty (30) calendar days from the Effective Date, its good faith projections of (i) the number of surveys it will perform in order to meet the Energy Savings Metric, (ii) the number of signed Customer Authorizations (installations) it will obtain, and (iii) net energy savings it will achieve (collectively, “**Forecasts**”); *provided, however*, that the IC shall prepare and deliver updates to the information required by clause (ii) on a weekly as well as monthly basis.

G-14

(a) If IC fails to meet any one or more Forecasts by 20%, in addition to and not in limitation of any actions that may be required or taken pursuant to Section 5.1 of this Statement of Work, the IC shall prepare and deliver to the Company a detailed, well considered correction action plan within five (5) Business Days of being requested to do so by the Company.

4.9.4 Upon receiving a written request from the Company, the IC shall prepare such special or nonrecurring reports as the Company may specify during the course of the SBDI Program.

4.9.5 The IC shall attend such weekly meetings and/or conference calls with the Company staff to discuss project status and implementation matters, as the Company shall require.

4.9.6 The IC, including those of its officers and staff responsible for the performance of the Agreement, shall cooperate with and be available to the Company for a period of one year after the termination or expiration of the Agreement, upon the Company's request, to support and defend its billings and energy savings calculations before the New York Public Service Commission (including, if necessary, by providing testimony); *provided* that the Company shall reimburse the IC for any out of pocket costs or expenses incurred by it in connection with providing such cooperation.

4.10 Financing

4.10.1 IC shall provide financing, in its discretion, to Program Participants consistent with Applicable Laws and this Statement of Work, including the Approved Sales Plan and Approved Implementation Plan. Such financing may be unsecured, except to the extent the filing of a Lien is permitted pursuant to Section 14.0 of the Agreement.

4.11 Other Work Obligations for IC

4.11.1 Company may ask IC from time to time to participate in and perform tasks related to the Company's Targeted DSM Program, which is another energy efficiency program managed by the Company to comply with the EEPs or other demand management programs.

4.11.2 IC shall provide a customer resource center telephone number dedicated for Subcontractors, Approved Customers and Program Participants.

4.11.3 IC shall make knowledgeable resource staff available to receive calls made to the customer resource center as follows: Monday through Friday (except Company holidays): 9:00 a. m. to 5:00 p.m. (Eastern Time). At all other times, the IC shall provide a recorded message with pertinent SBDI Program information and the capability to leave a message for call back by the IC. Such messages shall be returned the next Business Day and daily thereafter until customer contact is made. All contacts and contact attempts shall be recorded in the IC's SBDI Program database.

G-15

4.11.4 IC shall be able to respond to general telephone inquiries about the SBDI Program and other programs available in the New York Service Area, such as those administered by other utilities or agencies, as necessary and to resolve problems with customers to the satisfaction of the Company.

4.11.5 The IC shall use its best efforts to inform Program Participants of the Company's portfolio of programs and the SBDI Program's purpose, which is to reduce the Small Business Owner's overall energy use and costs through the installation of the energy efficient measures in the facility. The Company will provide guidance and marketing materials to the IC.

4.12 Transition Plan

4.12.1 The Approved Transition Plan is attached hereto as Exhibit C.

4.12.3 The IC shall implement, fulfill and comply with the Approved Transition Plan.

4.12.4 The IC will revise the Approved Transition Plan accordingly should the Company advise the IC of any changes related to marketing the SBDI Program, and the IC shall implement, fulfill and comply with such amended plan.

4.12.5 IC shall deliver all SBDI Program databases, in a single-user format, to the Company (or as the Company shall direct) upon the expiration or termination of the Agreement. Unless otherwise directed by the Company, upon such delivery the IC shall destroy all copies of all information relating to the SBDI Program, and certify as to such destruction, to the Company's satisfaction.

4.12.6 IC shall deliver all SBDI Program related physical and intellectual property to the Company upon the termination or expiration of the Agreement.

5.0 IC Performance Metrics

The IC understands that the IC Performance Metrics form the basis for measuring its performance under and managing the Agreement, including this Statement of Work. In addition to the IC Performance Metrics, other performance measures are expected to be tracked and reported as indicative of overall performance. Such measures may include, but are not limited to: (i) work volumes, such as the number of surveys, customer agreements and installations completed; (ii) accuracy and completeness of reporting and data transfer; (iii) quantity of inspection failures; and (iv) timeliness of Subcontractor payment.

G-16

5.1 Consequences for Failing to Meet IC Performance Metrics

5.1.1 If the IC fails to meet the applicable threshold for performance under one or more of the IC Performance Metrics set forth below, then the IC shall be required to participate in monthly detailed review sessions with the Company and provide action plans and schedules, as required by the Company, until such time as the IC achieves or exceeds the applicable Metric. Metrics will be provided as a guide by month and on a cumulative basis and will be measured on a monthly, quarterly and annual cumulative basis.

5.1.2 Performance by the IC of its obligations under Section 5.1.1 shall not affect whether a limit or otherwise affect the Company's rights or remedies under the Agreement.

5.2 Energy Savings

5.2.1 The IC is expected to achieve the monthly and annual MWh goals for the IC Geographic Area that are set forth in Exhibit F (the "Energy Savings Metric").

5.2.2 If the IC fails to meet any monthly or annual goals for energy savings (measured on a cumulative basis), as set forth in Exhibit F, then (i) the unachieved amount of Energy Savings for that month or year will be added, on a pro rata basis, to the remaining months of the year or to the next succeeding year, as applicable, and (ii) the Company will record appropriate Action Lines in its contract oversight system.

5.2.3 With the exception of the first quarter after the Effective Date, failure to achieve at least 85% of the cumulative Energy Savings Metric for two consecutive quarters shall constitute a Performance Metric Default under the Agreement and may result in a reassignment of the Work to another contractor of Company's choosing and/or the exercise of other rights or remedies by the Company under the Agreement. Measurement of this metric will be monitored on a monthly basis.

5.3 Cost per KWh

5.3.1 Within thirty (30) calendar days from the Effective Date, the IC shall provide monthly budgets of the cost to perform the Work over the course of the Contract Period, detailing implementation, incentive and sales projections and taking account of any seasonality variability. As soon as practicable (and in any event within sixty (60) calendar days thereafter), the Company shall (i) notify the IC that it has accepted the monthly budgets, or (ii) provide the IC with comments thereto. The Parties will work in good faith and as quickly as possible to address any Company comments and to modify the monthly budgets accordingly until they are approved by the Company.

5.3.2 The Company shall calculate the IC's monthly and annual cost per KWh goal from the budgets provided in Section 5.3.1, and such goals shall represent the Parties' expectations with respect to such cost per KWh Metric ("Cost Per KWh Metric").

5.3.3 During each month and year of the Contract Period (as the same may be extended), the IC's actual cost per kWh to perform the Work will be measured against the budgeted Cost Per KWh Performance Metric for that month and year (measured on a cumulative basis).

G-17

5.3.4 Other than during the initial quarter following the Effective Date, if the IC's cost of performance exceeds the cost per KWh goal during any quarter (measured cumulatively), then such event shall constitute a Performance Metric Default under the Agreement and may result in the reassignment of Work to another contractor of Company's choosing and/or the exercise of other rights or remedies by the Company under the Agreement.

5.4 Mean Time to Process

5.4.1 This metric measures the time between execution of a Customer Authorization Form and the completion of the installation by the IC. Evaluation of the IC's performance against this metric will begin within three (3) months of the Effective Date and will be measured monthly and on a cumulative basis.

5.4.2 Except when the IC is able to demonstrate, through objective and verifiable means, that delay is required by the Program Participant or that a genuine Force Majeure Event has occurred and is continuing and is the proximate cause of the delay, the IC shall complete all installations and reports with data entered into the TREES tracking system (if operational) within thirty (30) calendar days after the IC receives a signed Customer Authorization Form (the "Mean Time to Process Metric").

5.4.3 If at any time the IC fails to achieve 85% compliance with the Mean Time to Process Metric, then (i) the IC shall submit a corrective action plan to the Company within five (5) Business Days of being notified to do so by the Company, and (ii) the Company may input appropriate Action Lines in its contract oversight system; *provided, however*, that the foregoing shall not limit the Company's rights or remedies under the Agreement and this Statement of Work.

5.4.4 Failure to achieve 85% compliance with the Mean Time to Process Metric for any quarter shall constitute a Performance Metric Default under the Agreement and may result in the reassignment of Work to another contractor of Company's choosing and/or the exercise of other rights or remedies by the Company under the Agreement.

5.5 Conversion Ratios

5.5.1 The IC shall convert energy efficiency surveys to signed Customer Authorization Forms at a minimum rate of 65% each month (or at a rate of 45% each month from the Effective Date through December 31, 2012) (the "Conversion Ratio Metric"). Measurement of this Conversion Ratio Metric will be monitored on a monthly basis.

5.5.2 Subject to the timeframe set forth in Section 5.4.2, the IC shall convert signed Customer Authorization Forms to completed installations at a minimum of 90% each month.

G-18

5.5.3 If the IC fails to achieve the Conversion Ratio Metric, or to fulfill its obligations under section 5.5.2 in any month, then (i) the IC shall submit a corrective action plan to the Company within five (5) Business Days of being notified to do so by the Company, and (ii) the Company may input appropriate Action Lines in its contract oversight system; *provided, however*, that the foregoing shall not limit the Company's rights or remedies under the Agreement and this Statement of Work.

5.5.4 Failure to meet the Conversion Ratio Metric for one year shall constitute an IC Performance Metric Default under the Agreement and may result in the reassignment of Work to another contractor of Company's choosing and/or the exercise of other rights or remedies by the Company under the Agreement.

5.6 Customer Satisfaction

5.6.1 The Company will perform customer satisfaction surveys of Approved Customers and Program Participants to measure satisfaction with the Work provided by IC. The Company will segment Approved Customers and Program Participants by those who have completed energy savings projects and those who have chosen not to proceed after having an energy survey performed.

5.6.2 The IC is expected to achieve a positive customer satisfaction rating (greater than 3 on a 5 point scale) for 85% of the customers who have completed energy savings projects. The IC's performance will be measured on a monthly and cumulative basis. The criteria and benchmark to determine satisfaction will be determined by the IC and the Company.

5.6.3 The IC is expected to achieve a positive customer satisfaction rating for customers who have chosen not to proceed with an installation after having had a survey performed. The criteria and benchmark to determine satisfaction will be determined by the IC and the Company.

5.6.4 In the event the IC fails to fulfill its obligations under this Section 5.6, the Company will inform the IC of the same by recording appropriate Action Lines in its contract oversight system.

5.7 Customer Leads/Sales & Training

5.7.1 The IC shall work closely with the Company to track, measure and assess, on an on-going basis during the course of the Contract Period, the number of customer leads it is required to pursue in order to achieve the MWh goals set forth in Exhibit F.

5.7.2 The IC shall be required to conduct training for customer facing personnel for the improvement of overall sales.

5.8 Additional Compensation

5.8.1 Subject to Applicable Laws, the Company, in its sole discretion, may provide the IC with additional compensation for performance that exceeds the IC Performance Metrics on an annual basis.

G-19

EXHIBIT A

APPROVED IMPLEMENTATION PLAN

A-1

Implementation Plan

The Implementation Plan serves as a general blueprint of the main SBDI program processes. A primary focus of our plan is the institution of check points to ensure project documentation is accurate before it can move to the next phase of the process.

Key Functions

Perform Survey and Upload Tool

Surveyors are responsible to perform site surveys and upload the data into SMART via the Survey Tool. Project Coordinators will be assigned to Surveyors to review the quality of the uploaded information and report deficiencies to the Surveyor immediately for correction. The Sales Manager will be updated on any data quality issues on a weekly basis. All uploaded surveys must be reviewed by Project Coordinators and confirmed to be accurate prior to approval for invoicing. Once a survey Tool has been approved, it is eligible to be invoiced to Con Edison.

Motion to Proceed (MTP) Upload and Approval

As Surveyors close sales they are responsible for uploading the signed MTP into SMART, and adjusting the survey Tool as needed. Project Coordinators will review the uploaded MTP and revised Tool for accuracy. Any issues found during this review will be reported back to the Surveyor for correction prior to

MTP approval. Once the MTP is approved, the Surveyor will be credited with the sale and the project will be designated for scheduling.

Project Scheduling

Once an MTP has been approved for scheduling, Willdan calls the customer to schedule the project. When we can't get in touch with the customer to schedule the installation, Surveyors are brought in to help contact the customer. If a customer cannot be reached after multiple attempts, Willdan may categorize the project as a "drop-by" and dispatch it to the installation crews. Jobs that are assigned as drop-bys do not get scheduled; the install crew will simply drop by the job site and, if the customer agrees, the crew performs the installation at that time.

In scheduling installations, Willdan groups jobs based on boroughs and zip codes so that each team can maximize the number of jobs they install per day. We factor in the time it takes for installers to drive to each job site and unload/load the trucks. While we strive to have installation crews stick to their schedules, issues often arise which delay jobs and ultimately lead to rescheduling. Examples include logistical issues encountered on site, delays in arriving to the site, or customer requests all may require us to reschedule the project. This makes scheduling an extremely fluid process that requires flexibility from both our installation crews and scheduling staff.

In order to maximize the utilization of our installation crews, Willdan aims to maintain a backlog of work to keep all crews consistently busy. Based on program run rates and staffing levels, we believe a 30 to 40 day backlog of projects to be sufficient. As projects are sold by Willdan, we will schedule them as soon as possible. However, we recognize customers often wish to defer installation for weeks or even months. Willdan is happy to accommodate these requests as it helps to fill our installation schedule in future periods. This is how we develop and maintain a pipeline of work, which is vital to the overall health and success of the SBDI program.



SBDI Implementation Plan

A-2

Installation Process

Installations will be performed based on the approved work order and in accordance with all applicable codes and safety guidelines. Once the installation is completed, Installers will get the Work Order signed by the customer for all work performed. Completed Work Orders will be transmitted to Project Coordinators for review and upload to SMART. Work Orders will be checked to confirm that they comply in all respects to the Work Order and Invoice checklists. If any deficiencies are found, the Work Order will be returned to the Installer to be corrected. Once correct, the Work Order will be approved by the Project Coordinator at which point it is eligible for invoicing.

Inspection Process

Filed Inspectors will inspect installations and assure that the projects are complete and accurately described in the completed Work Orders. Field Inspectors will also confirm the project has been installed in compliance with all applicable codes, the site has been cleaned up satisfactorily, and the customer is satisfied with the work performed. Inspection reports will be uploaded to SMART regularly by Field Inspectors and reviewed by the Field Manager.

After inspection, final completed Work Orders and Punch lists, if necessary, will be submitted by the Field Supervisor to the Project Coordinators for review and upload into SMART. Project Coordinators will perform the final review of all documentation to confirm that it complies in all respects to the Work Order and Invoice checklists.

Invoicing Process

Setting a standard of what constitutes an acceptable piece of project documentation is vital to ensuring a smooth and consistent invoicing process. Below are the key criteria which will determine whether project documentation will be approved once it is invoiced.

Surveys

All survey reports are reviewed per the guidelines provided on the Survey Approval Checklist (Attachment 1). If the survey under review meets all criteria in the check list it will be approved for payment.

Work Orders

All work orders are reviewed per the guidelines provided on the Work Order Approval Checklist (Attachment 2). If the work order under review meets all criteria in the check list it will be approved for payment.

Invoices

Invoices must be in the formats approved by Con Edison (Attachment 3 and 4) to be considered for approval. Additionally, the invoice must match the corresponding work order submitted and meet the criteria listed in the Invoice Approval Checklist (Attachment 5). Each invoice will contain one work order. Incentive invoices to Con Edison will contain free measures, non-free measures, and surveys.

A-3

Non-Incentive Invoices

All non-incentive invoices will be billed to Con Edison on a monthly basis, and will be accompanied by backup timesheets (Attachment 6). All employees will be billed to the appropriate billing rates as agreed to by Con Edison. Non-incentive invoices and timesheets will be reviewed by Accounting staff to ensure accuracy and consistency. Any discrepancies will cause a timesheet to be returned to the employee for immediate correction.

Staffing Plan

Willdan plans to staff the SBDI program to effectively implement the key program functions described above. The table below illustrates the current and projected staffing levels of four key resource areas; program staff (including all administrative staff, inspectors, and warehouse management), surveyors, installers, and trucks. Our plan shows a ramp up of all resource areas until November, 2012 at which point we reach our final staffing levels for the program. These staffing levels will be maintained throughout the program, with adjustments being made on an as needed basis. Should these staffing levels prove insufficient to achieving the program goals, Willdan will reassess our staffing needs and adjust our plan accordingly.

	2012				2013		
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Program Staff	15	18	20	20	20	20	20
Surveyors	16	18	22	22	22	22	22
Installers	20	30	40	40	40	40	40
Trucks	10	15	20	20	20	20	20

Table 1. Con Edison SBDI Program Staffing Plan

A-4

EXHIBIT C

APPROVED TRANSITION PLAN

C-1

Transition Plan

Willdan has developed a Transition Plan for the SBDI Program that will enable a timely and effective transition of Implementation Contractor (IC) responsibilities to Lockheed Martin in regions formerly held by Willdan. Our plan will transfer all necessary data to Lockheed, ensure incoming customer calls are directed to the appropriate IC, and allow for consistent program implementation of chain accounts.

Project and Data Transfer

As both Willdan and Lockheed are at different stages in the ramp up process, we will work with Lockheed to determine the most effective way to handle any outstanding MTPs signed in 2012 that are in Lockheed's regions. After meeting with Lockheed, Willdan will create a .pdf file of MTPs that will be transmitted to Lockheed by August 31, 2012 for follow up and installation.

Willdan has been keeping a detailed list of customers in Lockheed's regions who have called to request that a survey be performed at their business. This list will be transferred to Lockheed by August 15, 2012 for follow up.

Additional data points may be useful to Lockheed's ramp up, however, we recognize that this information belongs to Con Edison and therefore we defer to Con Edison to decide whether the following data should be transferred to Lockheed:

- List of surveyed, and installed customers
- Details of all surveys and installs
- List of cancelled MTPs
- Additional customer information captured during survey

Incoming Customer Calls

Willdan will continue to handle incoming calls from the Green Team line with the assumption that calls coming into the Con Edison call center will be directed to the appropriate IC based on regional assignment. This will lessen customer confusion and ensure a more efficient customer service experience.

Customers in Lockheed's regions who call Willdan directly will be referred to Lockheed Martin. This serves the dual purpose of ensuring that the appropriate contractor is serving the customer, and in promoting customer understanding of who is implementing the program for their business.

Chain Accounts

Chain accounts require a unique sales approach due to their tiered managerial structures. The decision makers for chain accounts generally want one point of contact; therefore Willdan and Lockheed will work together to designate chain accounts to one Implementation Contractor.

Willdan will provide Lockheed a list of chain accounts we have worked with, or are currently working with. If Willdan has a claimed chain that crosses into Lockheed regions, Willdan will perform the surveys and installations for that chain. If Lockheed has claimed a chain that crosses into Willdan regions, Lockheed will be responsible for performing this work.

Summary

We believe that these efforts will allow for a smooth transition between Willdan and Lockheed Martin. Additionally, Willdan will work with Lockheed in their capacity as Commercial and Industrial Program Administrator to ensure we maximize the measure offerings and incentive value for small business customers. We look forward to working closely with Lockheed during this transition period, and to continuing our good relationship throughout the contract period.

C-2

EXHIBIT D

SURVEY AUTHORIZATION FORM

D-1

Small Business Energy Efficiency

Customer Work Order (Page 1 of 2)

1-888-WILLDAN (1- 888-945-5326)

CON EDISON ACCOUNT #		WORK ORDER #	
---		-A	
Surveyor Name	Survey Date	Customer Phone	Survey Tool Version
0	1/0/00	(000) 000-0000	24.5.2
Installation Contractor		Contact Person	Contact Title
Willdan Lighting & Electrical Inc		0	1/0/1900
Installation Subcontractor		Subcontractor License Number	Permit Required?
			Permit Number(s)

ENERGY SAVINGS UPGRADES											
LOCATION	PRODUCT DESCRIPTION	EXISTING PROD/MODEL #	QTY	PROD/MODEL #	QTY	ID	UNIT PRICE (Installed)	TOTAL(\$)	CUSTOMER'S CONTRIBUTION	QUANTITY INSTALLED	CUSTOMER INITIALS
<div style="background-color: red; color: black; text-align: center; padding: 50px;"> <h2>PLEASE CORRECT ERRORS BEFORE PRESENTATION TO CUSTOMER</h2> </div>											

Cost of Installed Measures (Page 1):	ERRORS REQUIRE CORRECTION	Customer Initials
Cost of Installed Measures (Page 2):		
Total Cost of Installed Measures:		
Con Edison Contribution:		
Customer Pays Contractor:		



This energy saving program is brought to you by Con Edison and implemented by Willdan.



Terms and Conditions

By signing the below I agree to the following:

1. I have reviewed the Energy Efficiency Survey for the premises listed above. 2. I authorize energy efficiency related services work on the above listed premises. 3. I understand that all work identified on this work order above in the section "Con Edison Contribution" is paid for by Willdan. I understand that I am responsible to pay the contractor identified above for that portion of the total cost identified above in the section "Customer Pays Contractor" at the time that the installation is completed. I further understand that I may pay the subcontractor by any of the following methods: credit card, money order, cashiers check, PayPal, or cash. 4. I understand that products installed under this program are warranted for a limited time. After the lapse of this warranty period I will be responsible for replacement of said products. The warranty periods are provided to you below in this work order form. 5. I authorize access to the above listed address for the purpose of installing the energy saving upgrades and inspecting them upon completion. 6. I agree to indemnify, defend, and hold Willdan, Con Edison, and Subcontractors, harmless from any claims, losses, expenses, liabilities, and damage or destruction of this property arising out of inappropriate/non-intended use of equipment installed as authorized by this agreement. 7. Customer agrees that Con Edison may provide customer information including customer name, account number, electric and/or gas consumption data and electric and/or gas energy savings to its third party evaluation contractor for program evaluation purposes. The evaluation contractor has agreed to keep customer information confidential. Customer information may also be provided to the New York State Public Service Commission. Any Customer information provided to the New York State Public Service Commission will be aggregated with information about other customers and not personally identifiable.

Warranty Periods : The energy saving upgrades are warranted from the date of installation as follows

Ballasts:	5 years	Lighting and Vending Controls:	1 year
Lamps/Exit Signs:	1 year	Refrigeration Door and Evaporator Controls:	1 year
Thermostats:	1 year	Pipe Wrap, Low Flow Aerators, and Rinsers:	1 year

Auditor / Installation Notes

Auditor / Installation Notes	

Reviewed Energy Efficiency Survey & Authorize Energy Saving Upgrades

Surveyor Signature	Date
Customer Signature	Date
Installations Complete for Energy Saving Upgrades	
Installer Signature	Date
Customer Signature	Date

Customer Work Order (Page 2 of 2)

Cost of Installed Measures (Page 2 only):	\$0.00
---	--------

E-1

1-888-WILLDAN (1-888-945-5326)

Installer Signature	Date
Customer Signature	Date

Customer Work Order (Page 2 of 2)

Cost of Installed Measures (Page 2 only):	\$0.00
---	--------

Region	2012	2013	2014	2015
Queens	7,430	14,855	14,855	14,855
Brooklyn	8,100	16,205	16,205	16,205
Bronx	5,400	10,800	10,800	10,800

EXHIBIT G

DATA ELEMENT COLLECTION REQUIREMENTS

New York State Public Service Commission
EEPS Reporting Requirements

Program Administrator (PA) and Program ID:
Program Name: Small Business Direct Install
Program Type

Acquired Impacts This Month

Net first-year annual kWh(1) acquired this month

Monthly net first-year annual kWh Goal

Percent of Monthly Net kWh Goal Acquired

Net Peak(2) kW acquired this month

Monthly Utility Net Peak kW Goal

Percent of Monthly Peak kW Goal Acquired

Net First-year annual therms acquired this month

Monthly Net Therm Goal

Percent of Monthly Therm Goal Acquired

Net Lifecycle kWh acquired this month

Net Lifecycle kWh percent of goal acquired this month

Net Lifecycle therms acquired this month

Net Lifecycle therms percent of goal acquired this month

Net Other Monthly Savings (MMBTUs) Acquired

Coal

Kerosene

Oil

Propane

Total Acquired Net First-Year Impacts To Date

G-1

Net first-year annual kWh acquired to date

Net first-year annual kWh acquired to date as a percent of annual goal

Net first-year annual kWh acquired to date as a percent of 3-year goal

Net cumulative kWh acquired to date

Net utility peak kW reductions acquired to date

Net utility peak kW reductions acquired to date as a percent of utility annual goal

Net utility peak kW reductions acquired to date as a percent of 3-year goal

Net NYISO peak kW reductions acquired to date

Net first-year annual therms acquired to date

Net first-year annual therms acquired to date as a percent of annual goal

Net first-year annual therms acquired to date as a percent of 3-year goal

Net cumulative therms acquired to date

Total Acquired Lifecycle Impacts To Date

Net Lifecycle kWh acquired to date

Net Lifecycle kWh acquired as a percent of goal to date

Net Lifecycle therms acquired to date

Net Lifecycle therms acquired as a percent of goal to date

Committed(3) Impacts (not yet acquired) This Month

Net First-year annual kWh committed this month

Net Lifecycle kWh committed this month

Net Utility Peak kW committed this month

Net first-year annual therms committed this month

Net Lifecycle therms committed this month

Funds committed at this point in time

Overall Impacts (Achieved & Committed)
Net first-year annual kWh acquired & committed this month
Net first-year annual kWh acquired & committed as a percent of monthly goal
Net utility peak kW acquired & committed this month
Net utility peak kW acquired & committed as a percent of monthly goal
Net First-year annual therms acquired & committed this month
Net First-year annual therms acquired & committed as a percent of monthly goal

Costs

G-2

Total program budget
Administrative costs
Marketing costs
Incentives, rebates, grants, direct install costs, and other program costs going to the participant
Financing (e.g., loans) costs
Other (specify)
Evaluation
Total expenditures to date
Percent of total budget spent to date

Participation
Number of program applications received to date
Number of program applications *processed* to date(4)
Number of processed applications *approved* to date(5)
Percent of applications received to date that have been processed
Carbon Emission Reductions (in tons)
Total Acquired Net First-Year Carbon Emission Reductions To Date(6)
Total Acquired Cumulative Net Carbon Emission Reductions To Date

G-3

New York State Public Service Commission

Data to Be Collected for Program Evaluation Purposes

For each program, this list contains the data elements to be routinely collected and maintained for each measure for each participant in a program. These data must be maintained in electronic form by the IC to measure the progress of their energy efficiency programs. The program-tracking database must be maintained at the measure level. The participant-level data will serve as the foundation for the monthly, quarterly, and annual reports required by the New York Department of Public Service. There are a number of variables that must be included in any program-tracking database. These should be available to the department staff and evaluation contractors within 30 days following a data request. For details on the requirements of the program tracking database for midstream, upstream and public awareness program information, please see the reporting manual, which is available on the EEPS evaluation web page.

Table 1. Variables Required for Participant-Level Program-Tracking Databases for Downstream Incentive Programs

Tracking Database Variables	Definition of Variables
PA/PROGRAM INFORMATION	
Program administrator	Utility or NYSERDA
Program ID	Program ID will be assigned by DPS at a later date.
Program name	Program name
PARTICIPANT INFORMATION (1)	
Participant first name	Participant first name
Participant last name	Participant last name
Participant telephone number	Participant telephone number
Participant fax number	Participant Fax number
Participant E-Mail address	Participant E-Mail address
Service street address	Street address at which measure was installed

(1) See Appendix D for the Customer Data Guidelines, which clarify the process for maintaining the confidentiality of customer data. Usually, the participant is the end user (i.e., the person on whose premises the measure was installed and who received the rebate). In some cases, the participant could be a building owner who is renting to either residential or nonresidential tenants and who receives the rebate for installing measures in apartments or offices.

G-4

Tracking Database Variables	Definition of Variables
<i>Service city</i>	City in which measure was installed
<i>Service ZIP code</i>	ZIP code associated with the service street address and city
<i>Weather station assignment number (2)</i>	The weather station ID assigned to the participant service address
<i>Account number</i>	Utility account number affected by the installation of the efficient measures
<i>Meter number</i>	The meter number associated with the account number affected by the installation of efficient measures
<i>Service turn-on date</i>	The date of service turn for the program participant
<i>Rate classification</i>	Rate classification
<i>Site-specific primary NAICS (3)</i>	The two-digit NAICS for the affected dwelling/building
<i>Building type/dwelling type (4)</i>	Description of the dwelling or building type
KEY PROJECT DATES (5)	
<i>Program application date (6)</i>	Program application date
<i>Application approval date</i>	Date on which application was approved

(2) Weather data (heating and cooling degree days) will be obtained from IC-maintained weather stations or from NOAA weather stations which have been mapped to customer sites based on ZIP codes.

(3) The North American Industry Classification System (NAICS) was developed as the standard for use by Federal statistical agencies in classifying business establishments for the collection, analysis, and publication of statistical data related to the business economy of the U.S. NAICS replaces the Standard Industrial Classification (SIC) system.

(4) A list of common facility or building types or codes (e.g., DOE 2 Model Types; NYSERDA list of facility types) is included in the Technical Manual.

(5) The program application date, the application approval date, and the rebate payment date must be provided. For projects in which the application is received, approved, and a rebate is paid to the participant all in the same day, the date would be the same for all three variables.

(6) The application date is the date on the application, or if that is missing, the date on which the administrator received the application.

G-5

Tracking Database Variables	Definition of Variables
<i>Post-installation inspection date</i>	Date on which measure installation was inspected on site by program administrator. Note that post-installation inspection dates may not be available or they might only be available for a sample of program participants.
<i>Rebate payment date</i>	Date on which rebate check was issued.
MEASURE AND REBATE INFORMATION	
<i>Measure-project name</i>	Name of measure
<i>Measure description</i>	Description of the measure
<i>Measure quantity</i>	Quantity of the measure
<i>Unit description</i>	Description of the unit (e.g., tons, square feet, lamp)
<i>Rebate amount per unit (7)</i>	Rebate amount per unit

Financing amount per unit	Financing amount per unit
INSTALLATION-TYPE INFORMATION	
Type of Installation (TRC Approach)	A flag indicating whether the record is a case of normal, early, or special circumstance replacement or an add-on measure. ER=Early Replacement; NR=Normal Replacement; SC=Special Circumstance; AO=Add On.
Effective Useful Life (EUL)	The effective useful life (median number of years that measure is expected to remain in use based on national data) of the measure being installed, as prescribed by the Commission, or, if none prescribed, as estimated by the PA.
<p>(7) The IC could design rebates on various bases (e.g., per bulb, per refrigerator, per pool pump, per ton in the case of chillers or per cubic feet for insulation). If incentives are based on performance (whole building or custom project), the unit would be “1” and the rebate per unit would be the total rebate received.</p>	
G-6	

Tracking Database Variables	Definition of Variables
Remaining Functional Period	For Add-on measures:
	N/A
	For normal, end of life replacements (this includes breakdowns prior to and after the EUL):
	N/A
	For early replacements:
	The remaining useful life (RUL), which is the EUL minus the actual or estimated age of the old equipment in place. For more details, see Appendix M of the Technical Manual.
	For special circumstance replacements:
	The default functional period (DFP) which is ¼ of the EUL (rounded to the nearest whole number) of the efficient measure being installed. For more details, see Appendix N of the Technical Manual.
Adjusted EUL	For Add-on measures:
	N/A
	For normal, end of life replacements:
	N/A
	For early replacements:
	That number of years at full savings in which the present value of savings approximates that of the dual baseline approach set forth in tables in Appendix M of the Technical Manual.
	For special circumstance replacements:
	That number of years at full savings in which the present value of savings approximates that of the dual baseline approach set forth in tables in Appendix N of the Technical Manual.
G-7	

Tracking Database Variables	Definition of Variables
	For add-on measures:
	The full cost of the measure
	For normal, end of life replacements:

<i>Measure Resource cost (including installation) per unit</i>	The incremental cost between the currently-on-the-market standard, minimally-compliant equipment and the new, efficient equipment(8)
	For early replacements:
	The adjusted full cost of the new efficient equipment. For more detail, see Appendix M of the Technical Manual.
	For special circumstance replacements:
	The adjusted full cost of the new efficient equipment. For more detail, see Appendix N of the Technical Manual.

	For add-on measures:
	N/A
	For normal, end of life replacements:
<i>Ratio of incremental savings to full savings</i>	N/A
	For early replacements:
	For more detail, see Appendix M of the Technical Manual. The ratios appear as column headers in the tables.
	For special circumstance replacements:
	For more detail, see Appendix N of the Technical Manual.

(8) If the IC can track incremental costs by measure or project in their program tracking databases, it should do so. However, this might not always be possible. In some cases, incremental costs for measures may be obtained from another source (e.g., the NYSERDA Measure-Level Database) and assigned to individual measures. Because it is assumed that the IC has reviewed the incremental costs of measures it promotes as part of the technology screening process, the identification of incremental costs is expected to be relatively straightforward. Note that there may be some cases in which the installation costs of the efficient equipment are larger than the installation costs of the standard equipment. The formula for estimating incremental costs should be documented.

Tracking Database Variables	Definition of Variables
	For add-on measures:
	N/A
	For normal, end of life replacements:
<i>Ratio of incremental costs to full costs</i>	N/A
	For early replacements:
	For more detail, see Appendix M of the Technical Manual. The ratios appear as column headers in the tables.
	For special circumstance replacements:
	For more detail, see Appendix N of the Technical Manual.

PROJECT SAVINGS INFORMATION

	For add-on measures:
	Use full first-year gross first-year kWh savings per units
	For normal, end-of-life replacements:
<i>Estimated gross first-year kWh savings per unit(9)</i>	Use incremental gross first-year kWh savings per unit
	For early replacements:
	Use full first-year gross first-year kWh savings per units

	For special circumstance replacements:
	Use full first-year gross first-year kWh savings per units
<i>Source of Estimated First-Year Gross Savings</i>	Enter “TM” for calculations based on Technical Manual, “C” for custom measures, or “O” for calculations based on some other database.

(9) Gross savings are defined as the change in energy consumption and/or demand that results directly from program-related actions taken by participants in the DSM program. The gross savings reported by the IC are referred to as *ex ante* values since they have not been adjusted by *ex post (after measure installation)* evaluation efforts. If the project is a custom measure then all savings can be at the project level rather than per unit.

G-9

Tracking Database Variables	Definition of Variables
<i>Variance from Technical Manual</i>	For measures in the Technical Manual, what is the ratio (e.g., 0.80 or 1.0 if no difference) of the gross first-year savings reported above to the gross first-year savings calculated using the Technical Manual. If measure not in the Technical Manual, enter “NA.”
<i>Estimated gross first-year on-peak kW savings per unit (NYISO)</i>	For add-on measures: Use full first-year gross kW savings per units For normal, end-of-life replacements: Use incremental first-year gross kW savings per unit For early replacements: Use full first-year gross first-year kW savings per units For special circumstance replacements: Use full first-year gross first-year kW savings per units
<i>Estimated gross first-year therm (natural gas) savings per unit</i>	For add-on measures: Use full first-year gross first-year therm savings per units For normal, end-of-life replacements: Use incremental gross first-year therm savings per unit For early replacements: Use full first-year gross first-year therm savings per units For special circumstance replacements: Use full first-year gross first-year therm savings per units
<i>Net-to-gross ratio (10)</i>	Net-to-gross ratio

(10) The IC should use the NTGR value (0.90) in the current Technical Manual, unless department staff has accepted a more appropriate value from a study on a case by case basis. The goal of the default NTGR is to establish a consistent starting point for all ICs.

G-10

Tracking Database Variables	Definition of Variables
<i>Estimated net first-year kWh savings per unit (11)</i>	Estimated net first-year kWh savings per unit
<i>Estimated net first-year on-peak kW savings per unit (NYISO)</i>	Estimated net first-year on-peak kW savings per unit according to NYISO peak, as defined in the Technical Manual.
<i>Estimated net first-year therm savings per unit</i>	Estimated net first-year therm savings per unit
<i>Gross coal savings per unit</i>	Gross coal savings per unit consistent with the gross first-year savings per unit reported above.

<i>Gross kerosene savings per unit</i>	Gross kerosene savings per unit consistent with the gross first-year savings per unit reported above.
<i>Gross oil savings per unit</i>	Gross oil savings per unit consistent with the gross first-year savings per unit reported above.
<i>Gross propane savings per unit</i>	Gross propane savings per unit consistent with the gross first-year savings per unit reported above.
<i>Gross water savings per unit</i>	Gross water savings per unit consistent with the gross first-year savings per unit reported above.

(11) Net savings are the total change in load that is attributable to the utility DSM program. This change in load may include, implicitly or explicitly, the effects of spillover, free riders, state or federal energy efficiency standards, changes in the level of energy service, and natural change effects. The net savings reported by the ICs are referred to as ex ante values since they have not been adjusted by ex post (after measure installation) evaluation efforts.

EXHIBIT H
REPORTING REQUIREMENTS
Reporting Requirements Overview

Category	Description	Frequency	Type
Application and Project Updates	New and updated information about customer enrollments, measures, energy savings, rebate amounts, and project status changes plus selected attachments (Examples: surveys, engineering studies, and proof of purchase). Attachments are preferred in PDF, Word or Excel documents, but other formats can also be handled.	Daily	File upload to the TREES system
Sales and Lead Activity	Track each stage of the sales process from lead generation to project initiation. Customers who have been contacted and information about the contact Changes in status of the lead (survey completed, proposal presented, etc.) Overall volume of customer contacts (outbound and inbound calls, contacts at events, in person contacts, etc.)	Daily	File upload to the TREES system
Invoicing	Administrative invoice for service performed Activity billed must match activity in TREES	Monthly	File upload to the Companies
Activity Report	Status report describing performance metrics and work flow issues	Weekly	File upload to the Companies Word or PDF
Monthly SLA Report	Report describing monthly, YTD, and Plan to Date performance on contractual SLAs and performance metrics.	Monthly	File upload to the Companies Word or PDF
Monthly PSC Report	Standard monthly, quarterly and annual PSC report	Monthly	Excel and Word or PDF
Customer Lists	Eligible customer lists with sufficient information to determine program eligibility.	TBD	File upload to ICs. Excel.
Payment Information	Check numbers and payment dates	TBD	File upload to ICs. Excel.
Error Logs	Discrepancies from IC updates and invoices.	TBD	File upload to ICs. Excel.
Project Installation Report	Insert	TBD	TBD

The detail data elements will be established and agreed upon during contract negotiations as well as the frequency of data reporting (which will be driven by the estimated volume of each category of information)

EXHIBIT I

*** Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule III Addresses for Notice

If to the Company:

Consolidated Edison Company of New York, Inc.
4 Irving Place
New York, NY 10003
Attention: Rebecca Craft
Facsimile: (212) 780-3636
Email: craftr@coned.com

For all notices under the Agreement to the “Program Manager”
Attention: Mark Thomson
Facsimile: (212) 473-58790
Email: thomsonm@coned.com

With a copy to:

Consolidated Edison Company of New York, Inc.
4 Irving Place
New York, New York 10003
Attention: Brian Cray, Deputy General Counsel
Facsimile: (212) 677-5850
Email: crayb@coned.com

If to the IC:

Willdan Energy Solutions
55 Broadway, Suite 1900
New York, NY 10006
Attention: Keith Hartman
Facsimile: (212) 785-2343
Email: khartman@willdan.com

Willdan Energy Solutions
2401 E. Katella Ave, Suite 300
Anaheim, CA 92806
Attention: Tom Kouris
Facsimile: (714) 937-8029
Email: tkouris@willdan.com

With a copy to:

Lavoie & Jarman
2401 E. Katella Ave, Suite 310
Anaheim, CA 92806
Attn: Bob Lavoie
Facsimile: (714) 704-4706
Email: rlavoie@lj-law.com

S-1

Schedule IV Insurance Requirements

Specific Insurance Requirements. The IC shall procure and maintain the following insurance at its own expense until completion and acceptance of performance hereunder, and thereafter to the extent stated below, with at least the monetary limits specified. The insurance shall be in policy forms which contain an “occurrence” and not a “claims made” determinant of coverage and shall be placed with insurance companies acceptable to the Company. The required liability limits may be met by a combination of primary and excess liability policies.

A. Employment related insurance:

(a) Workers’ Compensation Insurance as required by law.

(b) Employers' Liability Insurance, including accidents (with a limit of \$1,000,000 per accident) and occupational diseases (with a limit of \$1,000,000 per employee).

(c) Where applicable, insurance required by the United States Longshoremen's and Harbor Workers' Act, the Federal Employers' Liability Act, and the Jones Act.

B. Commercial General Liability Insurance, including Contractual Liability, with limits of not less than \$10,000,000 per occurrence and in the aggregate for bodily injury or death and property damage and, for at least three (3) years after completion of performance hereunder, Products/Completed Operations Liability Insurance with similar but separate and independent limits. There shall be no policy deductibles without the Company's prior written approval.

The insurance shall contain no exclusions for explosion, collapse of a building or structure, or underground hazards. There shall be no exclusion for claims by the IC's employees against the Company or any customer of the Company based on injury to the IC's employees.

C. Commercial Automobile Liability Insurance, covering all owned, non-owned and hired automobiles used by the IC or any Subcontractors or other IC Representatives in connection with the performance of the Work, with limits of \$1,000,000 per occurrence or a combined single limit of \$1,000,000 per occurrence.

D. Professional Errors and Omission Insurance, with limits of \$1,000,000 per claim and \$2,000,000 in the aggregate.

Additional Insured/Evidence of Insurance. Each specified insurance policy (other than for Professional Liability and Workers' Compensation) shall also, either by provisions in the policies, by the Company's own endorsement form or by other endorsement attached to such policies, include and insure the Company, its affiliates, and all of its and their respective officers, employees and agents, successors and assigns, as well as all Program Participants as "additional

S-2

insureds" against the area of risk described herein as respects the IC's acts or omissions in its performance of the Work (including completed operations) or other related functions performed by or on behalf of the IC. Such insurance shall not limit or qualify the liabilities and obligations of the IC under this Agreement. All required coverage under this Agreement shall be primary to any other insurance available to the additional insureds and shall contain a waiver of subrogation in favor of the additional insureds.

The IC shall provide to the Company's risk manager (as identified in writing by the Company, the "Risk Manager") evidence of all specified insurance and related requirements by (i) production of the actual insurance policy(ies), (ii) submission of the Company's endorsement form(s), or (iii) written evidence of insurance acceptable to the Risk Manager, in a form acceptable to the Risk Manager and the Company's legal counsel. The evidence of insurance submitted to the Company shall contain: (a) the applicable policy number, (b) the inclusive dates of policy coverages, (c) the date the protection begins for the Company, and (d) the insurance carrier's name. It shall bear an original signature of an authorized representative of said carrier, and shall provide that such insurance shall not be subject to cancellation, material reduction in coverage or non-renewal except after written notice by certified first class mail, return receipt requested and postage prepaid, to the Company at least thirty (30) calendar days prior to the effective date thereof. Such evidence of insurance shall not contain a disclaimer of liability of the insurer for failure to provide the Company with notice of cancellation or substantial alteration. The Company shall have the right to require the IC to furnish the Company, upon request, with a copy of the insurance policy or policies required under paragraphs A, C and D hereunder. The IC shall provide the Company with at least ten (10) days' prior written notice of any cancellation of insurance required to be maintained hereunder, and shall provide certificates or other proof of insurance to any and all Program Participants who request the same.

Severability of Interests and Cross Liability Required. Each specified insurance policy (other than Workers' Compensation and Employers' Liability and Property coverages) shall contain a Severability of Interest and Cross Liability clause which states, "It is agreed that the insurance afforded by this policy shall apply separately to each insured against whom claim is made or suit is brought except with respect to the limits of the company's liability".

Primary and Non-Contributory Insurance Required. All such insurance shall be primary and noncontributing with any other insurance held by the Company, or its agents, where liability arises out of or results from the acts or omissions of the IC, its assigns or any Person acting for or on behalf of the IC (including, without limitation, any Subcontractor or any IC Representative). Any insurance carried by the Company which may be applicable shall be deemed to be excess insurance and the IC's insurance is primary for all purposes despite any conflicting provision in the IC's insurance policies.

No Liability for Deductibles. Neither the Company nor any customer of the Company shall have any liability or responsibility for premiums charged, or for deductibles and/or self-insured retentions, in respect of insurance coverage required of the IC hereunder.

No Partnership/Joint Venture. The inclusion of the Company and its officers, employees and agents as additional insureds as set forth herein, is not intended to, and shall not, make them, or any of them, a partner or joint venturer with the IC in its operations.

S-3

Proof of Insurance for Renewal or Extension Required/Cancellation or Reduction of Coverage. At least ten (10) days prior to the expiration date of insurance required hereunder, documentation showing that the insurance coverage has been renewed or extended shall be filed with the Company. If such coverage is canceled or reduced in coverage, the IC shall, within fifteen (15) days of such cancellation or reduction of coverage, submit to the Company evidence that the required insurance has been reinstated or provided through another insurance company or companies.

Claims-Made Insurance Conditions. Should any portion of the required insurance be on a "Claims Made" policy, the IC shall, at the policy expiration date following completion of the Work, provide evidence that the "Claims Made" policy has been renewed or replaced with the same limits, terms and conditions of the expiring policy, or that an extended three (3) years discovery period has been purchased on the expiring policy at least for the contract under which the work was performed.

Insured Contract. The IC agrees that this is an insured contract. The insurance required herein is intended to cover the Company and customers of the Company for its and their own liability, respectively, for negligence or any other cause of action in any claim or lawsuit for bodily injury or property damage arising out of the Work.

Injury to Employees. For purposes of interpretation or determination of coverage of any policy of insurance or endorsement thereto, the IC shall be deemed to have assumed tort liability for any injury to any employee of the IC, the Company or any customer of the Company arising out of the performance of the Work, including injury caused by the partial negligence of the Company or such customer and notwithstanding any statutory prohibition or limitation of the IC's indemnification obligation hereunder.

Notices. Certificates of insurance identifying this Agreement shall be sent to:

Consolidated Edison Company of New York, Inc.
4 Irving Place
New York, NY 10003
Attention: Purchasing Department
Administrative Services

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 the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2012

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 the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2012

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

**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 September 28, 2012, 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
November 8, 2012

By: /s/ Kimberly D. Gant
Kimberly D. Gant
Chief Financial Officer and Senior Vice President
and Treasurer
November 8, 2012

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.
