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

FORM 8-K/A

Amendment No. 1

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 9, 2018**

WILLDAN GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-33076**	**14-1951112**
(State of other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2401 East Katella Avenue, Suite 300, Anaheim, California 92806
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(800) 424-9144**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).

o Soliciting material pursuant to Rule 14A-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company o

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

EXPLANATORY NOTE

The purpose of this Amendment No.1 ("Amendment No. 1") is to amend the Current Report on Form 8-K of Willdan Group, Inc. (the "Company") filed with the United States Securities and Exchange Commission ("SEC") on November 9, 2018 (the "Initial Form 8-K") related to the acquisition (the "Acquisition") by the Company, through two of its wholly-owned subsidiaries, Willdan Energy Solutions, a California corporation ("WES"), and Luna Fruit, Inc., a Delaware corporation and wholly-owned subsidiary of WES ("Merger Sub"), of all of the outstanding shares of capital stock of Lime Energy Co. ("Lime Energy"), a national provider of innovative energy solutions for utilities and their commercial customers, pursuant to the agreement and plan of merger dated October 1, 2018 (the "Merger Agreement"), by and among WES, Merger Sub, Lime Energy, and Luna Stockholder Representative, LLC, as representative of the participating securityholders of Lime Energy.

This Amendment No. 1 amends and supplements Item 9.01 of the Initial Form 8-K to provide certain historical financial statements for Lime Energy and certain pro forma financial information in connection with the Acquisition. Any information required to be set forth in the Initial Form 8-K which is not being amended or supplemented pursuant to this Amendment No. 1 is hereby incorporated by reference. Except as set forth herein, no modifications have been made to the information contained in the Initial Form 8-K and the Company has not updated any information contained therein to reflect the events that have occurred since the date of the Initial Form 8-K. Accordingly, this Amendment No. 1 should be read in conjunction with the Initial Form 8-K.

Note Regarding Forward-Looking Statements

Statements and other information included in this Amendment No. 1 that are not historical facts, including statements about the Company's plans, strategies, beliefs and expectations, as well as certain estimates and assumptions used by the Company's management, may constitute forward-looking statements. Forward-looking statements are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements speak only as of the date they are made and, except for the Company's ongoing obligations under the U.S. federal securities laws, the Company undertakes no obligation to publicly update any forward-looking statement.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on estimates and assumptions that are subject to change or revision, including the estimates and assumptions used by the Company in preparing the pro forma financial information included in this Amendment No. 1, that could cause actual results to differ materially from those expected or implied by the forward-looking statements or the estimates or assumptions used. Such forward-looking statements include, without limitation, the Company's ability to efficiently integrate the operations and business of Lime Energy and to obtain the anticipated benefits therefrom, the Company's ability to make principal and interest payments as they come due on borrowings under the New Credit Facilities (as defined in the Initial Form 8-K), including its ability to comply with financial maintenance covenants, and the Company's current expectations with respect to preliminary estimated adjustments to record the assets and liabilities of the Company at their respective estimates of fair values under acquisition accounting, and are based on currently available information.

Actual results may differ materially from the forward-looking statements for a number of reasons, including additional information regarding the fair values of assets and liabilities becoming available, the performance of additional fair value analyses, and risk factors identified in the Company's filings with the SEC, including without limitation in the Company's Annual Report on Form 10-K for this fiscal year ended December 29, 2017 and the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 2018. Factors other than those listed above also could cause the Company's results to differ materially from expected results.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

(1) Unaudited financial statements of Lime Energy, as of and for the nine months ended September 30, 2018 and 2017, are being filed as Exhibit 99.1 to this Amendment No. 1 and are incorporated herein by reference.

(2) Audited financial statements of Lime Energy, as of and for the years ended December 31, 2017 and 2016, filed as Exhibit 99.3 to the Company's Current Report on Form 8-K filed on October 3, 2018, are incorporated herein by reference.

(3) Audited financial statements of Lime Energy, as of and for the year ended December 31, 2015, filed as Exhibit 99.4 to the Company's Current Report on Form 8-K filed on October 3, 2018, are incorporated herein by reference.

(b) Pro Forma Financial Information.

Unaudited pro forma condensed combined balance sheet and statements of operations for the Company as of and for the nine months ended September 28, 2018 and for the year ended December 29, 2017, giving effect to the Acquisition, the Equity Offering (as defined in the Initial Form 8-K) and borrowings under the New Credit Facilities, and the notes thereto, are being filed as Exhibit 99.4 to this Amendment No. 1 and are incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Document
2.1*	Merger Agreement, dated as of October 1, 2018, by and among Willdan Energy Solutions, Luna Fruit, Inc., Lime Energy Co. and Luna Stockholder Representative, LLC, as representative of the participating securityholders of Lime Energy Co. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 3, 2018).
23.1	Consent of CohnReznick LLP, independent accountants for Lime Energy for the years ended December 31, 2017 and 2016 (filed herewith).
23.2	Consent of BDO USA, LLP, independent accountants for Lime Energy for the year ended December 31, 2015 (filed herewith).
99.1	Unaudited financial statements of Lime Energy, as of and for the nine months ended September 30, 2018 and 2017 (filed herewith).
99.2	Audited financial statements of Lime Energy, as of and for the years ended December 31, 2017 and 2016 (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on October 3, 2018).
99.3	Audited financial statements of Lime Energy, as of and for the year ended December 31, 2015 (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed on October 3, 2018).
99.4	Unaudited pro forma condensed combined balance sheet and statements of operations for the Company as of and for the nine months ended September 28, 2018 and for the year ended December 29, 2017, giving effect to the Acquisition, the Equity Offering and borrowings under the New Credit Facilities, and the notes thereto (filed herewith).

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* All schedules to the Merger Agreement were omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.

SIGNATURES

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 hereunto duly authorized.

WILLDAN GROUP, INC.

Date: January 22, 2019

By: /s/ Stacy B. McLaughlin
Stacy B. McLaughlin
Chief Financial Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-217356) and Forms S-8 (No. 333-219133, No. 333-219129, No. 333-139127, No. 333-152951, No. 333-168787, No. 333-184823 and No. 333-212907) of Willdan Group, Inc., of our report dated February 21, 2018, on our audits of the consolidated financial statements of Lime Energy Co. as of December 31, 2017 and 2016 and for the years then ended, which report is included in the Current Report on Form 8-K filed by Willdan Group, Inc., on October 3, 2018 and incorporated by reference in the Current Report on Form 8-K/A filed by Willdan Group, Inc. on January 22, 2019. We also consent to the reference to our firm under the caption “Experts”.

/s/ CohnReznick LLP
New York, New York
January 22, 2019

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 and S-8 (No. 333-217356, No. 333-219133, No. 333-219129, No. 333-139127, No. 333-152951, No. 333-168787, No. 333-184823 and No. 333-212907) of Willdan Group, Inc. of our report dated March 30, 2016 relating to the consolidated financial statements of Lime Energy Co. as of and for the year ended December 31, 2015, which appears in the Current Report on Form 8-K of Willdan Group, Inc. filed on October 3, 2018 and is incorporated by reference in the Current Report on Form 8-K/A of Willdan Group, Inc. filed on January 22, 2019.

We also consent to the reference to us under the caption “Experts” in the Prospectus.

/s/ BDO USA, LLP

Woodbridge, New Jersey

January 22, 2019

Exhibit 99.1

Lime Energy Co.
Consolidated Balance Sheets
($ in thousands, except for par value and share amounts)

	September 30, 2018	September 30, 2017
Assets		
Current assets		
Cash	$ 465	$ 4,159
Accounts receivable, net	25,438	19,695
Inventories	—	918
Unbilled accounts receivable	11,978	7,140
Prepaid expenses and other (Note 4)	7,167	3,748
Total current assets	45,048	35,660
Property and equipment, net (Note 5)	3,727	2,950
Long-term receivables, net	1,372	1,168
Intangibles, net (Note 6)	649	962
Goodwill (Note 6)	8,173	8,173
Total assets	$ 58,969	$ 48,913
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	$ 15,697	$ 12,023
Accrued expenses (Note 7)	14,166	9,117
Unearned revenue	32	652
Customer deposits	163	292
Line of credit	457	515
Current portion of long-term debt	127	112
Total current liabilities	30,642	22,711
Long-term debt, less current maturities	324	419
Long-term debt - related party, net	10,658	12,994
Derivative liability - related party	3,237	1,933
Total liabilities	44,861	38,057
Contingently redeemable Series C Preferred stock, $0.01 par value: 10,000 shares authorized; 10,000 shares issued and outstanding as of September 30, 2018 and 2017, respectively; accrued dividends of $5,810 and $3,975 as of September 30, 2018 and 2017, respectively	15,193	13,358
Stockholders' Equity (Deficit)		
Common stock, $.0001 par value; 50,000,000 shares authorized; 9,657,571 and 9,665,290 issued and outstanding as of September 30, 2018 and 2017, respectively	1	1
Additional paid-in capital	205,629	207,015
Accumulated deficit	(206,715)	(209,518)
Total Stockholders' Equity (Deficit)	(1,085)	(2,502)
Total Liabilities and Stockholders' Equity (Deficit)	$ 58,969	$ 48,913

See Notes to Consolidated Financial Statements

Lime Energy Co.
Consolidated Statements of Operations
($ in thousands, except for share amounts)

	For the nine months ended September 30, 2018	2017
Revenue	$ 111,727	$ 91,702
Cost of sales	75,049	59,376
Gross profit	36,678	32,326
Selling, general and administrative expense	31,250	27,264
Amortization of intangibles	250	1,606
Operating income	5,178	3,456
Other income (expense)		
Interest income	330	324
Interest expense	(1,883)	(1,879)
(Loss) gain from change in derivative liability - related party	(2,583)	1,015
Total other expense	(4,136)	(540)
Income from continuing operations before income taxes	1,042	2,916
Income tax expense	(3)	(18)
Net income	1,039	2,898
Preferred dividend	(1,376)	(1,192)
Net (loss) income available to common stockholders	$ (337)	$ 1,706
Basic (loss) earnings per common share	$ (0.03)	$ 0.18
Weighted average common shares outstanding - basic	9,657,571	9,660,531
Diluted (loss) earnings per common share	$ (0.03)	$ 0.16
Weighted average common shares outstanding - diluted	9,657,571	10,874,531

See Notes to Consolidated Financial Statements

Lime Energy Co.
Consolidated Statements of Stockholders' Equity (Deficit)
($ in thousands, except share amounts)

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, January 1, 2017	9,680	$ 1	$ 207,964	$ (212,416)	$ (4,451)
Preferred stock dividends	—	—	(1,192)	—	(1,192)
Adjustment in connection with reverse/forward stock split (Note 14)	(15)	—	(36)	—	(36)
Share-based compensation, net	—	—	279	—	279
Net income	—	—	—	2,898	2,898
Balance, September 30, 2017	9,665	$ 1	$ 207,015	$ (209,518)	$ (2,502)
Balance, January 1, 2018	9,657	$ 1	$ 206,612	$ (207,754)	$ (1,141)
Preferred stock dividends	—	—	(1,376)	—	(1,376)
Share-based compensation, net	—	—	393	—	393
Net income	—	—	—	1,039	1,039
Balance, September 30, 2018	9,657	$ 1	$ 205,629	$ (206,715)	$ (1,085)

See Notes to Consolidated Financial Statements

Lime Energy Co.
Consolidated Statements of Cash Flows
($ in thousands)

	For the nine months ended September 30, 2018	2017
Cash flows from operating activities		
Net income	$ 1,039	$ 2,898
Provision for bad debts	672	777
Share-based compensation	393	279
Depreciation and amortization	1,595	2,682
Amortization of deferred financing costs	44	96
Change in derivative liability - related party	2,583	(1,015)
Interest on subordinated notes added to principal - related party	1,370	1,440
Amortization of original issue discount - related party	426	321
Changes in assets and liabilities:		
Accounts receivable	(3,947)	(987)
Inventories	300	898
Unbilled accounts receivable	(5,468)	349
Prepaid expenses and other current assets	(2,081)	374
Accounts payable	1,206	(5,766)
Accrued expenses	5,102	1,759
Unearned revenue	(269)	(213)
Customer deposits and other current liabilities	(361)	(98)
Net cash provided by operating activities	2,604	3,794
Cash flows from investing activities		
Purchases of property and equipment	(1,720)	(1,080)
Net cash used in investing activities	(1,720)	(1,080)
Cash flows from financing activities		
Repayments of line of credit	(34)	—
Proceeds from advances on line of credit	—	515
Payments on vehicle financing	(90)	367
Payments in connection with reverse/forward stock split	—	(36)
Repayment of long-term debt, related-party	(4,846)	(2,528)
Net cash used in financing activities	(4,970)	(1,682)
Net (decrease) increase in cash	(4,086)	1,032
Cash, beginning of period	4,551	3,127
Cash, end of period	$ 465	$ 4,159

See Notes to Consolidated Financial Statements

Lime Energy Co.
Consolidated Statements of Cash Flows (continued)
($ in thousands)

	For the nine months ended September 30,	
	2018	2017
Cash paid during the year for interest	$ 43	$ 22
Non-cash financing and investing activities:		
Financed vehicle purchases	$ —	$ 427
Accrued dividends	$ 1,376	$ 1,192
Shares issued for benefit plans	$ —	$ 83

See Notes to Consolidated Financial Statements

Note 1 — Description of Business

Lime Energy Co. (the "Company"), a Delaware corporation headquartered in Newark, New Jersey, is a provider of energy efficiency solutions for small businesses under utility demand-side management programs.

Note 2 — Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Note 3 — Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Lime Energy Co. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Concentration of Risk

The Company's customers are primarily utilities and their small business customers. The Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue, and/or whose accounts receivable balances individually represented 10% or more of the Company's total accounts receivable, as follows:

During the nine months ended September 30, 2018 and 2017, revenue generated under two utility programs represented 66% and 68% of the Company's consolidated revenue, respectively. Amounts due from two utility programs represented 70% of the Company's accounts receivable as of September 30, 2018 and amounts due from three utility programs represented 76% of the Company's accounts receivable as of September 30, 2017.

The Company purchases its materials from a variety of suppliers and continues to seek out alternate suppliers for critical components so that it can be assured that its sales will not be interrupted by the inability of a single supplier to deliver product. The Company purchased materials from individual vendors that represented 10% or more of the Company's total purchases, and had vendor accounts payable balances that individually represented 10% or more of the Company's total accounts payable, as follows:

During the nine months ended September 30, 2018 and 2017, one supplier was responsible for 50% and 41% of the Company's purchases, respectively. Amounts payable to one vendor represented 74% and 80% of the Company's outstanding accounts payable at September 30, 2018 and 2017, respectively.

The Company maintains cash in accounts with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation. The Company monitors the financial stability of these institutions regularly and management does not believe there is significant credit risk associated with deposits in excess of federally insured amounts.

Accounts Receivable, Net

Accounts receivable consist of non-interest-bearing customer obligations due under normal trade terms.

Long-term Receivables, Net

The Company offers certain customers payment terms where the customer remits payment in equal monthly installments over a certain period. These receivables are non-interest-bearing customer obligations. The current portion of these customer balances is included in accounts receivable and the long-term portion is included in long-term receivables in the accompanying consolidated balance sheets. The Company discounts the long-term receivable to its present value and records the change in present value in interest income on the accompanying consolidated statements of operations. The total unamortized discount at September 30, 2018 and 2017 was $260,015 and $223,146, respectively, and is included with long-term receivables, net, in the accompanying consolidated balance sheets.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on the aging of accounts receivable and long-term receivables in addition to any specifically identified amounts that it believes to be uncollectible. If actual collections experience changes, revisions to the allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available to it, the Company believes its allowance for doubtful accounts is adequate. However, actual write-offs might exceed the recorded allowance. The allowance for doubtful accounts is classified as a direct offset to accounts receivable as it is more likely than not that these doubtful accounts will be written off in the short-term.

The following is a summary of changes to the allowance for doubtful accounts (in thousands) at September 30:

	2018	2017
Balance at the beginning of the period	$ 1,303	$ 1,488
Provision for bad debts	672	777
Amounts written off	(282)	(649)
Balance at the end of the period	$ 1,693	$ 1,616

Provisions for bad debts are recorded in selling, general and administrative expense on the consolidated statements of operations.

Inventories

Inventories consist of products used for the Company’s energy efficiency solutions and are stated at the lower of cost or market. Cost is determined utilizing the first-in, first-out (FIFO) method.

Property and Equipment and Other Long-lived Assets

Property and equipment are recorded at cost, net of accumulated depreciation. Identifiable significant improvements are capitalized and expenditures for maintenance and repairs are charged to expense as incurred.

Property and equipment are depreciated on a straight-line method over the following estimated useful lives:

Building improvements	3-10 years
Construction equipment	3-5 years
Furniture	5-10 years
Office equipment	3-5 years
Software	3-5 years
Transportation equipment	3-5 years

In accordance with ASC 360, “Property, Plant and Equipment”, the Company periodically evaluates the carrying value of long-lived assets when events and circumstances warrant such review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such an asset are separately identifiable and are less than the carrying value. In that event, a loss is recognized in the amount by which the carrying value exceeds the fair market value of the long-lived asset. This guidance applies to assets held for use and not to assets held for sale. The Company has no assets held for sale. The Company has identified no such impairment indicators as of September 30, 2018 or 2017.

The Company accounts for costs related to internal-use software in accordance with ASC 350-40, “Internal-Use Software”. Costs incurred during the preliminary project stage and postimplementation-operation stage are expensed as incurred. External costs incurred to configure, install and test the software during the application development stage are capitalized and are included in property and equipment, net, in the accompanying consolidated balance sheets.

Goodwill

In accordance with ASC 350, “Intangibles - Goodwill and Other”, the Company tests goodwill for impairment on an annual basis during the fourth quarter and on an interim basis when conditions indicate impairment may have occurred. In performing these assessments, management relies on and considers a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, comparable market transactions (to the extent available), other market data and the Company’s overall market capitalization. There are inherent uncertainties related to these factors which require judgment in applying them to the analysis of goodwill for impairment. At the date of the latest test, December 31, 2017, it was determined that no indicators of impairment existed and there were no other factors, internal or external, that may affect carrying value of goodwill. The Company evaluated various factors to determine whether an interim test of goodwill was necessary as of September 30, 2018 and concluded that no potential indicators of impairment were identified and therefore no interim test of goodwill was performed.

Revenue Recognition

The Company offers utility companies energy efficiency program delivery services targeted to their small-and mid-sized business customers (the “end-users”). Under contracts with utility companies, the Company provides energy efficient solutions to the end-users that focuses on the different uses of energy, including lighting and electrical, mechanical and HVAC, and refrigeration. These solutions consist of product sales and installation services. All revenues recorded in the accompanying consolidated statements of operations are generated under contracts with the utility companies and contracts with the end-users, collectively referred to as “customers”. Contracts are priced based on actual costs of providing the energy efficient solutions.

To determine the proper revenue recognition for contracts with customers, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract contains more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in any given period. The Company enters into master agreements with various large utilities which serve to provide the terms the Company is required to follow when providing product sales and energy efficient installations to the end-users. The Company enters into a separate contract with the end-user for each product sale and energy efficient installation which provides the scope of services and payment terms, including the utility responsibility of the overall contract price. The utility companies and end-users contract with the Company to provide a desired output, which is energy efficiencies. The Company achieves this by providing a series of goods and services that result in this desired output, therefore, all goods and services provided under the contract are accounted for as one performance obligation. Because the goods and services promised in the contracts are a single performance obligation, all contracts are combined into one single unit of account.

The Company recognizes revenue over the term of the contract, as installation occurs, and as control of products are transferred to the customer. Because of control transferring over time, revenue is recognized based on the extent of progress toward completion of the performance obligation. The selection of the method to measure progress toward completion requires judgment and is based on the nature of the products and services to be provided. The Company uses the cost-to-cost measure of progress for customer contracts because it best depicts the transfer of control to the customer which occurs as the Company incurs costs on the contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the input of costs and equals the ratio of installation costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionally as installation costs are incurred.

Under the typical payment terms of contracts, the customer pays after all product sales and installation services under the contract are complete. Customers may pay a deposit prior to the completion of the contract. These are presented in customer deposits as a current liability in the accompanying consolidated balance sheets. Customers may remit progress payments. Progress payments are made on a case-by-case basis, and are reflected in unearned revenue in the accompanying consolidated balance sheets. The amounts reported in customer deposits and unearned revenue, collectively referred to as "contract liabilities", represent the transaction price allocated to performance obligations that are unsatisfied at the end of the reporting period. Revenue related to contract liabilities is expected to be recognized in the subsequent year. Revenue recognized, but not yet billed, is recorded in unbilled accounts receivable in the accompanying consolidated balance sheets. The amounts reported in accounts receivable, unbilled accounts receivable, and long-term receivables, collectively referred to as "contract assets", represent all of the Company's assets recorded under customer contracts as of September 30, 2018 and 2017.

The Company recognizes periodic interest income at a constant effective yield in connection with sales granted to customers under contracts with payment terms providing for equal monthly payments over a predetermined period, generally 24 months. The discount rate used to reduce the receivables to present value is calculated using the difference in contract price between a lump sum payment, inclusive of lump sum discount, and total monthly payments under payment terms greater than one year.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Certain contracts with customers contain provisions that can increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics or program milestones. The Company estimates variable consideration at the most likely amount to which it expects to be entitled. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulated revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information that is currently available to management, including historical and forecasted information.

Advertising, Marketing and Promotional Costs

Expenditures on advertising, marketing and promotions are charged to operations in the period incurred and totaled $0.9 million and $0.4 million for the nine months ended September 30, 2018 and 2017, respectively.

Share-based Compensation

The Company has a stock incentive plan that provides for share-based employee compensation, including the granting of stock options and shares of restricted stock, to certain key employees. The Company follows the guidance of ASC 718, "Compensation —Stock Compensation," which requires companies to record stock compensation expense for equity-based awards granted, including stock options and restricted stock unit grants, over the service period of the equity-based award based on the fair value of the award at the date of grant. Forfeitures are recognized at the time at which they occur.

The following are the components of the Company's share compensation expense (in thousands), net of forfeitures for the nine months ended September 30, 2018 and 2017, respectively:

	2018	2017
Stock options	$ 393	$ 265
Restricted stock	—	14
Total	$ 393	$ 279

Please refer to Notes 15, 16, and 17 for additional information regarding share-based compensation expense.

Net Earnings Per Share

The Company computes income per share under ASC 260, "Earnings Per Share", which requires presentation of two amounts: basic and diluted income per share. Basic income per share is computed by dividing the income available to common stockholders by the weighted average common shares outstanding. Diluted earnings per share would include all common stock equivalents unless anti-dilutive. For periods when such inclusion would not be anti-dilutive, the Company uses the treasury stock method to calculate the diluted earnings per share. The treasury stock method assumes that the Company uses the proceeds from the exercise of in-the-money options and warrants to repurchase common stock at the average market price for the period. Options and warrants are only dilutive when the average market price of the underlying common stock exceeds the exercise price of the options or warrants.

The following table sets forth the weighted average shares issuable upon exercise of outstanding options and warrants and convertible debt that are not included in the basic earnings per share available to common stockholders:

	2018	2017
Weighted average shares issuable upon exercise of outstanding options	2,743,900	1,409,592
Weighted average shares issuable upon exercise of outstanding warrants	14,018	14,018
Weighted average shares issuable upon conversion of convertible preferred stock	4,166,667	4,166,667
Weighted average shares issuable upon conversion of convertible debt	3,718,354	3,718,354
	10,642,939	9,308,631

Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value and enhances disclosures about fair value measurements. The Company is required by GAAP to record certain assets and liabilities at fair value on a recurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes the following fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of interest-bearing cash is classified as Level 1 at September 30, 2018 and 2017.

The Company reports transfers in and out of Levels 1, 2, and 3 as applicable, using the fair value of the underlying instrument as of the beginning of the reporting period in which the transfer(s) occurred. There were no transfers in or out of Level 1, 2, or 3 during the nine months ended September 30, 2018 and 2017.

The guidance in ASC 815, “Derivatives and Hedging” requires that the Company mark the value of its derivative liability - related party (see Note 8) to market and recognize the change in valuation in its statement of operations each reporting period. Determining the derivative liability - related party to be recorded requires the Company to develop estimates to be used in calculating the fair value.

Since the derivative liability - related party does not trade in an active securities market, the Company considers this to be a Level 3 measurement at September 30, 2018 and 2017. See Note 8 for a description of how the fair value was calculated.

The following table sets forth, by level, within the fair value hierarchy, the Company's derivative liabilities at fair value (in thousands) at September 30, 2018 and 2017:

		Basis for Valuation		
	Total	Level 1	Level 2	Level 3
September 30, 2017:				
Conversion feature - related party	$ 1,933	$ —	$ —	$ 1,933
September 30, 2018:				
Conversion feature - related party	$ 3,237	$ —	$ —	$ 3,237

The following sets forth a summary of the changes in the fair value of the Company's Level 3 liabilities (in thousands):

	2018	2017
Balance, beginning of period	$ 654	$ 2,948
Unrealized loss/(gain) reported in earnings	2,583	(1,015)
Balance, end of period	$ 3,237	$ 1,933

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for accounts receivable, accounts payable and accrued expenses approximate fair value because of the short-term nature of these amounts. The carrying amount reported for long-term receivables also approximates fair value because the amount has been adjusted to present value, as described above. The fair value of the long-term debt - related party, also approximates fair value, as the debt was amended in March 2016, resulting in revised fair value and the Company believes its credit rating and prevailing market rates are comparable at September 30, 2018 and 2017 (see Note 8).

Recently Adopted Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes nearly all existing guidance on revenue recognition under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled for those goods or services. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. In July 2015, the FASB approved the deferral of the new standard's effective date by one year. The new standard is effective for annual reporting periods beginning after December 15, 2017. The FASB permits companies to adopt the new standard early, but not before the original effective date of annual reporting periods beginning after December 15, 2016.

Effective January 1, 2017, the Company has elected to early adopt the requirements of ASU 2014-09. To prepare for transition, the Company analyzed the impact of the standard on its existing revenue contracts by reviewing current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to the Company's revenue contracts. Upon conclusion of this analysis, the Company has determined that the application of the new standard does not have an impact on the Company's current business processes, systems, and controls to support revenue recognition under the new standard. There is no cumulative impact to the accumulated deficit, therefore, adoption of either the full retrospective or modified retrospective method is not required. Additional disclosures that are required with this ASU have been added to the notes to the consolidated financial statements.

The Company has adopted ASU 2017-04 "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which was issued by the FASB in January 2017. In accordance with the new standard, the Company has eliminated Step 2 of the goodwill impairment test. The results of the adoption have had no impact on these consolidated financial statements.

The Company has adopted ASU 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting", which was issued by the FASB in March 2016. The areas for simplification in this update involve several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The adoption of this ASU has an immaterial financial impact on the Company because as of September 30, 2018 and 2017 there is a full valuation allowance on the deferred tax assets of the Company. Additional accounting policy disclosures that are required with this ASU have been added to Note 1.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which amended the guidance on accounting for leases. The FASB issued this update to increase transparency and comparability among organizations. This update requires recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company is currently assessing the impact on its financial statements of adopting this guidance.

In June 2016, FASB issued ASU 2016-13 "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". Topic 326 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this update broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss, which will be more useful to users of the financial statements. The amendments in this update are effective for annual reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact of adopting ASU 2016-13 on its consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220)," to address certain income tax effects in Accumulated Other Comprehensive Income (AOCI) resulting from the tax reform enacted in 2017. The amended guidance provides an option to reclassify tax effects within AOCI to retained earnings in the period in which the effect of the tax reform is recorded. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods. Early adoption is permitted. The Company is currently assessing the impact on its financial statements of adopting this guidance.

Note 4 — Prepaid expenses and Other

Prepaid expenses and other consist of the following (in thousands) at September 30:

	2018	2017
Vendor rebate receivable	$ 3,315	$ 1,522
Deposits and advances	328	377
Prepaid contract costs	2,151	1,448
Prepaid insurance	135	171
Prepaid state taxes	192	39
Prepaid professional fees	477	—
Other receivable	569	191
Total	$ 7,167	$ 3,748

Note 5 — Property and Equipment

Property and equipment consist of the following (in thousands) at September 30:

	2018	2017
Buildings and improvements	$ 382	$ 284
Construction equipment	21	21
Furniture	793	769
Office equipment	811	1,463
Software	8,089	6,003
Transportation equipment	1,039	975
	11,135	9,515
Less accumulated depreciation	(7,408)	(6,565)
Property and equipment, net	$ 3,727	$ 2,950

Total depreciation expense was $1.3 million and $1.1 million for the nine months ended September 30, 2018 and 2017, respectively, and is included in selling, general, and administrative expense in the accompanying consolidated statements of operations.

Note 6 — Goodwill and Intangible Assets

Goodwill is calculated as the difference between the cost of acquisition and the fair value of the net identifiable assets of an acquired business. As of September 30, 2018 and 2017, the Company had recorded goodwill of approximately $8.2 million. There were no goodwill impairments recorded during the nine months ended September 30, 2018 and 2017. The following is a summary of the Company's intangible assets (in thousands) at September 30:

	2018			2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer relationships	$ 1,505	$ 876	$ 629	$ 1,505	$ 543	$ 962
Technology and software	3,410	3,390	20	3,390	3,390	—
Trade name	825	825	—	825	825	—
Total	$ 5,740	$ 5,091	$ 649	$ 5,720	$ 4,758	$ 962

Total amortization expense of intangible assets was $0.3 million and $1.6 million for the nine months ended September 30, 2018 and 2017, respectively. The total expected future amortization is as follows (in thousands):

Year	Amount	
2018	$	107
2019		233
2020		162
2021		117
2022		30
Total	$	649

Note 7 — Accrued Expenses

Accrued expenses consist of the following (in thousands) at September 30:

	2018		2017	
Compensation	$	2,480	$	2,420
Contract costs		2,983		1,821
Material costs		7,773		3,788
Rent		175		187
Sales tax payable		—		14
Income taxes		170		128
Other		585		759
Total	$	14,166	$	9,117

Note 8 — Subordinated Convertible Term Notes — Related Party

The Company entered into a Note Purchase Agreement (the “Note Purchase Agreement”) with Bison Capital Partners IV, L.P. (“Bison”) on March 24, 2015, pursuant to which the Company issued a subordinated convertible note due March 24, 2020 (the “Bison Note”) in the principal amount of $11.75 million (the “Note Issuance”). The proceeds from the sale of the Bison Note were used to finance an acquisition and to pay $0.9 million of fees and expenses incurred in connection therewith, including fees and expenses incurred in connection with the Note Purchase Agreement, which were capitalized and included as a discount to long-term debt. As of the date the Bison Note was issued, Bison owned 10,000 shares of the Company’s Series C Convertible Preferred Stock (the “Series C Preferred Stock”) - which was, as of the date thereof, convertible into approximately 30% of the Company’s common stock - and was the Company’s single largest stockholder. Two members of the Board, Andreas Hildebrand and Peter Macdonald, are partners of an affiliate of Bison. As such, they recused themselves from the Board’s consideration of the Bison Note Issuance. The Bison Note is guaranteed by each subsidiary of the Company, and is secured by a lien on all the assets of the Company and each of its subsidiaries. The Company may not elect to prepay the Bison Note.

Based upon the initial conversion price of the Bison Note ($3.16), all or any portion of the principal amount of the Bison Note, plus, subject to the terms of the Bison Note, any accrued but unpaid interest, but not more than the principal amount of the Bison Note, may, at the election of the note holder, be converted into 3,718,354 shares of common stock after March 24, 2018 or the occurrence of a change of control of the Company, whichever occurs first. The conversion price is subject to anti-dilution adjustments in connection with stock splits and similar occurrences and certain other events set forth in the Bison Note, including future issuances of common stock or common stock equivalents at effective prices lower than the then-current conversion price. Due to the terms of the anti-dilution provision, the Company separated this conversion feature from the debt instrument and accounts for it as a derivative liability that must be carried at its estimated fair value with changes in fair value reflected in the Company's Consolidated Statements of Operations. Upon issuance, the initial estimate of fair value was established as both a derivative liability and as a discount on the Bison Note. That discount, absent the amendments to the Bison Note described below, would have been amortized to interest expense over the term of the Bison Note. The Company determined the estimated fair value of the derivative liability to be $3.2 million and $1.9 million as of September 30, 2018 and 2017, respectively.

The fair value of the derivative liability was determined using a binomial option pricing model with the following assumptions: a risk-free rate of 2.81%; expected volatility of 83%; a maturity date of March 24, 2020; probability factors regarding the Company's ability to meet the EBITDA covenants in the Bison Note; and a 0% probability that a future financing transaction would reduce the conversion price.

On March 30, 2016, the Company entered into a second amendment to the Bison Note ("Amendment No. 2"). Amendment No. 2 revised the covenants related to minimum consolidated EBITDA for the four consecutive fiscal quarters ending March 31, June 30, September 30 and December 31, 2016. Amendment No. 2 included two levels of trailing EBITDA targets. Pursuant to Amendment No. 2, the failure to meet the first target of trailing EBITDA for any of these quarters would for each such quarter result in an additional $250,000 in interest being accrued and added to the note principal. Failure to meet the second target of trailing EBITDA for any of these quarters would for each such quarter result in a further $250,000 in interest being accrued and added to the note principal. As a result of Amendment No. 2, the Company's failure to meet the specified trailing EBITDA targets for any of the four consecutive fiscal quarters ending March 31, June 30, September 30 and December 31, 2016 would not be an event of default under the Bison Note.

In accordance with ASC 470 - "Debt", Amendment No. 2, for accounting purposes, was treated as an extinguishment of the original amended note and the issuance of a new note, with the conversion derivative left intact and unchanged. Upon extinguishment, the net carrying amount of the extinguished note (including its principal amount and related discounts) of $7.4 million was written off and the fair value of the amended note was established.

On February 28, 2017, the Company entered into a third amendment to the Bison Note ("Amendment No. 3"). Amendment No. 3 revised the covenants related to minimum consolidated EBITDA for the four consecutive fiscal quarters ending March 31, June 30, September 30 and December 31, 2017. Amendment No. 3 included two levels of trailing EBITDA targets. Pursuant to Amendment No. 3, the failure to meet the first target of trailing EBITDA for any of these quarters would for each such quarter result in an additional $150,000 in interest being accrued and added to the note principal. Failure to meet the second target of trailing EBITDA for any of these quarters would for each such quarter result in a further $150,000 in interest being accrued and added to the note principal. As a result of Amendment No. 3, the Company's failure to meet the specified trailing EBITDA targets for any of the four consecutive fiscal quarters ending March 31, June 30, September 30 and December 31, 2017 would not be an event of default under the Bison Note. As of June 30, 2018, March 31, 2018 and June 30, 2017, the Company was not in compliance with the revised covenants related to minimum consolidated EBITDA. Consequently, penalty interest of $300,000 and $150,000 was accrued for the nine months ended September 30, 2018 and 2017, respectively, and added to the outstanding principal balance at September 30, 2018 and 2017, respectively.

The Note Purchase Agreement requires the Company to accrue interest at a lower "Scheduled Cash Interest Rate", if interest is repaid semi-annually on March 24 and September 24. If repayment of accrued interest is not made on those dates, interest is accrued at a higher "Scheduled Accrued Interest Rate". During the nine months ended September 30, 2018, the Company incurred interest of $1.1 million, which was accrued at the

Scheduled Cash Interest Rate. During the nine months ended September 30, 2017, the Company incurred interest of $1.3 million, which was accrued at the Scheduled Accrued Interest Rate. At September 30, 2018 and 2017, the Scheduled Cash Interest rate was 10% and the Scheduled Accrued Interest Rate was 12.5%. The Company repaid $4.8 million and $2.5 million of accrued interest during the nine months ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and 2017, $13.1 million and $10.7 million of principal and accrued interest remained outstanding under the Bison Note, which is presented on the accompanying consolidated balance sheets in long-term debt — related party, net of unamortized deferred financing costs of $25,000 and $56,000, and unamortized debt discount of $1.1 million and $1.6 million, respectively.

On October 1, 2018 Willdan Group, Inc., through two of its wholly-owned subsidiaries (collectively referred to as “Willdan”), entered into an agreement to acquire all of the outstanding share capital of the Company. On November 9, 2018 Willdan completed the acquisition. Immediately prior to closing the Bison Note was extinguished and converted to 3,718,354 shares of common stock. See note 23 for further details.

Note 9 — Series C Preferred Stock — Related Party

On December 23, 2014, the Company entered into a Preferred Stock Purchase Agreement with Bison, pursuant to which Bison purchased 10,000 shares of the Company’s Series C Preferred Stock at a price of $1,000 per share.

In connection with the issuance of the Series C Preferred Stock, the Company entered into a Shareholder and Investor Rights Agreement dated as of December 23, 2014 (the “Shareholder Agreement”) with Bison and certain other stockholders of the Company. Pursuant to the terms of the Shareholder Agreement, in the event the Company proposes to issue new securities (subject to certain exceptions), the Company must allow Bison to purchase a portion of the new securities equal to the number of shares of common stock beneficially owned by Bison divided by the total number of shares of common stock then outstanding, on a fully diluted basis.

The Shareholder Agreement also provides Bison with operational consent rights and director appointment rights that apply so long as Bison holds at least 5% of the total voting power of the Company. The stockholders of the Company party to the Shareholder Agreement have agreed to vote in favor of Bison’s director appointees. The Shareholder Agreement entitles Bison to appoint one director to the Company’s Compensation Committee and any new board committee that is established, other than the Audit Committee or the Governance and Nominating Committee. It also entitles Bison to receive certain financial information. Bison may not, subject to certain exceptions in the Shareholder Agreement, acquire additional shares of common stock or seek to influence the management of the Company without the Company’s consent. Such restrictions will no longer apply upon certain changes of control of the Company.

The shares of Series C Preferred Stock are entitled to an accruing dividend of 12.5% per annum of their base amount (subject to adjustments for stock splits, combinations and similar recapitalizations), payable every six months. The base amount is adjusted on each dividend payment date for the unpaid dividends accrued. The Company accrued dividends of $1.4 million and $1.2 million during the nine months ended September 30, 2018 and 2017, respectively.

The shares of Series C Preferred Stock may be converted, at any time, at the option of the holder, into shares of the Company’s common stock at a conversion price which was initially equal to $2.40 per share (the “Series C Conversion Price”). The Series C Conversion Price shall be proportionately adjusted for stock splits, combinations and similar recapitalizations, and shall be adjusted for future issuances of common stock. Upon conversion, all accrued, undeclared and unpaid dividends on the shares of Series C Preferred Stock so converted shall be cancelled.

At any time after the fourth anniversary of the closing date, the Company shall have the right to redeem all, but not less than all, of the shares of Series C Preferred Stock for an amount equal to the original issue price of the shares plus all accrued but unpaid dividends, with such redemption to occur 30 days after the Company's giving notice thereof to the holder(s)of the shares of Series C Preferred Stock. During such 30-day period, the holders of the Series C Preferred Stock may convert the Series C Preferred Stock to common stock in lieu of receiving the redemption payment. At any time after the fourth anniversary of the closing date, a holder of Series C Preferred Stock shall have the right to require the Company to redeem all or a portion of its Series C Preferred Stock for an amount equal to the original issue price of the shares plus all accrued but unpaid dividends. In the event the Company fails to make the required redemption payment by the date fixed for such payment, the dividend rate will increase to 15% per annum and increase by an additional 1% per annum each quarter until paid.

If, on the fifth anniversary of the closing date or any succeeding anniversary of such date, ten percent (10%) of the average daily trading volume of common stock is less than the number of shares of common stock beneficially owned by Bison divided by 240, then Bison may require the Company to initiate a sale process. Subject to the terms of the Shareholder Agreement, the stockholders of the Company party to the Shareholder Agreement have agreed to vote in favor of and otherwise support such a sale. If such a sale is not consummated within nine months, Bison shall have the right to require the Company to purchase, subject to the terms of the Shareholder Agreement, all or any portion of its Series C Preferred Stock or common stock into which such Series C Preferred Stock has converted, for a per share price generally equal to the average closing price of the Company's common stock for the 60 trading days immediately preceding the date on which notice of exercise of such right is given to the Company.

The Company incurred costs of approximately $1.2 million to issue the Series C Preferred Stock. These costs were recorded net of the proceeds of the Series C Preferred Stock. The Series C Preferred Stock is classified outside of permanent equity as the rights of redemption and the ability to initiate a sale are not solely within the control of the Company.

The Company used the cash proceeds from the sale of the Series C Preferred Stock for general corporate purposes.

On March 24, 2015, the Company amended and restated the Shareholder Agreement (as amended and restated, the "Amended and Restated Shareholder Agreement") and that certain Registration Rights Agreement dated December 23, 2014 by and among the Company, Bison and certain other stockholders of the Company (as amended and restated, the "Amended and Restated Registration Rights Agreement"). Pursuant to the terms of the Amended and Restated Shareholder Agreement, in the event the Company proposes to issue new securities (subject to certain exceptions), the Company must allow Bison to purchase a proportion of the new securities equal to the number of shares of common stock beneficially owned by Bison (including the shares of common stock into which the Note could convert) divided by the total number of shares of common stock outstanding on a fully-diluted basis. The certain operational consent rights and director appointment rights held by Bison under the Shareholder Agreement remain in the Amended and Restated Shareholder Agreement; provided, however, that, in the event Bison is no longer entitled to designate at least one director under the terms of the Series C Preferred Stock, Bison will be entitled under the Amended and Restated Shareholder Agreement to designate that number of directors that is consistent with its ownership of common stock (including shares of common stock that are convertible from the Series C Preferred Stock and the Note, assuming the Note was immediately convertible) if it holds at least 5% of the common stock (computed in the same fashion).

Under the Amended and Restated Registration Rights Agreement, Bison is entitled to certain registration rights in connection with the common stock into which its shares of Series C Preferred Stock and the Note may convert, including the right to demand the registration of such shares and rights to include such shares in other registration statements filed by the Company. The Company has agreed to indemnify the other parties to the Amended and Restated Registration Rights Agreement in connection with any claims related to their sale of securities under a registration statement, subject to certain exceptions. On October 1, 2018 Willdan entered into an agreement to acquire all of the outstanding share capital of the Company. On November 9, 2018 Willdan completed the acquisition. Immediately prior to closing the Series C Preferred stock was cancelled and retired. The Series C Preferred stock holders received the right to receive cash in exchange for the cancellation. See note 23 for further details.

Note 10 — Line of Credit — Heritage Bank of Commerce

The Company is party to a Loan and Security Agreement (the "Loan Agreement") with Heritage Bank of Commerce (the "Bank"), that includes a secured credit facility (the "Credit Facility") consisting of a $10 million revolving line of credit and which the Company may draw upon from time to time, subject to the calculation and limitation of a borrowing base, for working capital and other general corporate purposes. As additional incentive to the Bank to enter into the Credit Facility and make available to the Company funds thereunder, the Company issued to the Bank a warrant to purchase 14,018 shares of the Company's common stock at an exercise price of $4.28. The warrant is accounted for as a derivative. As of September 30, 2018 and 2017, the derivative was valued at $31,173.

The line of credit, which matures on July 24, 2019, bears variable interest at the prime rate plus 1.0% and is collateralized by certain assets of the Company and its subsidiaries including their respective accounts receivable, certain deposit accounts, and intellectual property.

The Loan Agreement requires the Company to comply with a number of conditions precedent that must be satisfied prior to any borrowing. In addition, the Company is required to remain compliant with certain customary representations and warranties and a number of affirmative and negative covenants. The occurrence of an event of default under the Loan Agreement may cause amounts outstanding during the event of default to accrue interest at a rate of 3% above the interest rate that would otherwise be applicable.

On December 21, 2015, the Company entered into an amendment (the "First Amendment") to the Loan Agreement with the Bank. The First Amendment established a sublimit of $2.0 million for Letters of Credit under the Credit Facility. Except as specifically amended and modified by the First Amendment, all other terms and conditions of the Loan Agreement remain in effect. The Letters of Credit are used to guarantee certain obligations of the Company in connection with its performance under contracts between the Company and two utility customers. The Letters of Credit reduce the Company's borrowing base as calculated under the Loan Agreement. As of September 30, 2018 and 2017, the Company had outstanding Letters of Credit of nil and $0.1 million, respectively.

On June 10, 2016, the Company entered into an amendment (the "Second Amendment") to the Loan Agreement with the Bank. The Second Amendment increased the Credit Facility from $6.0 million to $10.0 million, extended the maturity from July 24, 2017 to July 24, 2018 and required the Company to achieve revised rolling four-quarter EBITDA targets, measured as of the last day of each quarter, as follows: $2,179,000 for the quarter ended March 31, 2016; $2,006,000 for the quarter ended June 30, 2016; $2,437,000 for the quarter ending September 30, 2016; and $3,995,000 for the quarter ending December 31, 2016. Except as specifically amended and modified by the Second Amendment, all other terms and conditions of the Loan Agreement remained in effect.

On November 9, 2016, the Company entered into a further amendment (the "Third Amendment") to the Loan Agreement with the Bank. The Third Amendment had a retrospective impact on the Credit Facility and EBITDA targets for the quarter ending September 30, 2016. In conjunction with the Third Amendment, the Bank also issued a waiver for the quarter ending June 30, 2016 covenant targets. The Third Amendment reduced the Credit Facility from $10.0 million to $6.0 million and increased the variable interest rate from prime rate plus 1.0% to prime rate plus 2.5%. The Third Amendment also requires the Company to achieve quarterly EBITDA targets, as follows: ($1.0) million loss for the quarter ending September 30, 2016; and $1.0 million for the quarter ending December 31, 2016. Except as specifically amended and modified by the Third Amendment, all other terms and conditions of the Loan Agreement remain in effect.

On February 15, 2017, the Company entered into an amendment (the “Fourth Amendment”) to the Loan Agreement with the Bank. The Fourth Amendment requires the Company to achieve revised EBITDA targets, measured as of the last day of each quarter, as follows: $1.9 million for the twelve-month period ending March 31, 2017; $4.0 million for the twelve-month period ending June 30, 2017; $4.8 million for the twelve-month period ending September 30, 2017; and $4.8 million for the twelve-month period ending December 31, 2017. The Company and the Bank agreed to negotiate and agree on EBITDA targets for 2018 by February 15, 2018, absent which all amounts then outstanding would be due and payable on March 31, 2018. Except as specifically amended and modified by the Fourth Amendment, all other terms and conditions of the Loan Agreement remain in effect.

On August 31, 2017, the Company entered into an amendment (the “Fifth Amendment”) to the Loan Agreement with the Bank. The Fifth Amendment increased the available revolving line from $6.0 million to $10.0 million, extended the maturity to July 24, 2019, reduced the variable interest rate from prime rate plus 2.5% to prime rate plus 1.0%, and requires an early termination fee of $100,000 if the revolving facility is terminated prior to July 24, 2017. The Fifth Amendment requires the Company to achieve revised EBITDA targets, measured as of the last day of each quarter of $4.0 million for the twelve-month period ending for each applicable quarter. Except as specifically amended and modified by the Fifth Amendment, all other terms and conditions of the Loan Agreement remained in effect.

As of September 30, 2018 and 2017, the Company was in compliance with the asset coverage ratio covenant and the EBITDA covenant with the Bank. As of September 30, 2018 and 2017, the calculation of the borrowing base left approximately $9.5 million and $9.9 million, respectively, available to draw down from the Credit Facility. At September 30, 2018 and 2017, the principal balance of the Credit Facility was $0.5 million and $0.5 million, respectively.

On October 5, 2018, the Company drew down a further $2.1 million from the Credit Facility. On October 17, 2018, the Company paid off all outstanding amounts under the Credit Facility.

On October 1, 2018 Willdan entered into an agreement to acquire all of the outstanding share capital of the Company. On November 9, 2018 Willdan completed the acquisition. At this time the Credit Facility was cancelled. Immediately prior to closing the warrant for 14,018 shares was cancelled and retired. The Bank received the right to receive cash in exchange for the cancellation of the warrant. See note 23 for further details.

Note 11 — Business Segment Information

All of the Company’s operations are included in one reportable segment, the Energy Efficiency segment.

Note 12 — Interest Expense

Interest expense is composed of the following (in thousands):

	2018	2017
Subordinated convertible notes	$ 1,370	$ 1,440
Amortization of deferred financing costs	44	96
Amortization of debt discount - related party	426	321
Other	43	22
Total	$ 1,883	$ 1,879

Note 13 — Commitments

The Company leased offices in California, New Jersey, New York, North Carolina, and Ohio during the nine months ended September 30, 2018 and 2017 from unrelated third parties under leases expiring through 2026.

Future annual minimum rentals to be paid by the Company under these non-cancellable operating leases as of September 30, 2018 are as follows (in thousands):

Year	Amount
2018	$ 153
2019	542
2020	523
2021	474
2022	373
Thereafter	1,344
Total	$ 3,409

Total rent expense amounted to approximately $0.6 million and $0.6 million for the nine months ended September 30, 2018 and 2017, respectively, and is included in selling, general, and administrative expense on the accompanying consolidated statements of operations.

The Company finances vehicles under agreements with various banks (the “vehicle loans”). The interest rates on the vehicle loans range from 5.22% to 6.94%. The vehicle loans mature on various dates from 2020 through 2023. Amounts due under vehicle loans are included in long-term debt on the accompanying consolidated balance sheets. Future principal payments to be made by the Company under the vehicle loans as of September 30, 2018 are as follows (in thousands):

Year	Amount
2018	$ 27
2019	138
2020	121
2021	114
2022	46
Thereafter	5
Total	451
Less: current portion	(127)
Total long-term debt	$ 324

Interest expense related to the vehicle loans amounted to $22,000 and $21,000 for the nine months ended September 30, 2018 and 2017, respectively. Subsequent to September 30, 2018 the Company repaid the full principal balances, including interest, for all vehicle loans outstanding as of September 30, 2018 (see Note 23).

Note 14 — Equity Transactions

2017 Transactions

During 2017, the Company’s stockholders and Board approved an amendment to the Company’s certificate of incorporation to give effect to, first a reverse split of the Company’s outstanding common stock at an exchange ratio of 1-for-300, and then immediately following such reverse split, a forward split of its outstanding common stock at a ratio of 300-for-1. The Company refers to the reverse split and to the forward split, together, as the “reverse/forward split”.

On February 10, 2017 (the “Effective Date”), the Company filed with the Secretary of State of Delaware the amendment to its restated certificate of incorporation to affect the reverse/forward split. Any fractional share of common stock resulting from the forward split was rounded up to the nearest whole share. Any stockholder who, as of immediately prior to the reverse split, held fewer than 300 shares of the Company’s common stock in one account and, subsequent to the reverse split, would otherwise have been entitled to less than one full share of common stock, received, instead of the fractional share, $2.49 in cash for each such share held in that account, which was equal to the average of the closing price per share of the Company’s common stock immediately before and include the Effective Date. As of immediately prior to the reverse/forward split on the Effective Date, the Company had 9,680,472 of common stock outstanding, and after the reverse/forward split, it had 9,665,290 shares of common stock outstanding. Approximately $36,000 was paid to cashed out stockholders who owned less than 300 shares immediately prior to the reverse split on the Effective Date.

The reverse/forward split did not affect the par value of a share of the Company’s common stock, which remains at $0.0001 per share. As a result, the stated capital attributable to common stock on the Company’s consolidated balance sheets has been reduced proportionately based on the reverse/forward split exchange ratio, and the additional paid-in capital account was credited with the amount by which the stated capital was reduced. There are no other accounting consequences arising from the reverse/forward split.

As provided for in the Company's equity incentive plans and outstanding warrant agreements, the number of shares subject to the equity plans and warrant agreements along with any exercise prices of outstanding awards, were equitably and proportionately adjusted and are reflected.

On October 1, 2018 Willdan entered into an agreement to acquire all of the outstanding share capital of the Company. On November 9, 2018 Willdan completed the acquisition. Immediately prior to closing the Company's common stock was cancelled and retired. See note 23 for further detail.

Note 15 — Stock Options

On January 1, 2017, the Company established the 2017 Equity Incentive Plan (the "2017 Plan") to enhance long-term profitability and stockholder value by offering common stock and common-stock based performance incentives to those employees, directors, and consultants who are key to the Company's growth and success, to attract and retain experienced employees, and to align participants interest with those of the Company's stockholders. The 2017 Plan replaced and discontinued the Company's 2008 Long-Term Incentive Plan (the "2008 Plan"), at which time any shares outstanding in the 2008 Plan were transferred into the 2017 Plan. The provisions of the 2017 Plan, among other things as defined in the agreement, increased the number of shares available for issuance and increased the automatic annual increase of the number of shares.

The 2017 Plan provided for the issuance of up to 2,400,000 shares of common stock to certain employees, directors, and consultants, and provides for an automatic annual increase in the number of shares reserved under the plan in an amount equal to 48,000 shares. Awards granted under the 2017 Plan could be Incentive Stock Options ("ISOs") or non-qualified stock options ("NQSOs"). The exercise price for any ISO could not have been less than 100% of the fair market value of the stock on the date the option is granted, except that with respect to a participant who owns more than 10% of the common stock the exercise price must be not less than 110% of fair market value. The exercise price of any NQSO shall be in the sole discretion of the Compensation Committee or the Board. To qualify as an ISO, the aggregate fair market value of the shares (determined on the grant date) under options granted to any participant may not have exceeded $100,000 in the first year that they can be exercised. There was no comparable limitation with respect to NQSOs. The term of all options granted under the 2008 Plan would have been determined by the Compensation Committee or the Board in their sole discretion; provided, however, that the term of an ISO may not exceed 10 years from the grant date.

In addition to the ISOs and NQSOs, the 2017 Plan permitted the Compensation Committee, consistent with the purposes of the Plan, to grant stock appreciation rights and/or shares of common stock to non-employee directors and such employees (including officers and directors who are employees) of, or consultants to, the Company or any of its Subsidiaries, as the Committee may determine, in its sole discretion. Under applicable tax laws, however, ISOs could have only been granted to employees.

The 2017 Plan was administered by the Board, which is authorized to interpret the 2017 Plan, to prescribe, amend and rescind rules and regulations relating to the 2017 Plan and to determine the individuals to whom, and the time, terms and conditions under which, options and awards were granted. The Board may also amend, suspend or terminate the 2017 Plan in any respect at any time. However, no amendment may adversely affect the rights of a participant under an award theretofore granted without the consent of such participant except such an amendment is (i) made to avoid an expense charge to the Company; (ii) made to permit the Company or an Affiliate a deduction under the Code; or (iii) made to comply with or gain exemption from any statute that would otherwise impose adverse tax consequences on the Participant. No such amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by law, agreement or the rules of any stock exchange or market on which the stock Is listed.

As of September 30, 2018 and 2017, there were approximately 290 and 265 employees of the Company eligible to participate in the 2017 Plan, respectively, and 2,368,359 shares of common stock reserved for issuance under the 2017 Plan.

The following table summarizes the options granted, exercised, forfeited and outstanding through September 30, under the 2018 Plan:

	Shares	Exercise Price Per Share	Weighted Average Exercise Price	
Outstanding, January 1, 2017	1,034,979	$ 2.57 - $77.91	$	4.13
Granted	1,420,000	$ 4.23	$	4.23
Expired	(1,022)	$ 44.10	$	44.10
Outstanding, September 30, 2017	2,453,957	$ 2.57 - $77.91	$	4.03
Outstanding, January 1, 2018	2,368,359	$ 2.65-$37.24	$	3.96
Granted	—			
Expired	(670)	$ 23.07-$25.62	$	25.62
Outstanding, September 30, 2018	2,367,689	$ 2.57-$77.91	$	3.94
Options exercisable at September 30, 2017	599,909	$ 2.90- $35.68	$	3.69
Options exercisable at September 30, 2018	730,475	$ 2.93- $34.49	$	3.71

The following table summarizes information about stock options outstanding at September 30, 2018:

	Options Outstanding				Options Exercisable		
Exercise Price	Outstanding Shares at September 30, 2018	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price		Shares Exercisable at September 30, 2018	Weighted Average Exercise Price	
$2.65 - $3.00	868,354	7.4	$	2.92	667,806	$	2.93
$3.01 - $4.00	49,286	7.5	$	3.27	32,620	$	3.37
$4.01 - $6.00	1,427,143	9.4	$	4.24	7,143	$	5.25
$22.82 - $30.00	18,821	1.7	$	24.93	18,821	$	24.93
$30.01 - $40.00	4,085	1.2	$	34.49	4,085	$	34.49
	2,367,689	6.55	$	3.94	730,475	$	3.71

The aggregate intrinsic value of the outstanding options (the difference between the closing stock price on the last trading day for the nine months ended September 30, 2018 of $2.56 per share and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on September 30, 2018 was nil. The aggregate intrinsic value of the exercisable options as of September 30, 2017 was nil. These amounts will change based on changes in the fair market value of the Company’s common stock.

As of September 30, 2018, $0.3 million of total unrecognized compensation cost related to outstanding stock options, unadjusted for potential forfeitures, is expected to be recognized as follows (amounts in thousands):

Year	Amount	
2018	$	59
2019		172
2020		54
Total	$	285

On October 1, 2018 Willdan entered into an agreement to acquire all of the outstanding share capital of the Company. On November 9, 2018 Willdan completed the acquisition. Immediately prior to closing the outstanding options were cancelled. The option holders received the right to receive cash in exchange for the cancellation. See note 23 for further detail.

Note 16 — Restricted Stock

On June 3, 2010, stockholders approved the 2010 Non-Employee Directors' Stock Plan (the "2010 Directors' Plan"), which replaced the 2001 Directors' Plan. The 2010 Directors' Plan provides for the granting of stock to non-employee directors to compensate them for their services to the Company. The use of the shares available under the 2010 Directors' Plan is administered by the Company's Board of Directors, which has delegated its powers to the Compensation Committee of the Board of Directors. The Compensation Committee has designed a plan that grants non-employee directors restricted shares of stock with the following market values on the date of grant:

For Board Service:		
Each director upon initial election:	$	40,000
Annual grant to each director:	$	20,000
Annual Grants for Committee Service:		
Audit Committee:		
Chairman	$	15,000
Members	$	10,000
Compensation Committee:		
Chairman	$	10,000
Members	$	5,000
Nominating Committee:		
Chairman	$	5,000
Members	$	2,500

Half of the shares received pursuant to each grant under the 2010 Directors' Plan vest immediately and the remaining shares vest on the one-year anniversary of such grant. Shares for board service are granted on the first business day of the year and shares for committee service are granted upon appointment to the committee following the annual meeting of stockholders. Newly appointed directors receive their initial grant on their date of appointment.

The Company has granted shares of restricted stock to certain senior managers under its 2009 Management Incentive Compensation Plan (the "2009 Management Plan") as a form of long-term incentive. The 2009 Management Plan was amended and restated on January 1, 2017. Grants under this plan typically vest over a three-year period provided that the grantee is still an employee on the applicable vesting date.

The Company accounts for grants of restricted stock in accordance with ASC 718, "Compensation — Stock Compensation". This pronouncement requires companies to measure the cost of the service received in exchange for a share-based award based on the fair value of the award at the date of grant, with expense recognized over the requisite service period, which is generally equal to the vesting period of the grant. During the nine months ended September 30, 2017 all outstanding restricted shares vested with a weighted-average grant-date fair value of $2.19. The Company recognized approximately nil and $13,000 of share-based compensation expense related to the issuances of restricted stock during the nine months ended September 30, 2018 and 2017, respectively. As of September 31, 2018 and 2017, there were no restricted shares outstanding.

Note 17 — Employee Stock Purchase Plan

During the first quarter of 2015, the Board adopted, and subsequently the stockholders approved, the Lime Energy Co. 2014 Employee Stock Purchase Plan (the "2014 ESPP"). The 2014 ESPP provided for two successive six-month offering periods commencing on July 1, 2014 and January 1, 2015, respectively. During the second quarter of 2015, the Board adopted, and subsequently the Company's stockholders approved, the Lime Energy Co. 2015 Employee Stock Purchase Plan (the "2015 ESPP"). The 2015 ESPP provided for the issuance of up to 100,000 shares of common stock in two successive six-month offering periods commencing on July 1, 2015 and January 1, 2016, respectively. During 2016, the Board adopted, and subsequently the Company's stockholders approved, the Lime Energy Co. 2016 Employee Stock Purchase Plan (the "2016 ESPP"). The 2016 ESPP provided for the issuance of up to 100,000 shares of common stock in two successive six-month offering periods commencing on July 1, 2016 and January 1, 2017, respectively. On June 30, 2016, the Board terminated the 2016 ESPP.

For accounting purposes, each employee participating in the 2014 ESPP and the 2015 ESPP is considered to have received a series of options for current and future offering periods to purchase shares at a price equal to the closing price on the first day of the offering period, less 15%. The Company calculates the value of these options using a trinomial option pricing model and amortizes the values as share-based compensation expense over the term of option, which is considered to extend through the end of the related offering period. During the nine months ended September 30, 2018 and 2017 the Company recorded no expense under the 2015 and 2014 employee stock purchase plans.

Note 18 — Earnings Per Share

The Company computes income or loss per share under ASC 260 "Earnings Per Share", which requires presentation of two amounts: basic and diluted loss per common share. Basic (loss) earnings per common share is computed by dividing income or loss available to common stockholders by the number of weighted average common shares outstanding, and includes all common stock issued. Diluted (loss) earnings include all common stock equivalents. The Company has not included outstanding warrants, preferred stock, or convertible debt as common stock equivalents in the computation of diluted (loss) earnings per share for the nine months ended September 30, 2018 and 2017 because the effect will be anti-dilutive.

The following table sets forth the basic and diluted (loss) earnings per common share at September 30, (in thousands):

	2018	2017
Earnings (loss) Per Share - Basic		
Income from continuing operations	$ 1,039	$ 2,898
Less: preferred stock dividends	(1,376)	(1,192)
Net (loss) income available to common stockholders	$ (337)	$ 1,706
Weighted average common shares outstanding - Basic	9,658	9,661
Basic (loss) earnings per common share	$ (0.03)	$ 0.18
Earnings (loss) Per Share - Diluted		
Net (loss) income available to common stock holders	$ (337)	$ 1,706
Net (loss) income applicable to dilutive common stock	$ (337)	$ 1,706
Weighted average common shares outstanding - Basic	9,658	9,661
Effect of dilutive shares:		
Dilutive stock options	—	1,214
Weighted average common shares outstanding - Dilutive	9,658	10,875
Diluted (loss) earnings per common share	$ (0.03)	$ 0.16

Note 19 — Legal Matters

From time to time the Company becomes involved in legal proceedings and in each case the Company assesses the likely liability and/or the amount of damages as appropriate. Where available information indicates that it is probable a liability had been incurred at the date of the consolidated financial statements and the Company can reasonably estimate the amount of that loss, the Company accrues the estimated loss by a charge to income. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the amount of any loss. In addition, even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss.

For certain legal proceedings, the Company can estimate possible losses, additional losses, ranges of loss or ranges of additional loss in excess of amounts accrued. For certain other legal proceedings, the Company cannot reasonably estimate such losses, if any, since the Company cannot predict if, how or when such proceedings will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings that are in their early stages of development or where plaintiffs seek substantial or indeterminate damages. Numerous issues must be developed, including the need to discover and determine important factual matters and the need to address novel or unsettled legal questions relevant to the proceedings in question, before a loss or additional loss or range of loss or additional loss can be reasonably estimated for any proceeding.

Dressler v. Lime Energy, United States District Court for the District of New Jersey, Case 3:14-cv-07060-FLW-DEA. This purported “whistleblower” case was filed on November 10, 2014, alleging illegal retaliation by the Company for the plaintiff’s alleged disclosure of activity she believed violated the Securities Exchange Act of 1934, as amended. The plaintiff alleges that she made repeated disclosures to various individuals employed by the Company that certain accounting practices were improper and could lead to a restatement of financial statements. The plaintiff filed her complaint pursuant to the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1514A), and the Dodd-Frank Wall Street Reform and Consumer Protection Act (15 U.S.C. §78u-6, et seq.). This case has been accepted for coverage under the Lime Energy Executive Protection Portfolio Policy. On January 20, 2015, the Company's counsel filed a motion to dismiss Plaintiff's claim for failure to meet the definition of a "whistleblower" under the Dodd-Frank Act. The plaintiff opposed the motion, and on February 24, 2015, the Company's counsel filed its reply brief in support of the motion to dismiss. On August 13, 2015, the court denied the Company's Motion to Dismiss. In October 2015, the Company filed its answer to the complaint, and the parties began the discovery process. While participating in mediation, however, an unrelated case petitioned the U.S. Supreme Court for certiorari regarding the issue of whether a person must report alleged wrongdoing to the SEC under the Dodd-Frank Act in order to be considered a whistleblower. As this issue is one that would be dispositive in the Dressler matter, counsel for the Company wrote an amicus brief in support of the petition for certiorari. The court in the Dressler matter granted a stay while the petition for certiorari was pending. The petition for certiorari was granted, and the underlying matter in that lawsuit has now been decided favorably to the Company, so that the plaintiff can no longer successfully maintain a claim under Dodd-Frank. Consequently, the parties filed a joint consent order with the court on March 28, 2018, dismissing the claim with prejudice.

Note 20 — Related Parties

On March 24, 2015, the Company entered into a Note Purchase Agreement with Bison. Pursuant to the terms of the Note Purchase Agreement, based upon the initial conversion price of the Note ($3.16), all or any portion of the principal amount of the Note, plus, subject to the terms of the Note, any accrued but unpaid interest, but not more than the principal amount of the Note, may, at the election of the Note holder, be converted into 3,718,354 shares of common stock after March 24, 2018 or the occurrence of a change of control of the Company, whichever occurs first. See Note 8 — Subordinated Convertible Term Notes — Related Party for additional information regarding this transaction.

On December 23, 2014, the Company entered into a Preferred Stock Purchase Agreement with Bison, pursuant to which Bison purchased 10,000 shares of the Company's Series C Preferred Stock at a price of $1,000 per share of Series C Preferred Stock. The shares of Series C Preferred Stock are entitled to an accruing dividend of 12.5% per annum of their base amount, payable every six months. The base amount is adjusted on each dividend payment date for the unpaid dividends accrued. The shares of Series C Preferred Stock may be converted, at any time, at the option of the holder, into shares of the Company's common stock at a conversion price which was initially equal to $2.40 per share. See Note 9 —Series C Preferred Stock — Related Party.

The Company does not have a written policy concerning transactions between the Company or a subsidiary of the Company and any director or executive officer, nominee for director, 5% stockholder or member of the immediate family of any such person. However, the Company's practice is that such transactions shall be reviewed by the Company's Board of Directors and found to be fair to the Company prior to the Company (or a subsidiary) entering into any such transaction, except for (i) executive officers' participation in employee benefits which are available to all employees generally; (ii) transactions involving routine goods or services which are purchased or sold by the Company (or a subsidiary) on the same terms as are generally available in arm's-length transactions with unrelated parties (however, such transactions are still subject to approval by an authorized representative of the Company in accordance with internal policies and procedures applicable to such transactions with unrelated third parties); and (iii) compensation decisions with respect to executive officers other than the CEO, which are made by the Compensation Committee pursuant to recommendations of the CEO.

Note 21 — Defined Contribution Plan

The Company has a defined contribution plan (the "Plan") covering employees who have completed three months of service and who have attained 21 years of age. The Company may make discretionary matching contributions to employee accounts. Total expense for the nine months ended September 30, 2018 and 2017 was approximately $307,000 and $288,000, respectively, and is included in selling, general, and administrative expense on the accompanying consolidated statements of operations.

Note 22 — Income Taxes

The Company's expense for income taxes was approximately $3,000 and $18,000 for the nine months ended September 30, 2018 and 2017, respectively. These amounts reflect the Company's estimate of the annual effective tax rate of 4.0%, adjusted for certain discrete items, for the nine months ended September 30, 2018 and 2017, respectively. The majority of the Company's deferred tax assets relate to its federal and state net operating losses, for which the Company has recorded a valuation allowance due to the uncertainty of future utilization of the deferred tax assets as of September 30, 2018 and 2017.

Note 23 — Subsequent Events

Events that occur after the balance sheet date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through December 28, 2018 (the date the financial statements were available to be issued) and concluded that the following subsequent event occurred which requires disclosure:

On October 1, 2018, Willdan entered into an agreement to acquire all of the outstanding shares of capital stock of Lime Energy Co. (the "Company"). On November 9, 2018, Willdan completed the acquisition and a wholly-owned indirect subsidiary of Willdan ("Merger sub") was merged with and into the Company, with the Company surviving as a wholly-owned indirect subsidiary of Willdan. The aggregate purchase price paid was $120.0 million, exclusive of closing holdbacks and adjustments. A portion of the purchase price was deposited into escrow accounts to secure certain potential post-closing obligations of the participating security holders. Underlying interest in the Company from common stock, Series C Preferred Stock, stock options and warrants ("Lime Stock") amounted to 19,877,288 shares. Each share of Lime Stock that is issued and outstanding shall be converted into the right to receive cash in accordance with the merger agreement.

Immediately following the closing, each share of common stock (par value $0.001 per share) of Merger Sub issued and outstanding immediately prior to closing was converted into and exchanged for one duly authorized, validly issued, fully paid and nonassessable share of common stock, par value $0.001 per share, of the Company.

WILLDAN GROUP, INC. AND LIME ENERGY CO. AND THEIR RESPECTIVE SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Willdan Group, Inc., together with its direct and indirect subsidiaries, is referred to herein collectively as “we,” “our,” “Willdan,” or the “Company.” The following unaudited pro forma condensed combined financial information present our summary unaudited pro forma condensed combined financial information as of and for the nine months ended September 28, 2018 and for the fiscal year ended December 29, 2017. The unaudited pro forma condensed combined financial information presented below gives effect to the acquisition of Lime Energy and the related financings, which consisted of the use of proceeds from the Equity Offering (defined below) and borrowings under the New Credit Facilities (defined below), each as further described below.

Acquisition of Lime Energy

On November 9, 2018, the Company, through two of its wholly-owned subsidiaries, acquired (the “Acquisition”) all of the outstanding shares of capital stock of Lime Energy Co. (“Lime Energy”), pursuant to an agreement and plan of merger, dated October 1, 2018, by and among Willdan Energy Solutions, Luna Fruit, Inc., Lime Energy, and Luna Stockholder Representative, LLC, as representative of the participating securityholders of Lime Energy. The aggregate purchase price paid in the Acquisition was $120.0 million, exclusive of closing holdbacks and adjustments. A portion of the purchase price was deposited into escrow accounts to secure certain potential post-closing obligations of the participating securityholders. The Company paid the purchase price for the Acquisition using a combination of cash on hand (including $50.0 million of the $56.4 million in net proceeds received from the Company’s completed equity offering) and certain proceeds from the Company’s borrowings under its Delayed Draw Term Loan Facility, as described below.

New Credit Facilities

On October 1, 2018, the Company entered into a credit agreement (the “Credit Agreement”) with a syndicate of financial institutions as lenders and BMO Harris Bank, N.A., as administrative agent. The Credit Agreement initially provided for up to a $90.0 million delayed draw term loan facility (the “Delayed Draw Term Loan Facility”) and a $30.0 million revolving credit facility (collectively, the “New Credit Facilities”), each maturing on October 1, 2023. On October 10, 2018, as a result of the Company’s completed equity offering, the amount available for borrowing under the Delayed Draw Term Loan Facility was reduced to $70.0 million.

On November 9, 2018, in connection with the closing of the Acquisition, the Company borrowed $70.0 million under the Delayed Draw Term Loan Facility. The proceeds of such borrowing was used to pay part of the consideration owed in connection with the Acquisition along with related fees and expenses.

The New Credit Facilities bear interest at a rate equal to either, at the Company’s option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.50% or one-month LIBOR plus 1.00% (“Base Rate”) or (ii) LIBOR, in each case plus an applicable margin ranging from 0.25% to 3.00% with respect to Base Rate borrowings and 1.25% to 4.00% with respect to LIBOR borrowings. The applicable margin is based upon the consolidated total leverage ratio of the Company. The Company will also pay a commitment fee for the unused portion of the revolving credit facility, which ranges from 0.20% to 0.40% per annum depending on the Company’s consolidated total leverage ratio, and fees on the face amount of any letters of credit outstanding under the revolving credit facility, which range from 0.94% to 4.00% per annum, in each case, depending on whether such letter of credit is a performance or financial letter of credit and the Company’s consolidated total leverage ratio. The Delayed Draw Term Loan Facility will amortize quarterly in an amount equal to 10% annually, with a final payment of all then remaining principal due on the maturity date on October 1, 2023.

Equity Offering

On October 9, 2018, the Company completed an equity offering of 2,012,500 shares of common stock (which included 262,500 shares of common stock issued upon the exercise by the underwriters of their option to purchase additional shares of common stock) at a price of $28.05 per share, after deducting underwriters discounts and commissions (the “Equity Offering”). The Company received $55.5 million in net proceeds, after deducting underwriters discounts and commissions and offering expenses.

Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information is based on the historical consolidated financial statements of the Company and the historical consolidated financial statements of Lime Energy and is intended to provide information about how the acquisition of Lime Energy and related financings may affect the Company’s historical consolidated financial statements. The unaudited pro forma condensed combined statements of operations and comprehensive income information for the fiscal year ended December 29, 2017 are presented as if each of the acquisition of Lime Energy, the Equity Offering, and borrowings under the New Credit Facilities occurred on December 31, 2016. The unaudited pro forma condensed combined statements of operations and comprehensive income information for the nine months ended September 28, 2018 are presented as if each of the acquisition of Lime Energy, the Equity Offering, and borrowings under the New Credit Facilities occurred on December 30, 2017. The unaudited pro forma condensed combined balance sheet as of September 28, 2018 is presented as if each of the acquisition of Lime Energy, the Equity Offering, and borrowings under the New Credit Facilities had occurred on December 30, 2017. The pro forma adjustments are described in the accompanying notes and are based upon available information and assumptions that we believe are reasonable at the time of the filing of this Current Report on Form 8-K/A.

The unaudited pro forma condensed combined financial information presented herein should be read in conjunction with:

- the Company's historical consolidated financial statements and related notes, as revised from those contained in its Annual Report on Form 10-K for the fiscal year ended December 29, 2017 to reflect changes in the Company's segment reporting subsequent to the fiscal year ended December 29, 2017, and filed as Exhibit 99.8 to the Company's Current Report on Form 8-K filed on October 3, 2018;

- the Company's historical consolidated financial statements and related notes thereto contained in its Quarterly Reports on Form 10-Q for the three months ended March 30, 2018, six months ended June 29, 2018, and nine months ended September 28, 2018, filed with the SEC on May 4, 2018, August 3, 2018 and November 2, 2018, respectively;

- Lime Energy's historical consolidated financial statements and related notes thereto as of and for the fiscal years ended December 31, 2017, 2016 and 2015, attached as Exhibits 99.3 and 99.4 to the Company's Current Report on Form 8-K filed on October 3, 2018; and

- Lime Energy's historical consolidated financial statements and related notes thereto as of and for the nine months ended September 30, 2018 and 2017, attached to this Current Report on Form 8-K/A as Exhibit 99.1.

We present the unaudited pro forma condensed combined financial information for informational purposes only. The unaudited pro forma condensed combined financial information are not necessarily indicative of what our financial position or results of operations would have been had we completed the acquisition of Lime Energy, the Equity Offering, and borrowings under the New Credit Facilities as of the dates indicated above. In addition, the unaudited pro forma condensed combined financial information do not purport to project the future financial position or operating results of the combined company.

Lime Energy's assets and liabilities are recorded at their estimated fair values. Pro forma purchase price allocation adjustments have been made for the purpose of providing unaudited pro forma condensed combined financial information based on current estimates and currently available information, and are subject to revision based on final, independent determinations of fair value and final allocation of purchase price to the assets and liabilities of the business acquired. Differences between the estimates reflected in the unaudited pro forma condensed combined financial information and the final acquisition accounting will likely occur, and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company's future consolidated financial condition or results of operations.

Further, the unaudited pro forma condensed combined statements of operations and comprehensive income do not reflect the realization of any expected cost savings and other synergies resulting from the proposed acquisition of Lime Energy as a result of any cost saving initiatives nor do they reflect any nonrecurring costs directly attributable to the acquisition of Lime Energy and borrowings under the New Credit Facilities. The accounting policies used in the presentation of the following unaudited pro forma condensed combined financial information are those set out in the Company's audited consolidated financial statements for the fiscal year ended December 29, 2017.

WILLDAN GROUP, INC. AND SUBSIDIARIES
Pro Forma Consolidated Balance Sheets

	Willdan Group, Inc. Historical As of September 28, 2018	Lime Energy Co. Historical As of September 30, 2018	Pro Forma Adjustments		Willdan Group, Inc. Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 16,681,000	$ 465,000	$ 4,986,000	(a)	$ 22,132,000
Accounts receivable, net of allowance for doubtful accounts of $296,000 at September 28, 2018	19,725,000	25,438,000	—		45,163,000
Contract assets	43,752,000	11,978,000	—		55,730,000
Other receivables	315,000	—	—		315,000
Prepaid expenses and other current assets	3,549,000	7,167,000	—		10,716,000
Total current assets	84,022,000	45,048,000	4,986,000		134,056,000
Equipment and leasehold improvements, net	5,042,000	3,727,000	—		8,769,000
Goodwill	40,187,000	8,173,000	49,554,000	(b)	97,914,000
Other intangible assets, net	10,454,000	649,000	42,000,000	(c)	53,103,000
Other assets	904,000	1,372,000	—		2,276,000
Deferred income taxes, net of current portion	—	—	—		—
Total assets	$ 140,609,000	$ 58,969,000	$ 96,540,000		$ 296,118,000
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	18,979,000	15,697,000	—		34,676,000
Accrued liabilities	21,804,000	14,166,000	—		35,970,000
Contingent consideration payable	4,020,000	—	—		4,020,000
Contract liabilities	5,001,000	195,000	—		5,196,000
Notes payable	—	584,000	(584,000)	(d)	—
Capital lease obligations	216,000	—	—		216,000
Current portion of deferred income taxes	—	—	—		—
Total current liabilities	50,020,000	30,642,000	(584,000)		80,078,000
Contingent consideration payable	1,949,000	—	—		1,949,000
Notes payable	—	324,000	69,676,000	(e)	70,000,000
Capital lease obligations, less current portion	193,000	—	—		193,000
Deferred lease obligations	599,000	—	—		599,000
Deferred income taxes, net	1,582,000	—	—		1,582,000
Other noncurrent liabilities	468,000	13,895,000	(13,895,000)	(d)	468,000
Total liabilities	54,811,000	44,861,000	55,197,000		154,869,000
Commitments and contingencies		15,193,000	(15,193,000)		
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; 8,921,000 shares issued and outstanding at September 28, 2018; 10,933,500 shares issued and outstanding on a pro forma basis	89,000	1,000	19,000	(f)	109,000
Additional paid-in capital	56,739,000	205,629,000	(150,198,000)	(g)	112,170,000
Accumulated earnings (deficit)	28,970,000	(206,715,000)	206,715,000	(h)	28,970,000
Total stockholders' equity	85,798,000	(1,085,000)	56,536,000		141,249,000
Total liabilities and stockholders' equity	$ 140,609,000	$ 58,969,000	$ 96,540,000		$ 296,118,000

See accompanying notes to combined financial statements.

(a) Reflects use of cash-on-hand, net of any cash proceeds received from the Equity Offering and borrowings under the New Credit Facilities, to fund the purchase price and transaction expenses related to the Acquisition and elimination of cash-on-hand from Lime Energy's balance sheet.

(b) Reflects the goodwill acquired at the date of the Acquisition. Goodwill represents the total excess of the total purchase price over the fair value of the net assets acquired. This allocation is based on preliminary estimates; the final acquisition cost allocation may differ materially from the preliminary assessment outlined above. Any changes to the initial estimates of the fair value of the assets and liabilities will be allocated to goodwill. Residual goodwill at the date of Acquisition will vary from goodwill presented in this unaudited pro forma condensed combined balance sheet due to changes in the net book value of intangible assets during the period from September 28, 2018 through the date of the Acquisition as well as results of an independent valuation, which has not been completed at the time of this report.

(c) Reflects the preliminary estimate of the fair value of the acquired intangible assets. The purchase price allocated to these intangible assets is based on management's estimate of the fair value of assets purchased, and has not been subject to an independent valuation at the time of this report.

(d) Reflects elimination of outstanding debt of Lime Energy prior to closing of Acquisition.

(e) Reflects $70.0 million in new term loan borrowings under the New Credit Facilities to finance the Acquisition and elimination of outstanding debt of Lime Energy prior to closing of the Acquisition.

(f) Represents the elimination of the historical owners' equity interest in Lime Energy and the issuance of 2,012,500 shares of the Company's common stock in the Equity Offering.

(g) Represents the elimination of the historical owners' equity interest in Lime Energy and the issuance of 2,012,500 shares of the Company's common stock in the Equity Offering.

(h) Represents the elimination of the retained deficit of Lime Energy.

WILLDAN GROUP, INC. AND SUBSIDIARIES
Pro Forma Consolidated Statements of Operations
(Unaudited)

	Willdan Group, Inc. Historical Nine Months Ended September 28, 2018	Lime Energy Co. Historical Nine Months Ended September 30, 2018	Pro Forma Adjustments		Willdan Group, Inc. Pro Forma Combined
Contract revenue `	$ 185,814,000	$ 111,727,000	$ —		$ 297,541,000
Direct costs of contract revenue (exclusive of depreciation and amortization shown seperately below):					
Salaries and wages	33,358,000	—	9,936,000	(a)	43,294,000
Subconsultant services and other direct costs	86,453,000	75,049,000	(446,000)	(b)	161,056,000
Total direct costs of contract revenue	119,811,000	75,049,000	9,490,000		204,350,000
General and administrative expenses:					
Salaries and wages, payroll taxes and employee benefits	31,875,000	—	11,686,000	(c)	43,561,000
Facilities and facilities related	4,087,000	—	1,123,000	(c)	5,210,000
Stock-based compensation	4,431,000	—	393,000	(c)	4,824,000
Depreciation and amortization	3,292,000	250,000	5,744,000	(d)	9,286,000
Other	11,226,000	31,250,000	(23,936,000)	(e)	18,540,000
Total general and administrative expenses	54,911,000	31,500,000	(4,990,000)		81,421,000
Income (loss) from operations	11,092,000	5,178,000	(4,500,000)		11,770,000
Other (expense) income:					
Interest income	—	330,000	—		330,000
Interest (expense)	(75,000)	(1,883,000)	(1,011,000)	(f)	(2,969,000)
Other, net	36,000	(2,583,000)	2,583,000	(g)	36,000
Total other income (expense)	(39,000)	(4,136,000)	1,572,000		(2,603,000)
Income (loss) before income taxes	11,053,000	1,042,000	(2,928,000)		9,167,000
Income tax expense (benefit)	2,224,000	3,000	(820,000)	(h)	1,407,000
Net income (loss)	$ 8,829,000	$ 1,039,000	$ (2,108,000)		$ 7,760,000
Earnings per share:					
Basic	$ 1.00				$ 0.72
Diluted	$ 0.95				$ 0.69
Weighted-average shares outstanding:					
Basic	8,798,000		2,012,500	(i)	10,810,500
Diluted	9,283,000		2,012,500	(i)	11,295,500

(a) Reflects reclassification from Subconsultant services and other direct costs and Other in General and administrative expenses to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(b) Reflects reclassification to Salaries and wages under Direct costs of contract revenue to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(c) Reflects reclassification from Other in General and administrative expenses to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(d) Reflects $4.5 million of amortization expenses attributable to intangible assets acquired as part of the Acquisition and reclassification of $1.2 million from Other in General and administrative expenses to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(e) Reflects reclassification to Salaries and wages under Direct costs of contract revenue, Salaries and wages, payroll taxes and employee benefits under General and administrative expenses, Facilities and facilities related expenses, Stock-based compensation and Depreciation and amortization to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(f) Reflects interest expense based on $70.0 million in new term loan borrowings under the New Credit Facilities to finance the Acquisition and repayment of the outstanding debt of Lime Energy in connection with the Acquisition. The interest expense for borrowings under the New Credit Facilities is based on an interest rate of 5.31%, which assumes one-month LIBOR as of November 9, 2018 plus an applicable margin of 3.00% based on Willdan's consolidated leverage ratio after the Acquisition. The New Credit Facilities bear interest at a rate equal to either, at Willdan's option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.50% or one-month LIBOR plus 1.00% ("Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 0.25% to 3.00% with respect to Base Rate borrowings and 1.25% to 4.00% with respect to LIBOR borrowings. The applicable margin is based upon Willdan's consolidated total leverage ratio. A change of 12.5 basis points in the interest rate would change interest expense for the period shown by $0.065 million.

(g) Represents elimination of gain from change in derivative liability from related party due to extinguishment of convertible debt in connection with the Acquisition held by the controlling stockholder of Lime Energy.

(h) Represents the income tax impact of the pro forma adjustments based on the federal statutory rate of 28.0%.

(i) Represents the issuance of 2,012,500 shares of the Company's common stock in the Equity Offering.

WILLDAN GROUP, INC. AND SUBSIDIARIES
Pro Forma Consolidated Statements of Operations
(Unaudited)

	Willdan Group, Inc. Historical Fiscal Year Ended December 29, 2017	Lime Energy Co. Historical Fiscal Year Ended December 31, 2017	Pro Forma Adjustments		Willdan Group, Inc. Pro Forma Combined
Contract revenue	$ 273,352,000	$ 124,595,000	$ —		$ 397,947,000
Direct costs of contract revenue (exclusive of depreciation and amortization shown seperately below):					
Salaries and wages	44,743,000	—	10,736,000	(a)	55,479,000
Subconsultant services and other direct costs	151,919,000	81,732,000	(278,000)	(b)	233,373,000
Total direct costs of contract revenue	196,662,000	81,732,000	10,458,000		288,852,000
General and administrative expenses:					
Salaries and wages, payroll taxes and employee benefits	36,534,000	—	14,123,000	(c)	50,657,000
Facilities and facility related	4,624,000	—	1,626,000	(c)	6,250,000
Stock-based compensation	2,774,000	—	332,000	(c)	3,106,000
Depreciation and amortization	3,949,000	1,693,000	7,410,000	(d)	13,052,000
Other	15,105,000	36,536,000	(27,949,000)	(e)	23,692,000
Total general and administrative expenses	62,986,000	38,229,000	(4,458,000)		96,757,000
Income (loss) from operations	13,704,000	4,634,000	(6,000,000)		12,338,000
Other (expense) income:					
Interest income	—	429,000	—		429,000
Interest expense	(111,000)	(2,568,000)	(1,357,000)	(f)	(4,036,000)
Other, net	98,000	2,294,000	(2,294,000)	(g)	98,000
Total other income (expense)	(13,000)	155,000	(3,651,000)		(3,509,000)
Income (loss) before income tax expense	13,691,000	4,789,000	(9,651,000)		8,829,000
Income tax expense (benefit)	1,562,000	127,000	(2,702,000)	(h)	(1,013,000)
Net income (loss)	$ 12,129,000	$ 4,662,000	$ (6,949,000)		$ 9,842,000
Earnings per share:					
Basic	$ 1.42				$ 0.93
Diluted	$ 1.32				$ 0.88
Weighted-average shares outstanding:					
Basic	8,541,000		2,012,500	(i)	10,553,500
Diluted	9,155,000		2,012,500	(i)	11,167,500

(a) Reflects reclassification from Subconsultant services and other direct costs and Other in General and administrative expenses to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(b) Reflects reclassification to Salaries and wages under Direct costs of contract revenue to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(c) Reflects reclassification from Other in General and administrative expenses to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(d) Reflects $6.0 million of amortization expenses attributable to intangible assets acquired as part of the Acquisition and reclassification of $1.4 million from Other in General and administrative expenses to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(e) Reflects reclassification to Salaries and wages under Direct costs of contract revenue, Salaries and wages, payroll taxes and employee benefits under General and administrative expenses, Facilities and facilities related expenses, Stock-based compensation and Depreciation and amortization to conform the presentation of Lime Energy's financial information to Willdan's presentation.

(f) Reflects interest expense based on $70.0 million in new term loan borrowings under the New Credit Facilities to finance the Acquisition and repayment of the outstanding debt of Lime Energy in connection with the Acquisition. The interest expense for borrowings under the New Credit Facilities is based on an interest rate of 5.31%, which assumes one-month LIBOR as of November 9, 2018 plus an applicable margin of 3.00% based on Willdan's consolidated leverage ratio after the Acquisition. The New Credit Facilities bear interest at a rate equal to either, at Willdan's option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.50% or one-month LIBOR plus 1.00% ("Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 0.25% to 3.00% with respect to Base Rate borrowings and 1.25% to 4.00% with respect to LIBOR borrowings. The applicable margin is based upon Willdan's consolidated total leverage ratio. A change of 12.5 basis points in the interest rate would change interest expense for the period shown by $0.0875 million.

(g) Represents elimination of gain from change in derivative liability from related party due to extinguishment of convertible debt in connection with the Acquisition held by the controlling stockholder of Lime Energy.

(h) Represents the income tax impact of the pro forma adjustments based on the federal statutory rate of 28.0%.

(i) Represents the issuance of 2,012,500 shares of the Company's common stock in the Equity Offering.